



SINGAPORE KITCHEN EQUIPMENT LIMITED

Kitchens Refined, Outdone.

Annual Report 2019



SKE is a people business, treasuring the human capital above financial considerations. And SKE had proven that once the right foundation is laid, success will follow. For year 2019, our customers stayed loyal, our suppliers stayed competitive and supportive, our staff stayed dedicated and professional. In addition, SKE will also continue to give unstintingly to the less fortunate in our community and beyond.



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Our Mission

- SERVICE EXCELLENCE
- PRODUCT EXCELLENCE
- PARTNERING OUR CUSTOMERS!

Our Vision

- EVERY KITCHEN, A Q'SON.

This annual report has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst. This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes 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. The contact person for the Sponsor is Mr Eric Wong (Director, Investment Banking). The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: +65 6337 5115.

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CORPORATE PROFILE

**GREAT
KITCHENS**
WE MAKE IT HAPPEN



Singapore Kitchen Equipment Limited ("SKE" or the "**Group**"), operating with the trade name Q'son Kitchen Equipment Pte. Ltd. ("**Q'son**"), is **one of Singapore's leading commercial and industrial kitchen solutions providers** for the Food & Beverages (F&B) and hospitality services industries.

Since its inception, SKE 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.

SKE'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 level of food quality. Venturing beyond Chinese kitchens, SKE 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, SKE 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, SKE'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.



Great Kitchens by Q'son

Supporting our Valued Clients with Quality Products & Services to Deliver the Best for Their Customers

Kam's Roast

This Michelin starred traditional roast meat joint opened yet another storefront at the Jewel @ Changi Airport. Equipped with our comprehensive kitchen equipment, the succulent roast duck, chicken and pork meat on the menu is sure to please the most discerning palate.

Jack's Place

First opened its doors in 1996, Jack's Place has constantly whipped up great food at great prices. From sizzling steaks, hearty bites to tantalising desserts, hungry diners can always enjoy a good meal in a friendly ambience at great value!

Jumbo Seafood

A ubiquitous home-grown global brand, Jumbo has always been setting the standards for delicious seafood. As a proud partner of Jumbo for more than a decade, we are honoured to be part of its new store in Jewel @ Changi Airport, as it continues to welcome patrons with their famous Chilli Crab and other mouth-watering seafood.

Monga Chicken

A new kid on the block making its debut in Singapore, Monga is a well-known name in Taiwan that constantly whips up tasty Taiwanese chicken to satisfy the discerning crave for juicy fried chicken with a twist. A fresh take on how chicken rice is served!



MOTT 32

A Michelin starred Hong Kong fine-dining brand that recently set foot in Singapore, MOTT 32 has always been raising the benchmark for creative and appetising delicacies. A truly fine showmanship of culinary skills and services that should not be missed!

Din Tai Fung

A Michelin-starred restaurant well-known for their signature Xiao Long Bao, steamed dumplings and noodles, diners can easily experience casual dining yet in style. Be pampered by their intricately-prepared delicacies that will definitely elevate your dining experience.

Dian Xiao Er

Awarded Epicurean-Best Chinese Restaurant, savour the authentic Chinese cuisine in a restaurant decked out in ancient Chinese inn setting. Indulge in these traditional Chinese delicacies that are specially prepared to amaze your tastebuds!

Rumours Bar & Grill

A chillaxing hangout spot of choice! With a new outlet in Jewel @ Changi Airport, Rumours serves an extensive menu with handcrafted dishes that caters to all occasions - couples, families and group gatherings alike. From hearty meat platters to icy cocktails, Rumours has it all.

Tim Ho Wan

Great dim sum with no limits! Food critics will only agree how delicious the spread can be! As one of the most authentic purveyors of mouth-watering Cantonese dim sum, Tim Ho Wan consistently wins the hearts of many food-lovers, captivating them to come back for more!

Pu Tien

Inspirational food from the coastal town of Fujian, China, Pu Tien hit the Singapore's shores in 2000. Debut at Kitchener Road, Pu Tien had expanded by leaps and bounds. As one of our valued clients, we are honoured to provide our support and quality services for its new outlet in Jewel @ Changi Airport, where foodies indulge in authentic Chinese cuisines that not only satisfy the tastebuds, but also the hearts.

OUR BUSINESS

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

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



Urgent repairs, cleaning and degreasing of kitchen equipment



Growing service team; increasing operational fleet of 34 vehicles

FABRICATION AND DISTRIBUTION SEGMENT

Sticking to what we do best, SKE is able to leverage on our fundamental strength to expand and grow the business. Its subsidiary Q'son established in 1996 has become a strong fabricator of stainless steel products for the commercial kitchens. Many of the processes are automated which save resources and reduce waste. Output had increased by up to 100 times since 1996. With a factory space of approximately 25,000 sq ft and 52 production workers. The Group had made provisions for anticipated increase in output capacity.

Designing of the stainless steel products had been given a boost with upgraded skills and certification by our in-house designers to satisfy higher end requirements.

To complement the suite of offerings, SKE imports and distributes kitchen products and systems. We work with other manufacturers for better pricing, quality control and training support.

As a progression of our experience and capability, SKE also value adds by way of offering consultancy and design of entire kitchen fit-out based on clients' specifications and requirements.

MAINTENANCE AND SERVICING SEGMENT

Our subsidiary Q'son has one of the largest servicing teams in Singapore providing kitchen equipment maintenance and technical servicing. Under the Group's annual preventive 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.

SKE 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 the relevant authorities to construct and repair gas pipes and fittings, as well as install, repair and test gas appliances and gas meters.

THE GROUP'S TWO KEY BUSINESS SEGMENTS ARE FABRICATION AND DISTRIBUTION SEGMENT AND MAINTENANCE AND SERVICING SEGMENT.

House Brands



InnoFlame
(Chinese cooking range)



Qoolux
(Industrial refrigeration products)



Third Party / OEM Brands

Distributor



Third Party
Kitchen Equipment



LETTER TO SHAREHOLDERS



CHAIRMAN
TAY-TAN BEE KIEW EILEEN

EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER
CHUA CHWEE CHOO SALLY

"Our commitment to build
Great Kitchens
has constantly driven us to outdo
ourselves year after year, and
growing our presence and the
Q'son brand beyond Singapore
has always been part of our
strategic plan."

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, we are pleased to present to you Singapore Kitchen Equipment Limited's annual report for the financial year ended 31 December 2019 ("FY2019").

FY2019 was another fruitful year for Singapore Kitchen Equipment Limited ("SKE" or the "Group"). Though we had a slow start, sales picked up rapidly in the second half of the year, thanks to the launch of Jewel @ Changi Airport, which provided us with a great injection of activities.

Out of the 112 Food & Beverage ("F&B") outlets in Jewel @ Changi Airport, we undertook projects for 30 of them, a significant 27% of the total food outlets there, contributing approximately S\$3.2 million which represented more than 10% of our total revenue in FY2019. These consisted of both new and returning customers, including renowned brands like Kam's Roast, Jack's Place, Jumbo Seafood, Din Tai Fung, Rumours Bar & Grill, Tim Ho Wan, Pu Tien, Pazzion Café, Sama Sama by Tok Tok, AC. Kafe, Dian Xiao Er, Food Xin Pte Ltd, EAT by Fei Siong Group, Yunhaiyao Pte Ltd, Maison de PB (Paris Baguette) etc.

Besides projects from Jewel @ Changi Airport, another bright spot during the year was a project we undertook for a Hong Kong Michelin fine-dining restaurant under MOTT 32 located at Marina Bay Sands, which contributed approximately S\$1.0 million to our revenue. All these are a strong testament to the trust our customers have in us to deliver high quality customised solutions that cater to their diverse needs.

With their strong support, we were able to record yet another year of commendable financial performance in spite of a challenging and highly competitive operating environment. Notwithstanding the headwinds, we continued to extend our reach, diversify our strengths and increase our market share, while staying vigilant and prudent in managing our costs and risks.

YEAR IN REVIEW

During the year we managed to turn in total revenue of S\$33.02 million, a marginal dip of 1.6% as compared to S\$33.56 million in FY2018. Our integrated strategy implemented in the beginning of FY2019 to bundle all projects with service support had enabled us to garner more orders and projects. Correspondingly, excluding the one-off dual listing expenses, we registered a lower net profit of S\$1.10 million mainly attributed by the heated competition with many undercutting prices to stay afloat, increased staff costs, and marginal provision made for receivables and inventory write-offs.

Our primary operating industries - the F&B and hospitality industries in Singapore remained challenging and competitive, but through intensive sales and various digital and social media marketing channels, we were able to increase brand exposure and connect with our

customers more effectively. This allowed us to serve their needs and deliver Great Kitchens that met, if not exceeded their expectations. You can find some of them on pages 2 and 3 of this report.

UNLOCKING NEW CHAPTERS OF GROWTH

In FY2019, while focusing on our core competencies, we also expanded our capabilities in new areas to strengthen growth and mitigate risks.

During the year, we reinforced and enhanced our capabilities in our technical services in the cold storage facilities business, enabling us to manage a full suite of installation services for walk-in cold rooms at competitive rates. We continued to see great potential in this higher-margin sector due to the engineering involved and skilled labour required to set up a cold room. As such, we have set out plans to develop and grow this area in FY2020.

EXTENDING BEYOND BOUNDARIES

Likewise, our commitment to build Great Kitchens has constantly driven us to outdo ourselves year after year, and growing our presence and the Q'son brand beyond Singapore has always been part of our strategic plan. Bintan and Batam are two new locations that attracted our attention, and in FY2019, we made our first foray into Bintan. Through tapping on the Enterprise Development Grant from Enterprise Singapore, we established an office and will be fully operational in the second quarter of FY2020. We are already seeing traction and foresee the market potential to be promising.

Besides Bintan, we also strengthened our collaboration with partners and customers during the year, to undertake more overseas projects in regions like Sabah, Medan and Maldives. As we continued to deliver more of our customised commercial kitchen equipment solutions to restaurants and resorts abroad, we seek to explore greater opportunities to expand our geographical reach.

GOING DIGITAL

Within the Group, we believe that staying innovative and leveraging on technology is the way forward. Besides creating smart kitchen solutions for our customers, we have also adopted digital and social media marketing strategies to reach out to them. This had successfully enhanced our online and digital presence and fuelled our customer acquisition process during the year.

LETTER TO SHAREHOLDERS

Internally, as administrative work became voluminous, we have also tapped on technology to complement our resource management strategy. Office digitalisation was adopted through the use of QR coding, so that manual administrative functions like collating, storing and despatching can be carried out automatically. Over the past year, we relieved the administrative tasks from our teams, coupled with the occurrence of less errors, less paper usage, and more complex tasks were executed with higher accuracy at greater efficiency and lower costs.

CHARTING OUR WAY FORWARD

Looking ahead in the short term, we expect the outbreak of COVID-19 to inevitably reduce the demand for the services from our maintenance and servicing segment. To manage the impact, we are actively pursuing new projects, managing costs, increasing productivity and maximising resources usage. Amidst the current environment, more restaurants are also ramping up their online food delivery services to mitigate the impact on their businesses. With more choices and convenience, we believe that the food delivery market will continue to flourish, driving the demand for our diverse and customised kitchen solutions.

As a customer-centric business, besides offering quality products, we understand the important role that each employee plays to ensure happy and satisfied customers. This is why we constantly strive to build a strong culture that allows everyone to develop and grow in this big family of ours.

For example, we are constantly seeking talented individuals who are eager to perform and achieve to join our sales and technical teams. Though we already have good human resource initiatives in place, we will place even greater emphasis on talent development and staff retention in the coming years.

We value each and every employee and strive to equip them with the relevant experience and knowledge, as proficiency of technical staff and extensive product knowledge of sales personnel are pivotal to the Group's ability to levy a premium for our services. We seek to work closely with them, to unleash their full potential and scale new heights.

As we navigate the evolving business landscape with an uncertain economic outlook, we believe that our solid fundamentals and strong enterprise culture cultivated over the years will enable us to ride through the challenging times and seek more opportunities beyond the horizons. We remain committed and proactive in our course to deliver, while staying prudent in managing rising costs and increasing uncertainties, so as to achieve greater profitability, stability and sustainability.

WORD OF APPRECIATION

In closing, we would like to express our warmest gratitude to fellow Directors and Senior Management for their guidance and support, as well as our valued customers, business partners, and shareholders for your steadfast faith and confidence in us. We also wish to extend our appreciation to our dedicated staff for putting in their best to unlock so many SKE's milestones.

As we enter a new chapter of growth, we look forward to your continued support. We strongly believe that as we stand firmly united, we are poised to tide through the trying times, and achieve bigger successes together in years to come.

MS TAY-TAN BEE KIEW EILEEN

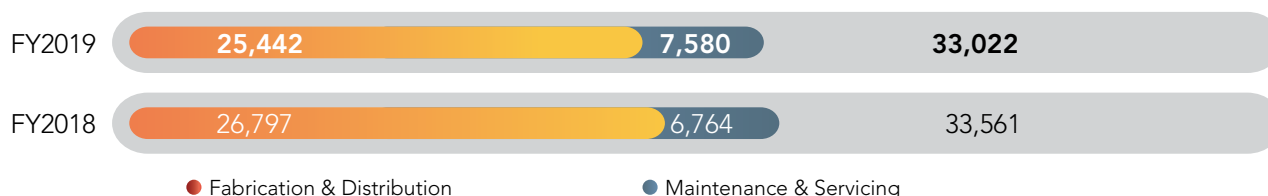
Independent Non-Executive Director & Chairman

MS CHUA CHWEE CHOO SALLY

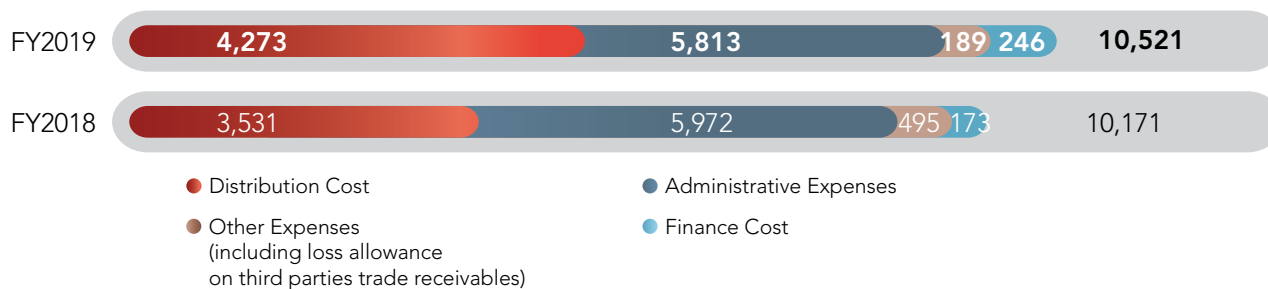
Executive Director & Chief Executive Officer

FINANCIAL HIGHLIGHTS

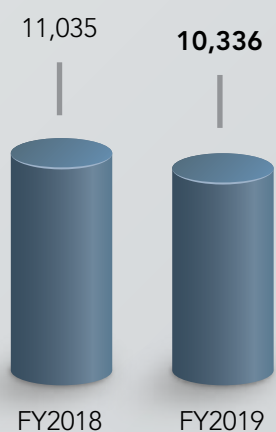
REVENUE (S\$'000)



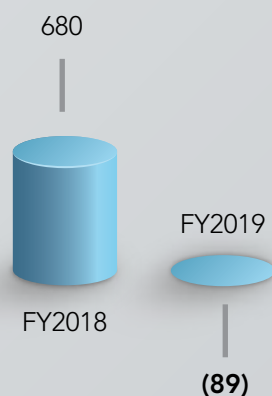
TOTAL EXPENSES (S\$'000)



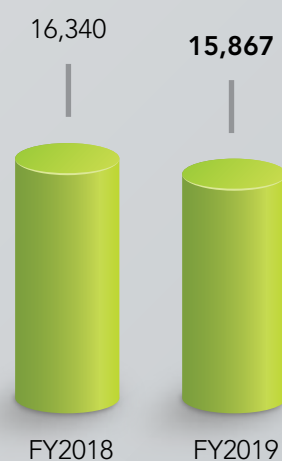
GROSS PROFIT (S\$'000)



NET PROFIT / (NET LOSS) (S\$'000)



TOTAL SHAREHOLDERS' EQUITY (S\$'000)



OPERATIONS AND FINANCIAL REVIEW

A RESILIENT YEAR

FY2019 was a year plagued with many challenges and intense competition. As greater uncertainties continued to linger over the business environment, we have to inevitably manage the competitive pricing strategies of our competitors in the market, while constantly staying prudent to cope with the rising operating costs.

Against the backdrop of such a challenging operating landscape, the Group remained resilient and reacted readily with our innovative solutions and aggressive marketing plans. These allowed us to record total revenue amounting to S\$33.02 million in FY2019, a slight dip of 1.6% as compared to S\$33.56 million in the preceding year, which was attributable to lower sales from our main Fabrication and Distribution business segment.

REVENUE FROM FABRICATION & DISTRIBUTION SEGMENT

Revenue from the Fabrication and Distribution segment had seen a moderate fall from approximately S\$26.80 million in FY2018 to approximately S\$25.44 million in FY2019. Faced with many undercutting prices to stay afloat, we experienced a slow start in the first half of the financial year, but boosted sales momentum during the second half as we initiated an integrated strategy that provided all projects with our service support. This strategic move successfully garnered more orders especially from Jewel @ Changi Airport.

Among the 112 F&B outlets there, we undertook projects from 30 of them, contributing close to S\$3.2 million in sales revenue. These projects have once again exemplified our ability to deliver great and diverse kitchen solutions within tight timeframes, coupled with uncompromising quality and strong after-sales support. This is how we have always maintained our leading edge in the increasingly competitive landscape.

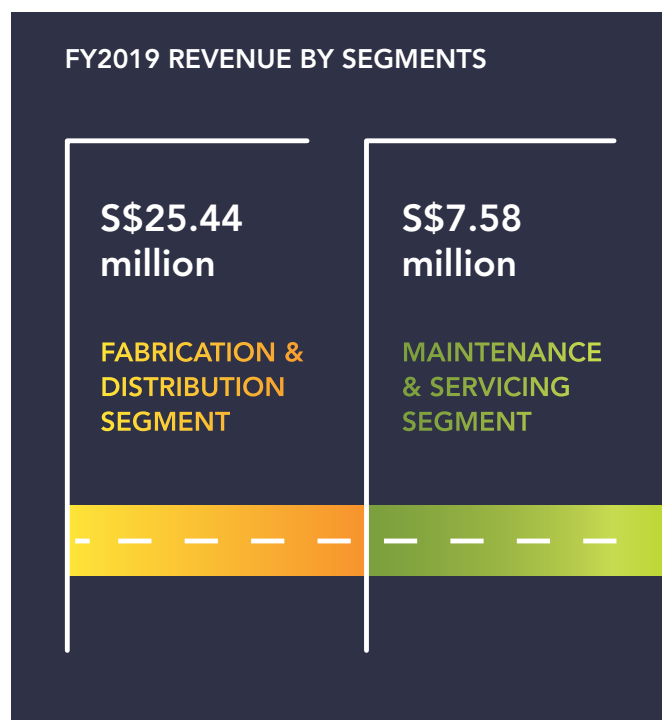
These projects include the likes of well-known brands such as Kam's Roast, Jack's Place, Jumbo Seafood, Din Tai Fung, Rumours Bar & Grill, Tim Ho Wan, Pu Tien, Pazzion Café, Sama Sama by Tok Tok, AC. Kafe, Dian Xiao Er, Food Xin Pte Ltd, EAT by Fei Siong Group, Yunhaiyao Pte Ltd, Maison de PB (Paris Baguette) etc.

From authentic Chinese restaurants to European fine dining and cafes, our comprehensive commercial kitchen equipment solutions continued to garner strong support from our valued customers. Together with our industrial kitchen solutions, Q'son (operating under SKE) continues to be the go-to brand for reliable and innovative kitchen solutions.

REVENUE FROM MAINTENANCE & SERVICING SEGMENT

Revenue from the Maintenance & Servicing segment amounted to approximately S\$7.58 million in FY2019, a moderate increase from approximately S\$6.76 million in FY2018. This rise in demand for our services was a result of our strategic move to provide all projects with our strong service support.

During the year, the Group continued to tap on the high proficiency of our technical team. Besides offering installation and maintenance services of our core kitchen equipment solutions, our team expanded their scope into the installation and maintenance of cold storage facilities which we embarked on since late 2017. We are seeing more new orders in this area of growth, which will require our maintenance services in time to come.



COST OF SALES & GROSS PROFIT

The Group's cost of sales increased by approximately S\$0.16 million from S\$22.53 million in FY2018 to S\$22.69 million in FY2019. This was mainly contributed by the tools and consumables of approximately S\$0.15 million being expensed off during the financial year.

The Group reported lower gross profit of approximately S\$10.34 million in FY2019 as compared to S\$11.04 million in FY2018.

OPERATING EXPENSES

Distribution Costs

Distribution expenses increased by approximately S\$0.75 million from S\$3.53 million in FY2018 to S\$4.28 million in FY2019.

This was mainly due to an increase in staff costs of approximately S\$0.47 million and increase in amortisation of right-of-use assets of approximately S\$0.28 million.

The increase in staff costs was mainly due to additional headcount in sales and sales support personnel including provision for bonus and commission. There was more business travelling due to travelling for on-site visits for projects in Malaysia and Maldives as well as overseas costs incurred for Milano exhibition.

Administrative Expenses

Our administrative expenses amounted to S\$5.81 million in FY2019, a net decrease of approximately S\$0.16 million as compared to FY2018. This was mainly due to decrease in listing expenses and staff incentives, which were partially offset by the provision of bonus and amortisation of right-of-use assets.

Total Other Expenses and Loss Allowance on Trade Receivables

Total other expenses and loss allowance on trade receivables decreased by approximately S\$0.31 million from S\$0.50 million in FY2018 to S\$0.19 million in FY2019. This was mainly due to drop in bad debts written off of approximately S\$0.24 million.

Finance Costs

Finance costs amounted to S\$0.25 million in FY2019, a moderate increase of approximately S\$0.08 million from S\$0.17 million in FY2018. The increase was contributed by higher utilisation of invoice financing and hire purchase facilities.

Income Tax Expense

Income tax expenses was estimated to be S\$0.45 million in FY2019 due to current tax expenses of S\$0.53 million in FY2019 offset by over provision of income tax in prior year of approximately S\$0.08 million.



OPERATIONS AND FINANCIAL REVIEW

LOSS FOR THE FINANCIAL YEAR

Overall, the Group reported a net loss attributable to equity shareholders of approximately S\$0.09 million in FY2019 as compared to net profit of approximately S\$0.68 million in FY2018. This was attributable to the decrease in gross profits and provision for bonus and related costs of approximately S\$0.49 million, which were offsetted by the decrease in listing expenses of approximately S\$0.47 million.

Excluding the dual listing expenses, the Group would have recorded a net profit of S\$1.10 million in FY2019 as compared to S\$2.34million in FY2018.

STATEMENT OF FINANCIAL POSITION

Non-current Assets

The Group's non-current assets increased by S\$1.25 million to S\$3.55 million as at 31 December 2019 (31 December 2018: S\$2.30 million) mainly due to the recognition of right-of-use ("ROU") assets of approximately S\$2.57 million arising from the Group's adoption of SFRS(I) 16 on 1 January 2019.

Current Assets

The Group's current assets amounted to S\$25.90 million as at 31 December 2019 (31 December 2018: S\$25.79 million).

The decrease in inventories of approximately S\$0.49 million from S\$3.95 million as at 31 December 2018 to S\$3.46 million as at 31 December 2019 is mainly attributable to reduction of goods in transit of approximately S\$0.13 million and tools and consumables of approximately S\$0.15 million being expensed off in the financial year.

The increase in trade receivables of approximately S\$0.24 million from S\$9.69 million as at 31 December 2018 to S\$9.93 million as at 31 December 2019 was mainly due to higher sales generated during last quarter of the FY2019, which remains unpaid as at year end.

The decrease in prepayments, deposits and other receivables of approximately S\$0.59 million was mainly due to prepaid listing expenses in FY2018, which were expensed off during the FY2019.

The increase in cash and cash equivalents was mainly due to net cash generated from operations.

Current Liabilities

The Group's current liabilities increased by S\$1.55 million from S\$10.22 million as at 31 December 2018 to S\$11.77 million as at 31 December 2019.

The increase in contract liabilities of approximately S\$0.09 million from S\$0.50 million as at 31 December 2018 to S\$0.59 million as at 31 December 2019 was mainly due to increase in advances received from customers as down payment for orders.

The decrease in trade payables of approximately S\$0.75 million from S\$3.81 million as at 31 December 2018 to S\$4.56 million as at 31 December 2019 contributed to higher purchases made during the last quarter of FY2019.

The decrease in accruals and other payables of approximately S\$0.69 million from S\$1.96 million as at 31 December 2018 to S\$2.65 million as at 31 December 2019 was mainly due to the absence of accrued listing expenses recognised in income statement in FY2019.

The increase in bank borrowings of approximately S\$0.38 million from S\$2.85 million as at 31 December 2018 to S\$3.23 million as at 31 December 2019 was mainly due to the high utilisation of invoicing finance for bills payments to suppliers during last quarter of the FY2019.

The increase in the current portion of lease liabilities of approximately S\$1.23 million mainly arose from recognition of new lease liabilities, which were previously classified as operating leases, on the adoption of SFRS(I) 16.

The decrease in income tax payable by approximately S\$0.21 million from S\$0.72 million as at 31 December 2018 to S\$0.51 million as at 31 December 2019 was mainly attributed to the lower provision of Group's income taxes on profits.

Non-current Liabilities

The Group's non-current liabilities increase of S\$0.29 million is mainly due to increase of lease liabilities incurred for purchase of new motor vehicles.

Shareholders' Equity

As at 31 December 2019, the Group shareholders' equity amounted to S\$15.87 million as compared to S\$16.34 million as at 31 December 2018, resulting from decrease in retained earnings of approximately S\$0.47 million.

Consolidated Statement of Cash Flows

Cash and cash equivalents, excluding pledged fixed deposits, amounted to approximately S\$9.57 million as at 31 December 2019, representing an increase of approximately S\$0.06 million from the cash and cash equivalents balance of S\$9.51 million as at 31 December 2018.

Net Cash Generated from Operating Activities

The Group's net cash inflow from the operating activities was approximately S\$2.62 million, mainly due to the net cash generated by the operations of the group.

Net Cash Used in Investing Activities

Net cash flows used in investing activities during FY2019 amounted to approximately S\$0.33 million, as a result of additions to property, plant and equipment amounting to S\$0.38 million and intangible assets of S\$0.01 million, partially offset by interest received of approximately S\$0.06 million.

Net cash flows used in financing activities

Net cash flows used in financing activities during FY2019 was approximately S\$2.23 million. The funds from issuance of trust receipts of approximately S\$8.22 million were offset by the repayment of trust receipts of approximately S\$7.83 million. The cash outflows were mainly related to dividend payments of approximately S\$0.39 million in FY2019, settlement of obligations under lease payable of approximately S\$1.35 million, payment of interest expense of S\$0.25 million and fixed deposits pledged to banks of approximately S\$0.64 million.

TALENT DEVELOPMENT & STAFF RETENTION

With an ageing population and tighter regulations on foreign employment, we continue to face challenges when scouting for talented people to join our SKE family. Operating in a niche industry, seeking individuals with the relevant knowledge and experience is a constant uphill task, especially for the sales and technical teams.

In FY2019, we placed even greater emphasis on developing our talents and staff retention. We believe strongly in continual training and career advancements for our employees. As an enterprise which strives to provide service excellence, we understand that the attitude and proficiency of each employee can make a difference to our brand.

Besides providing monthly skill and technical trainings and re-trainings, we also offer cash incentives for staff who successfully completed their training courses. For employees with outstanding performances, we offer better remuneration packages and promotion opportunities, to ensure that they have a rewarding career with SKE. We also care for their well-being and through our frequent teambuilding activities, we stay committed to build a healthy and united SKE family who looks out for one another.

We believe that each and every employee can contribute to the success of the Group. We will continue to nurture an inclusive corporate culture that can motivate, engage and connect.

BOARD OF DIRECTORS

Tay-Tan Bee Kiew Eileen is our Independent Director and Chairman of the Group. She is currently an Independent Director of Sunningdale Tech Ltd and the Chairman of the Audit Committee of SGX-ST Catalist-listed Jason Marine Group Limited. 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 guidance, SKE's finance team was able to uphold the highest standards in reporting and risk management.



TAY-TAN BEE KIEW EILEEN

Independent Non-Executive Director and Chairman



Chua Chwee Choo Sally is one of 3 founding members, our Executive Director and Chief Executive Officer. She was appointed to the Board on 9 May 2013. Besides overseeing daily operations, spearheading innovation in hardware and software aspects of operations and oversight of both the Sales and Marketing divisions, Sally also conceptualises strategic plans for implementation and execution for both short-term and long-term goals. Under her leadership, SKE successfully garnered the prestigious Singapore Prestige Brands Award (SPBA) Established Brand category, under the auspices of Spring Singapore for its Q'son brand, in October 2015. This is in recognition of the high level of coordinated branding of Q'son locally.

CHUA CHWEE CHOO SALLY

Founding Member, Executive Director and Chief Executive Officer

BOARD OF DIRECTORS



LEE CHONG HOE ALAN

Co-Founder and Executive Director

Lee Chong Hoe Alan is our co-founder and Executive Director (Technical and Maintenance Service) and was appointed to the Board on 9 May 2013. Alan heads the Technical Department since inception. With rapid advancement in technological usage in the commercial kitchen equipment, Alan continually upgrades the technical competencies of his technical department to meet the challenges. Under the leadership of Alan, our technical department had grown to be the largest in Singapore.

NG HOW HWAN, KEVIN

Independent Non-Executive Director

Ng How Hwan, Kevin is our Independent Non-Executive Director and was appointed to our Board on 16 September 2013. He is currently the Vice President of Super Brands, a fully owned company of 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 Catalist-listed Neo Group Limited and chairs the Nomination Committee. Kevin brings to the table his 23 years' experience in the food and beverage (F&B) industry, and has a strong understanding of the dynamics of the F&B industry. As the Chairman of the Remuneration Committee of SKE, Kevin has steered and advised SKE on a sustainable game plan and a rewarding collaboration between stakeholders and staff.

LUI HIN WENG SAMUEL

Independent Non-Executive Director

Lui Hin Weng Samuel is our Independent Non-Executive Director and was appointed on 18 May 2018. He is currently the owner and operator of a business advisory firm, LV Capital Limited, providing consulting services relating to strategic planning, business development, investor relations, capital management, risk control management and compliance. On 23 November 2016, Mr. Lui was appointed as an Independent Non-Executive Director of EFT Solutions Holdings Limited (stock code: 8062) and has been re-designated to a Non-Executive Director since April 2017.

He has more than 21 years' of experience in capital markets, investment banking, private equity, financial and risk management, compliance and auditing.

He obtained a bachelor's degree in accountancy from Nanyang Technological University in Singapore in July 1998 and has been a member of the Institute of Singapore Chartered Accountants since October 2002.

KEY MANAGEMENT

KOH SAI ENG CHARLENE

Senior Manager

Charlene Koh 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, JJWPte Ltd as an Administrative Manager for nine years. Charlene Koh attained her GCE A Level certificate in 1975.

CHOW MEI LING FERLEEN

Financial Controller

Ferleen Chow joined the Group in June 2016 as Financial Controller. She is responsible for overall financial management and accounting functions, including corporate finance, tax, regulatory compliance, budgetary control and treasury functions for the Group. Ferleen Chow has over 10 years of working experience in accounting and financial management in various public listed companies.

SUSTAINABILITY REPORT

“ We will continue our core sustainable strategies: **STAY CUSTOMER-CENTRIC** to enhance greater local business support, **SEEK AND KEEP THE BEST TALENTS** in the field to consolidate our human capital, **GO DIGITAL** for innovative and smart kitchen solutions, **BUNDLE PROJECTS WITH SERVICE SUPPORT** to serve our customers better and **VENTURE INTO NEW MARKETS** and new areas of growth. ”

BOARD STATEMENT

Singapore Kitchen Equipment Limited (hereafter referred to as “SKE” or the “Group” or the “Company”) is pleased to present the third annual Sustainability Report (the “Report”) which covers our Group’s performance from 1 January 2019 to 31 December 2019 (the “Reporting Period”).

This Report covers the Group’s key sustainability issues, the management’s approach and its related performance. It is prepared in accordance with the GRI standards: Core Option.

Our Board of Directors continues to appoint a steering committee spearheaded by Ms Charlene Koh and a working committee comprising senior staff at our Singapore Headquarters and our subsidiary in Johor Bahru, Malaysia, to supervise the Sustainability Report in FY2019.

During the process, our committees had worked closely with all Head of Departments (“HODs”) and our stakeholders from whom we gathered valuable material ESG factors for our sustainability assessment. The committees updated their findings as and when they deemed important, keeping the Board informed of the progress. The reporting process included Identification of the relevant material factors of the Group’s activities; Prioritisation of the material factors and Identification of

key sustainability factors; Validation of the completeness of key sustainability factors; Review on the material factors in the previous Reporting Period, Consideration of stakeholder’s feedback, changing business landscape and emerging trends.

During this Reporting Period, the Board members remained the same. The Board takes yearly sustainability reporting seriously, and all concerns of the stakeholders are duly discussed which have been implemented in our business strategies to enhance our quality and capabilities.

Looking forward into FY2020, we will continue our core sustainable strategies: Stay customer-centric to enhance greater local business support, seek and keep the best talents in the field to consolidate our human capital, go digital for innovative and smart kitchen solutions, bundle projects with service support to serve our customers better and venture into new markets and new areas of growth.

Last but not least, the Board would like to thank all parties who participated in the compilation of this Report, and welcome our stakeholders’ feedback to us pertaining to our Sustainability Report. Please feel free to send your comments and suggestions to Ms Charlene Koh at charlene@qson.com.sg.

CHAIRMAN, BOARD OF DIRECTORS

STAKEHOLDER ENGAGEMENT

Our Group has always focused on creating sustainable value for our stakeholders. We have actively engaged them through the following channels:

Stakeholders	Engagement Platforms	Frequency	Key Concerns
1 Shareholders & Investors 	• Annual General Meeting • Annual Report • Corporate Announcements • Corporate Website	Annually Annually Regularly Timely corporate news release	Profitability and Sustainability
2 Customers & Consumers 	• Events & Functions • Email Queries • Hotline • Customer Surveys	Annually Daily Daily Annually	Prompt service support
3 Employees 	• Morning Briefing Sessions • Departmental meetings • HOD Coordinating Meetings • Work Plans • Staff Seasonal Parties • Seminars and Talks • Special Skills Trainings	Daily Weekly Monthly Annually On festive days Quarterly As and when required	Manpower, Skill Sets, Staff incentives and welfare
4 Suppliers & Service Providers 	• Emails at all levels • Face to Face meetings • Review and feedback	Daily Monthly Quarterly	Prompt Delivery and Payment
5 Government & Regulators 	• SGX • ACRA • Trade / Industry Events • Government Agencies	4-6 times annually Half Yearly Quarterly Monthly	Compliance, news Updating, Economic growth and Announcement
6 Local Community 	• Year End Dinner Party • Donations • Participating in Social & Charitable Activities • Seminars and Talks	Annually Annually Twice a Year As and when	Willingness in CSR and Voluntarism

Figure 1 How we engaged our Stakeholders

SUSTAINABILITY REPORT

MATERIAL FACTORS

Our materiality assessment process for FY2019 involved the Group's Senior Management in identifying sustainability factors deemed material to our businesses and our stakeholders. This is to ensure that our resources are better deployed to create sustainable value for our stakeholders. The content below shows **10 KEY FACTORS** that are prioritised by the working committee:

- | | |
|---|---|
| 1 Sustainable Business Performance (Economic) | 6 Strategy and Analysis regarding Sustainability (Economic) |
| 2 Product Quality & Satisfaction (Economic & Environmental) | 7 Business Continuity Management (ESG) |
| 3 Inclusive Workplace and Talent Development (Social)/Equal Opportunity in Promotion (Social) | 8 Robust Corporate Governance Framework and Compliance (Governance) |
| 4 Business Ethics, Anti-Corruption (Governance) | 9 Labour and Industrial Relations (Social) |
| 5 Occupation Health and Safety (Social) | 10 Community Engagement (Social) |

Other Factors that are less significant to the Company at the moment include:

- | | |
|--|---|
| 1 Waste Management (Environmental) | 4 Human Rights (Social) |
| 2 Electricity & Water Conservation (Environmental) | 5 Indirect Economic Impact (Economic) |
| 3 Emissions (Environmental) | 6 Succession Planning (Social) |
| | 7 Innovation & Technology Leadership (Economic) |



Each of these topics was discussed among the selective groups separately and collectively in some subjects which are elaborated.

ECONOMIC

Our Business

Singapore Kitchen Equipment Limited ("SKE"), operating under trade name Q'son, is one of Singapore's leading one-stop commercial and industrial kitchen solution providers for the F&B and hospitality industries. Listed on the Catalist Board of SGX since 22 July 2013, SKE specialises in design and consultancy, equipment fabrication, installation and distribution and after-sales service support. The Group also has maintenance and servicing teams to provide integrated and ad hoc repair services, regardless of model, brand, type and source of purchase for our customers. Today, SKE is a brand name that is synonymous with quality, efficiency and reliability.

Some of our customers include renowned brands like Kam's Roast, Jack's Place, Jumbo Seafood, Monga Chicken, MOTT 32, Din Tai Fung, Dian Xiao Er, Rumours Bar & Grill, Tim Ho Wan, PuTien and many others.

We manage two house brands namely InnoFlame (a spectrum of Chinese, gas powered cooking ranges) and Qoolux (a range of industrial refrigeration products). Over the years, we have also worked with third-party kitchen equipment manufacturers and OEM brands to secure distribution rights for these equipment:



Economic Performance

Here is a summary of our financial performance over the last five years

Income Statement	2015	2016	2017	2018	2019
Revenues (S\$'000)	26,029	26,207	30,725	33,561	33,022
Profit/(loss) after tax (S\$'000)	1,531	2,568	1,298	680	(89)
Earnings/(loss) per share (Cents)-diluted	1.02	1.71	0.85	0.45	(0.05)
Dividend per share (Cents)	0.40	0.25	1.00	0.75	NA
Staff head count (In Numbers)	211	232	242	248	259
Productivity per employee (S\$)	123,360	112,961	126,963	135,327	127,498

Figure 3 Financial Performance (2015-2019)

Industrial Standards

We are awarded with certificates from various governmental agencies such as LGSW (Licensed Gas Service Workers from City Gas), OHSAS – Bizsafe Star (Occupational Health and Safety Assessment Series), ISO 45001 (WHS – Work, Health & Safety), Confined Space Assessor, Building and Construction Safety Supervisor level, Work At Height Supervisor level and Safety Officer level. All employees operating in our factory in Malaysia hold permanent contracts and work full-time. We also constantly invest in research and development through our hardware research team, enabling us to scale up business to a new height.



SUSTAINABILITY REPORT

ENVIRONMENTAL

Electricity and Water Conservation

We have guidelines in place to ensure efficient use of electricity by installing power-saving Light-Emitting Diode (LED) lights at our factories and offices. Employees will consciously turn off all power switches not in use during lunch and tea breaks. Air-conditioning temperature is also maintained at 24 degrees Celsius at all times. These measures help to control the wastage of energy when it is not in use. However, due to the design of work orders, our overall electricity consumption of our Malaysia factory in 2019 had increased compared to the previous year.

Tables 1 & 2 below show the total actual energy consumption in Malaysian Ringgit and the emissions intensity per metric ton in our Malaysia factory.

Year	Actual Consumption (KWh) of the Plant	Turnover (MYR)	(KWh/MYR)
2016	144,518	7,037,167	0.0210
2017	137,984	9,101,717	0.0152
2018	135,710	8,662,017	0.0157
2019	149,850	8,235,807	0.0182
Average	142,016	8,259,177	0.0172

Table 1 KWh Consumption vs the Revenue (KWh/\$ represents energy consumed per monetary unit of sales)

Year	Total direct CO ₂ or Carbon Equivalent Emissions (Metric Tons)	Total indirect CO ₂ or Carbon Equivalent Emissions (Metric Tons)	Turnover (MYR)	Emissions Intensity (MT/MYR'000)
2016	NA	102.0	7,037,167	0.01449
2017	NA	97.6	9,101,717	0.01072
2018	NA	96.0	8,662,017	0.01108
2019	NA	106.0	8,235,807	0.01287

Table 2 Emissions Intensity

<https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

To deliver our commitment to electricity and water conservation, various measures and initiatives are adopted such as:

- Installation of sensor water taps in toilets to prevent water wastage.
- Switching off office lights in the common areas and offices when not in use.
- Putting up signages at light switches as a reminder to switch off the lights when not in use.
- Use and deploy water-efficient tap filters on all our taps in the building to cut down water usage.
- Maintaining the air-conditioning temperature at 24 degrees Celsius at all times.
- Designated staff to patrol and check that air-conditioners and lightings are turned off after office hours.

Work Place Air and Environment

Our production plants do not cause any health hazards or air pollution. Nonetheless, we had installed heavy duty exhaust fans to ensure that the air circulation is maintained at fresh and healthy levels. Our employees are required to go for annual medical checkups to make sure that they remain healthy at work.

Waste Management

We engage licensed companies to dispose of our waste, including scraps and discharges to ensure environmental-friendly processes are carried out strictly. We also make known to our customers that certain parts of our products must be properly disposed or decommissioned after use. Clear instructions are always attached to the manual of our products for easy reference.

Supply Chain

In dealing with our suppliers, we ensure that proper evaluation procedures are reported in our assessment checklist which include their business conduct, labour practices, safety & health and environmental management. These practices enable us to conduct smoother supply and quality control as well as management of cash flow and cost-savings.

Compliance

We are not aware of any violations to laws and regulations pertaining to the environmental aspects. Our Malaysia factory has satisfied inspections by the relevant authorities, Jabatan Keselamatan Dan Kesihatan Pekerjaan Johor ("JKKP"). Policies and standard operating procedures are put in place to ensure environmental compliance such as

- Make sure suppliers have obtained the required environmental certifications;
- Employees are well informed of the policies and procedures in the event of contamination;
- Products are labelled with the environmental requirements;
- All materials used are within the limit of environmental requirements;
- Equipment used are environmentally-friendly; and
- Applying precautionary principles to reduce or avoid negative impact on the environment.

Occupational Health and Safety

SKE is ISO 9001:2008 certified. There were 2 minor injuries during FY2019 out of an estimated total of 120,000 jobs carried out. SKE has zero tolerance for injuries and will work towards achieving an accident-free environment for our workers. In our daily routine, we conduct morning meetings to refresh and reinforce workplace health and safety practices. Key measures adopted to manage health and safety in the workplace environment are as follows:

- A set of safety rules and regulations is in place;
- Safety committee is established and safety inspections are performed regularly;
- Briefings and talks on occupational safety are organised regularly; and
- Accidents are tracked and monitored regularly.

SUSTAINABILITY REPORT

SOCIAL



INCLUSIVE WORKPLACE AND TALENT DEVELOPMENT

Our Corporate Culture:

- ① SKE is non-discriminatory, practising and providing equal opportunities for all employees.
- ② We believe in talent retention and rewarding our employees at all levels. SKE provides competitive remuneration based on merits.
- ③ We ensure a safe and healthy working environment for all our employees. We are OHSAS and ISO 45001 certified.
- ④ We support human rights and against all forms of forced and child labour and prejudice, and all employees are engaged full-time and trained for their roles and responsibilities.
- ⑤ We believe in continual training and career development for all staff. Our employees are provided with skill and technical training at our Malaysia plant (3 to 4 hours per month).
- ⑥ We cultivate an inclusive culture where employees are motivated, engaged and connected via our monthly and quarterly company activities. We welcome employees of all nationalities and we currently have employees from 8 different countries.
- ⑦ We encourage our employees to exercise their rights of freedom of association though we do not have a collective bargain agreement. Our employees are given at least one month's notice prior to any substantial operational changes affecting them.
- ⑧ We support the TAFEP (Tripartite Alliance for Fair & Progressive Employment Practices) guidelines in re-employment of senior workers as we value their loyalty, experience and long service.
- ⑨ We encourage more females to join our workforce though we are operating in a relatively brute labour-intensive industry. Currently, 19% of our employees are female.

OUR WORK FORCE CHARACTERISTICS

Work Force (Group)	2018	2019
Senior Management	8	8
Sales & Marketing	14	15
Procurement	5	2
Service & Maintenance	108	97
Administration	19	25
Finance	6	7
Project & Production	76	93
Design	10	10
General Support	2	2
Monthly training hour per staff	3 hours	4 hours
Monthly training hour per worker		
1. Singaporean	48	46
2. Malaysian	81	84
3. Indonesian	0	1
4. Burmese	7	27
5. Bangladeshi	27	21
6. Filipino	2	2
7. Vietnamese	8	4
8. Chinese (PRC)	75	74
Most commonly-used language - English	30%	40%
Most commonly-used language - Chinese	70%	60%
Frequency of social gatherings per year - Casual	3	4
Frequency of social gatherings per year - Formal	1	1
Frequency of social gatherings per year - Charitable	2	2
Entry-level Employee's Wages (Local)	S\$2,200	S\$2,200
Entry-level Employee's Wages (Foreign workers)	S\$1,100	S\$1,100

Workers Ratio (Group)

MALE

2018: 208
2019: 210



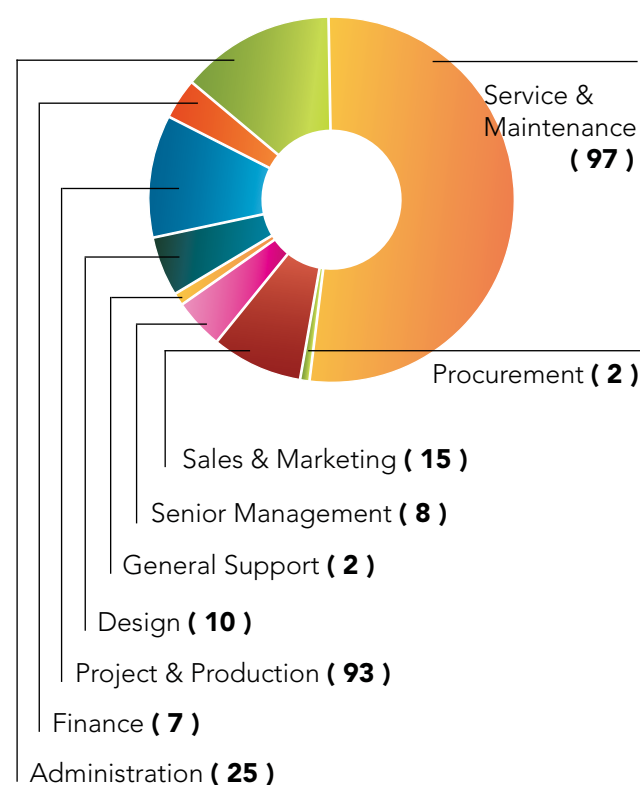
FEMALE

2018: 40
2019: 49

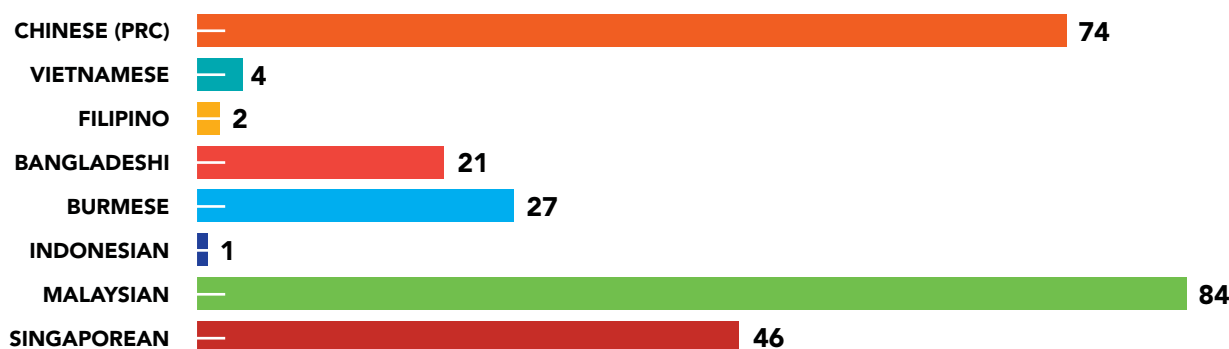


	2018	2019
Age - below 40	188	212
Age - above 40	60	47

Employee by Department 2019



Employee by Nationalities 2019



SUSTAINABILITY REPORT

Organisation Chart of SKE Group



Our Labour Force (Malaysia Plant)

Our kitchen equipment products are mostly manufactured in Johor Bahru (Plentong), Malaysia, a 30-minute drive from the Singapore Causeway. Our approximately 25,000 sq ft factory has laser bending machines, CNC machines, milling machines and related automated production equipment. Headed by a factory manager, 4 supervisors and 57 foreign production workers from 8 countries, the daily operation in two shifts include the planning, fabricating, welding and polishing processes. The Japanese Kaisen management system is practised at our factory. Every completed part is documented and placed orderly at the designated locations for the next production process. Finished products are packed and transported by trucks and lorries to the Singapore warehouse on a twice-weekly basis.

Not all our workers have a technical background. All unskilled workers will be trained and coached by a senior technician before working on a particular job independently. Every worker is required to go for 4 hours' training monthly on their job-related courses. 80% of them are below the age of 40. They speak English, Mandarin and Malay. The factory manager organises activities monthly to build cohesiveness and team spirit. The morale of the workers at the plant is high.

Based on orders and designs from Singapore HQ, the factory runs independently with excellent cost control measures. Due to Malaysian tariff increase on the imported steel sheets from China, the key material procurement has been directed to Malaysian local suppliers.

Labour Force (Malaysia Plant)

All Employees	2018	2019
Management Staff	4	5
Production Workers	60	52

Age

Below 40 years old	51	45
Above 40 years old	13	12

Diversity/Nationality of all Employees

Malaysian	34	30
Vietnamese	5	4
Bangladeshi	6	6
Burmese	18	16
Chinese (PRC)	1	1

Most commonly-used languages

Mandarin	24	20
Malay	33	29
English	3	3
Others	4	5

Production Workers

Skilled	24	28
Semi-Skilled	21	20
Unskilled	15	4

Production Worker Ratio

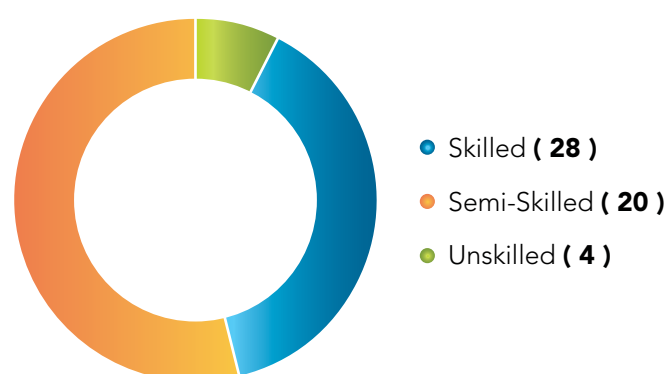
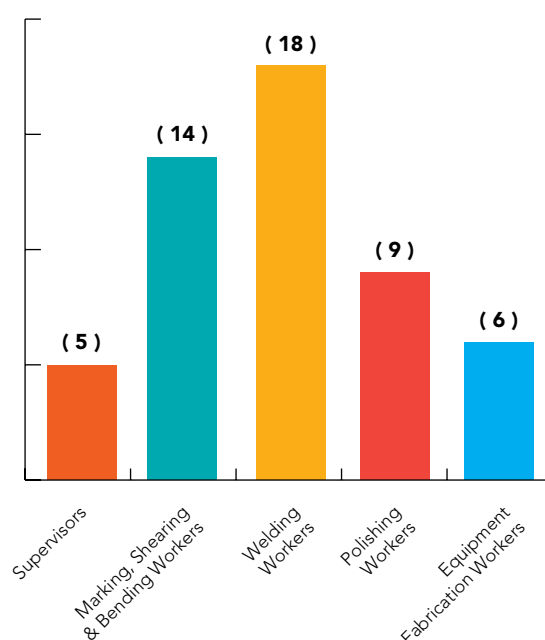
Male	58	50
Female	2	2

Job Functions

Supervisors	5	5
Marking, Shearing & Bending Workers	15	14
Welding Workers	26	18
Polishing Workers	8	9
Equipment Fabrication Workers	6	6

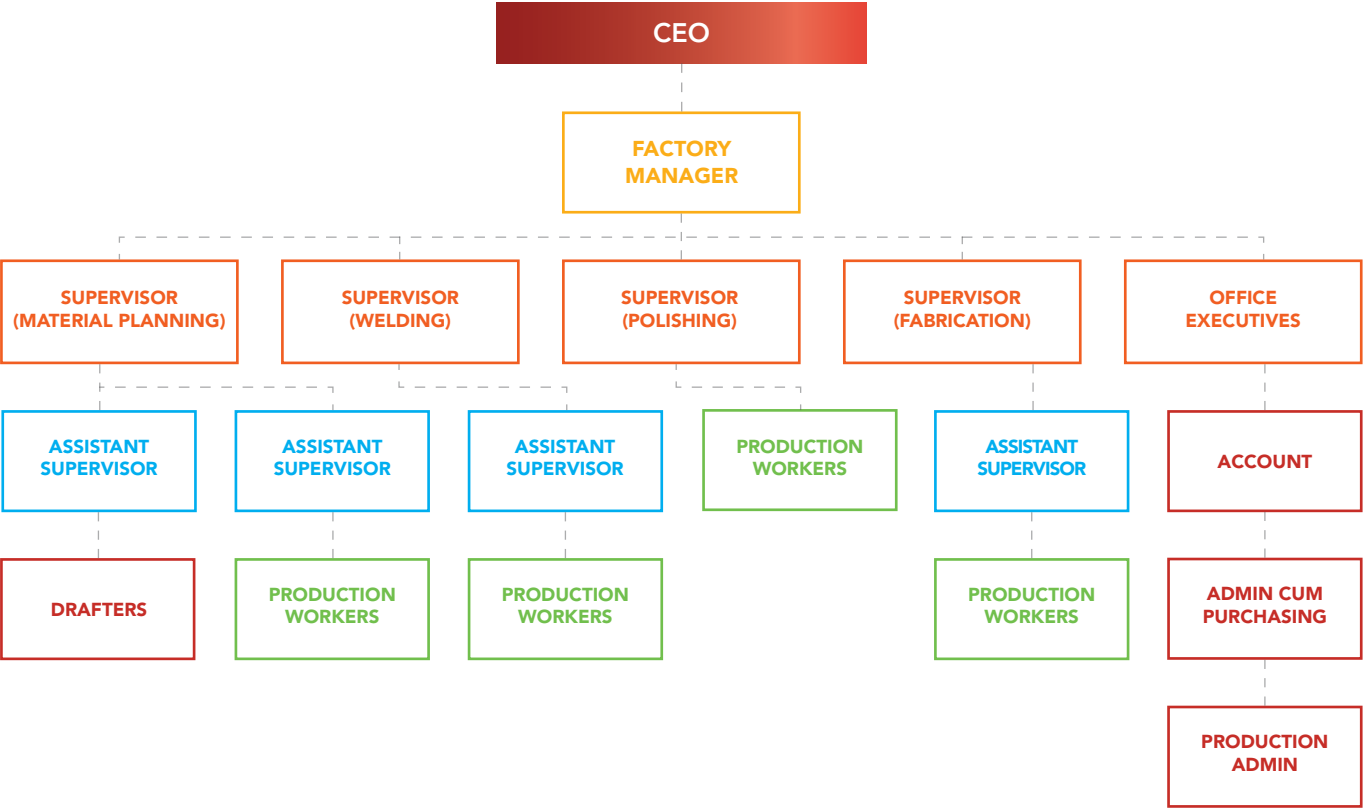
Employee Entry Wages

Malaysian Locals	RM1,500	RM1,500
Foreign Workers	RM1,100	RM1,100

Production Workers @ Malaysia Plant 2019**Job Functions of Production Workers 2019**

SUSTAINABILITY REPORT

QSON Industires (M) Sdn. Bhd. Organisation Chart



EMPLOYEES’ ENTRY WAGES

We adhere to the wage laws of Singapore and Malaysia. In Singapore, the entry wages are S\$2,200 for local and S\$1,100 for foreign workers. In Malaysia, the entry wages are Malaysian RM1,500 for local and RM1,100 for foreign workers. On average, we paid higher entry wages than the required minimum to attract and retain employees. Our turnover was low in the past and the replacement is fast. We strictly abide by the manpower laws and regulations. All new employees will receive their lawful benefits upon meeting the national labour law requirements.

DIVERSITY IN THE WORKFORCE

We embrace diversity and have employees from different backgrounds and is not gender or age biased. We have representation from different nationalities in Singapore and Malaysia. Besides Singaporeans and Malaysians,

there are 6 other nationalities in our Group including Vietnamese, Indonesians, Chinese, Bangladeshi, Filipinos and Burmese. The most common languages used are Chinese, English and Malay. This diversity in the workforce allows our organisation to be more vibrant and innovative with each employee offering different experiences and background.

EMPLOYEES’ BENEFITS

We have in place programmes to encourage healthy workforce through sports, social and health education talks and activities. Our employees’ welfare benefits include fully-paid outpatient medical treatments, hospitalisation and insurance coverage, workmen compensation insurance as well as medical and hospitalisation leave. Our Group supports government pro-family policies and follows statutory regulations in both Singapore and Malaysia with regards to parental and childcare leave.

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.

TRAINING AND EDUCATION

We believe that our greatest assets are our people and that the skill sets and knowledge of our staff is the crux of our success. Therefore, we invest in trainings, learning initiatives and development to expand our staff competencies. On average, our workers received 20 hours of training a year depending on their job requirements. In the coming years, we plan to increase average training hours gradually based on the recommendations of each department's needs.



CORPORATE SOCIAL RESPONSIBILITY ("CSR")

SKE provides bursaries to needy students through various partner universities without bond each year. In FY2019, we donated S\$30,000 to Singapore Management University ("SMU") representing two payments of S\$5,000 each to 3 students. SKE will continue to support in this meaningful and impactful programme.

Our Group strives to set a good example in giving back to our community. We encourage our employees to give back to the society through community service projects and/or donations to the less fortunate.

In FY2019, we had organised several events under our CSR initiatives. We had entered into the second phase of our CSR efforts in building schools for the underprivileged, local people of Laos in November 2019. We believe in education for the locals to ensure a brighter tomorrow for themselves and their next generation.



SUSTAINABILITY REPORT

GOVERNANCE

Corporate Governance

A high standard of corporate governance is integral in ensuring sustainability of the Group's business as well as safeguarding shareholders' interests and maximising long-term value. Our overall Singapore Governance and Transparency Index (SGTI) score assessed by the National University of Singapore Business School was 68 for FY2019, an improvement from 54 for FY2018.

Whistle-Blowing and Anti-Corruption Policy

The Group has in place a Whistle-Blowing Policy that provides a channel to employees and other parties to report in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. Our stakeholders and public can contact our office at +65 64727337 to raise any concerns.

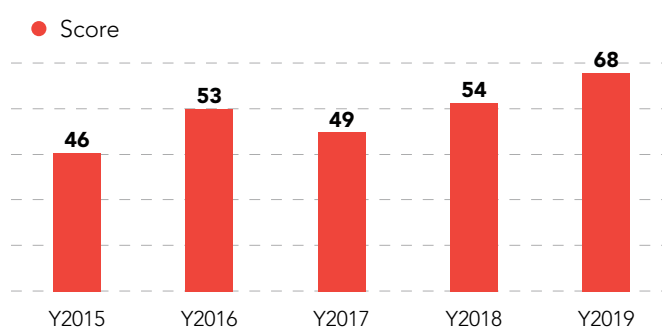
Risk Management

The Group outsourced its internal audit functions to a well-established, mid-tier local accounting firm. On an annual basis, the internal auditors prepare the internal audit plan for the AC's approval. These audits are conducted to assess the adequacy and effectiveness of the Group's risk management and the internal control systems, including financial, operational, compliance and information technology controls. Concerted efforts were made to rectify lapses and non-compliance issues reported by the internal auditors.

We have engaged Nexia TS Risk Advisory as our internal auditor. The AC will review the findings of the internal auditor and will ensure that the Company follows up on the internal auditor's recommendations raised during the audit process.

SGTI Year	Rank	Score
2019	167	68
2018	305	54
2017	324	49
2016	237	53
2015	317	46

Figure 4 SGTI scores 2015-2019



The CEO and the Financial Controller ("FC") will provide a letter of assurance for the financial year to confirm that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances. The CEO and key management personnel or Executive Director, Mr Lee Chong Hoe, also provides a letter of assurance for the financial year to confirm the adequacy and effectiveness of the Company's risk management and internal control systems.

Investor Relations

We welcome all stakeholders to approach us and support the sustainability of our business. Investors can reach us via our company website at www.singaporekitchenequipmentltd.com, read our company's latest information at www.sgx.com or actively participate at the AGM.

MEASURES AND TARGETS FOR 2019/2020

For these reporting years, we target to address the following concerns and issues.

Sustainability Concerns	Issues	Policies, Measures & Targets
Environmental / Economic / Governance /	Welding jobs, which constitutes a vast majority of our new equipment fabrication and servicing jobs in the market, can be tedious, hazardous and has restrictive outputs.	There is an available automatic laser machine in the market. It is a state-of-the-art equipment that is highly efficient but cost is prohibitive. We are planning to tap on government funding to purchase these efficient tools. The funding programme is set to take place in 1Q 2020.
Social (Talents)	- With the growth of the company and the rising number of projects, experienced project or site supervisors are much needed. Currently, project supervisors are handling 7 to 8 projects at the same time as compared to the normal capacity of 5 to 6 projects. - Sales persons are difficult to recruit from the open market and new sales personnel will take time to acquire the necessary skills even when trainings are provided. As we are setting a 12% growth in sales revenue target for FY2020, we need more experienced sales persons to join us. - Market will remain highly competitive as the F&B and hospitality industries are expected to take a downturn. Margins may be compromised, and higher-volume sales will be required to meet the bottom line.	- We tap on the current pool of technicians to become project coordinators. The HR department actively seeks to fill both positions and continual training is given. Technicians are easier to recruit than project coordinators. - Referrals or recommendations from staff are highly encouraged and incentivised. For each successful referral having worked for 1 year, the company will pay a referral fee of S\$1,000 to the referrer. - The HR department will source for talents from the related industries by offering better incentives and better promotion opportunities to persons with track records. - Some or many suppliers, vendors and manufacturers may or will be re-sourced for better cost management.
Social (Supply Chain)	Due to new import duty on steel products from China, our alternative cheaper source of supply has been disrupted. Currently, our supply is from local milling contractors.	- Two measures will be taken to stabilise the supply chain and control cost - To look out for additional suppliers to ensure quality suppliers and fair prices - To check with authorities for relevant incentives and re-export of finished goods. - Target – The purchasing team will source for at least three suppliers for the affected materials by the 1Q 2020.

PERFORMANCE TRACKING AND REPORTING

Within the Group, we will track our progress on these material factors by systematically identifying relevant information and data, while conducting Gap Analysis to ensure the expectations of our stakeholders match the Company's. In addition, we will set performance targets to align our strategies, ensuring that we maintain the right course in our path to sustainability.

SUSTAINABILITY REPORT

GRI STANDARDS CONTENT INDEX

GRI Standards 2016	General Disclosures	Section Reference
Organisation Profile		
102-1	Name of the organisation	Singapore Kitchen Equipment Limited
102-2	Activities, brands, products, and services	Pages 1 to 5
102-3	Location of headquarters	Singapore
102-4	Location of operations	Singapore & Malaysia
102-5	Ownership and legal form	Page 35
102-6	Markets served	Page 122
102-7	Scale of the organisation	Pages 8 to 13, Pages 24 to 28, Page 122
102-8	Information on employees and other workers	Pages 24 to 28
102-9	Supply chain	Page 23
102-10	Significant changes to the organisation and its supply chain	None
102-11	Precautionary principle or approach	SKE does not specifically address this issues
102-12	External initiatives	Page 29
102-13	Membership of associations	Singapore Business Federation
Strategy		
102-14	Statement from senior decision-maker	Page 18
102-15	Key impacts, risks, and opportunities	Page 8, Pages 18 to 19
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Pages 24, Page 30
102-17	Mechanisms for advice and concerns about ethics	Pages 30 to 31
Governance		
102-18	Governance structure	Pages 38 to 58
102-19	Delegating authority	Pages 42 to 45
102-20	Executive-level responsibility for economic, environmental	Pages 13 to 17
102-21	Consulting stakeholders on economic, environmental and social topics	Page 19, Page 21
102-22	Composition of the highest governance body and its committees	Pages 39 to 44
102-23	Chair of the highest governance body	Page 14
102-24	Nominating and selecting the highest governance body	Page 16
102-25	Conflicts of interest	Page 57
102-26	Role of highest governance body in setting purpose, values, and strategy	Pages 41 to 45
102-27	Collective knowledge of highest governance body	Pages 14 to 17

GRI Standards 2016	General Disclosures	Section Reference
102-28	Evaluating the highest governance body's performance	Pages 50 to 51
102-29	Identifying and managing economic, environmental and social impacts	Page 19
102-30	Effectiveness of risk management processes	Page 23, Page 30, Pages 123 to 131
102-31	Review of economic, environmental, and social topics	Page 20, Pages 22 to 29
102-32	Highest governance body's role in sustainability reporting	Page 18
102-33	Communicating critical concerns	Page 21
102-34	Nature and total number of critical concerns	Page 19
102-35	Remuneration policies	Pages 47 to 50
102-36	Process for determining remuneration	Page 48
102-37	Stakeholders' involvement in remuneration	NA
102-38	Annual total compensation ratio	Nil
102-39	Percentage increase in annual total compensation ratio	Nil
102-40	List of stakeholder groups	Page 19, Page 135
102-41	Collective Bargaining Agreements	Page 24
102-42	Identifying and selecting stakeholders	Pages 19 to 20
102-43	Approach to stakeholder engagement	Page 21, Pages 55 to 56
102-44	Key topics and concerns raised	Pages 6 to 8
102-45	Entities included in the consolidated financial statements	Pages 10 to 13, Page 79 to 80, Page 100
102-46	Defining report content and topic boundaries	Page 18
102-47	List of material topics	Page 20
102-48	Restatements of information	NA
102-49	Changes in reporting	NA
102-50	Reporting period	1 January to 31 December 2019
102-51	Date of most recent report	2018 Annual Report
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	Page 30
102-54	Claims of reporting in accordance with the GRI Standards	Page 18
102-55	GRI content index	Pages 32 to 34
102-56	External assurance	We may ask external assurance in the future
Economic		
201-1	Direct economic value generated and distributed	Page 21
201-4	Financial assistance received from government	Page 93
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Page 25
202-2	Proportion of senior management hired from the local community	Pages 25 to 27
205-1	Operations assessed for risks related to corruption	Page 30
205-2	Communication and training about anti-corruption policies and procedures	Page 30
205-3	Confirmed incidents of corruption and actions taken	Nil

SUSTAINABILITY REPORT

GRI STANDARDS CONTENT INDEX

GRI Standards 2016	General Disclosures	Section Reference
Environmental		
302-1	Energy consumption within the organisation	Page 22
306-1	Water discharged by quality & destination	NA
307-1	Non-compliance with environmental laws and regulations	Page 23
308-1	Percentage of new suppliers that were screened using environmental criteria	Page 23
308-2	Negative environmental impacts in the supply chain and actions taken	Nil
Social		
401-1	New employee hires and employee turnover	Pages 25 to 26
401-2	Benefits provided to full time employees that are not provided to temporary or part-time employees	Page 28
401-3	Parental leave	Page 28
403-1	Workers representation in formal joint managements worker	Page 24
403-2	Injury and incidents	Page 23
403-4	Health & safety topics covered in formal agreements with trade union	Page 24
404-1	Average hours of training per employee	Pages 24 to 26
404-2	Programs for upgrading employee skills and transition assistance programs	Page 24
404-3	Percentage of employees receiving regular performance and career development reviews	Yes, but did not disclose due to sensitivity
405-1	Diversity of governance bodies and employees	Pages 24 to 29
413-1	Operations with local community engagement, impact assessments, and development programs	Page 29
414-1	New suppliers screened using social criteria	Page 23
414-2	Negative social impacts in the supply chain and actions taken	Nil
419-1	Non-compliance with laws and regulations in the social and economic area	Nil

CORPORATE STRUCTURE



SINGAPORE KITCHEN EQUIPMENT LIMITED



Q'SON INTERNATIONAL
PTE. LTD.



Q'SON INDUSTRIES (M)
SDN. BHD. (SUBSIDIARY)



Q'SON KITCHENHUB
SDN. BHD. (SUBSIDIARY)



Q'SON KITCHEN
EQUIPMENT PTE. LTD.



PHOENIX, THE CENTRAL
KITCHEN SOLUTIONS
PTE. LTD. (SUBSIDIARY)



PT INDO QSON KITCHEN
EQUIPMENT* (SUBSIDIARY)

* Incorporated on 15 January 2020



CORPORATE INFORMATION

Company Registration Number: 201312671M

BOARD OF DIRECTORS

Eileen Tay-Tan Bee Kiew

(Chairman and Independent Non-Executive Director)

Chua Chwee Choo

(Executive Director and Chief Executive Officer)

Lee Chong Hoe

(Executive Director)

Ng How Hwan, Kevin

(Independent Non-Executive Director)

Lui Hin Weng Samuel

(Independent Non-Executive Director)

AUDIT COMMITTEE

Eileen Tay-Tan Bee Kiew (Chairman)

Ng How Hwan, Kevin

Lui Hin Weng Samuel

NOMINATING COMMITTEE

Eileen Tay-Tan Bee Kiew (Chairman)

Ng How Hwan, Kevin

Lui Hin Weng Samuel

REMUNERATION COMMITTEE

Ng How Hwan, Kevin (Chairman)

Eileen Tay-Tan Bee Kiew

Lui Hin Weng Samuel

COMPANY SECRETARY

Wong Yoen Har

REGISTERED OFFICE

115A Commonwealth Drive

#01-27/28 Tanglin Halt Industrial Estate

Singapore 149596

Tel: (65) 6472 7337

Fax: (65) 6472 6497

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



SPONSOR

CIMB Bank Berhad, Singapore Branch

50 Raffles Place

#09-01 Singapore Land Tower

Singapore 048623

INDEPENDENT AUDITOR

BDO LLP

Public Accountants and Chartered Accountants

600 North Bridge Road

#23-01 Parkview Square

Singapore 188778

Partner-in-charge:

Koh Yen Ling

(Appointed since the financial year ended
31 December 2018)

PRINCIPAL BANKERS

DBS Bank Ltd

United Overseas Bank Limited

Standard Chartered Bank (Singapore) Limited

Malayan Banking Berhad

Bank of China

CIMB Bank

Citibank Singapore Limited

Standard Chartered Bank (Hong Kong) Limited

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Seeking Re-Election

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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”).

The Company recognises the importance of good governance and is committed to ensure that the principles and provisions in corporate governance as set out in the Code of Corporate Governance 2018 (the “Code”) are observed and practised throughout the Group so that the affairs of the Group are conducted with integrity and professionalism with the objective of safeguarding shareholders’ investment, interests and ultimately enhancing shareholders’ value. Where the Company’s practices vary from any provisions of the Code, the Company has provided explanations for the departures and measures that the Company has taken or intends to take for the departed practices.

The Board will continue to take measures to improve compliance with the principles and provisions of the Code in the ensuing years.

(A) BOARD MATTERS

Principle 1 - The Board’s Conduct of Affairs

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company

The Terms of Reference of the Board is established to promote high standards of corporate governance. The Terms of Reference of the Board outline high level duties and responsibilities of the Board and matters that are specifically reserved for the Board. It is a comprehensive reference document for Directors on matters relating to the Board and its processes, as well as role and responsibilities of the Board, its committees and management to ensuring effective communication and decisions.

The Board has also established a Code of Business Conduct and Ethics for Directors (“Code of Conduct”). The Code of Conduct serves to guide the Directors on the areas of ethical risk and sets a framework where integrity and accountability are paramount as well as ethical conduct expected from the Directors in the performance of their duties. Where conflict of interest arises, the concerned Directors must recuse themselves from discussions and decisions involving the matter and abstain from voting on the matter.

All Directors objectively discharge their duties and responsibilities and exercising due care and diligence in decisions for the business and affairs of the Company in the best interest of the Company.

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 recognised 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.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

The Board delegates the formulation of business policies and day-to-day management to the Chief Executive Officer and the Executive Director 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 Meetings;
- 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 adopted and documented the internal guidelines setting forth matters that require the Board's decision or 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.

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

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

The Chairman of the respective Board Committees will report to the Board on the outcome of their discussions and make recommendations on the specific agendas mandated to the respective Committees to the Board. The ultimate responsibility for the final decision on all matters, however, lies with 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.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The number of meetings of the Board and Board Committees held during the financial year ended 31 December 2019 ("FY2019") and attendance of each Director are set out below:

Name of Directors	Board Meeting		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	2	2	2	2	1	1	1	1
Chua Chwee Choo	2	2	*2	*2	*1	*1	*1	*1
Lee Chong Hoe	2	2	*2	*2	*1	*1	*1	*1
Ng How Hwan, Kevin	2	2	2	2	1	1	1	1
Lui Hing Weng Samuel	2	2	2	2	1	1	1	1

* By invitation

To enable the Board and Board Committees in fulfilling its responsibilities, management provides them with complete, adequate and timely information prior to the Board and Board Committees' meetings and on an ongoing basis. Directors are provided with relevant information pertaining to the Group's annual budgets, management accounts, Board papers and related materials, explanatory information relating to the matters, material events and transactions as well as minutes of the previous Board meeting and Board Committees' meeting including such other additional information as needed to make informed decisions to discharge their duties and responsibilities. Technology is effectively used in the Board and Board Committees' meetings and in communication with the Board, where the Directors may receive agenda and meeting materials online such as email and participate in meetings via audio or video conferencing. Management is often invited to be present and provide detailed explanation on any agenda at Board and Board Committees' meetings.

The Board has a separate and independent access to the management, Company Secretary, the Sponsor and external advisers (where necessary) at the Company's expenses to facilitate further enquiries. The Board is assisted by a qualified and competent Company Secretary who play a vital role in advising the Board on corporate and administrative matters, as well as facilitating orientation and professional development such as training as required.

The Company Secretary or its representatives attend 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.

The Directors receive regular updates on relevant new laws and regulations from the Company's relevant advisors. 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. Furthermore, the Company Secretary also highlight the relevant changes and guidelines on statutory and regulatory requirements from time to time to the Board. The External Auditor ("EA"), on the other hand, brief the Board on changes to the Singapore Financial Reporting Standards (International) that affect the Group's financial statements during the period. The Board also receive regular briefings and updates on the Group's business, operations and activities at the Board and Board Committees' meetings and when necessary or appropriate, the Board exchange views through informal meetings. When necessary, the Independent Non-Executive Directors will have discussions amongst themselves without the presence of the management.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Newly appointed Directors will receive a formal letter of appointment setting out his/her duties and responsibilities. Briefings and orientation will be given to the newly appointed Directors for he/she to familiarise with the businesses and operations of the Group, upon request. Rule 406(3)(a) of the Singapore Exchange Securities Trading Limited ("SGX-ST") this being the SGX-ST Listing Manual Section B: Rules of Catalyst ("Catalist Rules") requires a director who has no prior experience as a director of a company listed on the SGX-ST, to attend the training programmes conducted by the Singapore Institute of Directors ("SID") as prescribed in Practice Note 4D of the Catalyst Rules. There is no new appointment in FY2019.

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board currently comprises five (5) Directors as set out below:

Name of Directors	Designation	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 Non-Executive Director	25 June 2013	25 April 2019	- Jason Marine Group Limited - Sunningdale Tech Ltd	–
Chua Chwee Choo	Executive Director and Chief Executive Officer	9 May 2013	25 April 2018	–	–
Lee Chong Hoe	Executive Director	9 May 2013	25 April 2018	–	–
Ng How Hwan, Kevin	Independent Non-Executive Director	16 September 2013	25 April 2019	Neo Group Limited	–
Lui Hin Weng Samuel	Independent Non-Executive Director	18 May 2018	25 April 2019	EFT Solutions Holdings Ltd	–

The Company has in place the Board Diversity Policy with a view to achieving a sustainable and balanced development as the Company sees diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, the Board has considered from a number of aspects, including and not limited to gender, age, experience, educational background, knowledge and etc. All director appointments will be based on meritocracy and candidates will be considered against objective criteria and needs on the Board.

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 appointments of 2 female directors, namely, Mrs Tay-Tan Bee Kiew Eileen and Ms Chua Chwee Choo provides the Board with gender diversity that serves to bring value to the Board discussions from the different perspectives and approaches of the female Directors.

The Board maintains an appropriate balance of expertise, skills and attributes among the Directors which is reflected in the diversity of backgrounds and competencies of the Directors. Such competencies include relevant industry knowledge, general commercial experience, accounting and finance related, business and management experience, corporate governance and strategic planning experience 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.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The NC and the Board have conducted the following assessment during the financial year under review to maintain and/or enhance its balance and diversity:

- Annual review by the NC to assess if the existing core competencies and attributes from each Director complementary with the efficacy of the Board; and
- Annual evaluation by the Directors of the skill sets of their peer, with a view to understand skills set currently lacking on the Board.

The NC will consider the results of such assessment in its recommendation for the appointment of new Director(s) and/or re-appointment of existing Directors, who are due for retirement.

With majority of the Board comprises Independent Non-Executive Directors, the composition of the Board ensures that the Independent Non-Executive Directors will be able to exercise independent judgement on the affairs of the Company. The Independent Non-Executive Directors will constructively challenge and assist in the development of the business strategies and reviewing and monitoring performance of the management to achieve the agreed goals and objectives.

Each Independent Non-Executive Director is required annually to complete a checklist, drawn up based on the criteria prescribed in the Code and its Practice Guidance and Catalist Rules, to confirm his/her independence for review by the NC and the Board.

For FY2019, the Independent Non-Executive Directors, namely, Mrs Tay-Tan Bee Kiew Eileen, Mr Ng How Hwan, Kevin and Mr Lui Hin Weng Samuel have confirmed their independence in accordance with the Code, its Practice Guidance and Rules 406(3)(d)(i) and (ii) of the Catalist Rules. The NC and the Board (save for the interested Independent Non-Executive Directors who abstained on their own review) have reviewed and are of the opinion that all Independent Non-Executive Directors are independent according to the Code and its Practice Guidance and Rules 406(3)(d)(i) and (ii) of the Catalist Rules.

The NC and the Board noted that none of the Independent Non-Executive Director has any relationship with the Company, its related corporation, substantial shareholders or offices, which could interfere or be perceived to interfere with the Director's independent judgement and are of the opinion that the Independent Non-Executive Directors consistently provided independent and objective judgement in all Board and Board Committees deliberations and are satisfied with their level of independence.

An independent Director shall immediately disclose to the NC any relationships or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of his/her independent business judgement in the best interests of the Company.

None of the above Independent Non-Executive Directors has served on the Board beyond nine (9) 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.

Principle 3: Chairman and Chief Executive Officer ("CEO")

There is a clear division of responsibilities between leadership of the Board and Management, and no one individual has unfettered powers of decision making.

There is a clear division of responsibilities between the Chairman and CEO, which ensures there is a balance of power and authority, such that no one (1) individual represents a considerable concentration of power.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Currently, the Chairman and CEO of the Company 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 CEO will ensure an appropriate balance of power, increased accountability and greater capacity for the Board to exercise independent decision-making.

Mrs Tay-Tan Bee Kiew Eileen is the Independent and Non-Executive Chairman of the Board while Ms Chua Chwee Choo is the Executive Director and CEO 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 meetings;
- (d) ensuring that the directors receive complete, adequate and timely information;
- (e) ensuring effective communication with shareholders;
- (f) encourage 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 CEO's duties include:

- (a) overseeing the daily running of the Group's operations;
- (b) charting the corporate strategies for future growth with the support of the management; and
- (c) executing strategies and policies adopted by the Board.

The Board is not required to appoint an independent director to be the lead independent director as:

- The Chairman and the CEO are not the same person;
- The Chairman and the CEO are not immediate family members;
- The Chairman is not part of the management team; and
- The Chairman is an independent director.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors to the Board taking into account the need for progressive renewal of the Board.

The NC oversees matters related to the nomination of new Directors and re-appointment of Directors to the Board, review the required mix of skills, experience and other requisite qualities of Directors, annual assessment of the effectiveness of the Board as a whole, Board Committees and the contribution of each individual Director as well as identify candidates to fill board vacancies and nominating them for approval by the Board.

The NC comprises three (3) members, all of whom are Independent Non-Executive Directors. The composition of members of the NC are as follows:

<u>Director</u>	<u>Designation</u>
Tay-Tan Bee Kiew Eileen	Chairman
Ng How Hwan, Kevin	Member
Lui Hin Weng Samuel	Member

The principal functions of the NC based on its Terms of Reference are as follows:

- (a) Reviewing and suggest succession plans for directors, in particular for the Chairman of the Board and CEO to the Board;
- (b) Developing the performance evaluation framework and set the objective performance criteria for the Board, Board Committees and individual Directors;
- (c) Recommending to the Board on the training programmes for new Directors and 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 appointment and re-appointment of Directors and senior management to the Company;
- (e) Reviewing, assessing and consider the competencies, commitment, contribution, performance and independence of the Directors before recommending Directors who are due to retire or re-appointment to be put forward to the shareholders for approval at the annual general meeting;
- (f) Determining, on an annual basis, the independence of the Directors in accordance with the Code and other salient factors; and
- (g) Deciding whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, in particular, when he/she has multiple board representations.

The NC met once in FY2019 and below is a summary of the key activities undertaken by the NC in discharge of its duty:

- (a) Reviewed the Terms of Reference;
- (b) Examined the Board's size and satisfied 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;

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

- (c) Reviewed the independence of the Independent Directors and satisfied that they are independent;
- (d) Conducted annual assessment of the Board, Board Committees and individual Directors; and
- (e) Determined Directors who are subject to re-election.

As at the date of this report, there is no relationship or circumstance set forth in Provision 2.1 of the Code which puts the independence of the Independent Directors in question.

Summary procedures on appointing a new director:

Step 1 <Candidate identified>	Identified candidate on the recommendation of the existing Directors, senior management staff, network of contacts, third-party referrals, recruitment consultants to identify a broader range of candidates.
Step 2 <Assessment and evaluation to be conducted by the NC>	Assessment should be conducted based on, but not limited to experience, knowledge, gender, age, educational background, business interest that may result in a conflict of interest, independent of the candidate (for Independent Directors), skills and other criteria deem fit to the needs of the Board and whether the candidates will add diversity to the Board and have adequate time to discharge his/her duties.
Step 3 <Recommendation to be made by the NC to the Board>	▪ Board to consider and discuss on the proposed new appointment. ▪ Appoint an independent third party to source and screen candidates, if necessary.
Step 4 <Discussion and decision to be made by the Board on the proposed new appointment. Appointment of new member to the Board is at the Board's sole discretion>	▪ If proposed appointment is approved, invitation or offer to be made to the proposed/potential candidate to join the Board and/or Board Committees. ▪ If the proposed appointment is rejected, the whole process to be re-commenced.

In deciding whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, each Director should hold no more than five (5) board appointments in public listed companies. However, in appropriate circumstances, the NC shall review and approve a different maximum number of board appointments for a director in public listed companies.

The Board has provided its commitment to the Company as evidenced by the attendance of Directors at Board and Board Committee meetings for FY2019 as disclosed on page 40 of this Annual Report.

Pursuant to Article 98 of the Constitution of the Company, at least one-third of the Directors (including CEO/MD) for the time being shall retire from office by rotation at least once every three (3) years at the Annual General Meeting ("AGM") of the Company whilst, Article 99 provides that the retiring Directors are eligible to offer themselves for re-election. Article 102 of the Constitution of the Company provides that all newly appointed Directors shall retire from office at the next AGM following their appointments. Rule 720(4) of the Catalist Rules requires listed companies to have all directors submit themselves for re-nomination and re-appointment at least once every three (3) years.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Directors standing for retirement by rotation pursuant to Article 98 of the Constitution of the Company at the forthcoming AGM are as follows:

<u>Director</u>	<u>Designation</u>
Chua Chwee Choo	Executive Director and Chief Executive Officer
Lee Chong Hoe	Executive Director

Having considered the assessment conducted by the NC and its recommendation and consents received from the above Directors for re-election at the forthcoming AGM, the Board accepts the nominations from the NC.

Please refer to pages 136 to 141 for information required under Appendix 7F of the Catalist Rules in relation to the Directors nominated for re-election at the forthcoming AGM.

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

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC is responsible in evaluating performance and effectiveness of the entire Board, the Board Committees and individual Director on a yearly basis. The performance evaluation framework is in the form of assessment questionnaires and the evaluation covers amongst other, Board and Board Committees' compositions, processes in managing the Group's performance, effectiveness of the Board and Board Committees as well as conduct, mix of skills, knowledge, competencies and contribution of each Director to the Company in discharging their function.

The questionnaires are completed by the members of the Board and Board Committees and each Director for self-assessment. The completed questionnaires are collated by the Company Secretary for deliberation by the NC. The NC led by its Chairman, reviews the outcome of the evaluation and recommends to the Board on areas for continuous improvement as well as for them to form the basis of recommending relevant Directors for re-election at the AGM. 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.

During the FY2019, the NC assessed the Board, Board Committees and individual Directors. The NC was satisfied with the outcome of the evaluations and both NC and the Board are of the view that the Board has met its performance objectives for FY2019. The NC was also satisfied that sufficient time and attention have been provided by the Directors to the Group. No external facilitator was engaged in the performance assessment.

All NC members have abstained from deliberation and voting on their own performance assessment.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(B) REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC is responsible for recommending to the Board the remuneration principles and framework for members of the Board and senior management. The RC comprises three (3) members, all of whom are Independent Non-Executive Directors. The composition of members of the RC are as follows:

<u>Director</u>	<u>Designation</u>
Ng How Hwan, Kevin	Chairman
Tay-Tan Bee Kiew Eileen	Member
Lui Hin Weng Samuel	Member

The principal functions of the RC based on its Terms of Reference are as follows:

- (a) To recommend to the Board a general framework of remuneration policy for the Board, determine specific remuneration packages and terms of employment for each Executive Director, the CEO 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, CEO 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;
- (c) To review and recommend to the Board the terms of renewal for Executive Directors and key management personnel whose employment contracts will expire or have expired to ensure that such contracts contain fair and reasonable termination clauses which are not overly generous but ensure fairness and avoid rewarding poor performance; 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.

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. No remuneration consultant was engaged in the remuneration matters.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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 RC ensures that the directors are adequately but not excessively remunerated as compared to the market conditions. The RC also ascertained that Independent Directors are not overly-compensated to the extent that their independence may be compromised.

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 Agreements took effect on the date of admission of the Company to Catalist for an initial period of three (3) years and shall be renewed automatically on a yearly basis thereafter. The Service Agreements entered into between the Executive Directors and the Company were renewed on 7 February 2020 for a period of three (3) years.

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.

Independent Directors do not have service agreements with the Company. The Independent Directors received directors' fees which were approved at the Company's AGM, based on their effort, time spent, commitment and responsibilities.

The RC met once in FY2019 and below is a summary of the key activities undertaken by the RC in discharge of its duty:

- (a) Reviewed the Terms of Reference;
- (b) Reviewed the remuneration package of the Executive Directors and key management personnel;
- (c) Reviewed and recommended the Directors' Fees payable to the Independent Non-Executive Directors of the Company to the Board; and
- (d) Reviewed and set the key performance target for the Executive Directors and key management personnel.

The Directors' Fees for Independent Non-Executive Directors are determined by the Board with the approval from the shareholders at the AGM. No individual Director is involved in fixing his/her own remuneration.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Principle 8: Disclosure on Remuneration

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

A breakdown of the Directors' remuneration for FY2019 is as follows:

Name	Remuneration Band			Salary %	Bonus %	Other Benefits %	Directors' Fees + %	Total %
	Disclosable Amount Below S\$250,000 (\$)	S\$250,000 to S\$500,000	Above S\$500,000					
Chua Chwee Choo		√		85.5	10.0	4.5	0	100
Lee Chong Hoe		√		86.3	9.6	4.1	0	100
Tay-Tan Bee Kiew Eileen	55,000			0	0	0	100	100
Ng How Hwan, Kevin	40,000			0	0	0	100	100
Lui Hin Weng Samuel	26,175			0	0	0	100	100

Note:

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

The amount paid as Directors' Fees for the financial year ended 31 December 2018 was S\$123,536 despite shareholders have approved the payment of Directors' Fees of up to S\$145,000 at the last Annual General Meeting held on 25 April 2019.

The annual aggregate amount of the total remuneration paid to the Directors of the Company in FY2019 is approximately S\$839,768.

Taking note of competitive pressures in the talent market, the Board has, on review, decided not to disclose the exact remuneration of the key management personnel. A breakdown (in percentage terms) of remuneration of the top five (5) key management personnel (who are not Directors of the Company) for FY2019 is as follows:

Name	Remuneration Band			Salary %	Bonus %	Other Benefits %	Total %
	Below S\$250,000*	S\$250,000 to S\$500,000	Above S\$500,000				
Chow Mei Ling Ferleen	√			76.6	13.9	9.5	100
Koh Sai Eng Charlene	√			70.4	16.5	13.1	100
Soh Kee Hock	√			89.2	6.6	4.2	100
Chan Weng Yee	√			78.4	0	21.6	100
Luo Hao li	√			66.4	5.7	27.9	100

The annual aggregate amount of the total remuneration paid to the top five (5) key management personnel in FY2019 is approximately S\$853,289.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Ms Chua Chwee Choo, Executive Director and CEO of the Company is the wife of Mr Lee Chong Hoe, Executive Director of the Company and their individual remuneration have exceeded S\$100,000. Other than the above, no employee of the Company and its subsidiaries was an immediate family member of any Director or CEO or a controlling shareholder and whose remuneration has exceeded S\$100,000 during FY2019.

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 Lui Hin Weng Samuel.

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.

(C) ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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 Internal Auditors, Nexia TS Risk Advisory Pte Ltd, carry out internal audit on the system of internal controls and report the findings to the AC.

In this respect, the AC has reviewed the findings of the Internal Auditor and will ensure that the Company follows up on the Auditors' recommendations raised during the audit process.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

For FY2019, the Board had received assurance from the following:

- a) The CEO and the Financial Controller ("FC") that 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 CEO and the key management personnel or Executive Director, Mr Lee Chong Hoe that the Company's risk management and internal control systems are adequate and effective.

The Board has received letter of assurance from the Internal Auditors, Nexia TS Risk Advisory Pte Ltd ("IA") that during their internal audit review on certain business processes of the Group based on selected transactions for the financial year ended 31 December 2019, 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 CEO and FC as well as the CEO and the key management personnel, the Board, and the AC are 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.

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 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.

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 a balance and informed assessment of the performance, financial position and prospects of the Group.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Principle 10: Audit Committee

The Board has an Audit Committee ("AC") which discharges its duties objectively.

The AC comprises three (3) members who are Independent Non-Executive Directors. The composition of members of the AC are as follows:

<u>Director</u>	<u>Designation</u>
Tay-Tan Bee Kiew Eileen	Chairman
Ng How Hwan, Kevin	Member
Lui Hin Weng Samuel	Member

None of the members of the AC is a former partner or director of the Company's auditing firm.

The members of the AC have relevant accounting and/or related financial management expertise or experience. The AC is chaired by Mrs Tay-Tan Bee Kiew Eileen, who is an Independent Non-Executive Director with experience in the audit and finance industry.

The role of the 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 may, at its discretion, invite any other Board members, management, external auditor, internal auditor or external consultants/personnel (where necessary) to the meeting to provide information or advice. The invitees may, at the discretion of the AC Chairman, attend the meeting as observers for the whole or part of the meeting, however, the invitees are not counted towards the quorum and shall not have voting rights. The principal functions of the AC based on its Terms of Reference are as follows:

- (a) Review the significant financial reporting issues and judgements so as to ensure the integrity of financial statements, and of announcements on the Company's financial performance and recommend changes, if any, to the Board;
- (b) Review and report to the Board on the adequacy and effectiveness of the Company's risk management and internal controls in relation to financial reporting and other financial-related risk and controls (and to the extent delegated to the AC by the Board);
- (c) Review the adequacy, effectiveness, independence, scope and results of the company's internal audit function;
- (d) Review the scope and results of the external audit, and the independence and objectivity of the EA. The AC shall then recommend to the Board the appointment, reappointment and removal of the EA, and its remuneration and terms of engagement;
- (e) Review the Policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- (f) Review Interested Person Transactions; and
- (g) Undertake such other functions and duties as may be required by the Board under the Code, Catalist Rules and Companies Act, Chapter 50 of Singapore from time to time.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The AC met twice in FY2019 and below is a summary of the key activities undertaken by the AC in discharge of its duty:

- (a) Reviewed the Terms of Reference;
- (b) Reviewed with the EA the audit plan, their evaluation of the system of internal controls, their report, management letter and the management's response;
- (c) Reviewed 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 Catalist Rules and any other relevant statutory or regulatory requirements;
- (d) Reviewed internal audit programmes and adequacy and effectiveness of the Group's internal audit function as well as to ensure coordination between the external auditor and internal auditor and management;
- (e) Reviewed and discussed with external auditor, 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) Recommended the re-appointment of the EA and approve the remuneration and terms of engagement of the external auditors to the Board;
- (g) Reviewed non-audit services provided by EA to the Group, the nature, extent and cost effectiveness of such services to ensure that these services do not affect the independence and objectivity of the external auditor; and
- (h) Reviewed and deliberated on key audit matters and areas of emphasis highlighted by the EA.

The AC is briefed by the EA 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.

Based on the audit report for FY2019 received from the EA, the following key audit matters were discussed at the meeting held in February 2020:

Key Audit Matter	How the AC reviewed these
1. Allowance for expected credit losses on trade receivables	The AC reviewed the long outstanding debts to ascertain they are indeed collectable. Overall, the AC is satisfied that there is a close monitoring of trade debtors ageing by the management as in turn will allow the Group to take prompt actions to recover any doubtful debts.
2. Net realisable value ("NRV") of inventories	Damaged and obsolete inventories or decline in selling price will correspondingly affect the net realizable value of the inventories. Therefore, AC noted that Management has carried out an assessment to determine if there is a need for the inventories to be written down to its net realizable value as at the end of the reporting period.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The AC is satisfied that the nature and extent of the non-audit services will not prejudice the independence and objectivity of the auditors before confirming their re-nomination. The Board with the concurrence of the AC, is of the opinion that the independence and objectivity of the EA has not been affected.

The aggregate amount of fees paid to the EA for audit and non-audit services for FY2019 are as follows:

<u>Fees rendered for the services of</u>	<u>Amount</u>
Audit	S\$90,000.00
Non-audit	S\$17,600.00
Total:	<u>S\$107,600.00</u>

The AC has reviewed the independence of the EA, BDO LLP, and recommended the nomination to the Board for endorsement. The Board has endorsed the re-appointment of BDO LLP as the Independent Auditor for shareholders' approval at the forthcoming AGM.

The Company outsourced its internal audit function to Nexia TS Risk Advisory Pte Ltd ("IA") to review the key business processes of the Company and its key subsidiaries, adequacy and effectiveness of the Company's internal controls, financial, operational and compliance controls as well as risk management. The IA reports primarily to the Chairman of the AC, although the IA also reports administratively to the CEO. The AC approves the hiring, removal, evaluation and compensation of the IA. 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 and 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.

The IA 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 IA 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 FY2019.

For FY2019, the AC met once with the EA and IA without the presence of the management.

The Company complied with Rule 712 and Rule 715 of the Catalist Rules in relation to its independent auditor.

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.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The AC shall commission and review the findings of internal investigations it matters 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.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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 of the Group and the information is communicated to them through various channels including the Annual Report, disclosures and announcements to the SGX-ST, press releases, online investor relations on the Company's website at www.singaporekitchenequipmentltd.com.

The AGM of the Company represents the primary platform for two-way interaction between the shareholders, the Board and management of the Group. In fostering effective participation of and engagement with shareholders at the AGM of the Company held on 25 April 2019 ("2019 AGM"), all Directors and external auditor were present in person to engage directly with the shareholders and address shareholders' queries about the conduct of the audit and the preparation and content of the auditor's report.

To encourage participation of the shareholders, the Company strives to hold general meeting at venues which are accessible to shareholders. Notice of general meeting, annual report and/or circulars were issued within the time notice period as prescribed by the relevant regulations to enable the shareholders to be well informed with the timeframe given and allow them to have ample time in making necessary preparations to attend and participate effectively in person or by corporate representative, proxy or attorney. More importantly, it enabled the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting. Additional explanatory notes for relevant resolutions (where required) to be tabled at the general meeting will be provided to the shareholders.

The Board concurred with the Code's recommendation that companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. Separate resolutions on each distinct issue are proposed at general meetings for approval. In situations where resolutions are inter-conditional, the Company will provide clear explanations.

Voting procedure to be followed by the shareholders in regard to the proposed resolutions put to the meeting for voting will be briefed during the meeting. At the 2019 AGM, the Chairman explained the procedure to be followed in tabling and approving each of the resolutions and encouraged shareholders to participate at the meeting. Poll procedure was briefed by the polling agent or scrutineer of the meeting. Voting at the 2019 AGM was conducted by poll in accordance with Rule 730A(2) of the Catalist Rules and the poll results were announced by the Company via SGXNet on the same day for the benefit of all shareholders.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Constitution of the Company does not allow for absentia voting at general meetings as authentication of shareholders' identity, integrity of the information and other related security issues remain a concern. Hence, the Board has decided not to implement voting in absentia by mail, email or fax, for the time being. The Constitution allows shareholders to vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at general meetings unless the shareholder is a relevant intermediary (as defined in Section 181(6) of the Companies Act, Chapter 50 of Singapore. A relevant intermediary is entitled to appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. The proxy form is sent together with the notice of general meetings to all shareholders.

Minutes of general meetings with substantial and relevant comments or queries from shareholders relating to the agenda of the general meetings and responses from the Board and management are available to shareholders upon request.

The Company does not publish minutes of general meetings on its corporate website as there are potential adverse implications to the Company if such minutes are published outside the confines of a shareholders' meeting, including risk of litigation if defamatory statements are made during the meeting. The Company is of the view that its position is consistent with the intent of the Code as shareholders have a right to attend general meetings either in person or by proxy, where they may exercise their right to speak and vote and have the opportunity to communicate views on various matters affecting the Company.

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. Any dividend payments are clearly communicated to the shareholders via announcements on SGXNet.

Principle 12: Engagement with Shareholders

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company does not practice selective disclosure and is committed to treating all shareholders and stakeholders fairly and equitably. In line with continuous obligations of the Company pursuant to the Catalist Rules, the Board's policy is that all shareholders and stakeholders should be equally informed of all major developments and corporate activities which would likely impact the Company and its price or value of its shares. Information is disseminated to shareholders on a timely basis through:

- Announcements and news releases via SGXNET;
- Annual Report prepared and issued to all shareholders with relevant information about the Group, future developments and disclosures required by the Companies Act, Chapter 50 of Singapore, Financial Reporting Standards and the Catalist Rules;
- Notices of general meetings are published in the local newspapers and announced via SGXNET; and
- Company's website for shareholders to access information pertaining to the Group.

Investor relations work was undertaken by in-house team including management. Shareholders may contact the Company through its website for response at <http://www.singaporekitchenequipmentltd.com>.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company recognises the importance of stakeholder engagement to the long-term sustainability of its business. Engagement with stakeholders allow the Company to gain a more complete understanding of material issues and matters. Their positive suggestions and feedback would enable the Company to enhance its service quality and increased capabilities.

Engagement channels and key areas of focus are disclosed in the Sustainability Report on pages 18 to 34 of this Annual Report.

(F) 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 (1) 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.

(G) INTERESTED PERSON TRANSACTIONS

The Company has established a procedure 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 FY2019.

(H) MATERIAL CONTRACTS

There was no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO, any Executive Director, or controlling shareholder subsisting at the end of FY2019.

(I) NON-SPONSOR FEES

There were no non-sponsor fees paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, during the FY2019.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(J) USE OF PROCEEDS

(a) Initial Public Offer

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 27 February 2020, 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 S\$'000	Cumulative amount deployed up to 27 February 2020 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	–
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.

(b) Placement

The Company has raised net proceeds from the Placement of approximately S\$1.0 million, which will be utilized as follows:

- 60% of the Net Proceeds will be used for new business expansion or investments; and
- 40% of the Net Proceeds will be used for general working capital purposes.

As at 27 February 2020, the proceeds have not yet been utilised.

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

(K) TREASURY SHARES

There were no treasury shares at the end of FY2019.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019 and the statement of financial position of the Company as at 31 December 2019.

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 2019, 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
Lee Chong Hoe
Ng How Hwan, Kevin
Lui Hin Weng Samuel

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 was 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

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 2019	Balance at 31 December 2019	Balance at 1 January 2019	Balance at 31 December 2019
Ultimate Holding Company				
<i>QKE Holdings Pte. Ltd.</i>				
Chua Chwee Choo	1	1	–	–
Lee Chong Hoe	1	1	–	–
The Company				
Chua Chwee Choo	230,000	995,000	122,491,500	122,491,500
Lee Chong Hoe	192,000	192,000	122,491,500	122,491,500
Ng How Hwan, Kevin	–	–	500,000 ¹	500,000 ¹

By virtue of Section 7 of the Act, Ms Chua Chwee Choo 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 2020 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2019.

¹ These shares are held in DBS Nominee Account under the joint name of 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. No share options or performance shares have been granted or awarded pursuant to the PSP.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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)
Lui Hin Weng Samuel	(Independent and non-Executive)

The Audit Committee performed the functions specified in Section 201B (5) of the Act 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 auditor's 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 auditor's report on those financial statements;
- (v) reviewing the half yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (vi) ensuring the co-operation and assistance given by the management to the Group's internal and external auditor;
- (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 auditor to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

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 auditor of the Group at the forthcoming Annual General Meeting.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Chua Chwee Choo
Director

Lee Chong Hoe
Director

31 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Singapore Kitchen Equipment Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 69 to 133, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1 Allowance for expected credit losses on trade receivables

Key Audit Matter

As at 31 December 2019, the Group's trade receivables from third parties amounted to \$9,929,816, net of loss allowance of \$243,749, and constituted approximately 34% of the Group's total assets. There is a risk that the Group's aged trade receivables which are past due but not impaired may not be recoverable and provision for loss allowance may not be adequate. During the reporting period, a loss allowance of \$91,848 was recognised in the profit or loss.

The Group has elected to apply the simplified approach within SFRS(I) 9, based on lifetime expected credit losses ("ECL"), in determining the provision for loss allowance on trade receivables using a provision matrix.

The lifetime expected credit losses are determined based on expected credit loss rates. The expected credit loss rates are determined based on historical loss rates of each group of customers, shared credit risk characteristics, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables. For credit-impaired trade receivables, ECL is determined as the difference between the gross carrying amount and the present value of the estimated future cash flows.

Due to significant management judgements involved in the measurement of ECL, as well as the materiality of the carrying amount of the trade receivables to the Group's financial statements, we have determined this area to be a key audit matter.

Related Disclosures

Refer to Notes 3.2(ii), 9 and 31.1 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- Held discussions with management to understand and assessed the inputs and information, including the aged trade receivables report, used in designing the provision matrix. Re-computed ECL using the provision matrix and evaluated management's assessment of the expected credit loss rate, including assumptions surrounding current conditions and forecast of future economic conditions.
- Evaluated management's identification of the credit-impaired receivables and judgement applied in determining the recoverable amounts from the credit-impaired receivables.
- Assessed the adequacy and appropriateness of the related disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

Key Audit Matters (Continued)

2 Net realisable value of inventories

Key Audit Matter

As at 31 December 2019, the Group's total inventories amounted to \$3,456,997. Approximately 94% of the Group's inventories comprise finished goods such as kitchen equipment and spare parts, amounting to \$3,237,924.

Management has carried out an assessment to determine if there are inventories that have to be written down to net realisable value as at the end of the reporting period. This may happen if inventories are damaged, become obsolete, or if their selling prices have declined.

In making this determination, management takes into account a combination of factors, which include the age of the inventories, historical and subsequent selling prices and committed orders of the Group's products.

We focused on this area as significant management judgement is involved in identifying inventories with net realisation issues and estimating appropriate net realisable values.

Related Disclosures

Refer to Notes 3.2(i) and 8 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- Held discussions with management to understand management's assessment and basis for the identification and estimated net realisable value of inventories.
- Tested the inventory aging reports which management uses as a basis to identify inventories with net realisation issues on a sample basis.
- Evaluated the reasonableness of management's assessment of the net realisable value of equipment against the historical selling prices, actual subsequent sales or committed sales orders, as appropriate, on a sample basis.
- Evaluated the reasonableness of management's assessment of the net realisable value of spare parts based on the assessment of the overall gross profit margin, age and historical utilisation of the spare parts, as appropriate, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

BDO LLP

*Public Accountants and
Chartered Accountants*

Singapore
31 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	31 December 2019 \$	31 December 2018 \$	31 December 2019 \$	31 December 2018 \$
Non-current assets					
Property, plant and equipment	4	966,142	2,290,859	–	–
Intangible assets	5	14,324	6,133	–	–
Right-of-use assets	6	2,572,375	–	–	–
Investments in subsidiaries	7	–	–	10,000	10,000
		3,552,841	2,296,992	10,000	10,000
Current assets					
Inventories	8	3,456,997	3,946,868	–	–
Trade and other receivables	9	11,331,834	10,830,001	4,503,856	4,341,010
Prepayments		162,369	741,109	6,686	647,677
Current income tax recoverable		28,428	44,717	–	–
Cash and bank balances	10	10,923,845	10,232,282	1,184,141	1,132,515
		25,903,473	25,794,977	5,694,683	6,121,202
Less:					
Current liabilities					
Trade and other payables	11	6,155,269	5,769,422	368,111	476,251
Contract liabilities	20	590,093	503,177	–	–
Provisions	12	30,800	30,800	–	–
Borrowings	13	3,229,666	2,846,065	–	–
Lease liabilities (2018: Finance lease liabilities)	14	1,239,464	339,181	–	–
Derivative financial instruments	15	8,160	9,486	–	–
Current income tax payable		514,516	720,348	–	–
		11,767,968	10,218,479	368,111	476,251
Net current assets		14,135,505	15,576,498	5,326,572	5,644,951
Less:					
Non-current liabilities					
Lease liabilities (2018: Finance lease liabilities)	14	1,759,180	1,471,434	–	–
Deferred tax liabilities	16	62,305	62,305	–	–
		1,821,485	1,533,739	–	–
Net assets		15,866,861	16,339,751	5,336,572	5,654,951
Capital and reserves					
Share capital	17	5,124,790	5,124,790	5,124,790	5,124,790
Other reserves	18	1,219,259	1,215,468	–	–
Retained earnings	19	9,537,399	9,998,783	211,782	530,161
Equity attributable to owners of the parent		15,881,448	16,339,041	5,336,572	5,654,951
Non-controlling interest		(14,587)	710	–	–
Total equity		15,866,861	16,339,751	5,336,572	5,654,951

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group	
	Note	2019	2018
		\$	\$
Revenue	20	33,022,288	33,561,187
Cost of sales		(22,686,452)	(22,525,914)
Gross profit		10,335,836	11,035,273
Other items of income			
Interest income		58,869	60,495
Other income	21	482,551	501,285
Other items of expense			
Distribution costs		(4,273,029)	(3,531,331)
Administrative expenses		(5,812,892)	(5,971,805)
Other expenses		(96,880)	(246,838)
Loss allowance on third parties trade receivables	9	(91,848)	(248,594)
Finance costs	22	(245,852)	(172,513)
Profit before income tax	23	356,755	1,425,972
Income tax expense	24	(445,936)	(745,522)
(Loss)/profit for the reporting period		(89,181)	680,450
Other comprehensive income:			
<i>Items that will or may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		3,791	1,278
Other comprehensive income for the reporting period, net of tax		3,791	1,278
Total comprehensive (loss)/income for the reporting period		(85,390)	681,728
(Loss)/profit attributable to:			
Equity holders of the Company		(73,884)	694,913
Non-controlling interests		(15,297)	(14,463)
(Loss)/profit for the reporting period		(89,181)	680,450
Total comprehensive (loss)/income for the reporting period			
Equity holders of the Company		(70,093)	696,191
Non-controlling interests		(15,297)	(14,463)
Total comprehensive (loss)/income for the reporting period		(85,390)	681,728
(Loss)/earnings per share attributable to equity holders of the Company			
- Basic and diluted (in cents)	25	(0.05)	0.45

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Note	Share capital \$	Merger reserve \$	Foreign currency translation account \$	Retained earnings \$	Equity attributable to owners of the parent \$	Non-controlling interest \$	Total equity \$
Balance at 1 January 2019		5,124,790	1,312,241	(96,773)	9,998,783	16,339,041	710	16,339,751
Loss for the reporting period		–	–	–	(73,884)	(73,884)	(15,297)	(89,181)
Other comprehensive income:								
Exchange differences arising from translation of foreign operations		–	–	3,791	–	3,791	–	3,791
Total comprehensive (loss)/ income for the reporting period		–	–	3,791	(73,884)	(70,093)	(15,297)	(85,390)
Transactions with owners of the parent								
Dividends	26	–	–	–	(387,500)	(387,500)	–	(387,500)
Total transactions with owners of the parent		–	–	–	(387,500)	(387,500)	–	(387,500)
Balance at 31 December 2019		5,124,790	1,312,241	(92,982)	9,537,399	15,881,448	(14,587)	15,866,861
Balance at 1 January 2018		5,124,790	1,312,241	(98,051)	10,466,370	16,805,350	15,173	16,820,523
Profit for the reporting period		–	–	–	694,913	694,913	(14,463)	680,450
Other comprehensive income:								
Exchange differences arising from translation of foreign operations		–	–	1,278	–	1,278	–	1,278
Total comprehensive income for the reporting period		–	–	1,278	694,913	696,191	(14,463)	681,728
Transactions with owners of the parent								
Dividends	26	–	–	–	(1,162,500)	(1,162,500)	–	(1,162,500)
Total transactions with owners of the parent		–	–	–	(1,162,500)	(1,162,500)	–	(1,162,500)
Balance at 31 December 2018		5,124,790	1,312,241	(96,773)	9,998,783	16,339,041	710	16,339,751

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 \$	2018 \$
Operating activities			
Profit before income tax		356,755	1,425,972
Adjustments for:			
Loss allowance on third parties trade receivables		91,848	248,594
Amortisation of intangible assets	5	6,001	20,344
Amortisation of right-of-use assets	6	1,428,894	–
Inventories written down/(back)		2,301	(272,567)
Property, plant and equipment written-off		212	1,369
Depreciation of property, plant and equipment	4	235,446	705,091
Fair value (gain)/loss on derivative financial instruments		(1,326)	9,213
Finance cost	22	245,852	172,513
Interest income		(58,869)	(60,495)
Operating cash flows before working capital changes		2,307,114	2,250,034
Working capital changes:			
Inventories		487,156	849,254
Trade and other receivables, and contract assets		(594,484)	(1,966,376)
Prepayments		578,716	(625,402)
Trade and other payables, and contract liabilities		473,586	1,153,052
Cash generated from operations		3,252,088	1,660,562
Income tax paid		(634,936)	(399,649)
Net cash from operating activities		2,617,152	1,260,913
Investing activities			
Purchase of property, plant and equipment	4	(378,656)	(182,646)
Purchase of intangible assets	5	(14,192)	(6,900)
Interest received		58,869	60,495
Net cash used in investing activities		(333,979)	(129,051)
Financing activities			
Dividend paid	26	(387,500)	(1,162,500)
Fixed deposits pledged with banks		(636,332)	(9,163)
Proceeds from borrowings	A	8,217,741	7,557,837
Repayment of borrowings	A	(7,834,140)	(7,866,605)
Repayment of obligations under leases (2018: Repayment of obligations under finance leases)	A	(1,346,232)	(310,323)
Interest paid		(245,852)	(172,513)
Net cash used in financing activities		(2,232,315)	(1,963,267)
Net change in cash and cash equivalents		50,858	(831,405)
Cash and cash equivalents at beginning of year		9,512,208	10,330,657
Effect of exchange rate changes on cash and cash equivalents		4,373	12,956
Cash and cash equivalents at end of year	10	9,567,439	9,512,208

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Note A: Reconciliation of liabilities arising from financing activities

	Balance as at 1 January \$	Financing cash flows* \$	Non-cash changes Additions of property, plant and equipment under finance leases (Note 4) \$	Balance as at 31 December \$
As at end of reporting period 31 December 2018				
Borrowings (Note 13)	3,154,833	(308,768)	–	2,846,065
Finance lease liabilities (Note 14)	1,694,438	(310,323)	426,500	1,810,615
	<u>4,849,271</u>	<u>(619,091)</u>	<u>426,500</u>	<u>4,656,680</u>

	Balance as at 1 January \$	Financing cash flows* \$	Adoption of SFRS(I) 16 \$	Non-cash changes Additions of right-of-use assets (Note 6) \$	Foreign exchange differences \$	Balance as at 31 December \$
As at end of reporting period 31 December 2019						
Borrowings (Note 13)	2,846,065	383,601	–	–	–	3,229,666
Lease liabilities (Note 14)	1,810,615	(1,346,232)	1,592,735	941,545	(19)	2,998,644
	<u>4,656,680</u>	<u>(962,631)</u>	<u>1,592,735</u>	<u>941,545</u>	<u>(19)</u>	<u>6,228,310</u>

* The financing cash flows represents net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 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 ("SGX-ST").

The Company's immediate and ultimate holding company is QKE Holdings Pte. Ltd., a company incorporated in Singapore. Related companies in these financial statements refer to members of the QKE Holdings Pte. Ltd. group.

Ms Chua Chwee Choo and Mr Lee Chong Hoe are the ultimate controlling shareholders of the Company through their shareholding in QKE Holdings Pte. Ltd.

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

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 end of reporting period 31 December 2019 were authorised for issue in accordance with a Directors' resolution dated 31 March 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("S") which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies

New standards, amendments and interpretations effective from 1 January 2019

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore ("ASC") that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group's business activities or require accounting which is consistent with the Group's current accounting policies, except as detailed below.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases and SFRS(I) INT 4 Determining whether an Arrangement Contains a Lease. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be amortised and the lease liabilities will be measured at amortised cost.

The Group applied SFRS(I) 16 using the modified retrospective method without reinstatement of comparative figure as at 1 January 2019 (the "date of initial application"). The associated right-of-use assets is measured at an amount equal to the lease liabilities. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- Leases with a remaining term of twelve months from the date of initial application have been accounted for as short-term leases (i.e. not recognised on statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;
- For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 Leases (Continued)

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases. For those low-value assets based on the value of the underlying asset when new, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to leasehold property, office equipment, and motor vehicles, which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 3.15%.

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance lease liabilities at the date of initial application shall be the carrying amount of the right-of-use assets and lease liabilities as at 31 December 2018. Consequently, certain motor vehicles are reclassified and presented under right-of-use assets (Note 6) at the date of initial application.

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Group Increase/(decrease) \$
Assets	
Property, plant and equipment	(1,467,009)
Right-of-use assets	3,059,744
Liabilities	
Lease liabilities	1,529,735

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 Leases (Continued)

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 and the Group's operating lease commitment as at 31 December 2018 can be reconciled as follows:

	\$
Operating lease commitment as at 31 December 2018 (Note 27)	2,027,127
Less: Effect of low value leases	(349)
Less: Effect of short-term leases due to early termination	(74,978)
Less: Leases commencing after 1 January 2019	(300,023)
	<u>1,651,777</u>
Effect of discounting using the incremental borrowing rate as at date of initial application	(59,042)
	<u>1,592,735</u>
Finance lease liabilities recognised at 31 December 2018	1,810,615
Lease liability as at 1 January 2019	<u><u>3,403,350</u></u>

New standards, amendments and interpretations issued but not yet effective

There are a number of standards, amendments to standards, and interpretations, which have been issued by the ASC that are effective in future accounting periods and the Group has not decided to early adopt. The Group does not expect any of these standards upon adoption will have a material impact to the Group.

		Effective date (annual periods beginning on or after)
Various	: Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
SFRS(I) 3 (Amendments)	: Definition of a Business	1 January 2020
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	: Definition of Material	1 January 2020
SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7	: Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 17	: Insurance Contracts	1 January 2021
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its 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 its involvement with 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.

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests

Non-controlling interests in a subsidiary relate to the equity in the subsidiary which is not attributable directly or indirectly to the owners of the parent. This is shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Non-controlling interests (Continued)

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. 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 SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Acquisition under common control

Business combinations arising from the transfer 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 acquire is recognised directly to equity as merger reserve.

2.3 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 repair and maintenance expenses are recognised in profit or loss when incurred.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.3 Property, plant and equipment (Continued)

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 reporting period.

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.

2.4 Intangible assets

Computer software

Acquired computer software are initially recognised 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.

Computer software are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 years.

2.5 Leases

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.5 Leases (Continued)

As lessee (Continued)

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets and lease liabilities separately from other assets and other liabilities in the consolidated statement of financial position.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.5 Leases (Continued)

As lessee (Continued)

Subsequent measurement (Continued)

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.6 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.5 Leases (Continued)

Accounting policy prior to 1 January 2019

As lessee

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.6 Impairment of non-financial assets

At the end of each reporting period, 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.6 Impairment of non-financial assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the "first-in, first-out" basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.8 Financial instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets as financial assets measured at amortised cost, based on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets.

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. The lifetime expected credit losses are determined based on expected credit loss rates. The expected credit loss rates are determined based on historical loss rates of each group of customers, shared credit risk characteristics, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written-off against the associated provision.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

Impairment provisions for non-trade amounts due from third parties, ultimate holding company and subsidiary are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's and the Company's financial assets measured at amortised cost comprise trade and other receivables (excluding advance payment to suppliers), contract assets and cash and bank balances in the statements of financial position.

At each reporting date, the Group assess on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- (i) Significant financial difficulty of the borrower or issuer;
- (ii) A breach of contract such as a default or past due events; and
- (iii) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss and financial guarantee contracts.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Borrowings

Borrowings (2018: Borrowings and finance lease liabilities) are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.10).

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of reporting period, in which case they are presented as non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of a subsidiary and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if the subsidiary breaches any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

- a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, shall be subsequently measured at fair value with changes in fair value being recognised in profit or loss. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

The Group enters into derivative financial instruments, such as structured forward foreign exchange contracts, to manage its exposure to foreign exchange rate risk. The Group has not designated any of its derivatives as hedging instruments in the current reporting period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.9 Cash and bank balances

Cash and bank balances in the consolidated statement of financial position comprise cash on hand, cash and fixed 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 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 2019

2. Summary of significant accounting policies (Continued)

2.10 Borrowing costs

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

2.11 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 reporting period, 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.

2.12 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 consolidated 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.13 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when a good or service is transferred to the customer, i.e. when the customer obtains control of the good.

The Group presents a contract liability or a contract asset in its consolidated statements of financial position when either party to the contract has performed. The Group performs by transferring goods or services to the customer, or the customer performs by paying consideration to the Group.

Any unconditional rights to consideration are presented separately as "Trade receivables".

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

Contract liabilities are obligations to transfer goods or services to customer for which the Group has received consideration, or for which an amount of consideration is due from the customer.

Revenue from kitchen facilities and equipment

Revenue from sales of kitchen equipment is recognised at a point in time when control has transferred to customers upon delivery of kitchen equipment.

When kitchen facilities are constructed in accordance with customers' specifications and under customers' control, at their premises, revenue is recognised over time by reference to the Group's progress, measured by comparing the actual quantity of installed materials with total expected amounts of materials to be installed to complete the construction of kitchen facilities.

The Group gives assurance warranty against manufacturing defects for kitchen facilities and equipment for a period which ranges from 12 to 24 months after delivery/construction.

Service income

The Group provides kitchen equipment maintenance and repair services to customers. Revenue from maintenance works provided as part of service warranty is recognised over the period of warranty. Revenue from repair services when the services are rendered and accepted.

Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.14 Employee benefits

Defined contribution plans

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

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 after the end of reporting period as a result of services rendered by employees up to the end of each reporting period.

2.15 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 a period. 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 interpretation to applicable tax laws that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

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 2019

2. Summary of significant accounting policies (Continued)

2.15 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 reporting period 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 reporting period.

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.

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.

Goods and Services tax

Revenue, expenses and assets are recognised net of the amount of goods and services 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 goods and services 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 goods and services tax included.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.16 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign currency translation account.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation account.

On disposal of a foreign operation, the accumulated foreign currency translation account relating to that operation is reclassified to profit or loss.

2.17 Government grants

Government 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.

Government grants related to expenses are accounted for in the year where the related costs it intends to compensate is incurred and recognised in the profit or loss. Such government grants are presented under "Other income".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.18 Dividends

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

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the managing director who make strategic decisions.

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

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

(i) Control over Phoenix, The Central Kitchen Solutions Pte. Ltd. ("Phoenix")

The Group owns 50% equity interest in Phoenix and has assessed that the Group has the practical ability to direct the relevant activities of Phoenix unilaterally through the control of the Board of Directors of Phoenix, which is represented wholly by the executive directors of the Company.

Phoenix has been included as a subsidiary of the Group, as described in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

3.1 Critical judgements made in applying the accounting policies (Continued)

(ii) Portfolio of leases with similar characteristic

The Group has a number of individual leases agreements and has categorised these leases with similar characteristic into portfolios such as premises, office equipment and motor vehicles. The premises consist of factory, warehouse, office and hostel with similar lease term. Management has considered different discount rates used for different premises due to different characteristic of underlying premises. The office equipment only consist of two photocopier devices from same lessor and with similar term, therefore management consider it appropriate to use a single discount rate. The motor vehicles consist of five trucks which is similar type and similar price used for delivery and servicing purpose. The management has combined all the motor vehicle lease agreements into a single lease portfolio. The Group reasonably expects that combining the lease agreements with similar characteristic would not result in a materially different effect than applying the requirements of SFRS(I) 16 to each individual lease agreement.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each 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 reporting period, are discussed below.

(i) Assessment of the net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the "first-in, first-out" method. Management carried out an assessment to determine if there were inventories that had to be written down to net realisable value as at the end of the reporting period. Management estimates the net realisable value of inventories based on the age of the inventories, historical and subsequent selling prices and committed orders of the Group's products.

Arising from this assessment, management recognised a write down of inventories of \$2,301 (2018: write back of \$272,567). As at 31 December 2019, the carrying amount of the Group's inventories was \$3,456,997 (2018: \$3,946,868).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

3.2 Key sources of estimation uncertainty (Continued)

(ii) Loss allowance on trade receivables

The Group has elected to apply the simplified approach within SFRS(I) 9, based on lifetime expected credit losses ("ECL"), in determining the provision for loss allowance on trade receivables at the end of each reporting period, using a provision matrix.

The lifetime expected credit losses are determined based on expected credit loss rates. The expected credit loss rates are determined based on historical loss rates of each group of customers, shared credit risk characteristics, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables. For credit-impaired trade receivables, ECL is determined as the difference between the gross carrying amount and the present value of the estimated future cash flows.

During the reporting period, the loss allowance on trade receivables of \$91,848 (2018: \$248,594) was recognised in the Group's profit or loss. The carrying amount of the Group's trade receivables as at 31 December 2019 was \$9,929,816 (2018: \$9,694,307).

(iii) Measurement of lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the respective lessee's incremental borrowing rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers its own credit spread information from its recent borrowings, industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The weighted average incremental borrowing rate applied to lease liabilities as at 31 December 2019 was 3.15%. The carrying amount of lease liabilities as at 31 December 2019 was \$2,998,644. If the incremental borrowing rate had been 0.5% higher or lower than management's estimates, the Group's lease liabilities would have been lower or higher by approximately \$6,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Property, plant and equipment

	Freehold land \$	Freehold building \$	Motor vehicles \$	Furniture and fittings \$	Plant and machinery \$	Computer and office equipment \$	Renovation \$	Total \$
Group								
Cost								
Balance at 1 January 2019	89,706	365,418	2,629,690	128,964	750,752	609,060	410,302	4,983,892
Adoption of SFRS(I) 16 (Note 2.1)	–	–	(2,622,690)	–	–	–	–	(2,622,690)
At 1 January 2019 (restated)	89,706	365,418	7,000	128,964	750,752	609,060	410,302	2,361,202
Additions	–	–	27,288	16,278	164,016	159,159	11,915	378,656
Written-off	–	–	–	–	(4,003)	(6,750)	–	(10,753)
Currency re-alignment	(163)	(665)	–	(90)	(589)	(18)	(155)	(1,680)
Balance at 31 December 2019	89,543	364,753	34,288	145,152	910,176	761,451	422,062	2,727,425
Accumulated depreciation								
Balance at 1 January 2019	–	80,392	1,158,712	111,880	643,252	429,576	269,221	2,693,033
Adoption of SFRS(I) 16 (Note 2.1)	–	–	(1,155,681)	–	–	–	–	(1,155,681)
At 1 January 2019 (restated)	–	80,392	3,031	111,880	643,252	429,576	269,221	1,537,352
Depreciation for the reporting period	–	7,295	6,261	9,856	50,837	109,610	51,587	235,446
Written-off	–	–	–	–	(3,791)	(6,750)	–	(10,541)
Currency re-alignment	–	(146)	–	(90)	(567)	(16)	(155)	(974)
Balance at 31 December 2019	–	87,541	9,292	121,646	689,731	532,420	320,653	1,761,283
Carrying amount								
Balance at 31 December 2019	89,543	277,212	24,996	23,506	220,445	229,031	101,409	966,142
Cost								
Balance at 1 January 2018	89,488	364,532	2,205,784	125,197	730,294	535,961	335,307	4,386,563
Additions	–	–	423,906	5,565	27,823	77,065	74,787	609,146
Written-off	–	–	–	(1,922)	(8,219)	(3,990)	–	(14,131)
Currency re-alignment	218	886	–	124	854	24	208	2,314
Balance at 31 December 2018	89,706	365,418	2,629,690	128,964	750,752	609,060	410,302	4,983,892
Accumulated depreciation								
Balance at 1 January 2018	–	72,906	738,776	100,430	533,545	341,315	212,772	1,999,744
Depreciation for the reporting period	–	7,408	419,936	13,132	116,049	92,227	56,339	705,091
Written-off	–	–	–	(1,771)	(7,001)	(3,990)	–	(12,762)
Currency re-alignment	–	78	–	89	659	24	110	960
Balance at 31 December 2018	–	80,392	1,158,712	111,880	643,252	429,576	269,221	2,693,033
Carrying amount								
Balance at 31 December 2018	89,706	285,026	1,470,978	17,084	107,500	179,484	141,081	2,290,859

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Property, plant and equipment (Continued)

Included within additions for the year ended 31 December 2018 are motor vehicles of \$426,500 that were acquired under finance lease. The carrying amount of motor vehicles acquired under finance lease as at 31 December 2018 amounted to \$1,467,009. These assets have been reclassified to right-of-use assets as at 1 January 2019.

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

	Group	
	2019	2018
	\$	\$
Additions of property, plant and equipment	378,656	609,146
Acquired under finance lease arrangements	–	(426,500)
Cash payments to acquire property, plant and equipment	378,656	182,646

5. Intangible assets

	Group	
	2019	2018
	\$	\$
<i>Computer software</i>		
Cost		
At 1 January	315,908	309,008
Additions	14,192	6,900
At 31 December	330,100	315,908
Accumulated amortisation		
At 1 January	309,775	289,431
Amortisation for the reporting period	6,001	20,344
At 31 December	315,776	309,775
Carrying amount		
At 31 December	14,324	6,133

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

The average remaining useful life of computer software is 2 years (2018: 2 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. Right-of-use assets

	Premises \$	Office equipment \$	Motor vehicles \$	Total \$
Group				
Cost				
At 1 January 2019				
- Reclassified from property, plant and equipment (Note 4)	–	–	1,467,009	1,467,009
- Adoption of SFRS(I) 16 (Note 2.1)	1,394,344	87,348	111,043	1,592,735
	1,394,344	87,348	1,578,052	3,059,744
Additions	748,974	–	192,571	941,545
Amortisation charge	(917,533)	(18,717)	(492,644)	(1,428,894)
Exchange differences	(20)	–	–	(20)
At 31 December 2019	1,225,765	68,631	1,277,979	2,572,375

Included in the above, motor vehicle with a carrying amount of \$1,243,376 (2018: \$1,467,009 as set out in Note 4) were pledged as securities for the related lease liabilities as set out in Note 14 to the financial statements.

7. Investments in subsidiaries

	Company	
	2019 \$	2018 \$
Unquoted equity shares, at cost	10,000	10,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. Investments in subsidiaries (Continued)

The particulars of the subsidiaries are as follows:

Name of Company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interest	
		31 December		31 December	
		2019	2018	2019	2018
		%	%	%	%
Held by the Company					
Q'son International Pte. Ltd. ⁽¹⁾ (Singapore)	Manufactured of table, kitchen and other cutlery	100	100	–	–
Q'son Kitchen Equipment Pte Ltd ⁽¹⁾ (Singapore)	Designing, fabricating, installation, of stainless steel kitchenware and commercial kitchens	100	100	–	–
Held by Q'son Kitchen Equipment Pte Ltd					
Q'son Industries (M) Sdn. Bhd. ⁽²⁾ (Malaysia)	Manufacture and distribution of kitchen equipment	100	100	–	–
Qson KitchenHub Sdn. Bhd. ⁽²⁾ (Malaysia)	Investment holding	100	100	–	–
Phoenix, The Central Kitchen Solutions Pte. Ltd. ^{(1)(a)} (Singapore)	Wholesale of commercial food service equipment	50	50	50	50

(1) Audited by BDO LLP, Singapore

(2) Audited by BDO, Malaysia

(a) Phoenix, The Central Kitchen Solutions Pte. Ltd. ("Phoenix") was incorporated with an issued and paid-up share capital of \$2.00 comprising 2 ordinary shares. Q'son Kitchen Equipment Pte Ltd and a close business associate, each holding 1 ordinary share (representing 50% interest respectively) in Phoenix. The Directors of the Company had assessed that the Group is able to direct the relevant activities of Phoenix through its Board of Directors, which is made up by the executive directors of the Company. Accordingly, the Group has assessed and concluded that it has control of Phoenix within the definitions of SFRS(I) 10.

There were no transactions with non-controlling interest during the reporting period. No further financial information on the subsidiary has been included in the financial statements as the non-controlling interest is not considered material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. Inventories

	Group	
	2019	2018
	\$	\$
Raw materials	189,493	189,081
Work-in-progress	29,580	24,515
Finished goods	3,237,924	3,733,272
	<u>3,456,997</u>	<u>3,946,868</u>

The cost of inventories recognised as an expense and included in "cost of sales" in the Group's profit or loss for the reporting period 31 December 2019 amounted to \$16,367,989 (2018: \$17,111,608).

As at 31 December 2019, the Group carried out a review of the realisable values of its inventories and the review led to a write down of inventories of \$2,301 (2018: write back of \$272,567) included in "cost of sales" in the Group's profit or loss.

9. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade receivables – third parties	10,173,565	9,925,872	–	–
Loss allowance on third parties trade receivables	(243,749)	(231,565)	–	–
	<u>9,929,816</u>	<u>9,694,307</u>	<u>–</u>	<u>–</u>
Non-trade receivables				
- third parties	503,260	294,122	8,556	6,775
- ultimate holding company	–	83,869	–	–
- subsidiary	–	–	4,495,300	4,334,235
	<u>503,260</u>	<u>377,991</u>	<u>4,503,856</u>	<u>4,341,010</u>
Advance payment to suppliers	549,455	372,792	–	–
Utilities and rental deposits	349,303	384,911	–	–
	<u>11,331,834</u>	<u>10,830,001</u>	<u>4,503,856</u>	<u>4,341,010</u>

Trade and non-trade receivables due from third parties are unsecured and non-interest bearing. Credit terms granted to third parties ranges from 0 to 120 days (2018: 0 to 120 days).

The Group's and the Company's non-trade amounts due from ultimate holding company and subsidiary are unsecured, non-interest bearing and repayable on demand. No allowance has been recognised as the management is of the view that these receivables are considered to be a low credit risk and subject to immaterial credit loss, based on considerations as disclosed in Note 31.1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. Trade and other receivables (Continued)

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

	Group	
	2019	2018
	\$	\$
Balance at 1 January	231,565	317,187
Allowance made	101,848	350,641
Allowance written back	(10,000)	(102,047)
Amounts written-off	(79,664)	(334,216)
Balance at 31 December	243,749	231,565

The loss allowance on third parties trade receivables amounting to \$91,848 (2018: \$248,594) was recognised in the Group's profit or loss based on assessment performed in accordance with the Group's policy as described in Note 2.8 to the financial statements.

During the reporting period, an allowance written back of \$10,000 (2018: \$102,047) was recognised in the Group's profit or loss when the related trade receivables were recovered.

The analysis of trade receivables and the carrying amount of loss allowance are set out in Note 31.1 to the financial statements.

Receivables has been written-off during the reporting period, as the Group has no realistic prospect of recovery.

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

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Singapore dollar	8,979,742	10,089,631	4,503,856	4,341,010
Ringgit Malaysia	12,846	356,336	—	—
United States dollar	1,450,669	4	—	—
Euro	212,651	—	—	—
Chinese renminbi	30,624	—	—	—
Others	95,847	11,238	—	—
	10,782,379	10,457,209	4,503,856	4,341,010

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. Cash and bank balances

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Fixed deposits with banks	4,921,665	3,745,954	1,021,386	1,006,496
Cash at bank	6,002,180	6,486,328	162,755	126,019
Cash and bank balances	10,923,845	10,232,282	1,184,141	1,132,515
Less: Fixed deposits pledged	(1,356,406)	(720,074)		
Cash and cash equivalents as per consolidated statement of cash flows	9,567,439	9,512,208		

Fixed deposits bear fixed interest rates ranging from 0.25% to 1.68% (2018: 0.20% to 1.40%) per annum with maturity ranging from 3 to 24 (2018: 3 to 24) 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 2019, fixed deposits of the Group amounting to \$1,356,406 (2018: \$720,074) were pledged to banks to secure bankers' guarantee facility.

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

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Singapore dollar	10,003,905	9,376,444	1,167,497	1,115,871
Ringgit Malaysia	529,198	158,499	–	–
United States dollar	366,607	509,058	–	–
Euro	7,491	163,635	–	–
Others	16,644	24,646	16,644	16,644
	10,923,845	10,232,282	1,184,141	1,132,515

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade payables				
- third parties	3,319,107	3,531,900	–	–
- unbilled payables	188,150	277,876	–	–
	3,507,257	3,809,776	–	–
Non-trade payables				
- third parties	216,045	44,012	7,811	4,987
- ultimate holding company	198,015	–	–	–
	414,060	44,012	7,811	4,987
Accrued directors' fees	126,464	125,000	126,464	125,000
Accrued expenses	1,827,976	1,376,500	233,836	346,264
Goods and services tax payable	279,512	414,134	–	–
	6,155,269	5,769,422	368,111	476,251

Trade and non-trade payables due to third parties are unsecured, non-interest bearing and are normally settled between 30 to 90 (2018: 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 the Company's trade and other payables excluding goods and services tax payable as at the end of the reporting period are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Singapore dollar	4,660,000	3,434,578	368,111	476,251
Ringgit Malaysia	643,903	649,656	–	–
United States dollar	139,269	234,780	–	–
Euro	299,728	475,506	–	–
Chinese renminbi	129,561	463,493	–	–
Others	3,296	97,275	–	–
	5,875,757	5,355,288	368,111	476,251

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. Provisions

This relates to the provision of estimated costs of dismantlement, removal or restoration of leased properties to its original condition as stipulated in the term and conditions of lease contract. These are capitalised and included in the cost of property, plant and equipment which has been fully depreciated in prior years.

13. Borrowings

As at 31 December 2019, borrowings of the Group comprising trust receipts, amounted to \$3,229,666 (2018: \$2,846,065). The average effective interest rates per annum of the borrowings during the reporting period was 3.32% (2018: 3.81%).

Interest rates are fixed at the contract date.

Trust receipts have maturities of between 25 to 150 (2018: 45 to 150) days.

As at end of the reporting period, the facilities granted to the Group are supported by 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	
	2019	2018
	\$	\$
Singapore dollar	1,105,054	721,862
United States dollar	1,147,090	995,976
Euro	628,274	959,512
Hong Kong dollar	302,569	77,069
Chinese renminbi	46,679	91,646
	<u>3,229,666</u>	<u>2,846,065</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. Lease liabilities/ Finance lease liabilities

	Premises \$	Office equipment \$	Motor vehicles \$	Total \$
Group				
At 1 January 2019				
- Finance lease liabilities under SFRS(I) 1-17	–	–	1,810,615	1,810,615
- Adoption of SFRS(I) 16 (Note 2.1)	1,394,344	87,348	111,043	1,592,735
	1,394,344	87,348	1,921,658	3,403,350
Additions	748,978	–	184,200	933,178
Interest expense	43,068	4,046	88,044	135,158
Lease payments				
- Principal portion	(899,449)	(13,666)	(424,750)	(1,337,865)
- Interest portion	(43,068)	(4,046)	(88,044)	(135,158)
Exchange differences	(19)	–	–	(19)
At 31 December 2019	1,243,854	73,682	1,681,108	2,998,644

The maturity analysis of lease liabilities of the Group at each reporting date are as follows:

	Group	
	2019	2018
	\$	\$
Contractual undiscounted cash flows		
- Not later than a year	1,340,741	419,520
- Between one and two years	800,832	419,520
- Between two and five years	1,029,705	978,982
- More than five years	70,339	241,392
	3,241,617	2,059,414
Less: Future interest expense	(242,973)	(248,799)
Present value of lease liabilities	2,998,644	1,810,615
Presented in consolidated statement of financial position		
- Non-current	1,759,180	1,471,434
- Current	1,239,464	339,181
	2,998,644	1,810,615

The Group leases a number of premises (i.e. factory, warehouses, office and hostel), office equipment and motor vehicles with fixed payment over the lease term.

Certain lease of office equipment contains a purchase option. The Group has included this option in determining the lease liability as it is reasonably certain that the option will be exercised.

The finance lease terms range from 7 to 10 (2018: 3 to 10) years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. Lease liabilities/ Finance lease liabilities (Continued)

As at 31 December 2019, the average incremental borrowing rate applied in the lease was 3.15%.

The Group's lease liabilities of \$1,645,749 (2018: \$1,810,615) was secured over certain motor vehicles (Note 6).

The currency profile of the Group's lease liabilities at each reporting period are as follows:

	Group	
	2019	2018
	\$	\$
Singapore	2,987,874	1,810,615
Ringgit Malaysia	10,770	–
	<u>2,998,644</u>	<u>1,810,615</u>

15. Derivative financial instruments

	Group	
	2019	2018
	\$	\$
Structured forward foreign exchange contracts	<u>8,160</u>	<u>9,486</u>

Structured Forward Foreign Exchange Contracts

The Group entered into structured forward foreign exchange contracts which comprise of a series of forward foreign exchange contracts where the Group sells SGD and buys USD or EUR at pre-determined exchange rates on specified forward dates to manage its foreign currency exposure arising from trade payables and firm commitments to buy goods. These instruments are structured in a manner where the cumulative gains arising from a series of forward foreign exchange contracts achieve its targeted gains, the remaining outstanding forward foreign exchange contracts are terminated.

Changes in the fair value of non-hedging currency derivatives aggregating to a net gain of \$1,326 have been charged to the profit or loss in the year (2018: net loss of \$9,213).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. Derivative financial instruments (Continued)

Details of the structured forward contracts outstanding as at the end of the reporting period are as follows:

Outstanding contracts	Average exchange rate		Notional amount in foreign currency		Notional amount		Fair value loss	
	2019	2018	2019	2018	2019	2018	2019	2018
			FC	FC	\$	\$	\$	\$
Buy USD to sell SGD less than 3 months	1.3660	1.3770	200,000	200,000	546,400	275,400	(8,160)	(2,931)
Buy EUR to sell SGD less than 3 months	–	1.5925	–	200,000	–	318,500	–	(6,555)
					546,400	593,900	(8,160)	(9,486)

16. Deferred tax liabilities

	Group	
	2019	2018
	\$	\$
At 1 January	62,305	87,727
Credited to profit or loss	–	(25,423)
Currency re-alignment	–	1
At 31 December	62,305	62,305

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	
	2019	2018
	\$	\$
Accelerated tax depreciation	62,305	62,305

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. Share capital

	Group and Company			
	2019	2018	2019	2018
	Number of ordinary shares		\$	\$
Issued and paid up:				
At 1 January	155,000,000	155,000,000	5,124,790	5,124,790
Issued during the reporting period	–	–	–	–
At 31 December	155,000,000	155,000,000	5,124,790	5,124,790

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.

18. Other reserves

	Group	
	2019	2018
	\$	\$
Merger reserve	1,312,241	1,312,241
Foreign currency translation account	(92,982)	(96,773)
	1,219,259	1,215,468

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. Retained earnings

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

	Company	
	2019	2018
	\$	\$
At 1 January	530,161	533,423
Profit for the reporting period, representing total comprehensive income for the reporting period	69,121	1,159,238
Dividends (Note 26)	(387,500)	(1,162,500)
At 31 December	211,782	530,161

20. Revenue

(a) Disaggregation of revenue

The Group has disaggregated revenue to reflect the operations of the two business segments identified by management. The segment information together with other information utilised for the purpose of management monitoring of operating results of the segments, which includes the geographical markets, type of goods or services and timing of transfer of goods and services are disclosed in Note 30 to the financial statements.

(b) Contract balances

	Group	
	2019	2018
	\$	\$
Contract assets	—	—
Contract liabilities	590,093	503,177

The timing of revenue recognition and payments received from customers would affect the amount of trade receivables, contract assets and contract liabilities recognised as at the reporting date in the consolidated statements of financial position.

The Group's contract assets represent the rights to consideration for the Group's performance for provision of maintenance and repair service that are not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional as billing invoices are issued to customers.

The Group's contract liabilities represent advance consideration received from customers as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. Revenue (Continued)

(b) Contract balances (Continued)

Significant changes in contract assets and contract liabilities during the reporting period are tabled as follows:

Significant changes in contract assets and contract liabilities

	Contract assets		Contract liabilities	
	2019	2018	2019	2018
	\$	\$	\$	\$
At 1 January	–	113,658	503,177	428,801
Transfer from contract assets recognised at the beginning of year to trade receivables	–	(113,658)	–	–
Amount recognised as revenue at the beginning of the year	–	–	(473,030)	(373,433)
Increase due to cash received, excluding amounts recognised during the year	–	–	559,946	447,809
At 31 December	–	–	590,093	503,177

(c) Remaining performance obligations

There are no performance obligation that are unsatisfied (or partially satisfied) as at 31 December 2019.

21. Other income

	Group	
	2019	2018
	\$	\$
Government grants received	280,766	382,153
Scrap sales	48,959	41,652
Others	152,826	77,480
	482,551	501,285

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. Finance costs

	Group	
	2019	2018
	\$	\$
Interest expenses		
- trust receipts	110,458	82,574
- lease liabilities (2018: finance lease liabilities) (Note 14)	135,158	88,624
- overdrafts	236	1,315
	<u>245,852</u>	<u>172,513</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	
	2019	2018
	\$	\$
<i>Cost of sales</i>		
Cost of inventories recognised as an expense	16,361,443	17,111,608
Sub-contractor fees	590,764	554,674
Amortisation of right-of-use assets	769,774	–
Operating lease expenses		
- rental of warehouse	–	447,427
<i>Distribution costs</i>		
Carriage outwards	172,618	174,610
Commission	533,302	418,867
Transportation	8,136	9,639
Amortisation of right-of-use assets	283,327	–
Operating lease expenses		
- rental of sales office	–	121,009

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. Profit before income tax (Continued)

	Group	
	2019	2018
	\$	\$
<i>Administrative expenses</i>		
Audit fees paid/payable to:		
- auditors of the Company	103,350	104,780
- other auditors	6,881	6,987
Non-audit fees paid/payable to:		
- auditors of the Company	10,836	22,129
- other auditors	724	735
Amortisation of right-of-use assets	375,793	–
Operating lease expenses		
- rental of office	–	230,020
- rental of equipment	–	22,117
Lease expenses on low value assets	349	–
Consultation fee	7,847	7,890
Training fee	20,094	37,142
Directors' fees ⁺	192,157	193,197
Commission paid to minority shareholder	–	16,000
Dual listing expenses	1,187,973	1,658,948
<i>Other expenses</i>		
Amortisation of intangible assets	6,001	20,344
Foreign exchange loss, net	30,487	80,784

+ Included in the Directors' fees are fees declared by the subsidiaries to the Directors in their capacity as Directors of those subsidiaries of \$67,157 (2018: \$68,197).

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

	Group	
	2019	2018
	\$	\$
Depreciation of property, plant and equipment		
Cost of sales	57,097	445,062
Distribution costs	–	90,926
Administrative expenses	178,349	169,103
	235,446	705,091

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. Profit before income tax (Continued)

Employee benefit expenses are recognised within the Group's profit or loss:

	Group	
	2019	2018
	\$	\$
Salaries, bonus and other expenses	10,526,351	9,344,035
Defined contribution plans	802,887	737,157
	<u>11,329,238</u>	<u>10,081,192</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	
	2019	2018
	\$	\$
Current income tax		
- current reporting period	530,167	729,696
- (over)/under-provision in prior reporting periods	(84,231)	41,249
	<u>445,936</u>	<u>770,945</u>
Deferred tax		
- current reporting period	–	(25,921)
- under-provision in prior reporting periods	–	498
	<u>–</u>	<u>(25,423)</u>
Total income tax expense recognised in profit or loss	<u>445,936</u>	<u>745,522</u>

Domestic income tax is calculated at 17% (2018: 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 2019

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% (2018: 17%) to profit before income tax as a result of the following differences:

Reconciliation of effective income tax rate

	Group	
	2019	2018
	\$	\$
Profit before income tax	356,755	1,425,972
Income tax calculated at Singapore's statutory tax rate	60,648	242,415
Effect of different tax rate in other countries	(64)	(1,181)
Tax effect of non-deductible expenses for income tax purposes	510,143	475,503
Tax effect of tax exempt income	(17,425)	(25,921)
Utilisation of deferred tax assets not recognised previously	(875)	(889)
(Over)/under-provision of current income tax in prior reporting periods	(84,231)	41,249
Under-provision of deferred tax in prior reporting periods	–	498
Tax incentives	(21,472)	(10,000)
Deferred tax benefit arising in current year not recognised	8,060	10,505
Others	(8,848)	13,343
	445,936	745,522

Unrecognised deferred tax assets

	Group	
	2019	2018
	\$	\$
At 1 January	51,223	41,635
Utilisation of deferred tax assets not recognised previously	(875)	(889)
Deferred tax benefit arising in current year not recognised	8,060	10,505
Currency re-alignment	(93)	(28)
At 31 December	58,315	51,223

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

	Group	
	2019	2018
	\$	\$
Unutilised tax losses	58,315	51,223

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. Income tax expense (Continued)

Unrecognised deferred tax assets (Continued)

As at 31 December 2019, the Group has unutilised tax losses of approximately \$242,000 (2018: \$213,000) available for offset against future taxable profits which are due for expiry on 31 December 2026 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 2.15 to the financial statements.

25. (Loss)/earnings per share

The calculation for (loss)/earnings per share is based on:

	Group	
	2019	2018
(Loss)/profit attributable to owners of the parent (\$)	(73,884)	694,913
Weighted average of ordinary shares in issue during the reporting period applicable to basic earnings per share	155,000,000	155,000,000
Basic and diluted (loss)/earnings per share (in cents)	(0.05)	0.45

The calculations for basic (loss)/earnings per share for the relevant periods are based on the loss or profit attributable to owners for the reporting periods ended 31 December 2019 and 2018 divided by the weighted average of ordinary shares in the relevant periods.

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

26. Dividends

	Group	
	2019	2018
	\$	\$
A final tax exempt dividend of Nil (2018:\$0.0050) per ordinary share on 155,000,000 (2018:155,000,000) ordinary shares in respect of the previous reporting period	–	775,000
A first interim tax exempt dividend of \$0.0025 (2018:\$0.0025) per ordinary share on 155,000,000 (2018:155,000,000) ordinary shares in respect of the current reporting period	387,500	387,500
	387,500	1,162,500

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. Lease commitments

The Group as lessee

As at 31 December 2018, commitments in respect of non-cancellable operating leases in respect of office spaces, warehouses and office equipment are as follows:

	Group 2018 \$
Within a year	949,871
Between one and five years	1,077,256
	<u>2,027,127</u>

Operating lease payments as at 31 December 2018 represented rents payable by the Group for office spaces, warehouses and office equipment. These leases had varying terms, escalation clauses and renewal options.

28. Contingent liabilities

Corporate guarantee

As at 31 December 2019, the Company had given guarantees amounting to \$19,420,800 (2018: \$17,271,425) to certain banks in respect of banking facilities granted to a subsidiary (Note 13).

As at the end of the reporting period, the total amount of borrowings outstanding and bankers' guarantees obtained, that are covered by the guarantees is \$5,502,754 (2018: \$3,687,161). 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.

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 or 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 control or common significant influence. Related parties may be individuals or other entities.

The ultimate controlling company is QKE Holdings Pte. Ltd..

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. Significant related party transactions (Continued)

During each of the reporting period, 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	
	2019	2018
	\$	\$
Subsidiary:		
- Dividend income	1,600,000	3,275,000
- Payments received from	338,000	2,890,373
- Payments to	(599,356)	–

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 each of the reporting period was as follows:

	Group	
	2019	2018
	\$	\$
Directors of the Company		
- short-term employee benefits	803,768	733,462
- post-employment benefits	36,000	35,427
- directors' fees	125,000	125,000
Directors of subsidiaries		
- directors' fees	67,157	68,197
Other key management personnel		
- short-term employee benefits	789,564	770,199
- post-employment benefits	63,725	72,638
	1,885,214	1,804,923

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 facilities 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 and consolidated adjustments which are not directly attributable to a particular reportable segment.

Segment assets comprise primarily of property, plant and equipment, intangible assets, right-of-use assets, inventories, operating receivables, cash and bank balances and exclude tax recoverable.

Segment liabilities comprise operating liabilities and exclude tax liabilities.

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

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 2019

30. Segment information (Continued)

Business segment	Fabrication and distribution business \$	Maintenance and servicing business \$	Unallocated \$	Total \$
Group				
31 December 2019				
Revenue				
Recognised at a point in time	24,633,267	–	–	24,633,267
Recognised over time	808,596	7,580,425	–	8,389,021
	<u>25,441,863</u>	<u>7,580,425</u>	<u>–</u>	<u>33,022,288</u>
Results				
Segment results	1,478,339	655,146	(1,530,878)	602,607
Finance costs	(189,415)	(56,437)	–	(245,852)
Profit before income tax	<u>1,288,924</u>	<u>598,709</u>	<u>(1,530,878)</u>	<u>356,755</u>
Income tax expense				(445,936)
Loss for the reporting period				<u>(89,181)</u>
Non-cash items				
Depreciation of property, plant and equipment	(181,398)	(54,048)	–	(235,446)
Amortisation of intangible assets	(4,623)	(1,378)	–	(6,001)
Amortisation of right-of-use assets	(1,083,400)	(345,494)	–	(1,428,894)
Inventories written back	(2,301)	–	–	(2,301)
Loss allowance on third parties trade receivables	<u>(70,764)</u>	<u>(21,084)</u>	<u>–</u>	<u>(91,848)</u>
Capital expenditure				
Property, plant and equipment	–	–	378,656	378,656
Intangible assets	–	–	14,192	14,192
Right-of-use assets	–	–	941,545	941,545
Assets and liabilities				
Segment assets	–	–	29,456,314	29,456,314
	<u>–</u>	<u>–</u>	<u>29,456,314</u>	<u>29,456,314</u>
Segment liabilities	–	–	13,012,632	13,012,632
- Current income tax payable	–	–	514,516	514,516
- Deferred tax liabilities	–	–	62,305	62,305
	<u>–</u>	<u>–</u>	<u>13,589,453</u>	<u>13,589,453</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. Segment information (Continued)

Business segment	Fabrication and distribution business \$	Maintenance and servicing business \$	Unallocated \$	Total \$
Group				
31 December 2018				
Revenue				
Recognised at a point in time	25,162,246	–	–	25,162,246
Recognised over time	1,634,648	6,764,293	–	8,398,941
	<u>26,796,894</u>	<u>6,764,293</u>	<u>–</u>	<u>33,561,187</u>
Results				
Segment results	2,770,420	945,854	(2,117,789)	1,598,485
Finance costs	(137,749)	(34,764)	–	(172,513)
Profit before income tax	<u>2,632,671</u>	<u>911,090</u>	<u>(2,117,789)</u>	<u>1,425,972</u>
Income tax expense				(745,522)
Profit for the reporting period				<u>680,450</u>
Non-cash items				
Depreciation of property, plant and equipment	(562,982)	(142,109)	–	(705,091)
Amortisation of intangible assets	(16,244)	(4,100)	–	(20,344)
Inventories written back	272,567	–	–	272,567
Loss allowance on third parties trade receivables	<u>(248,594)</u>	<u>–</u>	<u>–</u>	<u>(248,594)</u>
Capital expenditure				
Property, plant and equipment	–	–	609,146	609,146
Intangible assets	<u>–</u>	<u>–</u>	<u>6,900</u>	<u>6,900</u>
Assets and liabilities				
Segment assets	–	–	28,091,969	28,091,969
	<u>–</u>	<u>–</u>	<u>28,091,969</u>	<u>28,091,969</u>
Segment liabilities	–	–	10,969,565	10,969,565
- Current income tax payable	–	–	720,348	720,348
- Deferred tax liabilities	–	–	62,305	62,305
	<u>–</u>	<u>–</u>	<u>11,752,218</u>	<u>11,752,218</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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, intangible assets, and right-of-use assets. Non-current assets are shown by the geographical area in which the assets are located.

	Singapore \$	Malaysia \$	Others \$	Total \$
Group				
31 December 2019				
Total revenue from external customers	30,677,374	446,181	1,898,733	33,022,288
Non-current assets	3,159,499	393,342	–	3,552,841
31 December 2018				
Total revenue from external customers	32,820,151	730,903	10,133	33,561,187
Non-current assets	1,907,872	389,120	–	2,296,992

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 and the Company are not exposed to equity price risk. 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 uses derivative financial instruments to manage its exposure to foreign currency risks.

There has been no change to 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

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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 bank balances. 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 does not hold any collateral, the carrying amount of financial assets represents the maximum exposure to credit risk, except for the corporate guarantee provided by the Company to certain banks in respect of banking facilities granted to a subsidiary as disclosed in Note 28 to the financial statements. For the corporate guarantee issued, the Company has assessed that these subsidiaries have sufficient financial capabilities to meet its contractual cash flows obligation in the near future. Hence, it does not expect any material loss allowance under 12-month expected credit loss model.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor, current economic condition in relation to each debtor's exposure. The expected credit losses also incorporate forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

The Group recognise lifetime expected credit losses for trade receivables based on individually significant customers or the ageing of customers collectively that are not individually significant. At the reporting period, the analysis of trade receivables and the carrying amount of loss allowances on third parties receivables are as follows:

Group	Gross carrying amount \$	Loss allowance on third parties trade receivables \$	Net carrying amount \$
As at 31 December 2019			
Other customers collectively assessed			
Not past due	2,258,561	(13,548)	2,245,013
Past due 1 to 60 days	2,906,604	(44,204)	2,862,400
Past due 61 to 180 days	1,077,549	(47,905)	1,029,644
Past due 181 to 365 days	144,721	(46,594)	98,127
Past due over 365 days	69,910	(69,910)	–
	6,457,345	(222,161)	6,235,184
Project customers*	3,716,220	(21,588)	3,694,632
	10,173,565	(243,749)	9,929,816

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

31.1 Credit risks (Continued)

Group	Gross carrying amount \$	Loss allowance on third parties trade receivables \$	Net carrying amount \$
As at 31 December 2018			
Other customers collectively assessed			
Not past due	2,567,821	(33,681)	2,534,140
Past due 1 to 60 days	3,892,010	(83,810)	3,808,200
Past due 61 to 180 days	820,672	(50,501)	770,171
Past due 181 to 365 days	205,498	(16,194)	189,304
Past due over 365 days	19,726	(1,465)	18,261
	7,505,727	(185,651)	7,320,076
Project customers*	2,405,976	(31,745)	2,374,231
Credit impaired customers	14,169	(14,169)	–
	9,925,872	(231,565)	9,694,307

* Project customers have been extended credit terms in accordance with the terms of the contracts. Based on the extended credit terms, receivables due from these customers are within the not past due category of receivables in the application of the lifetime expected loss provision matrix.

The rates of ECL for not past due, past due 1 to 60 days, past due 61 to 180 days, past due 181 to 365 days and past due over 365 days of the receivables have been determined to range from 0.32% to 47.75% in Year 2019 (2018: 1% to 10%).

Cash and bank balances

Credit risk also arises from cash and balances held with banks and financial institutions. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances have been measured based on 12-month expected credit loss model. At the reporting date, the Group and the Company did not expect any credit losses from non-performance by the counterparties which are banks assigned with investment grade ratings by international credit-rating agencies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

31.1 Credit risks (Continued)

Non-trade receivables

Management monitors and assess at each reporting date on any indicator of significant increase in credit risk for the non-trade receivables (Note 9). In the assessment for indicators, management took into account information that it has available internally about these counterparties' past, current and expected operating performance and cash flow position, as well as their performance ratio and if the entities had any default in external debts. Based on the assessment, management has determined that the credit risk for these assets has not increased significantly since their initial recognition, and accordingly, the non-trade amounts have been measured based on 12-month expected credit loss model. At the reporting date, the Group and the Company did not expect any significant credit losses from non-performance by the counterparties and accordingly, no loss allowance has been recognised.

For the Group's and the Company's non-trade amounts due from ultimate holding company and subsidiary, management has assessed that risk of default to be minimal as these related entities have sufficient liquid assets and cash to repay their debts. Accordingly, these receivables are considered to be a low credit risk and subject to immaterial credit loss. No loss allowance has been recognised on the non-trade receivables due from related entities.

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 Singapore dollar ("SGD"), Ringgit Malaysia ("RM"), United States dollar ("USD"), Euro ("EUR"), Hong Kong Dollar ("HKD") and Chinese renminbi ("CNY") transactions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

31.2 Market risks (Continued)

Foreign currency risks (Continued)

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	
	2019 \$	2018 \$	2019 \$	2018 \$
Singapore dollar	–	–	–	43,989
Ringgit Malaysia	–	280,690	171,362	2,891,961
United States dollar	1,817,276	509,062	1,286,360	1,230,756
Euro	220,143	163,635	928,001	1,435,018
Hong Kong dollar	79,696	16,644	302,569	77,069
Chinese renminbi	30,624	–	176,240	555,140

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

31.2 Market risks (Continued)

Foreign currency risks (Continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) change in SGD, RM, USD, EUR, HKD and CNY against respective functional currencies 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 reporting period, 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 SGD, RM, USD, EUR, HKD and CNY are included in the analysis.

	Profit or Loss	
	2019	2018
	\$	\$
Group		
<i>Singapore dollar*</i>		
Strengthens against Ringgit Malaysia	–	(2,199)
Weakens against Ringgit Malaysia	–	2,199
<i>Ringgit Malaysia</i>		
Strengthens against Singapore dollar	(8,568)	(130,564)
Weakens against Singapore dollar	8,568	130,564
<i>United States dollar</i>		
Strengthens against Singapore dollar	26,546	(36,085)
Weakens against Singapore dollar	(26,546)	36,085
<i>Euro</i>		
Strengthens against Singapore dollar	(35,393)	(63,569)
Weakens against Singapore dollar	35,393	63,569
<i>Hong Kong Dollar</i>		
Strengthens against Singapore dollar	(11,144)	(3,021)
Weakens against Singapore dollar	11,144	3,021
<i>Chinese renminbi</i>		
Strengthens against Singapore dollar	(7,281)	(27,757)
Weakens against Singapore dollar	7,281	27,757

* Arising from exposure in SGD recorded in the subsidiaries with Ringgit Malaysia as the functional currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

31.2 Market risks (Continued)

Interest rate risks

As at 31 December 2019 and 2018, the Group and the Company are not exposed to significant interest rate risks, as they do not have liabilities that are exposed to floating interest rates. Accordingly, no sensitivity analysis have been performed.

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 – non-derivative financial instruments

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.

	On demand or within one year \$	After one year but within two years \$	After two years but within five years \$	After five years \$	Adjustments \$	Total \$
Group						
31 December 2019						
Financial assets						
Trade and other receivables* (Note 9)	10,782,379	–	–	–	–	10,782,379
Cash and bank balances (Note 10)	10,923,845	–	–	–	–	10,923,845
Financial liabilities						
Trade and other payables# (Note 11)	5,875,757	–	–	–	–	5,875,757
Borrowings (Note 13)	3,247,309	–	–	–	(17,643)	3,229,666
Lease liabilities (Note 14)	1,340,741	800,835	1,029,702	70,339	(242,973)	2,998,644

* - Excluding advance payment to supplier

- Excluding goods and services tax payables

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

31.3 Liquidity risks (Continued)

Contractual maturity analysis – non-derivative financial instruments (Continued)

	On demand or within one year \$	After one year but within two years \$	After two years but within five years \$	After five years \$	Adjustments \$	Total \$
Group						
31 December 2018						
Financial assets						
Trade and other receivables* (Note 9)	10,457,209	–	–	–	–	10,457,209
Cash and bank balances (Note 10)	10,232,282	–	–	–	–	10,232,282
Financial liabilities						
Trade and other payables# (Note 11)	5,355,288	–	–	–	–	5,355,288
Borrowings (Note 13)	2,861,705	–	–	–	(15,640)	2,846,065
Finance lease liabilities (Note 14)	419,520	419,520	978,982	241,392	(248,799)	1,810,615

* - Excluding advance payment to supplier

- Excluding goods and services tax payables

	On demand or within one year \$
Company	
31 December 2019	
Financial assets	
Trade and other receivables	4,503,856
Cash and bank balances	1,184,141
Financial liabilities	
Trade and other payables	368,111
Financial guarantee contracts	5,502,754
31 December 2018	
Financial assets	
Trade and other receivables	4,341,010
Cash and bank balances	1,132,515
Financial liabilities	
Trade and other payables	476,251
Financial guarantee contracts	3,687,161

The repayment terms of the Group's borrowings are disclosed in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

31.3 Liquidity risks (Continued)

Contractual maturity analysis – derivative financial instruments

The following table details the Group's maturity analysis for its derivative financial instruments. The table has been drawn up based on undiscounted gross cash inflows/(outflows) on those derivatives that require gross settlement.

	Group	
	On demand or within one year	
	2019	2018
	\$	\$
Gross settled:		
Structured forward foreign exchange contracts:		
Gross inflow	546,400	593,900
Gross outflow	(554,560)	(603,386)
	(8,160)	(9,486)

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 in compliance with all externally imposed capital requirements which are the bank covenants in relation to the borrowings included in Note 13 to the financial statements, for the reporting periods ended 31 December 2019 and 2018.

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 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

31.4 Capital management policies and objectives (Continued)

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 lease liabilities less cash and bank balances.

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade and other payables	6,155,269	5,769,422	368,111	476,251
Borrowings	3,229,666	2,846,065	–	–
Lease liabilities (2018: Finance lease liabilities)	2,998,644	1,810,615	–	–
Cash and bank balances	(10,923,845)	(10,232,282)	(1,184,141)	(1,132,515)
Net (cash)/debt	1,459,734	193,820	n.m.	n.m.
Total equity	15,866,861	16,339,751	5,336,572	5,654,951
	17,326,595	16,533,571	n.m.	n.m.

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

31.5 Fair value of financial assets and financial liabilities (Continued)

Financial instruments that are measured at fair value on a recurring basis (Continued)

Financial liability	Fair value loss		Fair value hierarchy	Valuation technique(s) and key inputs
	2019 \$	2018 \$		
Structured forward foreign exchange contracts	(8,160)	(9,486)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rate (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

31.6 Categories of financial instruments

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

	Group		Company	
	2019 \$	2018 \$	2019 \$	2018 \$
Financial assets				
Financial assets at amortised cost*	21,706,224	20,689,491	5,687,997	5,473,525
Financial liabilities				
Derivative financial instruments	8,160	9,486	–	–
Other financial liabilities, at amortised cost#	12,104,067	10,011,968	368,111	476,251

* - Excluding advance payment to supplier

- Excluding goods and services tax payables

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. Events subsequent to the reporting date

Incorporation of a new subsidiary

On 15 January 2020, the Group has incorporated PT Indo Qson Kitchen Equipment ("PT Indo Qson") with an issued and paid-up share of Rp. 2,500,000,000 (approximately \$242,000) comprising 2,500 ordinary shares. The principal activities of PT Indo Qson are those of trading, distribution, sales, servicing, repair and maintenance of commercial and residential kitchen equipments and related supplies.

Effect of the Coronavirus Outbreak

On 31 January 2020, the World Health Organisation ("WHO") announced the novel Coronavirus ("COVID-19") Outbreak as a global health emergency and on 7 February 2020, Singapore raised the DORSCON level to Orange.

As the Group's customers are mainly operating in F&B services, the customers' businesses are severely affected since the raising of the DORSCON level to Orange. The Group is of the view that this may not result in a significant increase in loss allowance as the customers have generally, good repayment history. The Group is still in close contact with its customers and regular repayments have been made to the Group.

The outbreak of COVID-19 is expected to reduce the demand for services from the maintenance and servicing segment. The Group will monitor the COVID-19 situation closely and to mitigate the financial impact, the Group will actively pursue new projects, manage the costs and maximise the use of its resources.

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2020

Number of Issued Shares	:	155,000,000
Class of Shares	:	Ordinary
Voting Rights	:	One vote per share
Treasury Shares and Subsidiary Holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	26	8.05	23,300	0.02
1,001 - 10,000	137	42.41	744,200	0.48
10,001 - 1,000,000	155	47.99	12,947,500	8.35
1,000,001 AND ABOVE	5	1.55	141,285,000	91.15
TOTAL	323	100.00	155,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
QKE Holdings Pte. Ltd. ⁽¹⁾	122,491,500	79.03	—	—
Chua Chwee Choo Sally ⁽²⁾	995,000	0.64	122,491,500	79.03
Lee Chong Hoe Alan ⁽²⁾	192,000	0.12	122,491,500	79.03
Cheng Chun Choi Frankie ⁽²⁾	—	—	122,491,500	79.03

Notes:

- (1) 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.
- (2) Chua Chwee Choo Sally (Managing Director) and Lee Chong Hoe Alan (Executive Director) and Cheng Chun Choi Frankie each hold approximately 33.3% of the issued share capital of QKE Holdings. As they each hold not less than 20.0% 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.

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2020

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	QKE HOLDINGS PTE. LTD.	122,491,500	79.03
2	SIRIUS VENTURE CAPITAL PTE LTD	6,710,500	4.33
3	UOB KAY HIAN PRIVATE LIMITED	5,083,000	3.28
4	NEO GROUP LIMITED	4,500,000	2.90
5	POON WAI	2,500,000	1.61
6	CHUA CHWEE CHOO	995,000	0.64
7	NG TIAN ZHU	849,800	0.55
8	DBS NOMINEES (PRIVATE) LIMITED	705,000	0.45
9	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	680,000	0.44
10	HOLT ASIA INVESTMENT PTE LTD	652,000	0.42
11	MAK PAO YUN	450,000	0.29
12	PHILLIP SECURITIES PTE LTD	442,300	0.29
13	CHANG THIAM HOCK	375,000	0.24
14	AH HOT GERARD ANDRE	352,700	0.23
15	NEO KAH KIAT	285,000	0.18
16	LEE LAI HENG BRIAN	275,400	0.18
17	HO EE HWA @ MADELEINE HO	255,100	0.16
18	THAM SOK ING	250,000	0.16
19	ONG ENG LOKE	201,000	0.13
20	LAM TECK MENG LAWRENCE	200,000	0.13
TOTAL		148,253,300	95.64

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

20.21% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalyst.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE FORTHCOMING ANNUAL GENERAL MEETING PURSUANT TO RULE 720(5) OF THE CATALIST RULES

Name	:	Chua Chwee Choo	Lee Chong Hoe
Date Of Appointment	:	9 May 2013	9 May 2013
Age	:	52	59
Country Of Principal Residence	:	Singapore	Singapore
Date of last re-appointment (if applicable)	:	25 April 2018	25 April 2018
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	:	Sally is 1 of 3 founding members with 25 years of experience in Kitchen equipment business	Alan is 1 of the 3 founding members. He has about 40 years of technical and electrical experiences
Whether appointment is executive, and if so, the area of responsibility	:	Executive, responsible for management decisions, implementation of plans, management and monitoring of principal risks and overall strategic plans of our Group	Executive, responsible and overseeing the Technical and Maintenance Service division our Group
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	:	Executive Director and Chief Executive Officer	Executive Director
Professional qualifications	:	GCE Ordinary Level	-
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	:	Spouse of Mr Lee Chong Hoe, Executive Director of the Company	Spouse of Ms Chua Chwee Choo, Executive Director and Chief Executive Officer of the Company
Conflict of interest (including any competing business)	:	No	No
Working experience and occupation(s) during the past 10 years	:	Director of our Group since January 1998	Director of our Group since January 1998
Undertaking submitted to the listed issuer in the form of Appendix 7H (Catalist Rule 704(6))	:	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	:	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE FORTHCOMING ANNUAL GENERAL MEETING PURSUANT TO RULE 720(5) OF THE CATALIST RULES

Name	:	Chua Chwee Choo	Lee Chong Hoe
Shareholding Details	:	<u>Interest in the Company:</u> Direct: 995,000 ordinary shares Deemed: 122,491,500 ordinary shares <u>Interest in indirect subsidiary, PT Indo Qson Kitchen Equipment:</u> Direct: 1 ordinary share, held to facilitate the incorporation	<u>Interest in the Company:</u> Direct: 192,000 ordinary shares Deemed: 122,491,500 ordinary shares <u>Interest in indirect subsidiary, PT Indo Qson Kitchen Equipment:</u> Direct: 1 ordinary share, held to facilitate the incorporation
Other Principal Commitments Including Directorships	:	Present Directorships in our Group are as follows: <u>Holding company</u> QKE Holdings Pte. Ltd. <u>Direct and/or indirect subsidiaries of the Company:</u> Q'son Kitchen Equipment Pte Ltd Q'son International Pte. Ltd. Phoenix, The Central Kitchen Solutions Pte. Ltd. Q'son Industries (M) Sdn. Bhd. Qson Kitchenhub Sdn. Bhd.	Present Directorships in our Group are as follows: <u>Holding company</u> QKE Holdings Pte. Ltd. <u>Direct and/or indirect subsidiaries of the Company:</u> Q'son Kitchen Equipment Pte Ltd Q'son International Pte. Ltd. Phoenix, The Central Kitchen Solutions Pte. Ltd. Q'son Industries (M) Sdn. Bhd. Qson Kitchenhub Sdn. Bhd.
Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	:	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE FORTHCOMING ANNUAL GENERAL MEETING PURSUANT TO RULE 720(5) OF THE CATALIST RULES

Name	:	Chua Chwee Choo	Lee Chong Hoe
Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	:	No	No
Whether there is any unsatisfied judgment against him?	:	No	No
Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	:	No	No
Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	:	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE FORTHCOMING ANNUAL GENERAL MEETING PURSUANT TO RULE 720(5) OF THE CATALIST RULES

Name	:	Chua Chwee Choo	Lee Chong Hoe
Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	:	No	No
Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	:	No	No
Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	:	No	No
Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	:	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE FORTHCOMING ANNUAL GENERAL MEETING PURSUANT TO RULE 720(5) OF THE CATALIST RULES

Name	:	Chua Chwee Choo	Lee Chong Hoe
Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-			
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	:	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	:	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	:	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	:	No	No
Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	:	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE FORTHCOMING ANNUAL GENERAL MEETING PURSUANT TO RULE 720(5) OF THE CATALIST RULES

Name	:	Chua Chwee Choo	Lee Chong Hoe
Disclosure applicable to the appointment of Director only			
Any prior experience as a director of an listed issuer listed on the Exchange? If No, please state if the director has attended or will be attending training on the roels and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	:	Not Applicable	Not Applicable



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