



SKE

SMART KITCHENS FOR A SMART NATION

ANNUAL REPORT 2016



QSON
KITCHEN EQUIPMENT



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, no matter. Year 2016 saw SKE cruising ahead to the finishing line in good stead. Our customers stayed loyal, our suppliers stayed competitive and supportive, our staff stayed dedicated and professional and SKE met the corporate revenue target! SKE has not forgotten to give unstintingly to the less fortunate in our community midst and beyond. The vulnerable, the young adults looking for a shot to better themselves and their families and not forgetting the destitute.



Mission

Service Excellence

* Product Excellence

* Partnering Our Customers!

Vision

Every Kitchen, A Q'son.

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

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

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

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CORPORATE PROFILE

Singapore Kitchen Equipment (SKE) Limited, operating with the trade name Q'son Kitchen Equipment Pte Ltd (Qson), since established in Sept 1996, had gone from strength to strength, providing back end food preparation and cooking solutions. Qson had grown from a 6-person, 300 sq feet outfit to the current 200-strong listed enterprise, spanning about 50,000 sq feet factory and administration space in Singapore and Malaysia.

Quick to tap on economic, culinary, hospitality and F&B needs and directional changes, Qson more than survived in this niche and competitive industry.

Neatly divided into two segments; fabrication and service division, Qson was and is able to weather storms nationally or global influences. When the economy is rosy with eateries opening shop very quickly, Qson is here to manage turnkey projects, setting up entire kitchens, providing consultancy and thereby bumping up production and fabrication in the factory. On the other hand, when the economy turns the corner and strapped for capital expenditure, our service department will be fully engaged to render repair and replacement of parts as capital expenditure for new equipment will be cut.

Year in Review

PLENTYFULL

Opened in August 2016 in Millenia Walk, Plentyfull is the go-to restaurant for fresh ingredients and tantalising taste. In the day, it is café-style eatery for the office crowd. Daylight dwindles and it is transformed to a full service bar and restaurant. Put more chic life into the Millenia!



NTUC FOODFARE @ MBC AKA KITCHEN LOFT –

“Foodcourt” food, decor and ambience had gone upper class! Opened on 10th December 2016, Kitchen Loft recommends a plethora of food options and even a bar! Dinner can be scrumptious. No need to break the bank to enjoy fine food and drinks.



MDIS

An established academic, private tertiary institution, MDIS has included vocational skill training into their curriculum. Set up as a culinary-based training centre, with experienced chefs helming it, MDIS will produce future manpower for the industry, upping the level of expertise for the F&B scene.



TWG

The Wellbeing Group, parent company of TWG, has the TWG Tea brand originating in Singapore. Since established in 2008, TWG Tea has opened tea salons and boutiques spanning across 14 countries and counting, catering to the discerning taste and lifestyle of the well-heeled. Pictured here is the central kitchen in Kampong Ampat.





NTU ALUMNI Set in Marina Square

Satiate your taste buds at the bespoke Mortar Restaurant & Bar managed by the renowned Sodexo Group, the French gourmet powerhouse behind the iconic Michelin-starred restaurants, Le Pré Catalan and Le Jules Verne in Paris.

Serving an international menu, the restaurant will also host top chefs from Sodexo's global network of chefs in 80 countries who will share their authentic native cuisine and culture. Diners can look forward to a gastronomic adventure, sampling diverse cuisines from around the world. Indulge in an array of specially crafted artisanal cocktails and unwind with the music.

With a capacity of more than 200 guests in the bar and restaurant, the venue is a perfect choice for business and private events.



WINE CONNECTION

A leading chain of wine shops and wine-themed restaurants, Wine Connection has enjoyed good business for about 2 decades now.

Wine Connection is the leading chain of wine shops and wine-themed restaurants in South-East Asia. Established in Bangkok in 1998, Wine Connection has been developing expertise in importing exclusive wines from around the world, crafted European beers, glassware and wine accessories for over 15 years.



Curate @ Resorts World Sentosa

3-Star Michelin Chef Massimiliano Alajmo, suave, sensitive and talented chef in the 1st Michelin Starred restaurant in Singapore. Herein exists heavenly food!

Opened to the public in May 2016, Singapore had moved a notch up in the culinary scene with the establishment of Curate – Asia's first Michelin-starred showcase restaurant - with a pipeline of Michelin-starred chefs to front the food scene in this very kitchen.

Our Business

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



Fabrication and Distribution Segment

Sticking to what we do best since day one, Qson is able to leverage on our fundamental strength to expand and grow the business. From a small workshop, Qson had gone on to be a savvy fabricator of stainless steel products for the commercial kitchens, many of the processes which are automated for savings in resources and wastage reduction. Output had gone up by up to 100 times since 1996. With a factory space of 25,000 sq ft and 60 production workers, Qson had made provisions for anticipated increase in output capacity.

Not just on production of stainless steel products, designing of the products had been given a boost with upgraded skills and certification of our in-house designer to satisfy higher end requirements.

To complement the suite of offerings, Qson 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, Qson also value adds by way of offering consultancy and design of entire kitchen fit-out based on clients' specifications and requirements.

HOUSE BRAND



InnoFlame (Chinese cooking range)



Qoolux (Industrial refrigeration products)

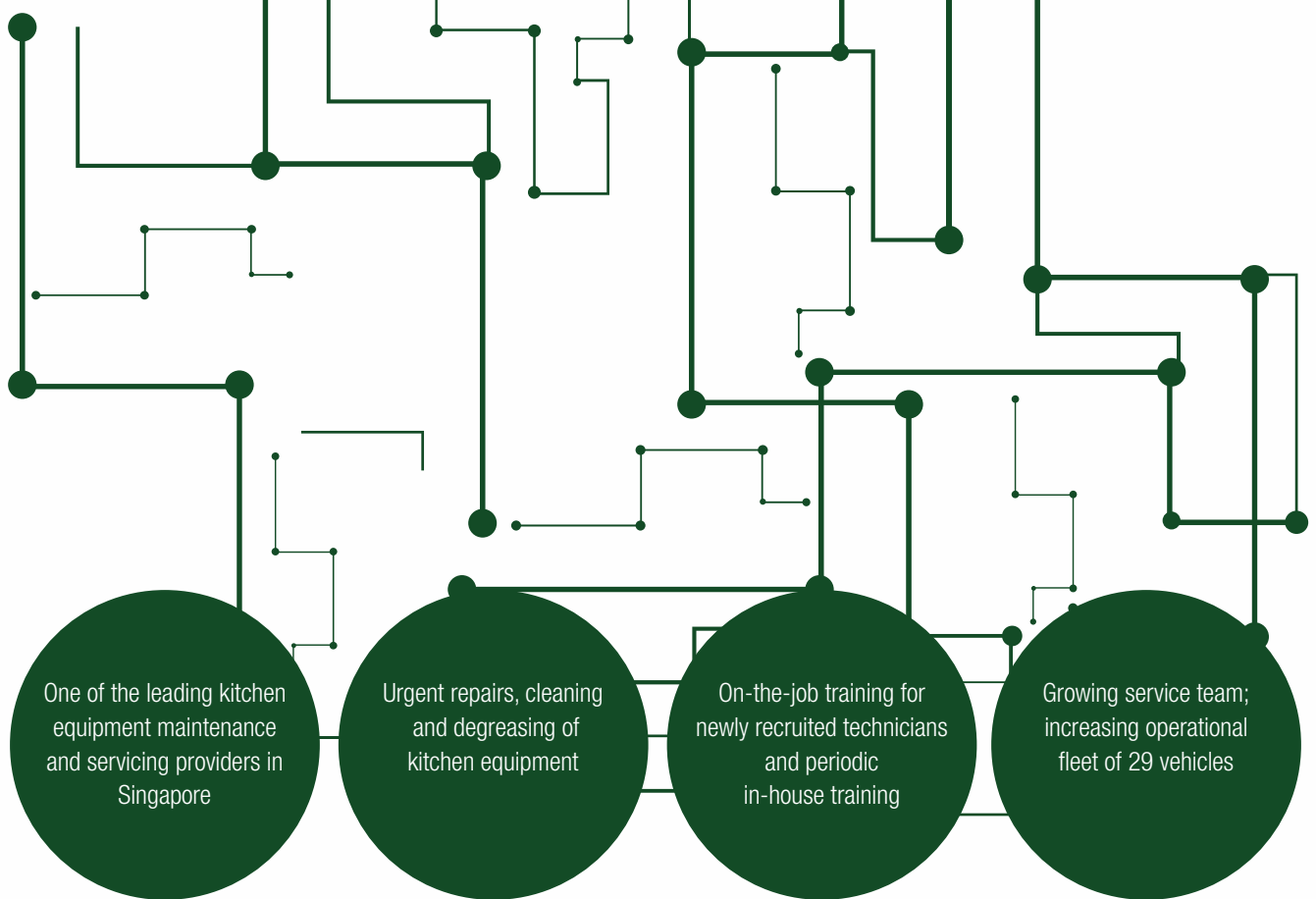


HOUSE BRAND

Sole Distributor

Third Party Kitchen Equipment





Maintenance and Servicing Segment

As the leading kitchen equipment servicing company in Singapore, Qson had the pole position for many years, having the largest skilled team of technical staff, numbering 87 with 29 vehicles.

Our core competency is in the ability to service, maintain and repair all brands, types, models, makes and versions of kitchen equipment, be it electrical, town gas or liquefied gas equipment. All technical staff had undergone rigorous on-the-job training, classroom type and factory based training. And 80% of the technical team is certified by local authorities to carry out works safely and competently. To keep up with technological advances and improvements in kitchen equipment, our technical team were kept abreast through consistent upgrading courses and training by visiting principals. Qson had invested heavily in the technical human capital and is reaping the rewards of this investment.



Chairman and MD Statement

Dear Shareholders

On behalf of the Board of Directors of Singapore Kitchen Equipment Limited ("SKE"), we are pleased to present to you our Group's annual report for the financial year ended 31 December 2016 ("FY2016").

For the year under review, the Group reported a higher net profit attributable to equity shareholders of S\$2.6 million compared to S\$1.5 million for the financial year ended 31 December 2015 ("FY2015"). The Group's revenue increased by S\$0.2 million, from S\$26.0 million to S\$26.2 million in FY2016. Breaking it down by segment, the fabrication and equipment distribution business achieved S\$19.9 million in revenue (S\$19.8 million FY2015) while the service maintenance business contributed S\$6.3 million in revenue (S\$6.2 million FY2015).

The second half of the year, traditionally a busier period in the industry due to year-end festivities and higher tourist arrivals, revenue for the period picked up slightly.

Cost of sales decreased by approximately S\$0.1 million from S\$17.4 million in FY2015 to S\$17.3 million in FY2016. This was attributable to lower materials cost and partially offset by the increase in staff related costs.

As the Group's performance has a direct correlation with the conditions of the hospitality and F&B industries, various economic factors have significant impact on our business.

Data from the Economic Survey of Singapore 2016 showed that visitor arrivals increased by a healthy 7.7 per cent to 16.4 million in the year under review, while tourism receipts increased by 13.9 per cent to S\$24.8 billion on the back of food and beverage, shopping and accommodation spending. With Singapore's reputation as a destination for business tourism, FY2016 also saw more than 410 business events, a 15 per cent increase from the previous year.

Other statistics of note include the 1.7% growth of the accommodation and food services sector compared to the 0.7% growth in the previous year. The food & beverage services index fell by 1.7%, which was more modest than the 5.0% decline in the previous year. Fourth quarter restaurant sales shrank by 0.6%. For the whole of 2016, Singapore's economy expanded by 2.0%, similar to the 2.0% growth in 2015.

In a nutshell, despite the difficult labour market and challenging operating environment, we were able to maintain our performance in FY2016. The Group was able to grasp many opportunities, with relatively strong interest for our automatic machines in the higher-end market boosting revenue. Our long-term strategy to address the needs of the lower-end market continued as we provided one-stop solution for central kitchen setup for food court operators and coffee shop chains.

Delivering on Sustainable Growth

With our theme of "Smart Kitchen for a Smart Nation", we strive to provide quality products and services to our customers to support their growth and performance. Our track record has enabled us to establish long-term partnerships with our customers, who rely on our expertise in design, supply and maintenance servicing. A strong relationship with our clients is a core aspect of our strategy for growth as the Group's business is intertwined with the performance of the F&B industry.

Furthermore, when it came to essential service operators such as main and community hospitals, day care centres, airport services, defence science premises, hotels, restaurants, and central kitchens, we were unstinting in our service support. We were always ready to send out our team of well-trained service technicians to provide quality and efficient service support thus building customer confidence.

Aside from enhancing the productivity of our customers, SKE is also focused on its own productivity by improving the quality of its products and skills of its technical staff. In collaboration with our trading partners from manufacturing countries in Europe, Far East Asia and Japan, we arrange for high-standard and hands-on technical training for our service team.

Tapping into key areas where additional growth can be achieved, the Group has tested the possibility of creating different departments to meet the need for products which are sub-contracted. A prime example for the year under review would be how we built on our expertise in cold room design supply and maintenance and established a Commercial Refrigeration department. It helped improve our margins by eliminating the need for middleman contractors and suppliers.

Enhancing Our Product Range

In our pursuit of expanding our business in the region, we continue to enhance our existing brands, while planning new ventures to grow our operations. Our recipe of success consists of focusing on local market trends, driving innovation in our products, and implementing effective cost management practices. These ingredients have allowed us not only to increase our regional footprint, but have also made us more resilient and adaptable to economic headwinds.

During the biennial Food and Hotel Asia 2016 event, Asean's largest food and hotel exhibition which attracts thousands of trade visitors, we introduced Kenji – formerly known as Automatic Intelligent Cooker ("AIC") which is essentially our rebranded robotic cooking machines. Under the Kenji brand, we rolled out automated kitchen equipment such as fried rice and fried noodle machines. With a goal of looking to bring more innovative and automated products in the market, the Group has beefed up its product line by adding pasta cooking machines, conveyer deep fryers, and sauce making and pasta making machines. The system offers commercial and industrial kitchen owners an automated solution and cost-savings on manpower. During the year under review, around 30 installations were made in Singapore.

Extending Our Brand into Regional Markets

We have always set out to broaden our horizons and expand our brand overseas as part of our long-term growth plan. The Group has already consolidated its presence in Myanmar and the Maldives, undertaking a few projects under its belt as well as receiving requests for kitchen consultancy, design and supply. As a whole, overseas projects contributed about 10% of top line in FY2016, compared to 2.5% in FY2015.

While the Group intends to set up a physical presence overseas, we are still monitoring local infrastructure and economic conditions in said countries. Meanwhile, we continue to explore viable projects and partnerships with other businesses in the region, particularly in Malaysia, Indonesia, Vietnam, Cambodia and India.

Our Industry Outlook

The Singapore government has projected that the economy will grow between 1 to 3% in 2017. The Group is optimistic that it can sustain its traction towards growth and gain market share in the commercial and industrial kitchen market. Still, we remain cautious and expect the global economic conditions to be challenging. Some of the impediments towards our goal include a tight skilled labour market, rising business costs, volatility in foreign countries, slowdown in overall business environment and increased competition from new and existing players in the F&B industry.

Hence we adopt a prudent approach, and remain committed to improving operational efficiencies by closely monitoring our expenditures and efficiently allocating our resources to mitigate cost challenges. Aside from managing our operating costs, we will seek measures to boost productivity and innovatively market ourselves aggressively against an intensely competitive industry.

In Appreciation

At this juncture, we would like to acknowledge the many parties who have contributed to our story for the year under review. On behalf of our fellow Directors, we would like to convey our heartfelt appreciation to our shareholders for their sustained support and interest in the Group. It is our pleasure to recommend a final dividend of 0.75 Singapore cent per ordinary share tax exempt one-tier for FY2016, subject to shareholders' approval at the upcoming Annual General Meeting.

We would also like to express our sincere appreciation to our clients and suppliers for their support and trust over the years, which have contributed greatly to our success and growth. Lastly, we would like to thank the management and staff for their unwavering commitment, hard work and dedication, which serve as our guide towards our long-term goals of growth.

Eileen Tay-Tan Bee Kiew

Independent Director and Chairman

Sally Chua

Co-founder & Managing Director

Operations Review

Singapore Kitchen Equipment Limited ("SKE" or the "Group") marked the financial year ended 31 December 2016 ("FY2016") with sustained progress and growth in the midst of considerable challenges posed by increased competition in the F&B industry and slowdown in overall business environment.

The Group registered a marginal increase in revenue of S\$0.2 million, from S\$26.0 million in FY2015 to S\$26.2 million in FY2016. Revenue from both the Fabrication & Equipment Distribution and the Maintenance and Service divisions were comparable to last year's figures.

Gross profit improved by S\$0.2 million to S\$8.8 million in FY2016 as compared to S\$8.6 million in FY2015. Cost of sales showed a slight decrease from S\$17.4 million in FY2015 to S\$17.3 million in FY2016 due to reductions in cost of materials and partially offset by the increase of the staff related costs due to expansion of the service and maintenance and project installer teams.

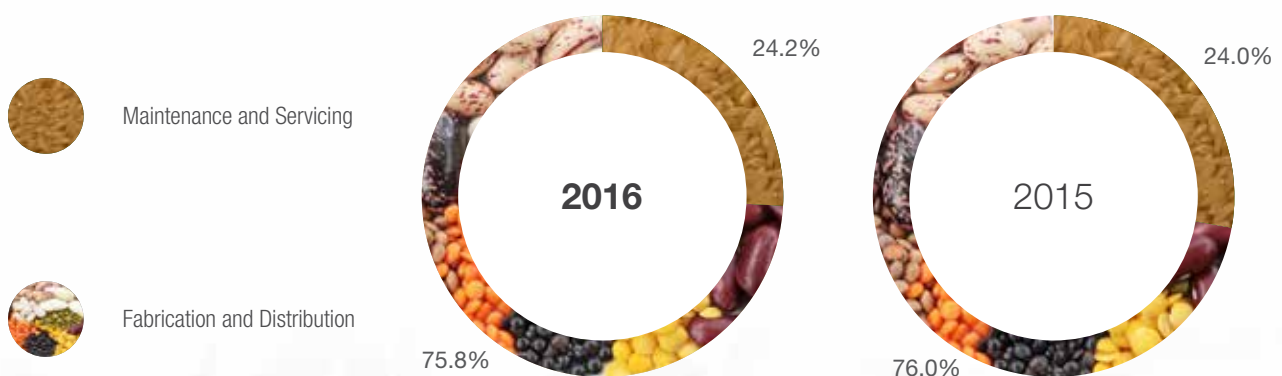
Other income rose by 12.1% from S\$0.58 million in FY2015 to S\$0.65 million in FY2016, mainly due to the (i) increase in government grants received of S\$0.16 million, (ii) increase in bad debts recovered S\$0.07 million, and (iii) the net increase in other miscellaneous income of S\$0.06 million, offset by the one-off gains on disposal of property of S\$0.22 million.

Segment Review

Over the course of more than 20 years in the kitchen equipment industry in Singapore, SKE has established a solid track record and an extensive list of clientele from the F&B industry, ranging from restaurants, integrated resorts, hotels and caterers. As one of the leading commercial and industrial kitchen solution providers in the region, SKE provides a wide range of products and services for commercial kitchens.

Due to the increased sales generated from the manufacturing of equipment from various completed projects, revenue for the Group's Fabrication and Equipment Distribution business marginally grew by 0.5% from S\$19.8 million in FY2015 to S\$19.9 million in the year under review. The segment was backed by 12 projects revenue worth S\$3.2 million. These projects include, but not limited to Kooodoo Airport at the Maldives, NTUC Foodfare, Select Catering, Singapore Airport Terminal Services, Kwong Wai Shiu Hospital, and St. Andrew's Community Hospital.

Chart 1: Revenue proportion (FY2016 versus FY2015)



Maintenance & Service

The Group's Maintenance and Service division, which undertakes preventive maintenance works and repairs on kitchen equipment, consists of 87 technicians and engineers.

The Maintenance and Service division grew by 1.6% in revenue to S\$6.3 million in FY2016 compared to S\$6.2 million in FY2015. The division benefited from the increase of service jobs and contracts during the period in review, as customers chose to maintain their existing equipment instead of acquiring new ones.

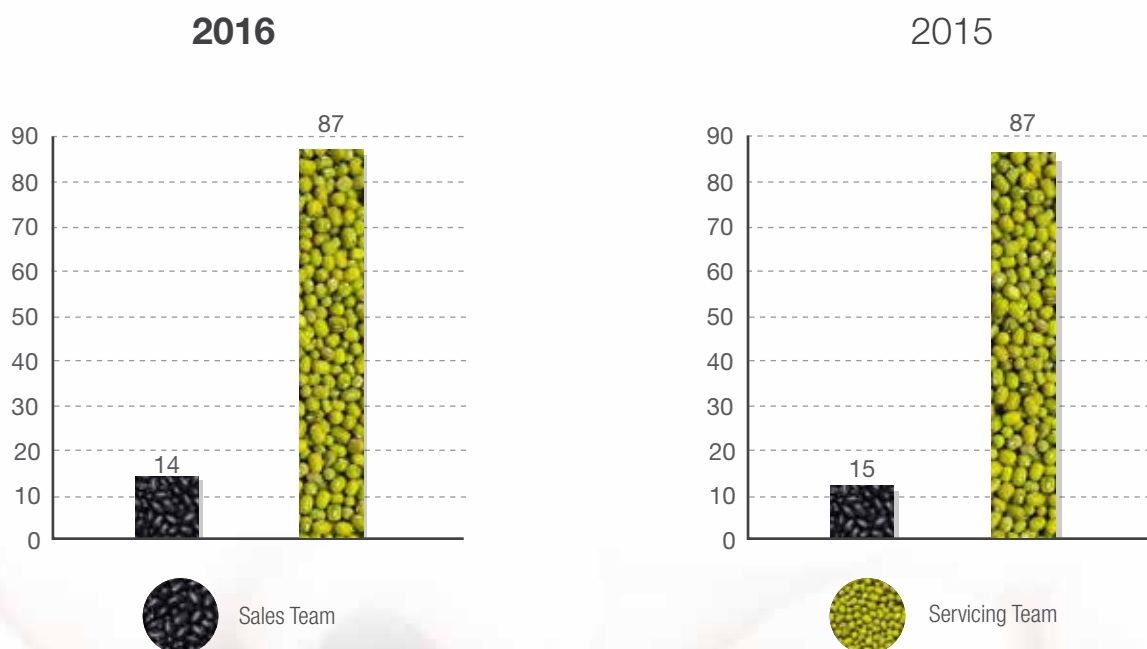
Developing Our Workforce

Group's Sales team and Maintenance and Servicing team comprise of 14 and 87 headcount respectively.

To support the growth of these segments and meet the demands of our clients, we have deployed 2 additional staffs to develop our Cold Room Sales. This strategy has helped the Group establish itself as a Cold Room specialist, clinching contracts not just for standalone cold rooms but also for entire projects, all in a span of three quarters within the year. With increased volume, we were also able to OEM manufacture the systems, procure, and ship in container-sized loads to reduce freight and transportation costs.

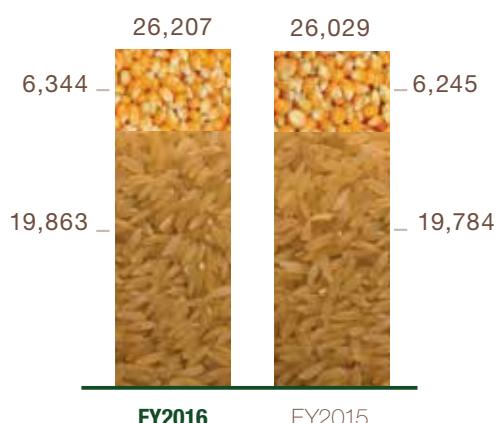
The Group continues to prioritise investing in our human capital, recognising the importance of developing our talent pool and technical staff. The Group continues to aggressively adopt a culture of continuous skills development, which enables us to effectively train, enhance and retain our hard working team. We believe that a well-trained workforce significantly contributes to the quality of services and overall growth of the Group.

Chart 2: Teams' Growth (FY2016 versus FY2015)



Financial Highlights

**Revenue
(S\$'000)**



MAINTENANCE
& SERVICING



FABRICATION &
DISTRIBUTION

**Total Expenses
(S\$'000)**



Finance Cost



Other Expenses



Administrative Expenses

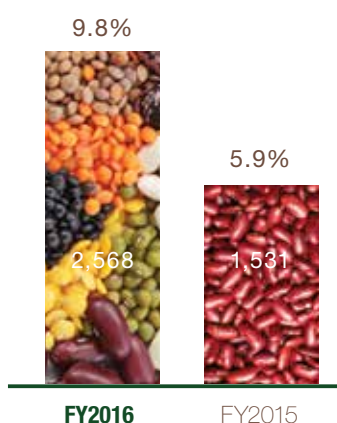


Distribution Cost

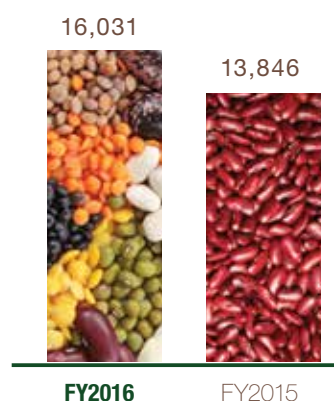
**Gross Profit
(S\$'000)**



**Net Profit (S\$'000)
and Margin (%)**



**Total Shareholders'
Equity (S\$'000)**



Financial Review

Review of Financial Performance

Revenue

For the year ended 31 December 2016 ("FY2016"), the Group recorded revenue amounting to S\$26.2 million, an increase of 0.8% or approximately S\$0.2 million, as compared to the previous year in review ("FY2015"). The increase was led by both of our business segments – Fabrication and Distribution; and Maintenance and Servicing.

Cost of sales and gross profit

The Group's cost of sales decreased marginally by approximately S\$0.1 million from S\$17.4 million in FY2015 to S\$17.3 million in FY2016, caused by the decrease of the Group's cost of materials and partially offset by the increase in staff related costs due to expansion of the service and maintenance and project installer teams.

Gross profit for the year improved by S\$0.2 million to S\$8.8 million as compared to S\$8.6 million in FY2015. Gross profit margin also inched up to 33.6% from 33.1% in FY2015.

Other income

Other income rose by approximately S\$0.1 million from S\$0.6 million to S\$0.7 million for the year in review. This increase was mainly brought about by the increase amounting a total of S\$0.3 million from (i) government grants, (ii) bad debts recovered, offset by the one-off gains on disposal of property in FY2015 of S\$0.2 million.

Distribution costs

With the increase in staff costs and trade fairs, distribution costs in FY2016 increased by S\$0.3 to S\$2.5 million, compared to S\$2.2 million in FY2015.

Administrative expenses

Administrative expenses decreased this year by approximately S\$0.7 million (14%) as compared to the previous corresponding year, mainly due to decreases in (i) staff costs; (ii) directors remuneration; (iii) legal and professional fee; (iv) staff welfare and training, partially offset by increases in other office administrative expenses.

Other expenses

Decreases in amortisation cost and allowance for doubtful debts lowered other expenses by S\$0.4 million to approximately S\$0.1 million in FY2016 (FY2015: S\$0.5 million).

Finance costs

Finance costs remained flat at S\$0.1 million in FY2016 compared to FY2015.

Income tax expense

Income tax expense for the year was S\$0.6 million, offset by income tax refund for the previous year of assessment amounting to S\$0.3 million.

Profit for the year

For FY2016, the Group report a higher net profit attributable to equity shareholders of approximately S\$2.6 million compared to S\$1.5 million for FY2015. This improvement stemmed from the decreases in administrative and other expenses and tax refund from previous year of assessment.

Statement of Financial Position and Cash Flows

Assets

The Group's non-current assets decreased by S\$0.3 million to S\$1.4 million as at 31 December 2016 (31 December 2015: S\$1.7 million). The Group incurred depreciation and amortisation charges for the year, offset by an increase of acquisition of plant and equipment and intangible assets (computer software).

The reported current assets of the Group amounted to approximately S\$21.1 million as at 31 December 2016 (31 December 2015: S\$19.4 million). The increase in cash and cash equivalents was mainly attributed to the increased cash generated from operating cash flow coupled with the decrease in net cash used in financing activities, as a result of the reduced bank borrowing repayment.

Financial Review

Liabilities

Non-current liabilities stayed at S\$0.5 million as at 31 December 2016.

The Group's current liabilities as at 31 December 2016 decreased by approximately S\$0.7 million or 10.3%, to S\$6.1 million from S\$6.8 million as at 31 December 2015. This was mainly due to a reduction in trade and other payables of S\$0.5 million, bank borrowings of S\$0.6 million offset by an increase in current tax payable of S\$0.3 million.

Shareholders' Equity

As at 31 December 2016, the Group had shareholders' equity of approximately S\$16.0 million as compared to S\$13.9 million as at 31 December 2015 resulting from an increase in retained earnings.

Cash Flows

Cash and cash equivalents, excluding pledged fixed deposits, went up by approximately S\$1.5 million, standing at approximately S\$8.5 million as at 31 December 2016, compared to the cash and cash equivalent balance of S\$7.0 million as at 31 December 2015.

Net cash generated from operating activities during FY2016 was approximately S\$2.7 million, compared to S\$0.6 million in the same corresponding period last year, mainly due to the net cash generated by the operations of the Group.

There was no significant cashflow movement from/in investing activities as cashflow used in the purchase of property, plant and equipment was substantially offset by interest income generated.

Net cash used in financing activities approximated S\$1.2 million in FY2016. Proceeds from trust receipts of approximately S\$2.7 million were offset by the repayment of trust receipts of approximately S\$3.3 million. The other cash outflows were mainly dividend payments made of approximately S\$0.4 million in FY2016, settlement of finance lease payable of approximately S\$0.1 million and payment of interest expense of S\$0.1 million.



CORPORATE SOCIAL RESPONSIBILITY

Considering the revenue and manpower size of Qson, we are not conglomerates with deep pockets, plentiful resources or industry shakers. However, it is our strong desire to spread our blessings to those needing it most. We do what we can, no matter if insignificant, to help.

With a helping hand to the next generation, of those needy tertiary students, some assistance through no-bond bursaries for their higher education was a good start. Bursaries used towards payment of tuition fees will free these young people to concentrate on their studies more fully, effectively removing the juggling almost full time work with studies.

Year 2013, Qson contributed \$25,000 to Nanyang Technological University for 5 students with disbursements of \$5,000 each.

Year 2014 – Year 2016, Qson contributed \$25,000 to Singapore Management University for 5 students with disbursements of \$5,000 each for 3 years.



WILLING HEARTS  SAY THANK YOU TO
Qson KITCHEN EQUIPMENT PTE LTD
TRANSFORMING THE WAY
WE COOK & SERVE.



Year 2015 – Year 2019, Qson contributed \$15,000 to Singapore Institute of Technology for 3 students with disbursements of \$5,000 each 5 years.

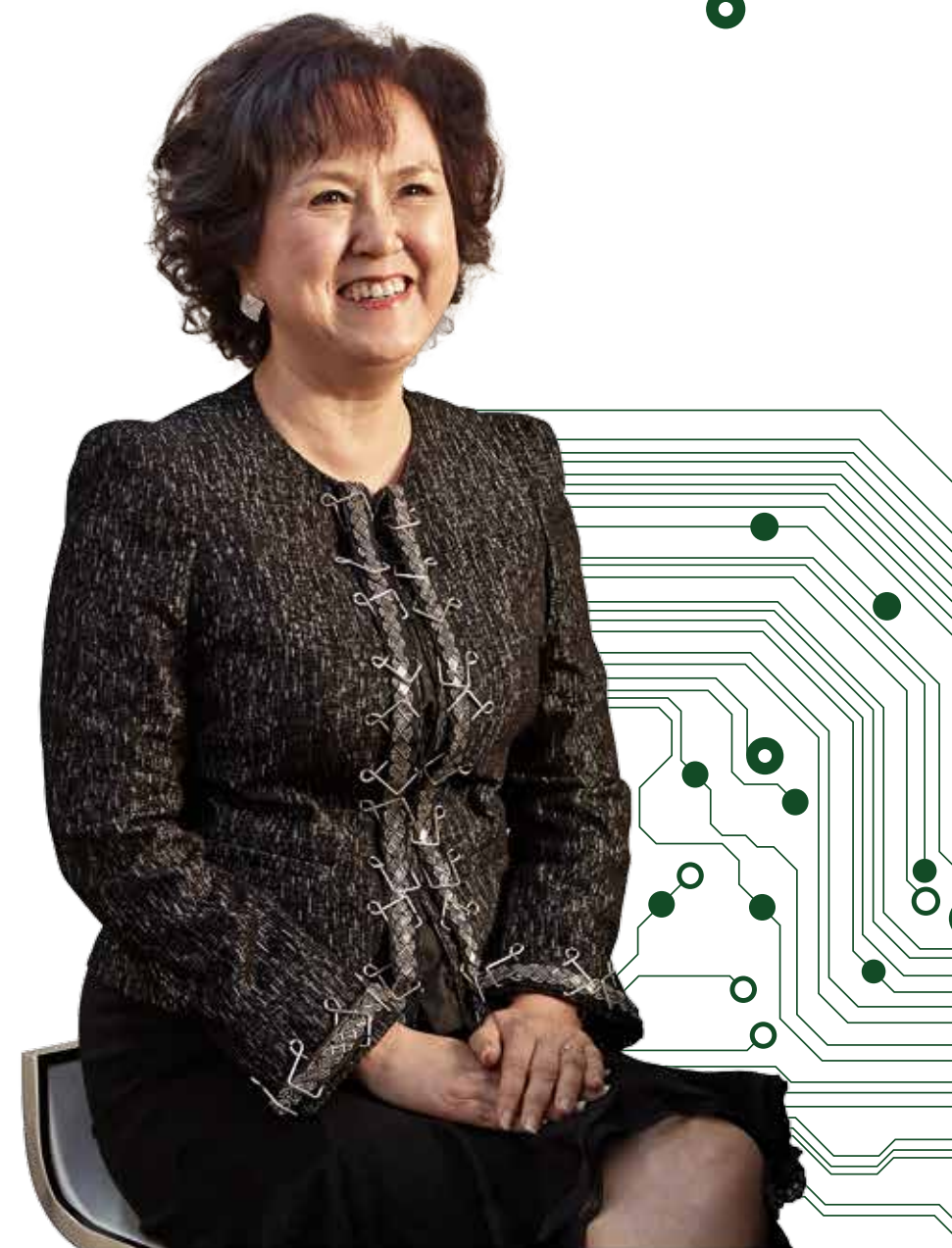
Year 2016 – Year 2018, Qson contributed \$25,000 to Singapore Management University for 5 students with disbursements of \$5,000 each.

Year 2014 – Aside from providing financial assistance, Qson had tapped on her industry expertise to co-set up a soup kitchen for Willing Heart. Soup kitchen from Willing Heart dishes out 3 hot meals a day, free to all who needs this meal, regardless of race, language or citizenship. Willing Heart also make home deliveries for those who are homebound, for one reason or another. With providing workflow and design of kitchen layout and supply and installation of quality commercial cooking equipment totalling \$100,000, Qson set up the kitchen within 4 weeks. To underscore our commitment to Willing Heart and the community, all the equipment support and maintenance will be provided free by Qson on an indefinite basis.

Board of Directors



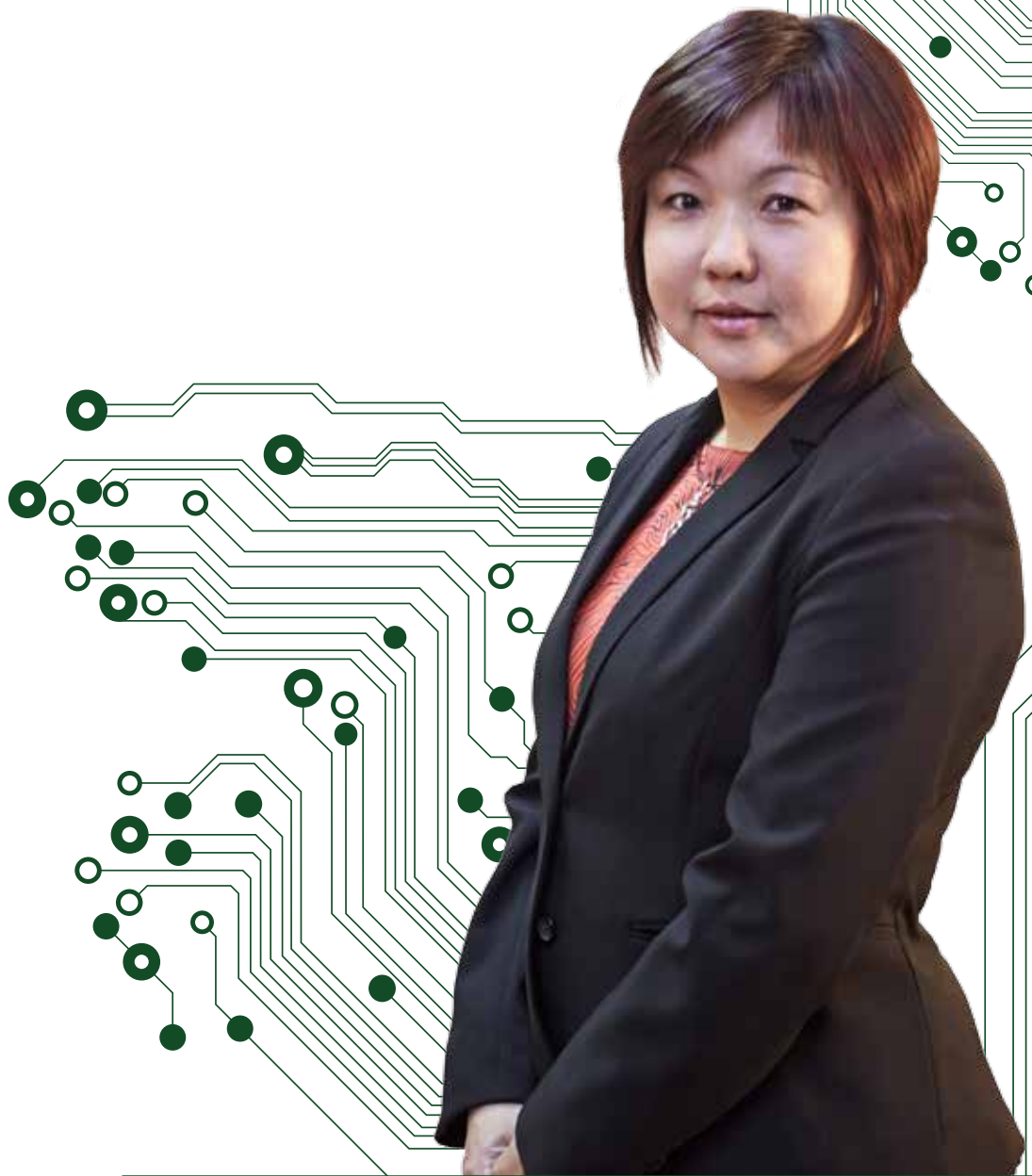
Board of Directors



Tay-Tan Bee Kiew Eileen

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

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



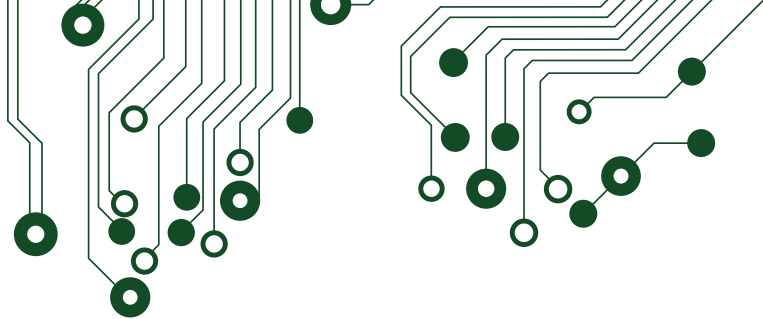
Chua Chwee Choo Sally

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

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

Year 2016 was a rewarding year. Qson met the corporate revenue target and expanded bottom line earnings percentage. Indeed, Sally had steered Qson in the right direction and given the right directives.

Board of Directors



Lee Chong Hoe Alan

is our co-founder and Executive Director (Technical and Maintenance Service) and appointed to the Board on 9th May 2013. Alan heads the Technical Department since inception. With rapid advancement in technological usage in the commercial kitchen equipment, Alan continually upgrades and skill-up the technical team to meet these challenges. Setting Qson apart from the rest is our ability to service and maintain different models, brands, types and series of kitchen equipment, even those not purchased from Qson. Under the leadership of Alan, our technical department had grown to be the largest in Singapore; 87 skilled technicians with a fleet of 29 vehicles on call 24/7, 365.

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



Wong Hin Sun, Eugene

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

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

Board of Directors



Ng How Hwan Kevin

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

Kevin also serves as a Non-Executive Independent Director of SGX-ST Exchange Catalyst-listed Neo Group Limited and chairs the 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 F&B and what makes the workers tick. As the Chairman of the Remuneration Committee of SKE, Kevin steered and advised SKE on a sustainable game plan and a rewarding collaboration between stakeholders and workers.

Key Management

Koh Sai Eng Charlene

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

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

Charlene Koh attained her GCE A Level certificate in 1975.

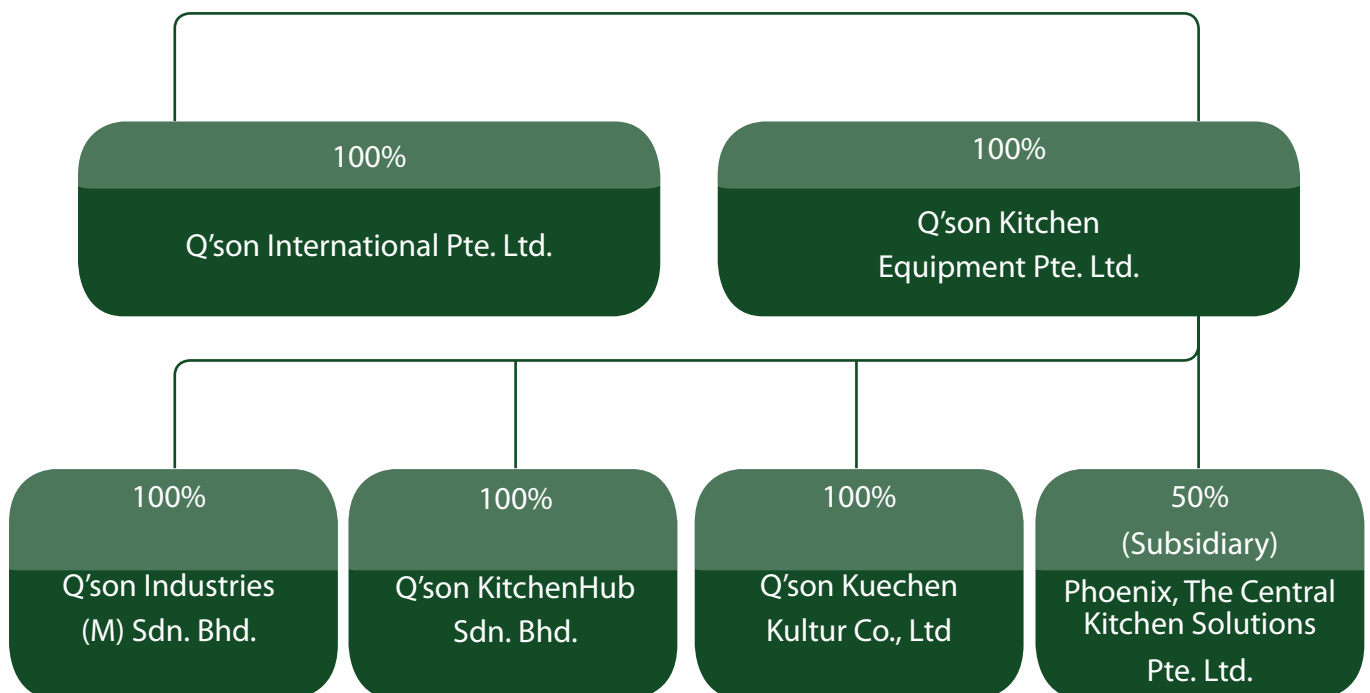
Chow Mei Ling Ferleen

Ms 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. She has over 10 years of working experience in accounting and financial management in various public listed companies.

Corporate Structure



SINGAPORE KITCHEN EQUIPMENT LIMITED



Corporate Information

Company Registration Number: 201312671M

Board of Directors

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

Audit Committee

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

Nominating Committee

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

Remuneration Committee

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

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 Auditors

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview
Square, 188778

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

Principal Bankers

DBS Bank Ltd
United Overseas Bank Limited
Standard Chartered Bank
(Singapore) Limited
Malayan Banking Berhad

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CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

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

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

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

The Board’s Conduct of Affairs

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

The Board’s role is to:

- (a) Provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- (b) Establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Group’s assets;
- (c) Review management performance;
- (d) Identify the key stakeholder groups and 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.

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

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

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

(hereinafter collectively referred to as the "Committees")

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

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

The number of Board and Board Committees meetings held and attended by each Director during the financial year ended 31 December 2016 ("FY2016") is set out below:

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

* By invitation

Resigned as a Director of the Company on 31 May 2016

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

The Directors receive regular updates on relevant new laws and regulations from the Company's relevant advisors. Newly appointed Directors will receive a formal letter, indicating the duties and obligations with the appointment. The Directors have attended appropriate training on governance practices, enterprise risk management and relevant statutory and regulatory compliance issues. The Company encourages all Directors to receive regular training, particularly on new laws, regulations and commercial risk from time to time. The Directors keep themselves abreast with the changes and developments. There is no new appointment of Director in FY2016.

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

Board Composition and Guidance

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

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

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

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

The Board, as a whole, combines people with industry knowledge, general commercial experience, accounting and financial background, all of whom as a group, provides the Board with a good mix of the necessary experience and expertise to direct and lead the Group. The objective judgment of the Non-Executive Director and Independent Directors on corporate affairs and their collective experience and contributions are valued by the Company. The Board is of the view that the current board size is appropriate, taking into account the nature and scope of the Group's operations. The appointments of 2 female members, namely, Mrs Tay-Tan Bee Kiew Eileen and Ms Chua Chwee Choo to the Board 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 Non-Executive Director and Independent Directors will constructively challenge and assist in the development of proposals on business strategy, and assist the Board in reviewing the performance of the management in meeting on agreed goals and objectives, and monitoring the reporting of performance. When necessary, the Non-Executive Director and Independent Directors will have discussions amongst themselves without the presence of the management.

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

Tay-Tan Bee Kiew Eileen
Ng How Hwan Kevin

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

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

Chairman and Managing Director ("MD")

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

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

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

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

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

The Chairman's duties include:

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

The MD's duties include:

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

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

- (i) The Chairman and the CEO are not the same person;
- (ii) The Chairman and the CEO are not immediate family members;
- (iii) The Chairman is not part of the management team; and
- (iv) The Chairman is an independent director.

Board Membership

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

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

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

The NC met once in FY2016. The main role of the NC is to make the process of Board appointments and re-appointments of Directors more transparent as well as to assess the effectiveness of the Board as a whole and the contribution of each individual Director to the Board.

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

The principal functions of the NC based on its terms of reference are as follows:

- (a) Reviewing board succession plans, in particular for the Chairman of the Board and Managing Director;
- (b) Developing a process for evaluation of the performance of the Board, its Committees and Directors;
- (c) Recommending to the Board comprehensive and tailored induction training programmes for new Directors and to review training and professional development programmes for the Board to keep the Board apprised of relevant new laws, regulations and changing commercial risks;
- (d) Reviewing, assessing and making recommendations to the Board on all Board appointments, including the composition of the Board which includes Committees;
- (e) Reviewing the Board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Group and the core competencies of the Directors as a group;
- (f) Reviewing, assessing and recommending nominee(s) or candidate(s) for re-appointment or re-election to the Board and to consider his/her competencies, commitment, contribution, performance and whether or not he/she is independent;
- (g) Determining, on an annual basis, the independence of the Directors;
- (h) Recommending Directors who are retiring by rotation to be put forward for re-election; and
- (i) Deciding whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company particularly when he/she has multiple board representations.

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

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

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

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

In the search for potential new Directors, the NC will seek to identify the competence required for the Board to fulfil its responsibilities. The NC may, as and when necessary, engage recruitment consultants or engage other independent experts to undertake research on, or assess candidates for new positions on the Board. The expenses of such services shall be borne by the Company. After the Board has interviewed the candidates, the NC would shortlist and recommend the candidates for appointment to the Board for the Board's consideration. The appointment of new member to the Board is at the Board's sole discretion.

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

Pursuant to Article 98 of the Company's Constitution, at least one-third of the Directors (including MD) for the time being shall retire from office by rotation at least once every three years at the Company's Annual General Meeting ("AGM"). In addition, Article 99 provides that the retiring Directors are eligible to offer themselves for re-election. Article 102 of the Company's Constitution also provides that all newly appointed Directors shall retire from office at the next AGM following their appointments. All Directors are required to subject themselves for re-nomination at regular intervals at least once every three years.

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

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

Mrs Tay-Tan Bee Kiew Eileen

Mr Ng How Hwan Kevin

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

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

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

Name	Appointment	Date of Initial Appointment	Date of Last Re-election	Current Directorships in Listed Companies	Past Directorships in Listed Companies
Tay-Tan Bee Kiew Eileen	Chairman and Independent Director	25 June 2013	29 April 2014	● Jason Marine Group Limited	S i2i Limited Cordlife Group Limited
Chua Chwee Choo	Managing Director and Executive Director	9 May 2013	28 April 2015	Nil	Nil
Lee Chong Hoe	Executive Director	9 May 2013	28 April 2016	Nil	Nil
Cheng Chun Choi*	Executive Director	9 May 2013	28 April 2015	Nil	Nil
Wong Hin Sun Eugene	Non-Executive and Non-Independent Director	25 June 2013	28 April 2016	● Japan Foods Holding Ltd. ● Jason Marine Group Limited ● Neo Group Limited	● Aijen (China) Holdings Limited ● TMC Education Corporation Ltd
Ng How Hwan Kevin	Independent Director	16 September 2013	29 April 2014	Neo Group Limited	Nil

* Resigned as a Director of the Company on 31 May 2016

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

Board Performance

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

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

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

The NC is of the view that each individual Director has contributed to the effectiveness of the Board as a whole. The performance evaluation questionnaire was prepared and compared with its industry peers to ensure that the standard is unbiased. The questionnaire was completed by each Director, and collated with findings that were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. The NC has conducted the assessment for FY2016. The results of the NC's assessment has been communicated to and accepted by the Board.

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

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

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

Access to Information

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

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

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

- (a) to recommend to the Board a general framework of remuneration for the Board, determine specific remuneration packages and terms of employment for each Executive Director, the MD and key management personnel and submit such recommendations for endorsement by the entire Board covering all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind;
- (b) to perform annual review of the remuneration of employees related to the Executive Directors, MD and substantial or controlling shareholders to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities which include to review and approve any bonuses, pay increases and/or promotions for these employees;
- (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. Each member of the RC shall abstain from voting on any resolutions in respect of his/her own remuneration package. No individual Director is involved in fixing his/her own remuneration.

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

Level and Mix of Remuneration

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

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

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

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 Agreement took effect on the date of admission of the Company to Catalist for an initial period of three years and shall be renewed automatically on a yearly basis thereafter. The Service Agreements entered into between the Executive Directors and the Company have renewed on 1 June 2016.

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

Disclosure of Remuneration

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

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

A breakdown of the Directors' remuneration, in percentage terms showing the level and mix of each of the Directors' remuneration for the financial year ended 31 December 2016 is as follows:

Name	Remuneration Band			Salary %	Bonus %	Other Benefits %	Directors' Fees + %	Total %
	Disclosable Amount Below \$250,000 (S\$)	\$250,000 to \$500,000	Above \$500,000					
Chua Chwee Choo		√		88.4	5.4	6.2	0	100
Lee Chong Hoe		√		87.3	5.6	7.1	0	100
Cheng Chun Choi*	√			93.9	0	6.1	0	100
Tay-Tan Bee Kiew Eileen	50,000			0	0	0	100	100
Wong Hin Sun Eugene	30,000			0	0	0	100	100
Ng How Hwan Kevin	35,000			0	0	0	100	100

Note:-

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

* Resigned as a Director of the Company on 31 May 2016.

The annual aggregate amount of the total remuneration paid to the Directors of the Company is approximately S\$1,066,565.

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

The breakdown of remuneration of the top five key management personnel (who are not Directors of the Company) in percentage terms for the financial year ended 31 December 2016 is as follows:

Name	Remuneration Band			Salary %	Bonus %	Other Benefits %	Total %
	Below \$250,000*	\$250,000 to \$500,000	Above \$500,000				
Teo Kok Meng*	√			88.8	0	11.2	100
Ferleen Chow Mei Ling [#]	√			85.1	6.0	8.9	100
Charlene Koh	√			63.0	20.0	17.0	100
Soh Kee Hock	√			85.5	10.4	4.1	100
Chan Weng Yee	√			50.7	12.9	36.4	100
Royston Soon**	√			52.2	19.6	28.2	100

* Resigned as Financial Controller on 31 May 2016.

** Resigned as Senior Sales Manager on 15 July 2016.

[#] Appointed as Financial Controller on 31 May 2016.

The annual aggregate amount of the total remuneration paid to the top five key management personnel is approximately S\$638,128.

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

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

Chua Chwee Choo is the wife of Lee Chong Hoe. Both their individual remuneration have exceeded S\$50,000. Other than the above, no employee of the Company and its subsidiaries was an immediate family member of any Director or MD or a controlling shareholder and whose remuneration has exceeded S\$50,000 during the financial year ended 31 December 2016.

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

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

- 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
- 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.

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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

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

Risk Management and Internal Controls

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

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

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

The 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. The External Auditors, BDO LLP, have also carried out in the course of their statutory audit, an understanding of the keys internal controls assessed to be relevant to the audit.

In this respect, the AC has reviewed the findings of both the internal and external auditors and will ensure that the Company follows up on the auditors' recommendations raised during the audit process.

The MD and the Financial Controller ("FC") had provided a letter of assurance that for FY2016 (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems are adequate and effective.

The Board has received letter of assurance from the Internal Auditors, Nexia TS Risk Advisory Pte Ltd that during their internal audit review on certain business processes of the Group based on selected transactions for the period from 1 July 2015 to 30 June 2016, there were no major findings in the risk management and internal control system of the Group.

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

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

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

Audit Committee

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

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

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

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

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

- (a) review with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and the management's response;
- (b) review the interim and annual financial statements and results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and the Listing Manual of the SGX-ST and any other relevant statutory or regulatory requirements;
- (c) meet with the external auditors and the internal auditors without the presence of management at least annually, to discuss any problems and concerns they may have;
- (d) review internal audit programmes and adequacy and effectiveness of the Group's internal audit function as well as to ensure coordination between the external auditors and internal auditors and management;
- (e) review and discuss with external auditors, any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;
- (f) consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors;
- (g) review transaction falling within the scope of Chapter 9 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist (the "Catalist Rules");

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

- (h) review the scope and results of the audit, its cost effectiveness, the independence and objectivity of the external auditors annually. Where the external auditors also supply a substantial volume of non-audit services to the Group, the nature, extent and cost effectiveness of such services would be reviewed in order to ensure that these services do not affect the independence and objectivity of the external auditors;
- (i) review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;
- (j) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- (k) review the adequacy and effectiveness of the Group's risk management and internal control system (including financial, operational, compliance and information technology controls) and to report to the Board annually; and
- (l) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

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

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

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

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

The AC also meets and has discussions with the external auditors and internal auditors without the presence of the Company's management annually. The AC is also briefed by the external auditors of changes to accounting standards and issues which have a direct impact on financial statements during the presentation of the audit planning memorandum and the audit report to the AC. For FY2016, the AC met once with the external auditors and internal auditors without the presence of the Company's management.

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

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

The external auditors present to the AC the audit plan and updates on any change of accounting standards and Companies Act, Chapter 50 which have a direct impact on the financial statements. During the FY2016, the adoption of new and/ or revised accounting standards did not result in any substantial changes or significant impact on the Group's financial statements.

AUDIT AND NON-AUDIT FEES

The aggregate amount of fees paid to the external auditors of the Company, Messrs BDO LLP, for audit and non-audit services for FY2016 are as follows:

Audit fees:	S\$75,000
Non-audit fees in relation to tax services:	S\$15,900

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

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

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

WHISTLE-BLOWING POLICY

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

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

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

Internal Audit

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

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

The AC reviews the activities of the 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 FY2016.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholders Rights

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

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

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

All shareholders of the Company receive the annual report and Notice of AGM to enable shareholders to prepare and participate effectively and vote at general meetings. The Notice is also advertised in a national newspaper.

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

Shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50). A relevant intermediary is entitled to appoint more than two 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 with the notice of general meetings to all shareholders.

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

Communication with Shareholders

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

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

Information is disseminated to shareholders on a timely basis through:

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

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirement, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. During FY2016, the Company had paid 0.25 Singapore cent per share tax exempt one-tier interim dividend. Any dividend payments are clearly communicated to the shareholders via announcements on SGXNet.

Conduct of Shareholder Meetings

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

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

The Board concurrence 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. Thus, the Company has separate resolutions at general meetings on each substantially separate issue (where possible) as recommended by the Code.

Voting at the annual general meeting will be by vote of poll. Announcement of the poll results will detail the number of votes cast for and against each resolution and the respective percentages after the meeting via SGXNet. However, as the authentication of shareholder identity and other related security and integrity of the information still remain a concern, the Board has decided, for the time being, not to implement voting in absentia by mail, email or fax.

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

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

DEALINGS IN SECURITIES

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

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

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

INTERESTED PERSON TRANSACTIONS

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

There were no interested person transactions exceeding S\$100,000 conducted by the Group during FY2016.

MATERIAL CONTRACTS

There was no material contracts entered into by the Company or any of its subsidiaries involving the interests of the Managing Director, any Executive Director, or controlling shareholder subsisting at the end of FY2016.

NON-SPONSOR FEES

There were no non-sponsor fees paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, during the FY2016.

USE OF PROCEEDS

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

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2016

As at 1 March 2017, approximately S\$2.6 million has been used for the purposes as stated in the Company's IPO Prospectus dated 12 July 2013. The details of the deployment are as follows:-

	Intended use of proceeds from IPO	Cumulative amount deployed up to 1 March 2017
	S\$'000	S\$'000
Acquisition of additional fabrication equipment and machinery	700	319
Funding for expansion, including by way of acquisitions, joint ventures, and/or strategic alliances	1,600	0
For general working capital purposes of the Group	975	975
Expenses such as professional fees, underwriting and placement commission and brokerage, and miscellaneous fees	1,325	1,335
Total Utilised	4,600	2,629

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

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

TREASURY SHARES

There were no treasury shares at the end of FY2016.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

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 2016 and the statement of financial position of the Company as at 31 December 2016.

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 2016, 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
Wong Hin Sun, Eugene
Ng How Hwan, Kevin

3. Arrangements to enable Directors to acquire shares or debentures

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

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

4. Directors' interests in shares or debentures

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

Name of Directors and companies in which interests are held	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	Balance at 1 January 2016	Balance at 31 December 2016	Balance at 1 January 2016	Balance at 31 December 2016
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	230,000	122,491,500	122,491,500
Lee Chong Hoe	192,000	192,000	122,491,500	122,491,500
Wong Hin Sun, Eugene	—	—	5,619,500	5,719,500 ¹
Ng How Hwan, Kevin	—	—	500,000	500,000 ²

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 2017 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2016.

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

2. 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 awards or performance shares have been granted or awarded pursuant to the PSP.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

6. Audit Committee

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

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

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

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

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

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

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

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

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

Singapore
31 March 2017

INDEPENDENT AUDITORS' 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 50 to 99, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016;
- 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 Financial Reporting Standards in Singapore ("FRSs") 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 2016, 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.

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 Recoverability of trade receivables from third parties

Key Audit Matter

As at 31 December 2016, the Group's trade receivables from third parties constitute approximately 33% 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 allowance for doubtful trade receivables may not be adequate.

Management assessed whether there were indications that the receivables may be impaired as at 31 December 2016. Where there was objective evidence of impairment, the Group recognised an impairment loss when the estimated future cash flows of the receivables had been impacted.

In carrying out the impairment assessment, management evaluates the financial ability of customers to pay and determines the amount of impairment loss on a case-by-case basis, taking into account the age of the receivables, historical collection trends and discussions with customers.

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

Key Audit Matters (Continued)

1 Recoverability of trade receivables from third parties (Continued)

Related Disclosures

Refer to Notes 3 and 8 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- Held discussions with management to understand the basis used in determining the impairment indicators and estimating the impairment loss.
- Evaluated and challenged management's assessment of the recoverability of the Group's aged trade receivables which are past due but not impaired as at the end of the financial year on a sample basis by considering factors such as subsequent cash receipts, historical payment patterns, and correspondences with customers.

2 Net realisable value of inventories

Key Audit Matter

As at 31 December 2016, approximately 94% of the Group's inventories comprise finished goods such as kitchen equipment and spare parts.

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 financial year. This may happen if inventories were damaged, became 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, committed orders and future demand of the Group's products.

We focused on these matters 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 and 7 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- Tested the inventory aging reports which management uses as a basis to identify inventories with net realisation issues on a sample basis.
- Held discussions with management to understand management's assessment and basis for write-downs made during the financial year.
- Evaluated the reasonableness of management's assessment of the net realisable value of inventories against the historical selling prices, actual subsequent sales or committed sales orders, as appropriate, on a sample basis.

INDEPENDENT AUDITORS' 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 FRSSs, 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.
- 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

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

- 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.

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 Hong Bee Lain Jacqueline.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
31 March 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016	2015	2016	2015
		\$	\$	\$	\$
Non-current assets					
Property, plant and equipment	4	1,352,084	1,622,936	—	—
Intangible assets	5	76,971	109,114	—	—
Investments in subsidiaries	6	—	—	10,000	10,000
		<u>1,429,055</u>	<u>1,732,050</u>	<u>10,000</u>	<u>10,000</u>
Current assets					
Inventories	7	3,474,458	3,547,260	—	—
Trade and other receivables	8	8,345,238	8,126,127	5,165,205	5,851,205
Prepayments		76,448	65,671	9,059	5,848
Current income tax recoverable		41,912	—	—	—
Cash and cash equivalents	9	9,200,716	7,689,003	47,110	90,774
		<u>21,138,772</u>	<u>19,428,061</u>	<u>5,221,374</u>	<u>5,947,827</u>
Less:					
Current liabilities					
Trade and other payables	10	4,512,356	5,005,007	162,896	170,076
Provisions	11	30,800	30,800	—	—
Borrowings	12	816,631	1,411,613	—	—
Finance lease payables	13	126,399	135,493	—	—
Derivative financial instruments	14	1,701	—	—	—
Current income tax payable		564,221	247,423	—	—
		<u>6,052,108</u>	<u>6,830,336</u>	<u>162,896</u>	<u>170,076</u>
Net current assets		<u>15,086,664</u>	<u>12,597,725</u>	<u>5,058,478</u>	<u>5,777,751</u>
Less:					
Non-current liabilities					
Finance lease payables	13	406,611	448,691	—	—
Deferred tax liabilities	15	78,147	35,215	—	—
		<u>484,758</u>	<u>483,906</u>	<u>—</u>	<u>—</u>
Net assets		<u>16,030,961</u>	<u>13,845,869</u>	<u>5,068,478</u>	<u>5,787,751</u>
Capital and reserves					
Share capital	16	4,124,790	4,124,790	4,124,790	4,124,790
Other reserves	17	1,222,148	1,230,186	—	—
Retained earnings	18	10,684,023	8,490,893	943,688	1,662,961
Equity attributable to owners of the parent, representing total equity		<u>16,030,961</u>	<u>13,845,869</u>	<u>5,068,478</u>	<u>5,787,751</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
Revenue	19	26,207,206	26,029,092
Cost of sales		(17,376,460)	(17,412,621)
Gross profit		8,830,746	8,616,471
Other items of income			
Interest income		70,949	50,507
Other income	20	651,554	577,673
Other items of expense			
Distribution costs		(2,448,565)	(2,203,264)
Administrative expenses		(3,997,494)	(4,645,056)
Other expenses		(131,453)	(484,393)
Finance costs	21	(66,019)	(112,159)
Profit before income tax	22	2,909,718	1,799,779
Income tax expense	23	(341,588)	(268,563)
Profit for the financial year		2,568,130	1,531,216
Other comprehensive income:			
<i>Items that will or may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(8,038)	(45,129)
Income tax relating to items that will or may be reclassified		—	—
Other comprehensive income for the financial year, net of tax		(8,038)	(45,129)
Total comprehensive income for the financial year		2,560,092	1,486,087
Profit attributable to owners of the parent		2,568,130	1,531,216
Total comprehensive income attributable to owners of the parent		2,560,092	1,486,087
Earnings per share			
- Basic and diluted (in cents)	24	1.71	1.02

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

← Equity attributable to owners of the parent →					
Note	Share capital \$	Merger reserve \$	Foreign currency translation account \$	Retained earnings \$	Total equity \$
Balance at 1 January 2016	4,124,790	1,312,241	(82,055)	8,490,893	13,845,869
Profit for the financial year	—	—	—	2,568,130	2,568,130
Other comprehensive income: Exchange differences arising from translation of foreign operations	—	—	(8,038)	—	(8,038)
Total comprehensive income for the financial year	—	—	(8,038)	2,568,130	2,560,092
Distribution to owners of the parent					
Dividends	25	—	—	(375,000)	(375,000)
Total transactions with owners of the parent	—	—	—	(375,000)	(375,000)
Balance at 31 December 2016	4,124,790	1,312,241	(90,093)	10,684,023	16,030,961
Balance at 1 January 2015	4,124,790	1,312,241	(36,926)	7,559,677	12,959,782
Profit for the financial year	—	—	—	1,531,216	1,531,216
Other comprehensive income: Exchange differences arising from translation of foreign operations	—	—	(45,129)	—	(45,129)
Total comprehensive income for the financial year	—	—	(45,129)	1,531,216	1,486,087
Distribution to owners of the parent					
Dividends	25	—	—	(600,000)	(600,000)
Total transactions with owners of the parent	—	—	—	(600,000)	(600,000)
Balance at 31 December 2015	4,124,790	1,312,241	(82,055)	8,490,893	13,845,869

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
Operating activities			
Profit before income tax		2,909,718	1,799,779
Adjustments for:			
Allowance for impairment loss on third parties trade receivables		—	289,808
Allowance for impairment loss on third parties trade receivables written back		(155,051)	(84,954)
Amortisation of intangible assets		70,543	77,956
Inventories written down		280,844	228,997
Bad third parties trade receivables written off		—	1,988
Plant and equipment written off		633	487
Depreciation of property, plant and equipment		410,151	424,818
Gain on disposal of property held for sale		—	(218,503)
Gain on disposal of plant and equipment		(18,709)	(8,203)
Fair value loss on derivative financial instruments		1,701	—
Interest expenses		66,019	112,159
Interest income		(70,949)	(50,507)
Operating cash flows before working capital changes		3,494,900	2,573,825
Working capital changes:			
Inventories		(212,955)	(1,124,643)
Trade and other receivables		(74,215)	(1,712,417)
Prepayments		(11,354)	18,857
Trade and other payables		(438,589)	932,587
Cash generated from operations		2,757,787	688,209
Income tax refund		247,735	38,351
Income tax paid		(273,866)	(154,928)
Net cash from operating activities		2,731,656	571,632
Investing activities			
Purchase of property, plant and equipment		(72,326)	(426,888)
Purchase of intangible assets		(38,400)	(48,583)
Net proceeds from disposal of property held for sale		—	730,000
Net proceeds from disposal of plant and equipment		34,859	8,203
Interest received		70,949	50,507
Net cash (used in)/from investing activities		(4,918)	313,239
Financing activities			
Dividend paid	25	(375,000)	(600,000)
Fixed deposits pledged with banks		(5,634)	(54,118)
Repayment of term loans		—	(778,606)
Proceeds from trust receipts		2,657,920	6,726,112
Repayment of trust receipts		(3,252,902)	(7,804,885)
Repayment of obligations under finance leases		(143,874)	(137,235)
Interest paid		(66,019)	(112,159)
Net cash used in financing activities		(1,185,509)	(2,760,891)
Net change in cash and cash equivalents		1,541,229	(1,876,020)
Cash and cash equivalents at beginning of financial year		6,984,547	8,883,023
Effect of exchange rate changes on cash and cash equivalents		(35,150)	(22,456)
Cash and cash equivalents at end of financial year	9	8,490,626	6,984,547

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 Catalyst 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 6 to the financial statements.

The statement of financial position of Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2016 were authorised for issue in accordance with a Directors' resolution dated 31 March 2017.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

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

Singapore-incorporated companies listed on SGX-ST will be required to apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The Group will adopt the new framework on 1 January 2018.

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 FRS 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.

In the current financial year, the Group has adopted all the new and revised FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 109	: Financial Instruments	1 January 2018
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	: Leases	1 January 2019
INT FRS 122	: Foreign Currency Transactions and Advance Consideration	1 January 2018

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

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

FRS 109 *Financial Instruments*

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

Classification and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 *Financial Instruments* (Continued)

The Group has performed its preliminary assessment on the classification and measurement of its financial assets, and expects that the financial assets it currently classifies as loan and receivables will be classified as financial assets measured at amortised costs under FRS 109. The Group does not expect any changes in the measurement of its financial assets upon the adoption of the standard.

There are no financial liabilities that are designated at fair value through profit or loss, therefore the Group does not expect any changes to the classification and measurement of its financial liabilities upon the adoption of the standard.

Impairment

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

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables due from third parties and related parties, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year. The Group will include additional disclosures in its financial statements for that financial year.

FRS 115 *Revenue from Contracts with Customers*

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

The Group has performed a preliminary assessment of its revenue from its fabrication and distribution of kitchen equipment and revenue from maintenance services for kitchen equipment. Based on the preliminary assessment, the Group did not identify any potential impact on the timing and pattern of revenue recognition under FRS 115.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers (Continued)

Under FRS 115, the Group expects to qualify to continue to recognise revenue from sale of kitchen equipment at a point in time when the control of an asset has been transferred to its customer. For the Group's revenue from maintenance services for kitchen equipment, the Group expects to continue to recognise revenue over the term of the service contract as the customer is expected to consume the benefits over the contractual period. When the Group enters into arrangements for multiple deliverables for the sale of kitchen equipment and maintenance services to customers, revenue is recognised separately for each deliverable based on the current revenue recognition policy. However, the Group is still in the process of making its assessment on the potential impact under FRS 115 in relation to combining contracts with customers, contract modifications, rebates, discounts, warranties and the allocation of consideration to separate performance obligations. On adoption of FRS 115, the Group expects to elect and apply the practical expedient on contract modifications.

The Group plans to adopt FRS 115 in the financial year beginning on 1 January 2018 using the full retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

FRS 116 Leases

FRS 116 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the 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 lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of FRS 116, there may be a potentially significant impact on the accounting treatment for leases, which the Group as lessee, currently accounts for as operating leases. On adoption of FRS 116, the Group will be required to capitalise its rented office premises and warehouses on the statement of financial position by recognising them as "right-of-use" assets and their corresponding lease liabilities for the present value of future lease payments. The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

Adoption of IFRS-identical financial reporting standards

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to IFRS in 2018. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards* to the transition. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statement of financial position as at 1 January 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and 15 which is expected to be similar to the impact of FRS 109 and 115 disclosed above, as well as other transitional adjustments that may be required or elected under IFRS 1.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 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 control is obtained by the Group up to the effective date on which control is lost, as appropriate.

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.

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.

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or 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 from 1 January 2010

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 also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Business combinations from 1 January 2010 (Continued)

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 gain.

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 costs of servicing are recognised in profit or loss when incurred.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.3 Property, plant and equipment (Continued)

Freehold land has indefinite useful life and is not depreciated.

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

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

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

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

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

2.4 Intangible assets

Computer software

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

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

2.5 Impairment of non-financial assets

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.5 Impairment of non-financial assets (Continued)

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

2.6 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.

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

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

Financial assets

The Group and the Company classified their financial assets as loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquire and is determined at the time of initial recognition.

All financial assets are initially recognised at fair value, plus transaction costs.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statements of financial position comprise trade and other receivables (excluding advance payment to suppliers) and cash and cash equivalents.

Impairment of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

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

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading, including derivatives not designated and effective as a hedging instrument; or it is designated as such upon initial recognition. The Group has not designated any financial liabilities as FVTPL upon initial recognition.

Other financial liabilities

Trade and other payables

Trade and other payables (excluding advances received) 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 and finance lease payables 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 (see below).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

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

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

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.

Derivative financial instruments

The Group enters into derivative financial instruments, such as structured forward foreign exchange forward 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 financial year.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. Fair value changes on derivatives are recognised in profit or loss when the changes arise.

2.8 Cash and cash equivalents

Cash and cash equivalents 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 which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits net of fixed deposits pledged with banks and financial institutions.

2.9 Borrowing costs

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

2.10 Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.10 Provisions (Continued)

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.

2.11 Contingencies

A contingent liability is:

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

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

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

2.12 Leases

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, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see above).

Operating leases

Group as a lessee

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.12 Leases (Continued)

Operating leases (Continued)

Group as a lessor

Rental income from operating leases (net of any incentives given to lessees) is recognised 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 user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.13 Revenue recognition

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

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

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

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

2.14 Employee benefits

Retirement benefit costs

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 from the reporting date as a result of services rendered by employees up to the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

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

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

Deferred tax

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

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

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

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle its assets and liabilities.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.15 Taxes (Continued)

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.

2.16 Foreign currencies

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 financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. 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 financial year. 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. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.19 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) Allowance for inventory obsolescence

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 financial year. Management estimates the net realisable value of inventories based on the age of the inventories, historical and subsequent selling prices, committed orders and estimated future demand of the Group's products.

Arising from this assessment, management recognised an allowance of inventory obsolescence of \$280,844 (2015: \$228,997). As at 31 December 2016, the carrying amount of the Group's inventories was \$3,474,458 (2015: \$3,547,260). If the estimated net realisable value of the inventories had been 5% lower than management's estimate, the Group would have recognised an additional allowance of inventory obsolescence of \$173,723 (2015: \$177,363).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

(ii) Allowance for impairment loss on trade receivables

The Group assesses at the end of the financial year whether there is any objective evidence that the receivables may be impaired. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability taking into account the age of the receivables, subsequent cash receipts, historical collection trends and discussions with customers.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical collection trends and recent communication with the customers. If the financial conditions of customers were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required. The carrying amount of the Group's trade receivables as at 31 December 2016 was \$7,518,668 (2015: \$7,426,490). If the present value of estimated future cash flows decrease by 5% from management's estimates, the Group's allowance for impairment will increase by \$375,933 (2015: increase by \$371,324).

3.2 Key sources of estimation uncertainty

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

(i) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group's and the Company's provision for income taxes.

The Group and the Company recognise expected assets and liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the financial year when such determination is made.

The carrying amounts of the Group's current income tax recoverable, deferred tax liabilities and current income tax payables as at 31 December 2016 were \$41,912 (2015: \$Nil), \$78,147 (2015: \$35,215) and \$564,221 (2015: \$247,423) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Property, plant and equipment

Group Cost	Freehold land	Freehold building	Motor vehicles	Furniture and fittings	Plant and machinery	Computer and office equipment	Renovation	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1.1.2016	89,597	364,975	1,676,152	118,549	733,666	357,606	257,033	3,597,578
Additions	—	—	110,000	3,600	8,498	30,650	12,278	165,026
Disposal	—	—	(190,297)	—	—	(295)	—	(190,592)
Written off	—	—	—	—	(12,510)	—	—	(12,510)
Currency re-alignment	(1,904)	(7,756)	—	(1,067)	(6,807)	(210)	(1,818)	(19,562)
Balance at 31.12.2016	87,693	357,219	1,595,855	121,082	722,847	387,751	267,493	3,539,940
Accumulated depreciation								
Balance at 1.1.2016	—	58,395	1,163,788	73,819	336,629	210,048	131,963	1,974,642
Depreciation for the financial year	—	7,401	166,112	13,720	112,751	73,987	36,180	410,151
Disposal	—	—	(174,147)	—	—	(295)	—	(174,442)
Written off	—	—	—	—	(11,877)	—	—	(11,877)
Currency re-alignment	—	(1,498)	—	(958)	(6,277)	(240)	(1,645)	(10,618)
Balance at 31.12.2016	—	64,298	1,155,753	86,581	431,226	283,500	166,498	2,187,856
Carrying amount								
Balance at 31.12.2016	87,693	292,921	440,102	34,501	291,621	104,251	100,995	1,352,084

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Property, plant and equipment (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Property, plant and equipment (Continued)

As at 31 December 2016, the carrying amount of the Group's motor vehicles which were acquired under finance lease agreements was \$349,437 (2015: \$404,120). Finance lease assets are pledged as securities for the related finance lease payables as set out in Note 13 to the financial statements.

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

	Group	
	2016	2015
	\$	\$
Additions of property, plant and equipment	165,026	426,888
Provisions for dismantlement, removal or restoration	—	—
Acquired under finance lease arrangements	(92,700)	—
Cash payments to acquire property, plant and equipment	<u>72,326</u>	<u>426,888</u>

5. Intangible assets

	Group	
	2016	2015
	\$	\$
<i>Computer Software</i>		
Cost		
Balance at beginning of financial year	270,608	222,025
Additions	38,400	48,583
Balance at end of financial year	<u>309,008</u>	<u>270,608</u>
Accumulated amortisation		
Balance at beginning of financial year	161,494	83,538
Amortisation for the financial year	70,543	77,956
Balance at end of financial year	<u>232,037</u>	<u>161,494</u>
Carrying amount		
Balance at end of financial year	<u>76,971</u>	<u>109,114</u>

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

6. Investments in subsidiaries

	Company	
	2016	2015
	\$	\$
Unquoted equity shares, at cost	<u>10,000</u>	<u>10,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Investments in subsidiaries (Continued)

The particulars of the subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held		Principal activities
	2016 %	2015 %	
<i>Held by the Company</i>			
Q'son International Pte. Ltd. ⁽¹⁾ (Singapore)	100	100	Investment holding
Q'son Kitchen Equipment Pte Ltd ⁽¹⁾ (Singapore)	100	100	Designing, fabricating, installation, of stainless steel kitchenware and commercial kitchens
<i>Held by Q'son Kitchen Equipment Pte Ltd</i>			
Q'son Industries (M) Sdn. Bhd. ⁽²⁾ (Malaysia)	100	100	Manufacture and distribution of kitchen equipment
Qson KitchenHub Sdn. Bhd. ⁽²⁾ (Malaysia)	100	100	Investment holding
Q'son Kuechen Kultur Co., Ltd ⁽³⁾ (Vietnam)	100	100	Import, wholesale and retail of kitchen equipment

⁽¹⁾ Audited by BDO LLP, Singapore

⁽²⁾ Audited by BDO, Malaysia

⁽³⁾ Audited by BDO Audit Services Company Limited, Vietnam

7. Inventories

	Group	
	2016	2015
	\$	\$
Raw materials	169,696	172,030
Work-in-progress	43,881	24,714
Finished goods	3,260,881	3,350,516
	<u>3,474,458</u>	<u>3,547,260</u>

The cost of inventories recognised as an expense and included in "cost of sales" in the Group's profit or loss for the financial year ended 31 December 2016 amounted to \$12,364,756 (2015: \$12,553,849).

As at 31 December 2016, the Group carried out a review of the realisable values of its inventories and the review led to a write down of inventories to net realisable value of \$280,844 (2015: \$228,997) that have been included in "cost of sales" in the Group's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade receivables – third parties	7,451,123	7,590,408	–	–
Unbilled receivables	125,005	158,691	–	–
Allowance for impairment loss on third parties trade receivables	(57,460)	(322,609)	–	–
	7,518,668	7,426,490	–	–
Non-trade receivables				
- third parties	99,336	110,045	–	–
- subsidiary	–	–	5,165,205	5,851,205
	99,336	110,045	5,165,205	5,851,205
Advance payment to suppliers	513,248	382,206	–	–
Utilities and rental deposits	213,986	207,386	–	–
	8,345,238	8,126,127	5,165,205	5,851,205

Trade and non-trade receivables due from third parties are unsecured and non-interest bearing. Credit terms granted to third parties range generally from 0 to 30 days (2015: 0 to 30 days).

The Company's non-trade amounts due from subsidiary are unsecured, non-interest bearing and repayable on demand. The Company had not recognise any allowance as the directors are of the view that these receivables are recoverable.

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

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

	Group	
	2016	2015
	\$	\$
Balance at beginning of financial year	322,609	137,957
Allowance made during the financial year	–	289,808
Allowance written back during the financial year	(155,051)	(84,954)
Amounts written off	(110,098)	(20,202)
Balance at end of financial year	57,460	322,609

The allowance for impairment loss on third parties trade receivables amounting to \$Nil (2015: \$289,808) was recognised in the Group's profit or loss subsequent to the debt recovery assessment performed on trade receivables by the management as at 31 December 2016.

As at 31 December 2016, allowance written back of \$155,051 (2015: \$84,954) was recognised in the Group's profit or loss when the related trade receivables were recovered.

The aging analysis of trade receivables are set out in Note 30.1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Trade and other receivables (Continued)

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Singapore dollar	7,710,044	7,742,303	5,165,205	5,851,205
Ringgit Malaysia	97,601	90,436	—	—
United States dollar	232,803	230,883	—	—
Euro	48,588	25,548	—	—
Chinese renminbi	219,642	10,570	—	—
Others	36,560	26,387	—	—
	<u>8,345,238</u>	<u>8,126,127</u>	<u>5,165,205</u>	<u>5,851,205</u>

9. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Fixed deposits with banks	4,255,284	3,837,899	—	—
Cash and bank balances	4,945,432	3,851,104	47,110	90,774
Cash and cash equivalents as per statements of financial position	9,200,716	7,689,003	<u>47,110</u>	<u>90,774</u>
Fixed deposits pledged	(710,090)	(704,456)		
Cash and cash equivalents as per consolidated statement of cash flows	<u>8,490,626</u>	<u>6,984,547</u>		

Fixed deposits bear interest rate of 0.10% to 1.32% (2015: 0.10% to 1.30%) per annum with maturity ranging from 3 to 25 (2015: 2 to 11) 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 2016, fixed deposits of the Group amounting to \$710,090 (2015: \$704,456) were pledged to banks to secure bankers' guarantee facility.

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Singapore dollar	6,774,974	6,294,350	47,110	90,774
Ringgit Malaysia	1,101,991	124,031	—	—
United States dollar	390,370	1,212,510	—	—
Euro	924,738	49,333	—	—
Others	8,643	8,779	—	—
	<u>9,200,716</u>	<u>7,689,003</u>	<u>47,110</u>	<u>90,774</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade payables				
- third parties	1,889,869	1,773,614	—	—
- unbilled payables	153,849	196,220	—	—
	2,043,718	1,969,834	—	—
Non-trade payables				
- third parties	117,989	135,805	2,496	13,526
- directors of the Company	—	545,000	—	—
	117,989	680,805	2,496	13,526
Advance received from customers	620,708	580,459	—	—
Accrued directors' fees	115,000	115,000	115,000	115,000
Accrued expenses	1,456,033	1,430,731	45,400	41,550
Goods and services tax payable	158,908	228,178	—	—
	<u>4,512,356</u>	<u>5,005,007</u>	<u>162,896</u>	<u>170,076</u>

Trade and non-trade payables due to third parties are unsecured, non-interest bearing and are normally settled between 30 to 90 (2015: 30 to 90) days' terms.

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

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

No interest is charged on the trade and other payables.

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Singapore dollar	3,590,295	4,140,213	162,896	170,076
Ringgit Malaysia	246,675	282,426	—	—
United States dollar	282,646	72,210	—	—
Euro	226,016	341,809	—	—
Hong Kong dollar	9,739	118,729	—	—
Chinese renminbi	151,042	—	—	—
Others	5,943	49,620	—	—
	<u>4,512,356</u>	<u>5,005,007</u>	<u>162,896</u>	<u>170,076</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Provisions

	Provision for reinstatement costs \$
Group	
2016	
Balance at beginning of financial year	30,800
Provision made during the financial year	—
Provision utilised during the financial year	—
Balance at end of financial year	<u>30,800</u>
2015	
Balance at beginning of financial year	30,800
Provision made during the financial year	—
Provision utilised during the financial year	—
Balance at end of financial year	<u>30,800</u>

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

12. Borrowings

	Group	
	2016 \$	2015 \$
Current liabilities		
<i>Secured</i>		
Trust receipts	816,631	1,411,613
Total borrowings	<u>816,631</u>	<u>1,411,613</u>

The average effective interest rates per annum of the borrowings during the financial years ended 31 December 2016 and 2015 were as follows:

	Group	
	2016 %	2015 %
Trust receipts	3.10	3.56

Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk.

Trust receipts have maturities of between 120 to 150 (2015: 109 to 118) days.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. Borrowings (Continued)

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

	Group	
	2016	2015
	\$	\$
Facilities granted	18,660,600	9,149,000
Facilities utilised	1,327,444	1,845,449

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	
	2016	2015
	\$	\$
Singapore dollar	455,337	814,824
Euro	—	596,789
Chinese Renminbi	361,294	—
	816,631	1,411,613

13. Finance lease payables

	Minimum lease payments \$	Future finance lease charges \$	Present value of minimum lease payment \$
Group			
2016			
Within one financial year	151,698	(25,299)	126,399
After one financial year but within five financial years	419,704	(42,128)	377,576
After five financial years	29,332	(297)	29,035
	449,036	(42,425)	406,611
	600,734	(67,724)	533,010
2015			
Within one financial year	163,130	(27,637)	135,493
After one financial year but within five financial years	466,778	(49,078)	417,700
After five financial years	31,218	(227)	30,991
	497,996	(49,305)	448,691
	661,126	(76,942)	584,184

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. Finance lease payables (Continued)

The finance lease terms range from 3 to 10 (2015: 3 to 10) years.

The effective interest rates charged during the financial year ranged from 4.39% to 7.53% (2015: 4.39% to 7.53%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. No arrangements have been entered into for contingent rental payments.

The fair value of the Group's finance lease payables are disclosed in Note 30.5 to the financial statements.

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

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

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

14. Derivative financial instruments

	Group	
	2016	2015
	\$	\$
Structured forward foreign exchange contracts	1,701	—

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 amounting to \$1,701 have been charged to the profit or loss in the year (2015: \$Nil).

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 gain/ (loss)	
	2016	2015	2016	2015	2016	2015	2016	2015
			FC	FC	\$	\$	\$	\$
Buy US\$ to sell S\$ less than 3 months	1.415	—	300,000	—	424,500	—	(408)	—
Buy EUR to sell S\$ less than 3 months	1.507	—	200,000	—	301,400	—	(1,293)	—
					725,900	—	(1,701)	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. Deferred tax liabilities

	Group	
	2016	2015
	\$	\$
Balance at beginning of financial year	35,215	67,458
Charged/(Credited) to profit or loss	43,000	(31,573)
Currency re-alignment	(68)	(670)
Balance at the end of financial year	<u>78,147</u>	<u>35,215</u>

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	
	2016	2015
	\$	\$
Accelerated tax depreciation	<u>78,147</u>	<u>35,215</u>

16. Share capital

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Issued and fully-paid:				
150,000,000 ordinary shares at beginning and end of financial year	<u>4,124,790</u>	<u>4,124,790</u>	<u>4,124,790</u>	<u>4,124,790</u>

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.

17. Other reserves

	Group	
	2016	2015
	\$	\$
Merger reserve	1,312,241	1,312,241
Foreign currency translation account	(90,093)	(82,055)
	<u>1,222,148</u>	<u>1,230,186</u>

Merger reserve

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

Foreign currency translation account

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. Retained earnings

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

	Company	
	2016	2015
	\$	\$
Balance at the beginning of financial year	1,662,961	2,617,393
Loss for the financial year, representing total comprehensive income for the financial year	(344,273)	(354,432)
Dividends (Note 25)	(375,000)	(600,000)
Balance at the end of financial year	<u>943,688</u>	<u>1,662,961</u>

19. Revenue

	Group	
	2016	2015
	\$	\$
Fabrication and distribution of goods	19,862,843	19,784,527
Maintenance and service income	6,344,363	6,244,565
	<u>26,207,206</u>	<u>26,029,092</u>

Revenue is recognised net of estimated customer returns, discounts and sales related taxes. The estimated customer returns and discounts are determined based on management's accumulated experience of such returns and discounts, and revenue is only recognised to the extent that it is probable that the economics benefits associated with the transaction will flow to the Group.

20. Other income

	Group	
	2016	2015
	\$	\$
Government grants received	378,828	215,382
Allowance for impairment loss on third parties trade receivables written back	155,051	84,954
Rental income	—	1,419
Scrap sales	33,682	30,501
Gain on disposal of property held for sale	—	218,503
Gain on disposal of plant and equipment	18,709	8,203
Settlement compensation proceeds (Note 27(b))	50,000	—
Others	15,284	18,711
	<u>651,554</u>	<u>577,673</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. Finance costs

	Group	
	2016	2015
	\$	\$
Interest expenses		
- trust receipts	36,981	73,302
- term loans	—	3,615
- finance leases	28,620	35,220
- others	418	22
	<u>66,019</u>	<u>112,159</u>

22. 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	
	2016	2015
	\$	\$
<i>Cost of sales</i>		
Cost of inventories recognised as an expense	12,364,756	12,553,849
Inventories written down	280,844	228,997
Sub-contractor fees	461,733	721,949
Operating lease expenses		
- rental of warehouse	<u>357,701</u>	<u>304,933</u>
<i>Distribution costs</i>		
Carriage outwards	104,700	92,180
Commission	18,337	5,313
Transportation	17,991	18,386
Operating lease expenses		
- rental of sales office	<u>121,009</u>	<u>117,943</u>
<i>Administrative expenses</i>		
Audit fees paid/payable to:		
- auditors of the Company	75,000	69,300
- other auditors	7,879	7,419
Non-audit fees paid/payable to:		
- auditors of the Company	15,900	16,000
- other auditors	2,004	1,933
Plant and equipment written off	633	487
Operating lease expenses		
- rental of office	147,030	124,800
- rental of equipment	14,908	12,666
Consultation fee	58,700	154,155
Training fee	18,822	179,416
Directors' fees ⁺	<u>154,913</u>	<u>133,800</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. Profit before income tax (Continued)

	Group	
	2016	2015
	\$	\$
<i>Other expenses</i>		
Amortisation of intangible assets	70,543	77,956
Allowance for impairment loss on third parties trade receivables	—	289,808
Bad third parties trade receivables written off	—	1,988
Foreign exchange loss, net	58,696	113,557

* Included in the Directors' fees are fees declared by the subsidiaries to the Directors in their capacity as Directors of those subsidiaries of \$39,913 (2015: \$18,800).

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

	Group	
	2016	2015
	\$	\$
Cost of sales	238,250	202,106
Distribution costs	40,613	92,320
Administrative expenses	131,288	130,392
	<u>410,151</u>	<u>424,818</u>

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

	Group	
	2016	2015
	\$	\$
Salaries, bonus and other benefits	7,467,952	7,230,893
Defined contribution plans	539,442	473,981
	<u>8,007,394</u>	<u>7,704,874</u>

Employee benefit expenses include the remuneration of Directors and other key management personnel as disclosed in Note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. Income tax expense

	Group	
	2016	2015
	\$	\$
Current income tax		
- current financial year	552,806	246,026
- (over)/under-provision in prior financial years	(254,218)	54,110
	298,588	300,136
Deferred tax		
- current financial year	7,000	(912)
- under/(over)-provision in prior financial years	36,000	(30,661)
	43,000	(31,573)
Total income tax expense recognised in profit or loss	341,588	268,563

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expenses varied from the amount of income tax expense determined by applying the Singapore statutory tax rate of 17% (2015: 17%) to profit before income tax as a result of the following differences:

Reconciliation of effective income tax rate

	Group	
	2016	2015
	\$	\$
Profit before income tax	2,909,718	1,799,779
Income tax calculated at Singapore's statutory tax rate	494,652	305,962
Effect of different tax rate in other countries	(781)	36,729
Tax effect of income not subject to income tax	(18,516)	(282,169)
Tax effect of non-deductible expenses for income tax purposes	111,316	226,605
Tax effect of tax exempt income	(25,925)	(25,925)
Utilisation of deferred tax assets not recognised previously	(133)	(973)
(Over)/Under-provision of current income tax in prior financial years	(254,218)	54,110
Under/(Over)-provision of deferred tax in prior financial years	36,000	(30,661)
Tax incentives	(67,091)	(20,039)
Deferred tax benefit arising in current year not recognised	9,079	—
Others	57,205	4,924
	341,588	268,563

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. Income tax expense (Continued)

Unrecognised deferred tax assets

	Group	
	2016	2015
	\$	\$
Balance at beginning of financial year	47,073	55,080
Utilisation of deferred tax assets not recognised previously	(133)	(973)
Deferred tax benefit arising in current year not recognised	9,079	—
Currency re-alignment	(1,311)	(7,034)
Balance at end of financial year	54,708	47,073

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

	Group	
	2016	2015
	\$	\$
Unutilised tax losses	54,708	47,073

As at 31 December 2016, the Group has unutilised tax losses of approximately \$227,000 (2015: \$188,000) available for offset against future taxable profits which has no expiry date and subject to the agreement by the tax authorities and provisions of the tax legislations of the respective countries in which the Group operates.

These deferred tax assets have not been recognised as it is not certain whether future taxable profits will be available against which the Group can utilise these benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.15 to the financial statements.

24. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2016	2015
Profit attributable to owners of the parent (\$)	2,568,130	1,531,216
Weighted average of ordinary shares in issue during the financial year applicable to basic earnings per share	150,000,000	150,000,000
Basic and diluted earnings per share (in cents)	1.71	1.02

The calculations for basic earnings per share for the relevant periods are based on the profit attributable to owners for the financial years ended 31 December 2016 and 2015 divided by the weighted average of ordinary shares in the relevant periods.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Dividends

	Group	
	2016	2015
	\$	\$
A first interim tax exempt dividend of \$Nil (2015: \$0.0025) per ordinary share on 150,000,000 ordinary shares in respect of the current financial year	–	375,000
A final tax exempt dividend of \$0.0025 (2015: \$0.0015) per ordinary share on 150,000,000 ordinary shares in respect of the previous financial year	375,000	225,000
	<u>375,000</u>	<u>600,000</u>

The Board of Directors proposed that a final tax-exempt dividend of \$0.0075 per ordinary share amounting to \$1,125,000 be paid in respect of current financial year. This final dividend has not been recognised as a liability as at the end of the reporting period as it is subject to approval by shareholders at the Annual General Meeting of the Company.

26. Operating lease commitments

The Group as lessee

The Group leases office spaces, warehouses and office equipment under non-cancellable operating leases. The operating lease commitments are based on existing rental rates. The leases have lease term range from 2 to 5 (2015: 2 to 5) years and rentals are fixed during the lease term.

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

	Group	
	2016	2015
	\$	\$
Within one financial year	627,307	525,068
After one financial year but within five financial years	464,449	598,456
	<u>1,091,756</u>	<u>1,123,524</u>

27. Contingent liabilities

(a) Corporate guarantee

As at 31 December 2016, the Company had given guarantees amounting to \$15,860,600 (2015: \$8,374,000) to certain banks in respect of banking facilities granted to a subsidiary (Note 12).

As at the end of the financial year, the total amount of borrowings outstanding and bankers' guarantees obtained, that are covered by the guarantees is \$1,327,444 (2015: \$1,845,449). 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Contingent liabilities (Continued)

(a) Corporate guarantee (Continued)

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

(b) Legal suit

In 2014, a subsidiary of the Group lodged a legal claim against an ex-employee of the subsidiary in respect of damages for breach of employment contract and misuse of confidential information. Subsequently, a counterclaim for defamation and wrongful termination for unspecified quantum of damages was lodged by the employee against the subsidiary in the same proceeding. The subsidiary has disclaimed the liability.

During the financial year in 2016, the subsidiary and the ex-employee reached a settlement agreement during a mediation, where the ex-employee would be liable to pay the subsidiary a compensation of \$50,000. Counterclaims for defamation and wrongful termination by the ex-employee were withdrawn. The results of the mediation have been submitted to High Court. Full payment has been received during the financial year and recognised within "other income" in the Group's profit or loss.

28. 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.

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

	Company	
	2016	2015
	\$	\$
Subsidiary:		
- Repayment of advances to	686,000	886,000

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Significant related party transactions (Continued)

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

	Group	
	2016	2015
	\$	\$
Directors of the Company		
- short-term employee benefits	900,975	1,064,507
- post-employment benefits	50,590	35,400
- directors' fees	115,000	115,000
Directors of subsidiaries		
- directors' fees	39,913	18,800
Other key management personnel		
- short-term employee benefits	580,265	648,261
- post-employment benefits	57,863	59,671
	<u>1,744,606</u>	<u>1,941,639</u>

29. Segment information

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

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

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

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

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

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

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

The Group does not have intersegment sales or transfers.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate and consolidated adjustments which are not directly attributable to a particular reportable segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Segment information (Continued)

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

Segment liabilities comprise operating liabilities and exclude tax liabilities.

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

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

Business segment	Fabrication and distribution business \$	Maintenance and servicing business \$	Unallocated \$	Total \$
Group				
2016				
Revenue				
External revenue	19,862,843	6,344,363	—	26,207,206
Results				
Segment results	3,010,309	359,720	(394,292)	2,975,737
Finance costs	(50,037)	(15,982)	—	(66,019)
Profit before income tax	2,960,272	343,738	(394,292)	2,909,718
Income tax expense				(341,588)
Profit for the financial year				2,568,130
Non-cash items				
Depreciation of property, plant and equipment	(318,957)	(91,194)	—	(410,151)
Amortisation of intangible asset	(53,465)	(17,078)	—	(70,543)
Inventories written down	(280,844)	—	—	(280,844)
Gain on disposal of plant and equipment	18,709	—	—	18,709
Allowance for impairment loss on third parties trade receivables written back	155,051	—	—	155,051
Capital expenditure				
Property, plant and equipment	—	—	165,026	165,026
Intangible assets	—	—	38,400	38,400
Assets and liabilities				
Segment assets	—	—	22,567,827	22,567,827
	—	—	22,567,827	22,567,827
Segment liabilities	—	—	5,894,498	5,894,498
- Current income tax payable	—	—	564,221	564,221
- Deferred tax liabilities	—	—	78,147	78,147
	—	—	6,536,866	6,536,866

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Segment information (Continued)

Business segment	Fabrication and distribution business \$	Maintenance and servicing business \$	Unallocated \$	Total \$
Group				
2015				
Revenue				
External revenue	19,784,527	6,244,565	—	26,029,092
Results				
Segment results	1,758,855	281,103	(128,020)	1,911,938
Finance costs	(84,016)	(26,040)	(2,103)	(112,159)
Profit before income tax	1,674,839	255,063	(130,123)	1,799,779
Income tax expense				(268,563)
Profit for the financial year				1,531,216
Non-cash items				
Depreciation of property, plant and equipment	(331,981)	(92,837)	—	(424,818)
Amortisation of intangible asset	(59,254)	(18,702)	—	(77,956)
Inventories written down	(174,059)	(54,938)	—	(228,997)
Gain on disposal of property held for sale	—	—	218,503	218,503
Gain on disposal of plant and equipment	8,203	—	—	8,203
Allowance for impairment loss on third parties trade receivables	(220,281)	(69,527)	—	(289,808)
Allowance for impairment loss on third parties trade receivables written back	84,954	—	—	84,954
Bad third parties trade receivables written off	(1,511)	(477)	—	(1,988)
Plant and equipment written off	(487)	—	—	(487)
Capital expenditure				
Property, plant and equipment	—	—	426,888	426,888
Intangible assets	—	—	48,583	48,583
Assets and liabilities				
Segment assets	—	—	21,160,111	21,160,111
	—	—	21,160,111	21,160,111
Segment liabilities	—	—	7,031,604	7,031,604
- Current income tax payable	—	—	247,423	247,423
- Deferred tax liabilities	—	—	35,215	35,215
	—	—	7,314,242	7,314,242

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Segment information (Continued)

Geographical information

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

	Singapore \$	Malaysia \$	Others \$	Total \$
Group				
2016				
Total revenue from external customers	25,955,566	200,767	50,873	26,207,206
Non-current assets	998,224	430,831	–	1,429,055
2015				
Total revenue from external customers	25,975,448	48,348	5,296	26,029,092
Non-current assets	1,262,846	469,204	–	1,732,050

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.

30. Financial instruments, financial risks and capital management

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

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

For the financial year ended 31 December 2016, 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

30.1 Credit risks

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

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

	Company	
	2016	2015
	\$	\$
Corporate guarantees provided to banks for subsidiary's banking facilities utilised as at the end of financial year	1,327,444	1,845,449

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

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. The Company has significant credit exposure arising from the non-trade amounts due from a subsidiary amounting to \$5,165,205 (2015: \$5,851,205) as at 31 December 2016.

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

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

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

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

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

	Group	
	2016	2015
	\$	\$
Past due less than 30 days	2,743,407	2,271,126
Past due 31 to 60 days	1,090,126	2,056,645
Past due 61 to 90 days	632,602	427,873
Past due over 90 days	1,928,445	1,821,086
	6,394,580	6,576,730

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

30.1 Credit risks (Continued)

Allowances made in respect of estimated irrecoverable amounts are determined by reference to past default experience. The carrying amount of trade receivables individually determined to be impaired is as follows:

	Group	
	2016	2015
	\$	\$
Past due over 90 days	57,460	322,609
Less: Allowance for impairment	(57,460)	(322,609)
	—	—

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

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

30.2 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") and Chinese renminbi ("CNY") transactions.

At the end of the financial year, 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	
	2016	2015	2016	2015
	\$	\$	\$	\$
Singapore dollar	—	—	1,093,817	41,245
Ringgit Malaysia	79,647	11,666	146,236	302,458
United States dollar	623,173	1,443,393	282,646	72,210
Euro	973,326	74,881	226,016	938,598
Chinese renminbi	219,642	10,570	512,336	—

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 2016

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

30.2 Market risks (Continued)

Foreign currency risks (Continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2015: 5%) change in SGD, RM, USD, EUR 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 financial year, with all variables held constant. The results of the model are also constrained by the fact that only monetary items, including loans from and loans to foreign operations, which are denominated in SGD, RM, USD, EUR and CNY are included in the analysis.

	Profit or Loss	
	2016	2015
	\$	\$
Group		
<i>Singapore dollar</i>		
Strengthens against Ringgit Malaysia	(54,691)	(2,062)
Weakens against Ringgit Malaysia	54,691	2,062
<i>Ringgit Malaysia</i>		
Strengthens against Singapore dollar	(3,329)	(14,540)
Weakens against Singapore dollar	3,329	14,540
<i>United States dollar</i>		
Strengthens against Singapore dollar	17,026	68,559
Weakens against Singapore dollar	(17,026)	(68,559)
<i>Euro</i>		
Strengthens against Singapore dollar	37,366	(43,186)
Weakens against Singapore dollar	(37,366)	43,186
<i>Chinese renminbi</i>		
Strengthens against Singapore dollar	(14,635)	529
Weakens against Singapore dollar	14,635	(529)

Interest rate risks

As at 31 December 2016 and 2015, the Group and Company are not exposed to significant interest rate risks. As such, no sensitivity analyses have been performed.

The Group and Company are not exposed to equity price risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

30.3 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 financial year \$	After one financial year but within five financial years \$	After five financial years \$	Adjustments \$	Total \$
Group					
2016					
Financial assets					
Trade and other receivables	7,831,990	—	—	—	7,831,990
Cash and cash equivalents	9,200,716	—	—	—	9,200,716
Financial liabilities					
Trade and other payables	3,732,740	—	—	—	3,732,740
Borrowings	820,690	—	—	(4,059)	816,631
Finance lease payables	151,698	419,704	29,332	(67,724)	533,010
2015					
Financial assets					
Trade and other receivables	7,743,921	—	—	—	7,743,921
Cash and cash equivalents	7,689,003	—	—	—	7,689,003
Financial liabilities					
Trade and other payables	4,196,370	—	—	—	4,196,370
Borrowings	1,417,862	—	—	(6,249)	1,411,613
Finance lease payables	163,130	466,778	31,218	(76,942)	584,184

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

30.3 Liquidity risks (Continued)

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

	On demand or within one financial year \$
Company	
2016	
Financial assets	
Trade and other receivables	5,165,205
Cash and cash equivalents	47,110
Financial liabilities	
Trade and other payables	162,896
Financial guarantee contracts	1,327,444
2015	
Financial assets	
Trade and other receivables	5,851,205
Cash and cash equivalents	90,774
Financial liabilities	
Trade and other payables	170,076
Financial guarantee contracts	1,845,449

The repayment terms of the Group's borrowings are disclosed in Note 12 to the financial statements.

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.

	On demand or within one financial year \$
Group	
2016	
Gross settled:	
Structured forward foreign exchange contracts	
Gross inflow	725,900
Gross outflow	(727,601)
	(1,701)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

30.4 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 16, 17 and 18 to the financial statements respectively.

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

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 2015.

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade and other payables	4,512,356	5,005,007	162,896	170,076
Borrowings	816,631	1,411,613	—	—
Finance lease payables	533,010	584,184	—	—
Cash and cash equivalents	(9,200,716)	(7,689,003)	(47,110)	(90,774)
Net (cash)/debt	(3,338,719)	(688,199)	115,786	79,302
Total equity	16,030,961	13,845,869	5,068,478	5,787,751
	12,692,242	13,157,670	5,184,264	5,867,053
Gearing ratio	n.m.	n.m.	2.23%	1.35%

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

30.5 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

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

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

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Group				
Financial liabilities				
- financial lease payables	533,010	524,000	584,184	565,000

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

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

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

Financial liability	Fair value		Fair value hierarchy	Valuation technique(s) and key inputs
	2016	2015		
	\$	\$		
Group				
Structured forward foreign exchange contracts	1,701	—	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 financial year) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

30.6 Categories of financial instruments

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Loans and receivables	17,032,706	15,432,924	5,212,315	5,941,979
Financial liabilities				
Derivative financial instruments	1,701	—	—	—
Other financial liabilities, at amortised cost	5,082,381	6,192,167	162,896	170,076

31. Events subsequent to the reporting date

On 7 March 2017, the Group incorporated, Phoenix, The Central Kitchen Solutions Pte. Ltd. ("Phoenix"). Phoenix was incorporated with an issued and paid-up share capital of S\$2.00 comprising 2 ordinary shares. QKE and Ms Gao Shanshan, an independent individual who is not related to any of the Directors or substantial shareholders of the Company, each holding 1 ordinary share (representing 50% interest respectively) in Phoenix. The principal activities of Phoenix are manufacture and repair of machinery for food products processing including machinery/equipment for commercial and central kitchen.

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2017

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

There were no treasury shares held in the Company and there were also no subsidiary holdings held in the Company.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	25	7.20	23,400	0.01
1,001 – 10,000	145	41.79	749,300	0.50
10,001 – 1,000,000	173	49.86	13,840,300	9.23
1,000,001 AND ABOVE	4	1.15	135,387,000	90.26
TOTAL	347	100.00	150,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	QKE HOLDINGS PTE. LTD.	122,491,500	81.66
2	SIRIUS VENTURE CAPITAL PTE LTD	5,895,500	3.93
3	NEO GROUP LIMITED	4,500,000	3.00
4	POON WAI	2,500,000	1.67
5	HO EE HWA @ MADELEINE HO	1,000,000	0.67
6	ONG WAI MENG	1,000,000	0.67
7	HOLT ASIA INVESTMENT PTE LTD	652,000	0.43
8	LEE LAI HENG BRIAN	635,100	0.42
9	CIMB SECURITIES (SINGAPORE) PTE. LTD.	558,700	0.37
10	DBS NOMINEES (PRIVATE) LIMITED	510,000	0.34
11	KHOO HWEE SAN	452,900	0.30
12	MAK PAO YUN	450,000	0.30
13	CHANG THIAM HOCK	425,000	0.28
14	NEO KAH KIAT	285,000	0.19
15	NG YEW HWEE	250,000	0.17
16	THAM SOK ING	250,000	0.17
17	CHUA CHWEE CHOO	230,000	0.15
18	KEN TAN KHIM SING	200,000	0.13
19	LAM TECK MENG LAWRENCE	200,000	0.13
20	ONG ENG LOKE	200,000	0.13
TOTAL		142,685,700	95.11

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
QKE Holdings Pte Ltd ⁽¹⁾	122,491,500	81.66	—	—
Chua Chwee Choo Sally ⁽²⁾	230,000	0.15	122,491,500	81.66
Lee Chong Hoe Alan ⁽²⁾	192,000	0.13	122,491,500	81.66
Cheng Chun Choi Frankie ⁽²⁾	—	—	122,491,500	81.66

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), Lee Chong Hoe Alan (Executive Director) and Cheng Chun Choi Frankie each holds approximately 33.3% of the issued share capital of QKE Holdings. As they each holds 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.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

13.76% 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.

NOTICE OF ANNUAL GENERAL MEETING

YEAR ENDED 31 DECEMBER 2016

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Singapore Kitchen Equipment Limited ("the Company") will be held at 115A Commonwealth Drive, #01-27/28 Tanglin Halt, Industrial Estate, Singapore 149596 on Thursday, 27 April 2017 at 4.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the Independent Auditors' Report thereon. **(Resolution 1)**
2. To declare the final dividend of 0.75 Singapore cent per ordinary share tax exempt one-tier for the year ended 31 December 2016 (FY2015 : 0.25 Singapore cent per ordinary share). **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 98 of the Constitution of the Company:

Mrs Eileen Tay-Tan Bee Kiew **(Resolution 3)**
Mr Ng How Hwan Kevin **(Resolution 4)**

Mrs Eileen Tay-Tan Bee Kiew will, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee and will be considered independent.

Mr Ng How Hwan Kevin will, upon re-election as Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent.
4. To approve the payment of Directors' Fees of S\$115,000 for the year ended 31 December 2016 (FY2015 : S\$115,000) **(Resolution 5)**
5. To re-appoint Messrs BDO LLP as the Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. Authority to issue new shares

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

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

YEAR ENDED 31 DECEMBER 2016

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalyst Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (i)] **(Resolution 7)**

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

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant awards in accordance with the provisions of the prevailing Singapore Kitchen Equipment Performance Share Plan ("PSP") and (notwithstanding the authority conferred by this resolution may have ceased to be in force) to allot and issue and/or deliver such number of fully-paid shares in the form of existing shares held as treasury shares and/or new shares as may be required to be delivered pursuant to the vesting of the awards under the PSP, provided always that the aggregate number of shares (comprising new shares and/or treasury shares) to be delivered pursuant to the PSP, when added to the number of new shares issued and issuable and the number of treasury shares delivered pursuant to all other share schemes of the Company for the time being in force, shall not exceed fifteen per cent (15%) of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier. [See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Wong Yoen Har
Company Secretary

Singapore, 12 April 2017

NOTICE OF ANNUAL GENERAL MEETING

YEAR ENDED 31 DECEMBER 2016

Explanatory Notes:

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

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

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

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").
- (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 115A Commonwealth Drive, #01-27/28 Tanglin Halt Industrial Estate, Singapore 149596 not less than forty-eight (48) hours before the time appointed for holding the AGM.

Personal data privacy:

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

SINGAPORE KITCHEN EQUIPMENT LIMITED

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

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

I/We, _____

of _____

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Thursday, 27 April 2017 at 4.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

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

No.	Resolutions relating to:	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2016		
2	Payment of proposed final dividend		
3	Re-election of Mrs Eileen Tay-Tan Bee Kiew as Director		
4	Re-election of Mr Ng How Hwan Kevin as Director		
5	Approval of Directors' Fees of S\$115,000 for the year ended 31 December 2016		
6	Re-appointment of Messrs BDO LLP as Independent Auditors		
7	Authority to issue new shares		
8	Authority to offer and grant awards and to allot and issue shares under the Singapore Kitchen Equipment Performance Share Plan		

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

Dated this _____ day of _____ 2017

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



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

Notes:

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

"Relevant intermediary" means:

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

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2017.

General:

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

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SINGAPORE KITCHEN EQUIPMENT LIMITED

(Company Registration No.: 201312671M)

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