ASSISTIVE TECHNOLOGY.
POWERING SMART FUTURE KITCHENS

ANNUAL REPORT 2017

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 2017 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.

Contents

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") this being the SGX-ST Listing Manual Section B: Rules of Catalist. 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

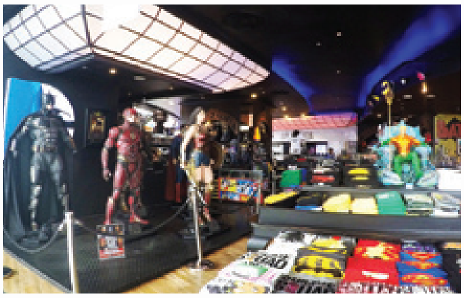
Singapore Kitchen Equipment Limited ("SKE" or the "Group"), operating with the trade name Q'son Kitchen Equipment Pte. Ltd. ("Q'son"), is one of Singapore's leading commercial and industrial kitchen solutions providers for the F&B and hospitality services industries. Established in 1996, Q'son has grown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

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

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

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

YEAR IN REVIEW

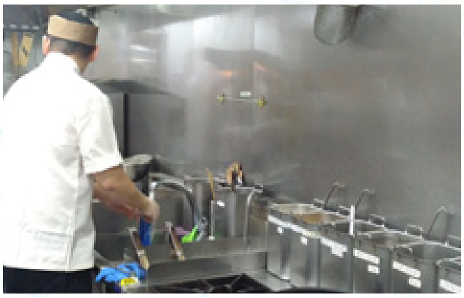


DC COMICS SUPER HEROES CAFÉ

Immersive dining experience with super food and super service! Two thumbs up for All Super Heroes Cafes – an at least must-try-once-in-a-lifetime "legendary" experience.

BREAD BABU

North Indian Cuisine, exquisite cuisine, familiar food and delectable to the palate. Situated in Serangoon, it sure is a hotspot for the Indian community and makes dining out a great decision.



SUSHI TEI

Authentic Japanese food, authentic service, authentic place to be for both business and pleasure casual dining. Freshest ingredients, affordability and keen service staff makes up the successful formula for Sushi Tei!

GRAND PARK KODHIPPARU, MALDIVES

Great getaway with sun, sea and overwater villas with private pools! Perfect luxury vacation for pleasure and relaxation, operated by Park Hotel Group.

YARDBIRD - THE BIRD SOUTHERN TABLE

Award winning American dining with a breath-taking view, fit for any celebratory occasion.

LA CALA

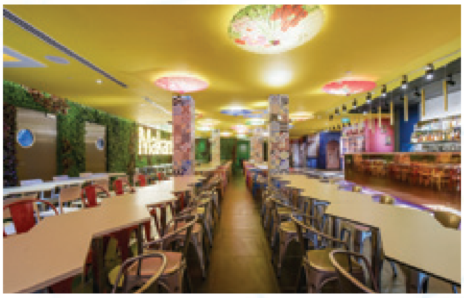
Serving Mediterranean food with a strong Spanish flavour in the DUO Galleria area – fine food, great service and definitely a place to return again and again.

MALAYSIA BOLEH (FEI SIONG GROUP)

Food court setup on the 3rd level of Jurong Point, the culinary spread hails from states across the causeway such as Pahang, Penang, Johor and Malacca – authentic, robust flavour and harken to old-world charm.

HUONE EVENT HOTEL

Unique and the first-of-its-kind in this part of the world, Huone concept has all bases covered. Thematic meeting rooms, customised event consultation, team building sessions, dining and more!



ST ANDREWS NURSING HOME (SANH)

A 255-bed nursing home in the Henderson district, SANH provide integrated residential care for the elderly, meeting the special medical needs of old age and ageing. A senior care centre is housed within the premises to serve the non-resident seniors.

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, Q'son is able to leverage on our fundamental strength to expand and grow the business. From a small workshop, Q'son 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 65 production workers, Q'son 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, Q'son 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, Q'son 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

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

Urgent repairs, cleaning and degreasing of kitchen equipment

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

Growing service team; increasing operational fleet of 25 vehicles

Maintenance and Servicing Segment

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

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

CHAIRMAN AND MD STATEMENT

Dear Shareholders

On behalf of the Board of Directors of Singapore Kitchen Equipment Limited ("SKE" or the "Group"), we are pleased to present to you our Group's annual report for the financial year ended 31 December 2017 ("FY2017").

The Group ended the year under review with a lower net profit attributable to equity shareholders of S$1.3 million compared to S$2.6 million for the financial year ended 31 December 2016 ("FY2016").

The Group's revenue increased by S$4.5 million, from S$26.2 million in FY2016 to S$30.7 million in FY2017. The growth in revenue was achieved on the back of higher revenues across the Group's two business segments. The Fabrication and Equipment Distribution business contributed S$23.3 million in revenue (S$19.9 million in FY2016), while the Service Maintenance business achieved S$7.4 million in revenue (S$6.3 million in FY2016).

Approximately 51.2% of the Group's revenue was garnered during the second-half of the year, which is considered to be a busier period due to an influx of tourists and year-end festivities. A number of orders gathered in the first-half of the year were also realised during the second-half period.

Cost of sales increased by approximately 20.1% or S$3.5 million from S$17.4 million in FY2016 to S$20.9 million in FY2017, primarily due to the increase of the Group's cost of materials, equipment and manufactured goods.

As the Group primarily supplies and services kitchen equipment in the F&B and hospitality industries, our business and performance is closely intertwined with the conditions of the aforementioned sectors.

Based on statistics from the Economic Survey of Singapore 2017, visitor arrivals rose by 6.2% to 17.4 million in FY2017, moderating from the robust 7.7% growth registered in the preceding year. Meanwhile, tourism receipts grew by 3.9% to S$26.8 billion in FY2017, as compared to S$24.8 billion in the previous year. The growth was attributable to an increase in leisure visitors and higher spending on food and beverage, and shopping and accommodation.

Over the course of 2017, Singapore's accommodation and food services sector grew by 1.2%, compared to the 3.8 per cent growth in 2016. On the other hand, the food and beverage services index dropped by 1.7%, extending from the 1.9% decline in the previous year. During the fourth quarter of 2017, restaurant sales marginally increased by 1.1%. Overall, Singapore's economy grew 3.5% in 2017, up from the 2.0% growth in 2016.

Against a challenging operating environment and labour market, the Group was able to achieve a steady performance during the year by executing strategies that increased revenue for FY2017 with an adjustment in profitability. We strive to further build up the Group's presence in large corporations and government agencies through very competitive pricing. Additionally, our presence as an approved vendor will provide recurring orders, variation orders, service provision and other ad hoc services.

As the lower-end strata market of hawker centres proved to be a tough market with great price sensitivity, the Group has decided to focus its business in the mid- to higher-end market of more established names and Michelin Star-type restaurants, which has always been the Group's forte brand.

Envisioning Sustained Progress

This year, the Group has chosen to highlight the theme of "Assistive Technology, Powering Smart Kitchens", which is in line with our vision to provide every kitchen with world-class kitchen systems and equipment. As technology continues to play a vital role in our everyday lives, we consider it essential to adapt to new trends and tap on smart innovations to increase productivity.

In August 2017, the Group's design, marketing, sales, production and drafting support team were introduced to a new purchase of Autodesk Inventor, a computer-aided design software for professional-grade 3D mechanical design simulation, visualisation, and documentation. The software provides users with a powerful tool for different applications; for example, in design and drafting, our team can use the software to add layers and details in drawings, eliminating guess work for the production and fabrication. Meanwhile, our production team can use the software's auto feature to juxtapose and compare the drawings, thereby maximising savings in the material. The sales and marketing team can also use Autodesk Inventor to demonstrate the kitchen layout, design and workflow in a 3D visual for a more compelling presentation.

The optimisation of assistive technology is just one of the Group's strategies to support the growth of our client base, which range from hotels, restaurants and central kitchens, to day care centres, factory & plant canteens, and community hospitals. As our business is centered on the efficient delivery of products and services to these members of the food & service industry, our focus has always been providing unparalleled technical support through our responsive and highly-skilled technicians and maintenance staff.

The Group also stepped up its efforts to augment its digital marketing capabilities as a means to boost SKE's visibility, profile, and brand value. Our concentrated digital marketing initiatives which included the launch of our Q'son Service Call App on both the Android and iOS platforms clients can use to call for the despatch services of our service and maintenance teams within 2 to 3 hours, during the year resulted in a spike of new, first time customer base.

Developing Our Products and Services

To meet the evolving needs of our clients and the growing demand for automated kitchen products in the food service industry, we plan on developing and expanding our existing product line.

After the successful launch of Kenji, our house brand Automatic Intelligent Cooker ("AIC") in 2016, we have received positive feedback from clients, particularly from hospitals where a number of AIC have already been installed. The Kenji brand consists of an extensive range of cooking machines such as fried rice and fried noodle machines.

Gaining Our Foothold Overseas

The Group is always seeking to extend its reach and market presence to capture new growth opportunities. For the year under review, overseas projects contributed 10% of top line, steady from the 10% contribution in the previous year.

We continue to make headway in our expansion efforts in key markets across the sub-continent by forging strategic alliances and identifying possible projects. Aside from supporting our local client's outlet expansion in counties like Malaysia and the Maldives, the Group is also keen to seize on the vast opportunities present in China and Hong Kong. In December 2017, the Group was able to cut an order with a fine dining restaurant in Hong Kong.

Industry Outlook

The Singapore economy is projected to moderate to 3.2% in 2018, with growth in domestically-oriented service sectors such as retail and food services expected to broaden on the back of an improvement in consumer sentiments. Despite the industry outlook, the Group remains cautious and anticipates a challenging operational environment due to increased competition, a tight skilled labour environment, rising business costs, volatility in foreign currencies, and slowdown in overall business environment.

Nevertheless, the Group continues to practice prudent management by monitoring and managing its overall costs and expenditures. We have also set strategies in marketing and branding to remain competitive within the burgeoning F&B industry. Lastly, we will manage business challenges by increasing our sales efforts into new areas and new projects. These initiatives will enable the Group to adapt to the various challenges ahead, as well as improve its long-term productivity and operational efficiencies.

In Appreciation

We thank the directors for their relentless contributions in steering the Group towards a path of progress and growth. We would also like to acknowledge our shareholders and partners for their valued trust and support. We are pleased to announce that the Board has recommended a final dividend of 0.50 Singapore cents, subject to shareholders' approval at the upcoming Annual General Meeting.

We would also like to thank all out clients and suppliers for their unwavering confidence in SKE and our shared vision of achieving higher value. Last but not least, our thanks to our management and staff whose dedication and commitment have enabled us to grow from strength to strength. We look forward to working with all you in the year ahead, as we continue to strive for quality and excellence.

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") managed to sustain its performance for the financial year ended 31 December 2017, as it turned in moderate improvements across its business segments. Through various strategic initiatives implemented during the year, the Group was able to remain resilient against a slowdown in overall business environment and increased competition in the F&B industry.

The Group recorded an increase in revenue of 17.2% or S$4.5 million, from S$26.2 million in FY2016 to S$30.7 million in FY2017. The increase was largely driven by higher sales generated from the manufacturing of equipment from the fabrication business segments, imported goods for projects and service maintenance jobs.

In tandem with the higher revenue registered during the year under review, gross profit rose by 11.4% or S$1.0 million, from S$8.8 million in FY2016 to S$9.8 million in FY2017. Cost of sales saw an increase of approximately S$3.5 million, from S$17.4 million in FY2016 to S$20.9 million in FY2017 due to the increase of the Group's cost of materials, equipment and manufactured goods.

Furthermore, the Group's other income declined by S$0.5 million from S$0.7 million in FY2016 to S$0.2 million in FY2017 partially due to the decrease of (i) government grant of S$0.2 million, (ii) wage credit scheme of S$0.1 million, (iii) bad debts recovered of S$0.2 million and (iv) other general income of S$0.1 million.

Segment Review

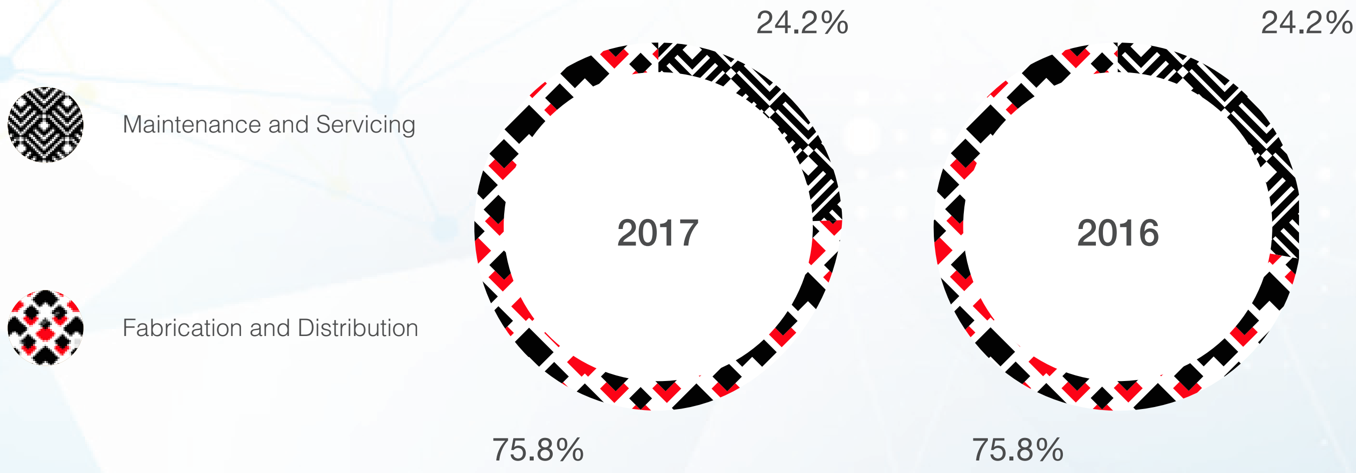
Fabrication & Distribution

Since its beginning over 20 years ago, SKE has consistently sustained its strong presence and trusted reputation as one of the leading providers of industrial and commercial kitchen solutions in the region. Our established brand has helped us accumulate an impressive and diverse range of clients within the public and private sectors – from local restaurants to 5-star hotels and resorts, and from central kitchens to government agencies.

As a result of strong sales generated from the manufacturing of equipment from various projects during the year under review, revenue for the Group's Fabrication and Equipment Distribution business surged by 17.1% from S$19.9 million in FY2016 to S$23.3 million in FY2017. During the year, the division completed various projects which include Yardbird @ Marina Bay Sands, Huone Events Hotel, Fei Xiong's Malaysia Boleh and Grand Park Hotel in the Maldives.

The year under review witnessed an increase in the success rate in tender projects. Compared to FY2016, FY2017 had a 15% increase in successfully awarded contracts from tenders.

Chart 1: Revenue proportion (FY2017 versus FY2016)



Maintenance & Service

Being one of the largest turnkey kitchen systems solutions providers in Singapore, the Group provides preventive maintenance works and repairs through its Maintenance and Service division. This division has a team of technicians and engineers, each equipped to deliver 24/7 technical support service to our clients.

With an increase of secured service contracts and jobs during the year under review, the Group's Maintenance and Service division saw a 17.5% increase in revenue to S$7.4 million in FY2017 from S$6.3 million in the preceding year.

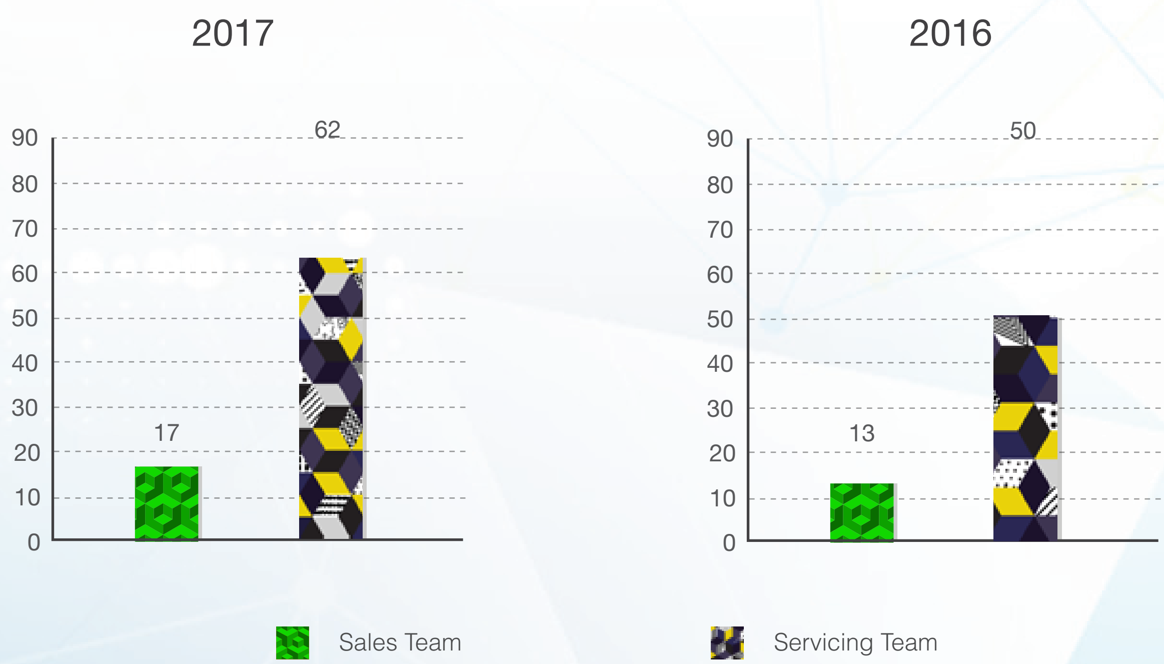
The Group's technical team expanded as demand for technical service continues to grow among new customers. Our reach in the F&B and hospitality industry extended to include pantries and kitchens in shipping vessels, luxury cruises, kindergartens, nursing homes and tertiary institutions.

Enhancing Our Human Capital

The Group also strengthened its workforce by scaling up its Maintenance and Servicing team, as well as its Sales team, which increased by 25%. With a keen emphasis on optimising our manpower and overall productivity, we recognise the importance of providing technical staff with integrated training to raise work productivity and improve operational efficiencies. The Group continues to pursue investments in its human capital to ensure that its workforce gains deeper technical skill.

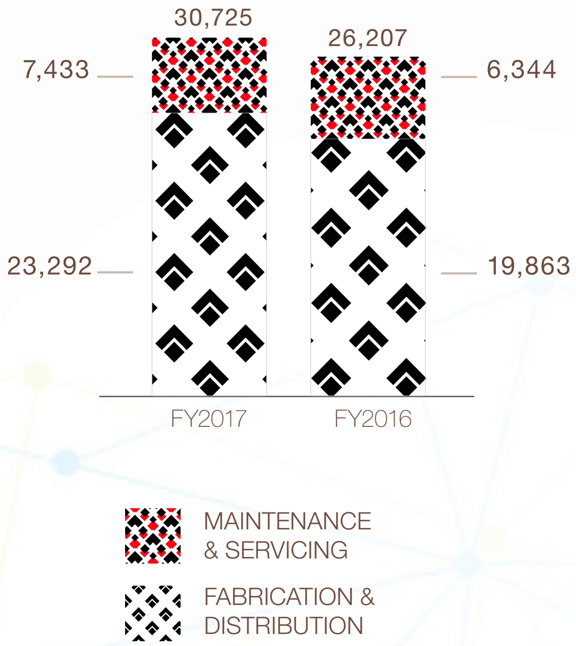
In 2017, the Group sent three teams of four technical supervisors to Thailand, Guangzhou and Penang for extensive technical skill development. In collaboration with visiting principals' technical team, our team were also trained locally. These activities enable our technical and sales department, as well as the Group as a whole, to consistently deliver quality products and services and effectively support the growth our clients in the region.

Chart 2: Teams' Growth (FY2017 versus FY2016)

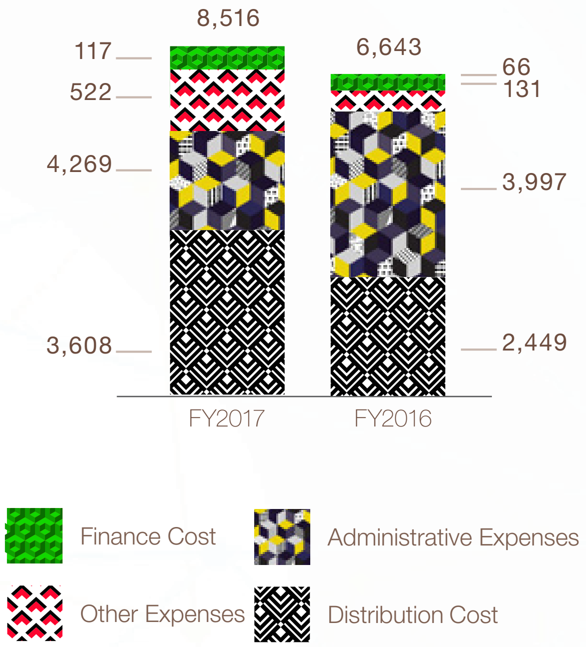


FINANCIAL HIGHLIGHTS

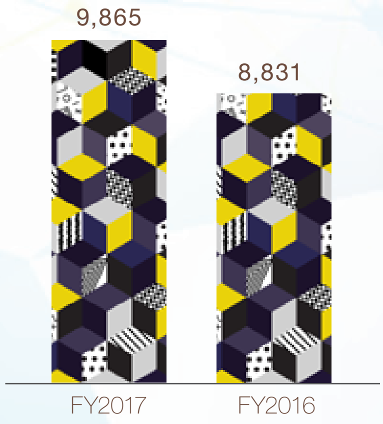
Revenue (S$'000)



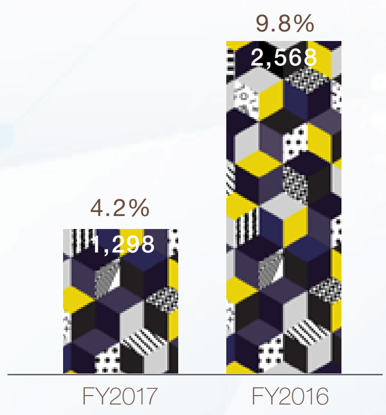
Total Expenses (S$'000)



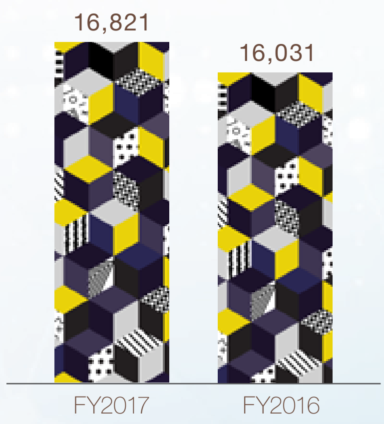
Gross Profit (S$'000)



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



Total Shareholders' Equity (S$'000)



REVIEW OF FINANCIAL PERFORMANCE

Revenue

For the year ended 31 December 2017 ("FY2017"), the Group recorded revenue amounting to S$30.7 million, an increase of 17.2% or approximately S$4.5 million, as compared to the previous year ("FY2016"). The increase was due to both of our business segments – Fabrication and Distribution; and Maintenance and Servicing – achieving improved sales during the year.

Cost of sales and gross profit

The Group's cost of sales saw an increase of approximately S$3.5 million from S$17.4 million in FY2016 to S$20.9 million in FY2017, primarily caused by the increase of the Group's cost of materials, equipment and manufactured goods. Gross profit for the year improved by S$1.0 million to S$9.8 million as compared to S$8.8 million in FY2016. Gross profit margin dipped slightly to 32.2% from 33.6% in FY2016.

Other income

Other income fell by approximately S$0.5 million from S$0.7 million to S$0.2 million for the year in review. This decrease was mainly brought about by the decreased amounts from (i) government grants, (ii) wage credit scheme, (iii) bad debts recovered, and (iv) other general income.

Distribution costs

With the increase in staff costs, advertising cost and business travel, distribution costs in FY2017 grew by S$1.2 million to S$3.6 million, compared to S$2.4 million in FY2016.

Administrative expenses

Administrative expenses increased this year by approximately S$0.3 million (6.8%) as compared to the previous corresponding year, mainly due to increase in staff costs, advertising cost and business travel.

Other expenses

Other expenses increased to approximately S$0.5 million, mainly due to the increase in allowance for doubtful debts by approximately S$0.3 million in FY2017.

Finance costs

Finance costs rose by approximately 77.8% to S$0.1 million in FY2017 due to higher utilisation of invoice financing and hire purchase facilities.

Income tax expense

Income tax expense for the year was at approximately S$0.3 million.

Profit for the year

For FY2017, the Group report a lower net profit attributable to equity shareholders of approximately S$1.3 million compared to S$2.6 million for FY2016. This decrease stemmed from the increases in cost of materials, distribution cost, administrative and other expenses.

STATEMENT OF FINANCIAL POSITION AND CASH FLOWS

Assets

The Group's non-current assets increased by S$1.0 million to S$2.4 million as at 31 December 2017 (31 December 2016: S$1.4 million) as a result of acquisition of plant and equipment, offset by the depreciation of plant and equipment.

The reported current assets of the Group amounted to approximately S$24.8 million as at 31 December 2017 (31 December 2016: S$21.1 million). The increase in cash and cash equivalents was mainly attributed to the proceeds from issuance of ordinary shares and trust receipts. The increase in trade and other receivables as at 31 December 2017 was due to the higher sales generated during year end. While higher inventories was mainly attributable to buffer of stock for new projects due to long lead time.

FINANCIAL
REVIEW

Liabilities

Non-current liabilities increased to S$1.5 million as at 31 December 2017. The Group's current liabilities as at 31 December 2017 increased by approximately S$2.8 million or 45.9%, to S$8.9 million from S$6.1 million as at 31 December 2016. This was mainly due to an increase in trade and other payables of S$0.6 million, bank borrowings of S$2.3 million and finance lease payables of S$0.1 million respectively, offset by a decrease in current tax payable of S$0.2 million.

Shareholders' Equity

As at 31 December 2017, the Group had shareholders' equity of approximately S$16.8 million as compared to S$16.0 million as at 31 December 2016 resulting from an increase in retained earnings and share capital.

Cash Flows

Cash and cash equivalents, excluding pledged fixed deposits and bank overdrafts, went up by approximately S$1.8 million, standing at approximately S$10.3 million as at 31 December 2017, compared to the cash and cash equivalent balance of S$8.5 million as at 31 December 2016.

Net cash generated from operating activities during FY2017 was approximately S$0.4 million, compared to S$2.7 million in the same corresponding period last year, mainly due to the net cash generated by the operations of the Group.

Cashflow movement increased in investing activities as cashflow was used in the purchase of plant and equipment, offset by proceeds from disposal of plant and equipment.

Net cash from financing activities was approximately S$1.5 million in FY2017, following proceeds from trust receipts and issuance of ordinary share of approximately S$1.0 million. The other cash outflows were mainly dividend payments made of approximately S$1.5 million in FY2017, settlement of finance lease payable of approximately S$0.2 million and payment of interest expense of approximately S$0.1 million.

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 of Sunningdale Tech Ltd and the Chairman of the Audit Committee of SGX-ST Catalist-listed Jason Marine Group Limited. She was a partner of KPMG and also previously sat on the boards of Australian listed companies. Mrs Tay brought with her vast and in-depth experience in auditing, accounting, finance, taxation, mergers and acquisitions and public listing to Singapore Kitchen Equipment Limited. Under her 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, Q'son 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 Q'son locally. The revenue had expanded with a dent at the bottomline. It was a strategic move to improve market share. The impact of our reach into enlarged, new customer base will ensure that the company can elevate potential service earnings from these new customers.

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 Q'son 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 Q'son. Under the leadership of Alan, our technical department had grown to be the largest in Singapore; 62 skilled technicians with a fleet of 34 vehicles on call 24/7, 365. As a first in the industry, Q'son had successfully implemented 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 Sirius Venture Capital Pte Ltd (Sirius). Eugene is a Non-Executive Chairman of CrimsonLogic Pte Ltd and GeTs Global Pte. Ltd. He is the Vice-Chairman of Japan Foods Holding Ltd and also the Non-Executive Director for Neo Group Limited and Jason Marine Group Limited. Eugene serves as board member of the Agri-Food & Veterinary Authority of Singapore (AVA) and International Enterprise (IE) Singapore, Cargo Community Network Pte Ltd and Singapore Cruise Centre Pte Ltd. He is the Vice Chairman of SBF's China North Asia Business Group and Member of the China-Singapore Business Council and Malaysia-Singapore Business Council. He is qualified Chartered Director (CDir), Chartered Financial Analyst (CFA) and Chartered Valuer and Appraiser (CVA).

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 company of SGX-ST mainboard-listed ThaiBev, responsible for its international beer business. He is a Director of ThaiBev's fully owned subsidiaries, Super Brands Company Pte Ltd, Interbev (Singapore) Pte Ltd, Oishi F&B (Singapore) Pte Ltd and InterBev Timor Unipessol LDA. Kevin also serves as a Non-Executive Independent Director of SGX-ST Exchange Catalist-listed Neo Group Limited and chairs the Nomination Committee. Kevin brings to the table his 23 years' experience in the food and beverage (F&B) industry, and has a strong understanding of the dynamics of the F&B industry. As the Chairman of the Remuneration Committee of SKE, Kevin has steered and advised SKE on a sustainable game plan and a rewarding collaboration between stakeholders and staff.

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.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

Board Statement

We are pleased to present Singapore Kitchen Equipment Limited ("SKE") inaugural annual Sustainability Report, for our financial year ended 31 December 2017.

The key material environmental, social and governance ("ESG") factors for SKE have been identified and reviewed by the Chairman and the MD. The board of directors of SKE ("Board") oversees the management and monitoring of these factors and takes them into consideration in the determination of the company's strategic direction and policies. Sustainability is a part of SKE's wider strategy to create long-term value for all our stakeholders.

With the availability of environment, social and governance data, sustainability reporting has gained greater significance to investors. Far from being just an image building exercise today it is widely accepted that good ESG practices contributes to the overall long-term success of the company and plays an important part in the competition for investment.

Businesses must be quick to adapt to key stakeholders' concerns, closing any potential gaps and capitalizing on given opportunities. Amid today's rapid business environment, the SKE's board is fully committed in supporting the management in upholding governance and sustainability practices to achieve long-term success and value for stakeholders.

In defining our reporting content, we applied the Global Reporting Initiative ("GRI") principles by considering the Group's activities, impacts and substantive expectations and interests of its stakeholders. We observed a total of four principles, including materiality, stakeholder inclusiveness, sustainability index and completeness. For reporting quality, we observed the principles of balance, comparability, accuracy, timeliness, clarity and reliability.

The ESG data and information provided have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy.

Reporting Period and Scope

This report is set out on a "comply or explain" basis in accordance with Rule 711B and Practice Note 7F-Sustainability Reporting Guide of the Catalist Rules. Corresponding to G4's emphasis on materiality, the report highlights the key environmental, social and governance related initiatives carried out throughout the 12-month period, from 1 January to 31 December 2017.

Reporting Framework

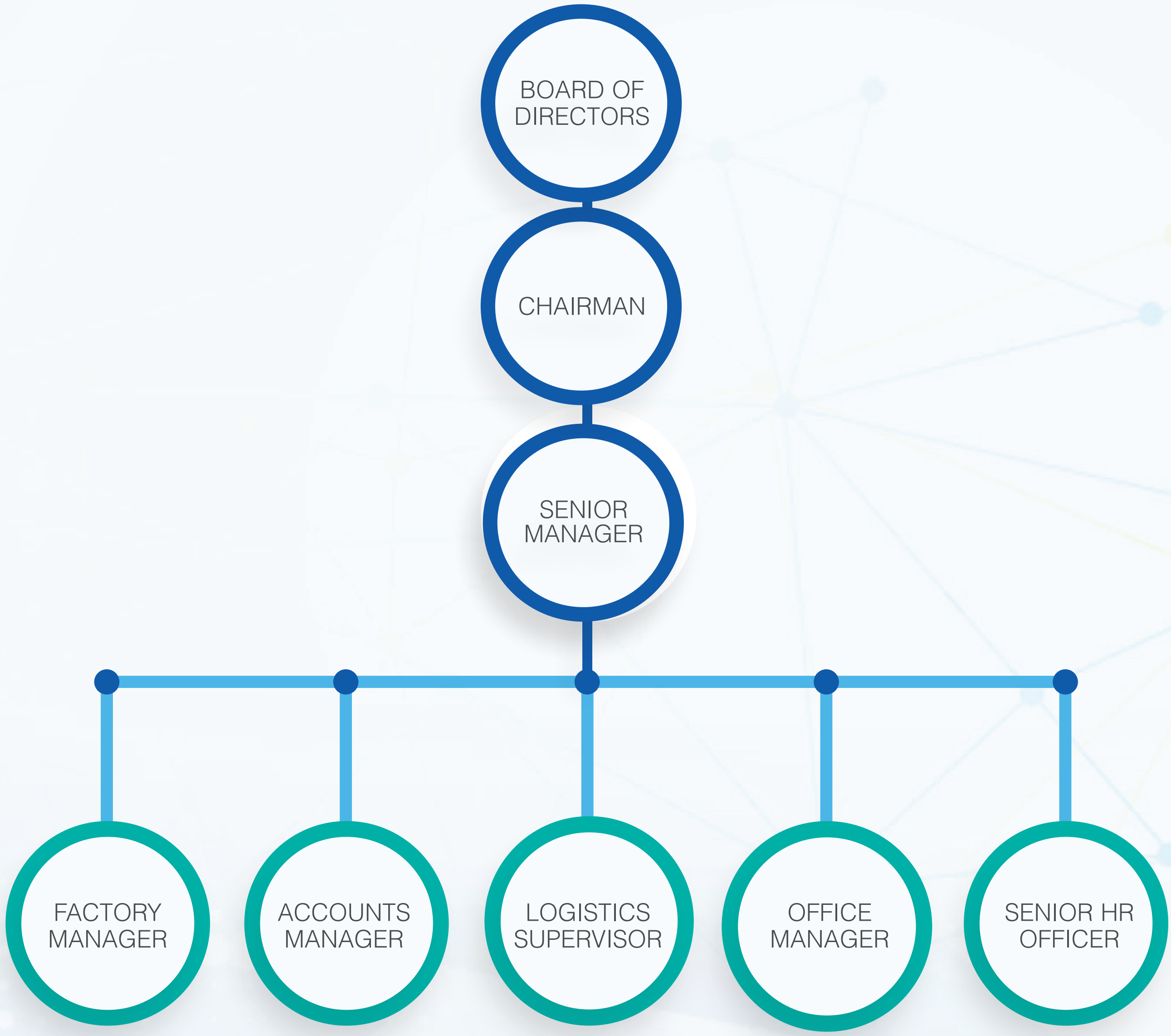
SKE has chosen the GRI framework as it is the most established international sustainability reporting standard and in respect of the extent to which such framework is applied, this report has been prepared in accordance with the Global Reporting Initiative (GRI) G4 reporting guidelines, at Core level.

Feedback

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to improve our policies, systems and results. Please send your comments and suggestions to Charlene Koh at charlene@singaporekitchenequipmentltd.com.

OUR APPROACH TO SUSTAINABILITY

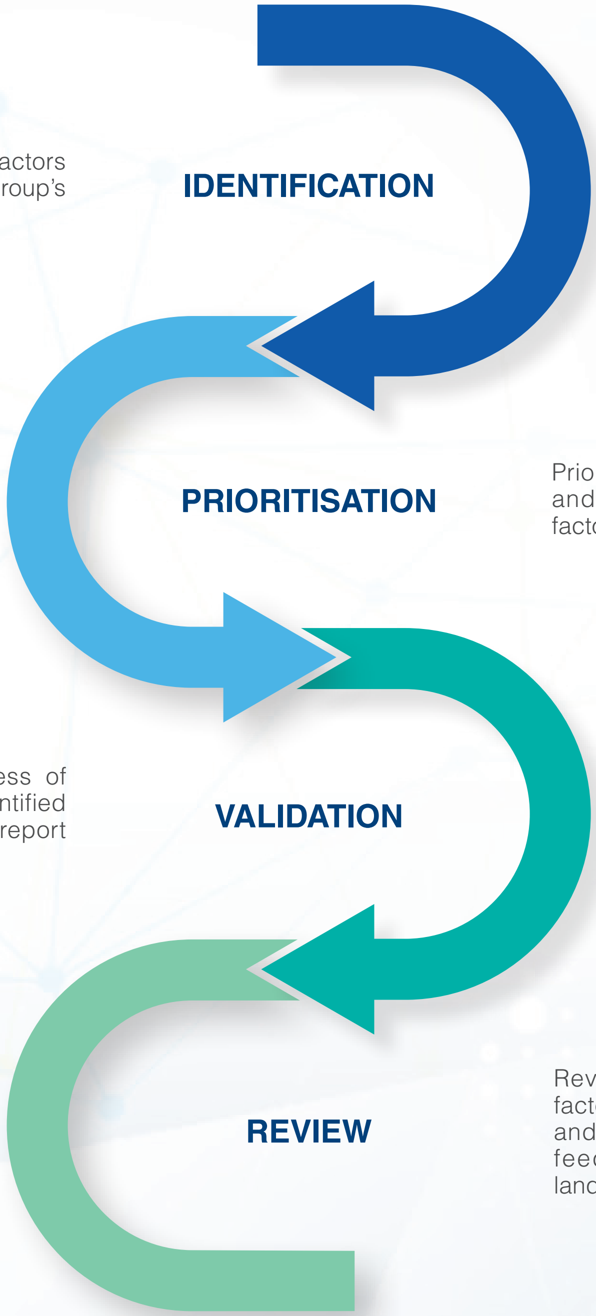
Sustainability Committee



Sustainability Reporting Process

Our sustainability process begins with the identification of relevant aspects. Relevant aspects are then prioritised as a material factors which are then validated. The end result of this process is a list of material factors disclosed in the sustainability report. Inter-relations of which are as shown below:

Identification of the material factors that are of relevance to the Group's activities



Prioritisation of the material factors and identifies key sustainability factors to be reported upon

Validation of the completeness of key sustainability factors identified to finalize the sustainability report content

Review focuses on the material factors in previous reporting period and also considers stakeholder's feedback, changing business landscape and emerging trends

Sustainability Governance

At SKE, we believe that strong governance is the key to a sustainable business. Throughout 2017, we continue to comply with the Code of Corporate Governance. Please refer to our Annual Report pages 34 to 50 on the details of the Code of Corporate Governance Report.

It is a continual challenge to successfully manage the environmental and social issues. SKE has incorporated this into our business model and implemented sustainable and responsible practices throughout. Our products and services meet all the requirements demanded by our customers and the regulatory bodies. We meet all environmental and safety standards that are expected of us.

SKE pays strict attention to enforcing good labour practices in all our operations. The company provides many training opportunities for continued employee development and this is reflected in the quality and delivery of our products and solutions. We value our relationships with our clients and the wider community in which we operate and these relationships have helped us through challenging times in the past. SKE strongly believes that in the long run, these efforts will have a positive impact on our economic performance.

Business Ethics, Anti-Corruption and Compliance

Here at SKE, we do not tolerate corruption in any form. This has been made clear to all of our employees, our suppliers and our business partners. Any report of corruption is escalated to the attention of the Chairman.

When it comes to hiring, we take seriously any possibility of conflict of interest. Our code of conduct clearly spells out SKE's expectations from our staff and the consequences if any of the rules are violated or standards not met. Of course, we also have clear and fair grievance procedures.

Business ethics are communicated to all our heads of business units regularly and they must fully understand that compliance with rules and regulations is a key part of running a responsible business. The company regularly updates key staff with development in international and local regulations. SKE fully complies with all environmental rules and regulations, anti-competitive behaviour laws and all requirements on health and safety. We prohibit corruption in all forms, including extortion and bribery.

Cyber security and data privacy are important not just for compliance, but in safeguarding both our data and that of our customers. SKE takes measures to guard against cyber risks for both our internal and external stakeholders by complying with the Personal Data Protection Act Policy. This policy also applies to our employment process where the privacy of all applicants is safeguarded and access to personal data is restricted to authorised persons senior management on a need-to-know basis.

For FY2017, there were no significant fines or non-monetary sanctions for non-compliance with laws and regulations. There have also been no reported incidents of corruption during the reporting period. It is SKE's goal to maintain zero incidents of corruption. We will regularly review policies on whistleblowing and anti-corruption.

Enterprise Risk Management (ERM)

ERM is an integral part of good corporate governance as well as resource management. A thorough and comprehensive ERM framework enables SKE to identify, communicate and manage its risks and exposures in an integrated, systematic and consistent manner. For detailed disclosure on ERM, please refer to our Annual Report, pages 44 to 45.

STAKEHOLDERS AND MATERIALITY

Stakeholder Engagement

An important starting point in our sustainability journey is to identify our stakeholders and material aspects relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but not limited to, customers, suppliers, employees, investors, and regulators. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

Below sets out our engagement with our stakeholders:

Employees	Customers and Consumers	Suppliers and Service Providers
• Townhall sessions • Open dialogues among teams • Induction and orientation program • Comprehensive trainings • Staff appraisal • Employee survey	• Frontline interaction at stores • Hotline • Email queries • Customer feedback	• Face-to-face meetings • Annual review and feedback sessions

Investors/Shareholders	Local communities	Government and Regulators
• Annual Report • Annual General Meeting • Investor meetings/Roadshows for investors • Tele-conferences • Corporate Announcement	• Donations • Face-to-face meetings • Various social and charitable events	• Face-to-face meetings • Regular reports • Participation in discussions

Material Aspects Assessment

We conducted a materiality assessment during the year with the help of an external consultant. Going forward, materiality review will be conducted every year, incorporating inputs from the stakeholder engagements.

To determine if an aspect is material, we assessed its potential impact on the economy, environment and society and the influence on the stakeholders. Senior management took part along with our consultant. Aspects were identified and prioritised through internal workshops, peer reviews and social impact assessments at site level. Applying the guidance from GRI, we have identified the following material aspects:

Economic	Economic Performance
Environmental	Products and services Compliance Energy
Social	Diversity and Equal Opportunity Local Communities Occupational Health and Safety
Governance	Business Ethics, Anti-corruption and Compliance Enterprise Risk Management

SOCIAL

Here at SKE, our employees are the drivers of our business and we believe in creating a respectful, rewarding and safe working environment for our people. We support and respect the protection of internationally proclaimed human rights.

We respect human rights, support the elimination of all forms of forced and compulsory labour, especially child labour, and do not tolerate any discrimination in respect of employment and occupation.

SKE believes in employee training and continual career development. From our beginnings as a 6-person startup, the company today employs 220 people, 30% of whom have been with us for at least five years.

SKE provides competitive remuneration based on merit to all our employees. Our employees are not covered by collective bargaining agreements, but are given the right to exercise freedom of association. Employees are given a minimum of one month's notice prior to any implementation of significant operational changes that could substantially affect them.

We provide training for all our staff. In particular our staff from the Maintenance and Servicing Segment receive special training so they may conduct repairs and undertake preventive maintenance works and repairs on kitchen equipment to ensure a functioning and good working condition. In 2017, the company sent 3 teams comprising 4 technical supervisors each to 3 principals' factories for in-depth technical training of their products. These factories were based in Thailand (refrigeration equipment), Guangzhou (automatic wok) and Penang (coldroom panel production and installation).

The technical servicing team is certified and licensed by relevant authorities to construct and repair gas pipes and fittings, as well as install, repair and test gas appliance and gas meters. The technical service department also provides service repairs for the entire exhaust system. Certificates from various governmental agencies, to name a few, include LGSW (licensed gas service workers from City Gas), OHSAS – Bizsafe Star (Occupational Health and Safety Assessment Series), Confined Space Assessor, Building and Construction Safety Supervisor level, Work At Height Supervisor level and Safety Officer level.

All employees at our operations in Malaysia factory hold permanent contracts and work full-time. We do not rely on casual, daily rated or part-time workers.

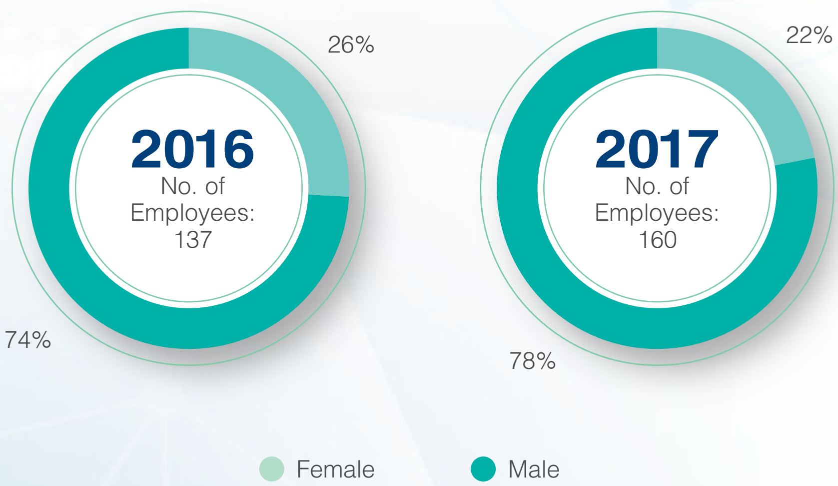
Non-Discrimination, Diversity and Fair Employment

A diverse workforce is an asset in today's ever-changing global marketplace. We cultivate an inclusive culture where employees with wide-ranging backgrounds and qualities are highly motivated, engaged and connected.

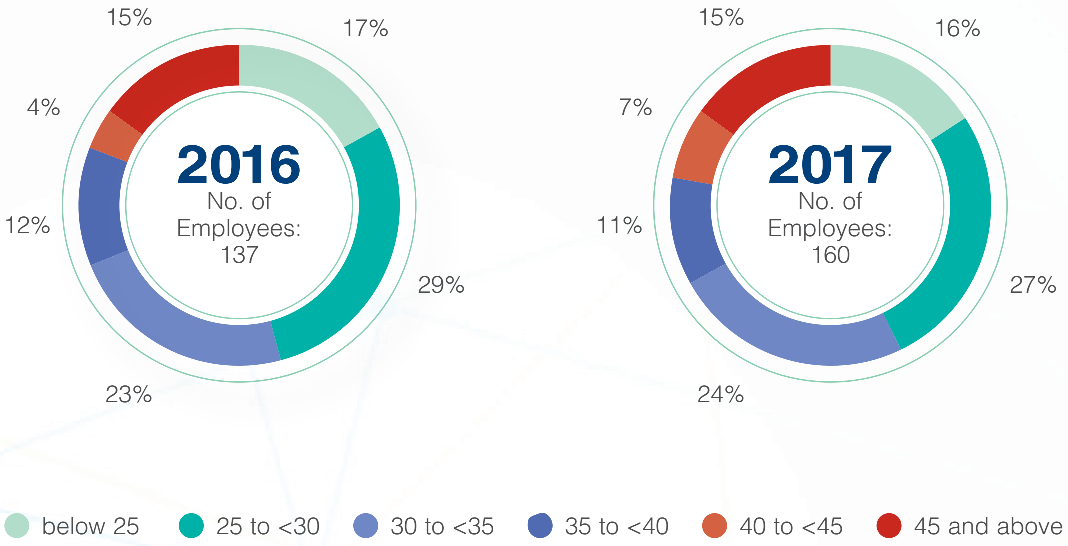
In light of our aging workforce, we look to attract the younger generation by reaching out to vocational educational establishments with internship programmes, sponsorships, and providing more career advancement opportunities. SKE adheres to the TAFEP guidelines on reemployment of older employees. Although the current statutory retirement age is 62, eligible, contributing employees are encouraged to continue their employment with the company, all remuneration packages and promotions to remain as before retirement age.

More than 20% of our workforce are female even though we operate in a male-dominated industry. The bulk of our jobs is male-skewed as it requires heavy equipment delivery, technical repair, and exhaust cleaning.

Gender Breakdown



Employee Age Distribution



Supplier Assessment For Impacts On Society

In FY2018, we aim to evaluate our suppliers to include sustainability related factors. So that we will work together to build a sustainable world.

Occupational Health And Safety

SKE has obtained ISO 9001:2008 issued the Governing Board of Q.A. International Certification LImited. We have observed our statistics on fatal and major injuries and also have workmen compensation paid or claimed in place should they get injured.

There were only two minor injuries in YA2017. Nevertheless, to prevent such incidents from occurring we have daily morning tool box meetings and to refresh and reinforcement work health safety practices.

Local Communities

Giving has always been part of the SKE DNA and we strongly believe in giving back to our communities above and beyond what is expected of a company our size.

Every year SKE provides a bursary to underprivileged students through various partner universities to help underprivileged students the freedom to concentrate on their academic performance and obtain a good university degree which will enable them to be valuable contributors to society upon graduation.

In FY2017, SKE donated $30,000 in non-bond bursaries towards higher educations; $5,000 in donations to the Singapore Institute of Technology (SIT) and another $5,000 to Singapore Management University. In the last 4 years alone, SKE has donated over $160,000 towards education and academia.

"I grew up meeting people with different backgrounds, different affluence and different attitudes, and therefore I am indeed extremely grateful and appreciative when Q'son Kitchen Equipment decided to award me their bursary. The bursary goes a long way to affect me, it lightens my parents' education burden for me, and also impart to me that there are people out there to show you a hand when you need help without expecting any reward. I will always remember this in my life journey, and always constantly remind myself to give that helping hand in the future, if I am able to. Thank you Q'son Kitchen Equipment, I really am grateful for your help in my life,"

- Law Sheng Xun, a third year student at the School of Information Systems.

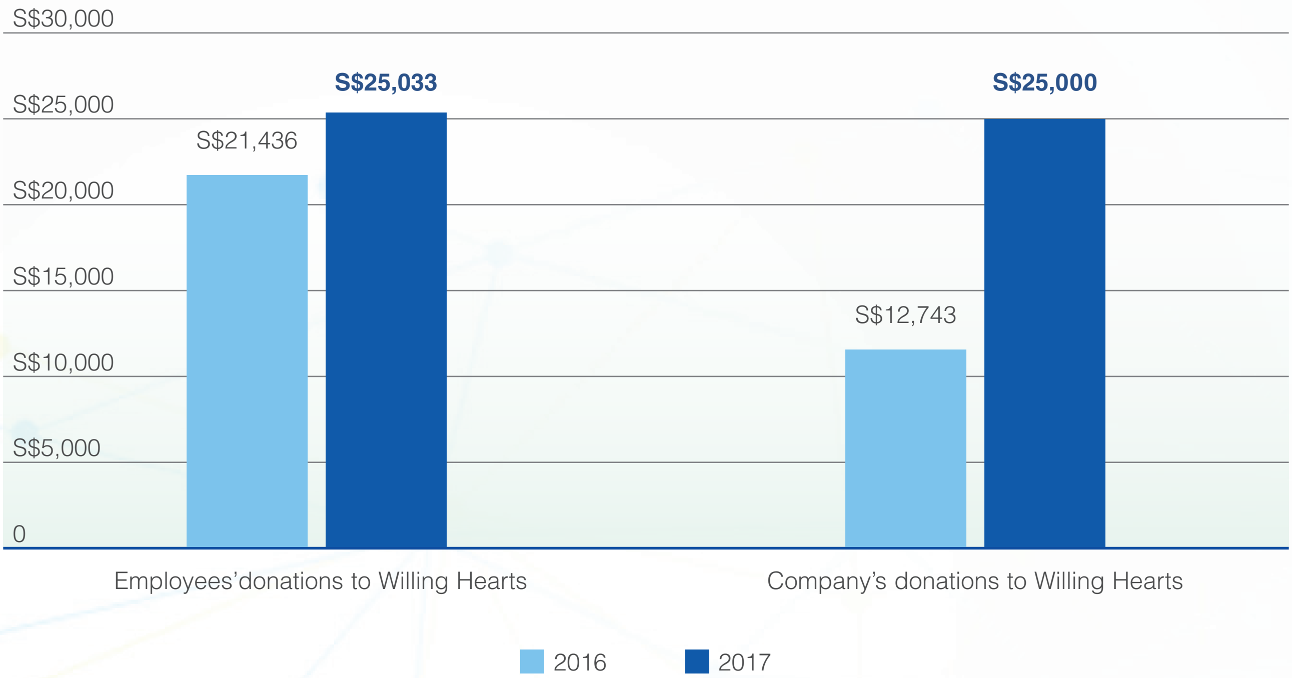
But while we plant the seeds of the future, we also tend to those less fortunate today. SKE takes "prosper thy neighbour" literally through aid to less fortunate neighbours. Through Fire Fly Missions, SKE contributed to the building of a school for basic education to the remote village children in Laos in November 2017.

And through the Wheels for Hope charity, SKE supplied 100 bicycles to the families of a hilly, remote village in Cambodia.

Walking 6.5km each way to the only school outside the village and back, these children do not have any other option if they want a bit of education.

SUSTAINABILITY
REPORT

In 2014, SKE assisted in the planning, layout, design and equipment supply for a soup kitchen for Willing Heart, which provides three hot meals a day to anyone who needs a meal regardless of gender, race, language or citizenship. Willing Heart also provides home deliveries to those in need who are homebound. SKE provides Willing Hearts complimentary support and maintenance services since 2013 and will continue to do so.



SKE matched dollar for dollar donations to Willing Hearts in 2017. Donations from both the company and its employees topped $25,000.

At our Malaysian factory, we have a recycling drive where dis-used paper cartons and packaging are gathered, sold with proceeds donated to the aged home under the umbrella of Firefly Mission.

ECONOMIC

Economic Performance

Here at SKE, we are committed to grow our customers and exceed our customers' expectations and providing them with our established a solid track record and an extensive list of reference 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. For detailed financial results, please refer to the following sections in our Annual Report 2017:

- Financial Highlights, page 10
- Financial Review, page 11 - 12
- Financial Statements, page 59 - 111

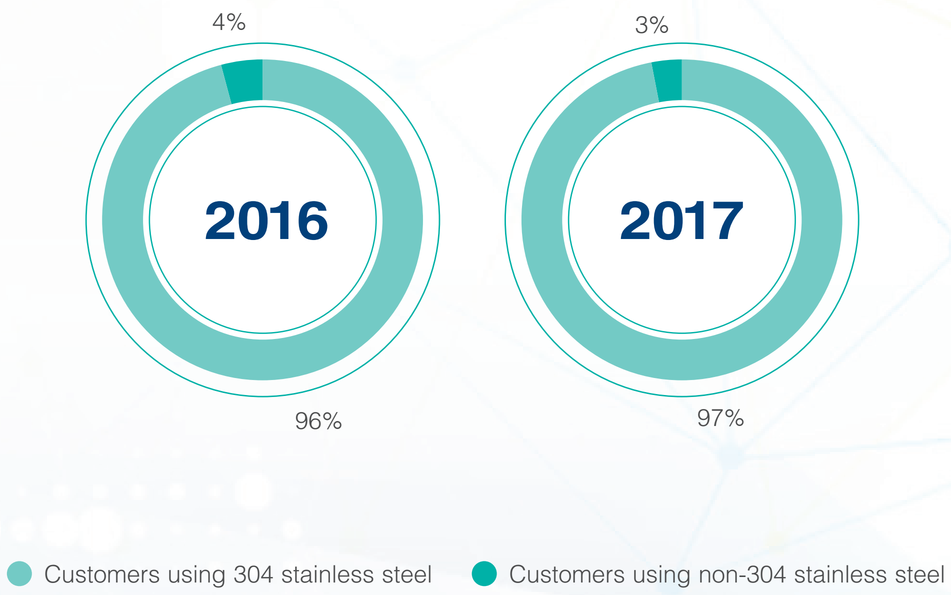
Our objective is to establish ourselves to be a market leader providing fabrication and distribution of commercial kitchen equipment and providing maintenance and technical servicing to our clients.

ENVIRONMENT

Products And Services

At SKE our two key business segments are our Fabrication and Distribution Segment, and our Maintenance and Servicing Segment. We aim to develop our product line by promoting the use of greener products such as ones with green marks, eco models instead of generic units, and triple-glazed ovens instead of double-glazed units to name but a few examples.

Our products are made of 304-grade stainless steel. At SKE we always recommend our clients to use 304-grade stainless steel for better quality (which means extended shelf life), less rust prone (hygienic) and therefore higher food safety standard. Ultimately, it is the decisions of the clients who decide on the type of material used.



Compliance

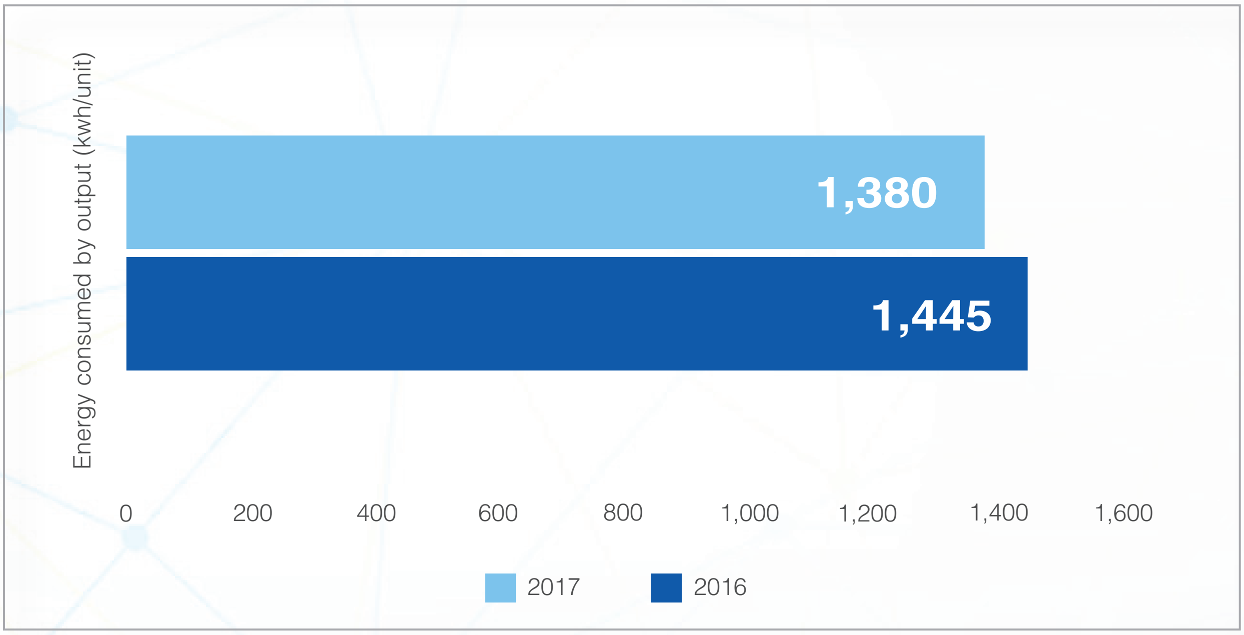
Our manufacturing operations comply with all local requirements. Annual inspections by Jabatan Keselamatan Dan Kesihatan Pekerjaan Johor ("JKKP") are conducted at the Malaysian factory.

SKE's management reviews such reports from JKKP inspections to ensure continuous compliance, as well as identify areas where current operations could be enhanced to further increase efficiency.

Energy

We have ensured more efficient use of electricity by changing all factory floor and office lights to LED. There is also the conscious will for all workstations to turn off all lights (save for one at the entrance), electrical points for work tools and machines, fans and air-conditioning during lunch and tea breaks. Air-conditioning temperature was also adjusted from 21 degrees Celsius to 24 degrees Celsius, maintaining a cool, comfortable environment.

Electricity consumption will be something we will monitor more **closely** going forward.



CORPORATE STRUCTURE

SINGAPORE KITCHEN EQUIPMENT LIMITED

- 100% Q'son International Pte. Ltd.
- 100% Q'son Kitchen Equipment Pte. Ltd.
  - 100% Q'son Industries (M) Sdn. Bhd.
  - 100% Q'son KitchenHub Sdn. Bhd.
  - 100% Q'son Kuechen Kultur Co., Ltd
  - 50% (Subsidiary) Phoenix, The Central Kitchen Solutions Pte. Ltd.

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
Singapore 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

Financial Statements

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2017

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 Director as well as the key management personnel to ensure operations and performance of the Group are aligned with the strategies.

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

- Annual budgets;
- Half yearly and year end results announcements and the release thereof;
- Annual reports and financial statements for presentation at Annual General 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.

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 Committees will report to the Board on the outcome of the Committees' 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 2017 ("FY2017") is set out below:

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name of Directors	**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*
Wong Hin Sun, Eugene	3	3	2	2	1	1	1	1
Ng How Hwan, Kevin	3	3	2	2	1	1	1	1

* By invitation

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

The Directors receive regular updates on relevant new laws and regulations from the Company's relevant advisors. Newly appointed Directors will receive a formal letter, indicating the duties and obligations with the appointment. The Directors have attended appropriate training on governance practices, enterprise risk management and relevant statutory and regulatory compliance issues. The Company encourages all Directors to receive regular training, particularly on new laws, regulations and commercial risk from time to time. The Directors keep themselves abreast with the changes and developments. There was no new appointment of Director in FY2017.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective 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 directors, namely, Mrs Tay-Tan Bee Kiew Eileen and Ms Chua Chwee Choo provides the Board with gender diversity that serves to bring value to the Board discussions from the different perspectives and approaches of the female Directors.

The 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.

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 FY2017. The main role of the NC is to make the process of Board appointments and re-appointments of Directors more transparent as well as to assess the effectiveness of the Board as a whole and the contribution of each individual Director to the Board.

The principal functions of the NC 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.

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:

Ms Chua Chwee Choo
Mr Lee Chong Hoe

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	27 April 2017	• Jason Marine Group Limited • Sunningdale Tech Ltd	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
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	• Ajien (China) Holdings Limited • TMC Education Corporation Ltd
Ng How Hwan Kevin	Independent Director	16 September 2013	27 April 2017	• Neo Group Limited	Nil

Board Performance

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

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

The performance measurements ensure that the mix of skills and experience of the Directors continue to meet the needs of the Group. The NC is of the view that each individual Director has contributed to the effectiveness of the Board as a whole. The performance evaluation questionnaire was prepared and compared with its industry peers to ensure that the standard is unbiased. The questionnaire was completed by each Director, and collated with findings that were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. The NC has conducted the assessment for FY2017. 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.

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.

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 2017.

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.

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.

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 FY2017 is as follows:

	Remuneration Band							
Name	Disclosable Amount Below $250,000 (S$)	$250,000 to $500,000	Above $500,000	Salary %	Bonus %	Other Benefits %	Directors' Fees + %	Total %
Chua Chwee Choo		√		80.0	15.0	5.0	0	100
Lee Chong Hoe		√		81.0	14.0	5.0	0	100
Tay-Tan Bee Kiew Eileen	55,000			0	0	0	100	100
Wong Hin Sun, Eugene	50,000#			0	0	0	100	100
Ng How Hwan, Kevin	40,000			0	0	0	100	100

Notes:-

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

\# Include a one-off fee of S$15,000 for additional time spent on matters relating to the proposed dual listing in Hong Kong.

The annual aggregate amount of the total remuneration paid to the Directors of the Company is approximately S$909,311.

The breakdown of remuneration of the top five key management personnel (who are not Directors of the Company) in percentage terms for FY2017 is as follows:

Name	Remuneration Band Below $250,000*	Remuneration Band $250,000 to $500,000	Remuneration Band Above $500,000	Salary %	Bonus %	Other Benefits %	Total %
Ferleen Chow Mei Ling	√			84.0	6.5	9.5	100
Charlene Koh	√			69.2	14.1	16.7	100
Soh Kee Hock	√			89.0	7.0	4.0	100
Chan Weng Yee	√			47.1	5.8	47.1	100
Luo Hao li**	√			40.6	8.1	51.3	100

Note:

** Appointed as Assistant Vice President Sales on 1 July 2017.

The annual aggregate amount of the total remuneration paid to the top five key management personnel is approximately S$853,678. There are no termination or retirement benefits that are granted to the Directors and key management personnel.

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 FY2017.

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

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

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

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

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

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

ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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

The Management has provided all members of the Board the necessary information on a regular basis and as the Board may require from time to time to enable the Board to make a balance and 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 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 Auditor, 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 Auditor, 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 FY2017 (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 November 2016 to 31 October 2017, there were no major findings in the risk management and internal control system of the Group.

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

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

Audit Committee

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

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

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

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

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 Section B of the SGX-ST Listing Manual: Rules of Catalist (the "Catalist Rules") 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 the Catalist Rules;

(h) review the scope and results of the audit, its cost effectiveness, the independence and objectivity of the external auditors annually. Where the external auditors also supply a substantial volume of non-audit services to the Group, the nature, extent and cost effectiveness of such services would be reviewed in order to ensure that these services do not affect the independence and objectivity of the external auditors;

(i) review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;

(j) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

(k) review the adequacy and effectiveness of the Group's risk management and internal control system (including financial, operational, compliance and information technology controls) and to report to the Board annually; and

(l) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

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

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

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

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

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 FY2017, 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 FY2017, 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 FY2017 are as follows:

Audit fees:	S$80,700
Non-audit fees in relation to tax services:	S$32,100

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 FY2017.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder 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 "Act") , the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

All shareholders of the Company receive the annual report and Notice of AGM 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 Act. 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 FY2017, 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.

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

DEALINGS IN SECURITIES

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

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

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

INTERESTED PERSON TRANSACTIONS

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

There were no interested person transactions exceeding S$100,000 conducted by the Group during FY2017.

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 FY2017.

NON-SPONSOR FEES

There were no non-sponsor fees paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, during the FY2017.

USE OF PROCEEDS

(a) Initial Public Offer

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

As at 1 March 2018, approximately S$2.6 million has been used for the purposes as stated in the Company's IPO Prospectus dated 12 July 2013. The details of the deployment are as follows:-

	Intended use of proceeds from IPO S$'000	Cumulative amount deployed up to 1 March 2018 S$'000
Acquisition of additional fabrication equipment and machinery	700	319
Funding for expansion, including by way of acquisitions, joint ventures, and/or strategic alliances	1,600	–
For general working capital purposes of the Group	975	975
Expenses such as professional fees, underwriting and placement commission and brokerage, and miscellaneous fees	1,325	1,335
Total Utilised	4,600	2,629

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

(b) Placement

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

(a) 60% of the Net Proceeds will be used for new business expansion or investments; and

(b) 40% of the Net Proceeds will be used for general working capital purposes.

As at 1 Mar 2018, the proceeds have not yet been utilised.

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

TREASURY SHARES

There were no treasury shares at the end of FY2017.

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 2017 and the statement of financial position of the Company as at 31 December 2017.

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 2017, 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.

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 2017	Balance at 31 December 2017	Balance at 1 January 2017	Balance at 31 December 2017
Holding Company				
QKE Holdings Pte. Ltd.				
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	–	–	5,719,500[1]	6,010,500[1]
Ng How Hwan, Kevin	–	–	500,000[2]	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 2018 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2017.

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.

<u>Performance Share Plan ("PSP")</u>

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

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.

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	**Lee Chong Hoe**
Director	Director

Singapore
29 March 2018

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 59 to 111 to which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017;
- 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 2017, 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 2017, the carrying value of the Group's trade receivables from third parties amounted to $8,045,098, which constitutes approximately 30% 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. During the financial year, an impairment loss of $307,264 was recognised in the profit or loss.

Management assessed whether there were objective evidence that the receivables may be impaired as at 31 December 2017. 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, subsequent cash receipts 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.

Key Audit Matters (Continued)

1 Recoverability of trade receivables from third parties (Continued)

Related Disclosures

Refer to Notes 3.2(ii), 8 and 30.1 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 whether there are objective evidence of impairment and estimating the impairment loss.
- Tested aged trade receivables report used by management in the recoverability assessment.
- Evaluated 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 assessing 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 2017, approximately 95% of the Group's inventories comprise finished goods such as kitchen equipment and spare parts, amounting to $4,308,725.

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 and committed orders of the Group's products.

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

Related Disclosures

Refer to Notes 3.2(i) and 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 the estimated net realisable value of inventories.
- Evaluated the reasonableness of management's assessment of the net realisable value of equipment against the historical selling prices, actual subsequent sales or committed sales orders, as appropriate, on a sample basis.
- Evaluated the reasonableness of management's assessment of the net realisable value of spare parts based on the assessment of the overall gross profit margin, age and historical utilisation of the spare parts.

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 FRSs, 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.

- 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.

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

- 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
29 March 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
Non-current assets					
Property, plant and equipment	4	2,386,819	1,352,084	–	–
Intangible assets	5	19,577	76,971	–	–
Investments in subsidiaries	6	–	–	10,000	10,000
		2,406,396	1,429,055	10,000	10,000
Current assets					
Inventories	7	4,523,085	3,474,458	–	–
Trade and other receivables	8	9,109,143	8,345,238	4,828,205	5,165,205
Prepayments		115,629	76,448	4,322	9,059
Current income tax recoverable		14,561	41,912	–	–
Cash and bank balances	9	11,041,568	9,200,716	1,066,118	47,110
		24,803,986	21,138,772	5,898,645	5,221,374
Less:					
Current liabilities					
Trade and other payables	10	5,103,266	4,512,356	250,432	162,896
Provisions	11	30,800	30,800	–	–
Borrowings	12	3,154,833	816,631	–	–
Finance lease payables	13	272,430	126,399	–	–
Derivative financial instruments	14	273	1,701	–	–
Current income tax payable		318,522	564,221	–	–
		8,880,124	6,052,108	250,432	162,896
Net current assets		15,923,862	15,086,664	5,648,213	5,058,478
Less:					
Non-current liabilities					
Finance lease payables	13	1,422,008	406,611	–	–
Deferred tax liabilities	15	87,727	78,147	–	–
		1,509,735	484,758	–	–
Net assets		16,820,523	16,030,961	5,658,213	5,068,478
Capital and reserves					
Share capital	16	5,124,790	4,124,790	5,124,790	4,124,790
Other reserves	17	1,214,190	1,222,148	–	–
Retained earnings	18	10,466,370	10,684,023	533,423	943,688
Equity attributable to owners of the parent		16,805,350	16,030,961	5,658,213	5,068,478
Non-controlling interest		15,173	–	–	–
Total equity		16,820,523	16,030,961	5,658,213	5,068,478

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
Revenue	19	30,725,423	26,207,206
Cost of sales		(20,860,726)	(17,376,460)
Gross profit		9,864,697	8,830,746
Other items of income			
Interest income		65,696	70,949
Other income	20	183,611	651,554
Other items of expense			
Distribution costs		(3,608,327)	(2,448,565)
Administrative expenses		(4,268,732)	(3,997,494)
Other expenses		(521,932)	(131,453)
Finance costs	21	(117,316)	(66,019)
Profit before income tax	22	1,597,697	2,909,718
Income tax expense	23	(300,178)	(341,588)
Profit for the financial year		1,297,519	2,568,130
Other comprehensive income:			
Items that will or may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(7,958)	(8,038)
Income tax relating to items that will or may be reclassified		–	–
Other comprehensive income for the financial year, net of tax		(7,958)	(8,038)
Total comprehensive income for the financial year		1,289,561	2,560,092
Profit attributable to:			
Equity holders of the Company		1,282,347	2,568,130
Non-controlling interests		15,172	–
Profit for the financial year		1,297,519	2,568,130
Total comprehensive income for the financial year			
Equity holders of the Company		1,274,389	2,560,092
Non-controlling interests		15,172	–
Total comprehensive income for the financial year		1,289,561	2,560,092
Earnings per share			
- Basic and diluted (in cents)	24	0.85	1.71

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share capital	Merger reserve	Foreign currency translation account	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total equity
		← Equity attributable to owners of the parent →						
		$	$	$	$	$	$	$
Balance at 1 January 2017		4,124,790	1,312,241	(90,093)	10,684,023	16,030,961	–	16,030,961
Profit for the financial year		–	–	–	1,282,347	1,282,347	15,172	1,297,519
Other comprehensive income:								
Exchange differences arising from translation of foreign operations		–	–	(7,958)	–	(7,958)	–	(7,958)
Total comprehensive income for the financial year		–	–	(7,958)	1,282,347	1,274,389	15,172	1,289,561
Transactions with owners of the parent								
Issuance of ordinary shares	16	1,000,000	–	–	–	1,000,000	–	1,000,000
Dividends	25	–	–	–	(1,500,000)	(1,500,000)	–	(1,500,000)
Total transactions with owners of the parent		1,000,000	–	–	(1,500,000)	(500,000)	–	(500,000)
Non-controlling interest arising from incorporation of a subsidiary	6	–	–	–	–	–	1	1
Balance at 31 December 2017		5,124,790	1,312,241	(98,051)	10,466,370	16,805,350	15,173	16,820,523
Balance at 1 January 2016		4,124,790	1,312,241	(82,055)	8,490,893	13,845,869	–	13,845,869
Profit for the financial year		–	–	–	2,568,130	2,568,130	–	2,568,130
Other comprehensive income:								
Exchange differences arising from translation of foreign operations		–	–	(8,038)	–	(8,038)	–	(8,038)
Total comprehensive income for the financial year		–	–	(8,038)	2,568,130	2,560,092	–	2,560,092
Transactions with owners of the parent								
Dividends	25	–	–	–	(375,000)	(375,000)	–	(375,000)
Total transactions with owners of the parent		–	–	–	(375,000)	(375,000)	–	(375,000)
Balance at 31 December 2016		4,124,790	1,312,241	(90,093)	10,684,023	16,030,961	–	16,030,961

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
Operating activities			
Profit before income tax		1,597,697	2,909,718
Adjustments for:			
Allowance for/(Write back of) impairment loss on third parties trade receivables		307,264	(155,051)
Amortisation of intangible assets		57,394	70,543
Inventories (written back)/written down		(69,183)	280,844
Plant and equipment written off		340	633
Depreciation of property, plant and equipment		463,007	410,151
Loss/(Gain) on disposal of plant and equipment		57,462	(18,709)
Fair value (gain)/loss on derivative financial instruments		(1,428)	1,701
Interest expenses		117,316	66,019
Interest income		(65,696)	(70,949)
Operating cash flows before working capital changes		2,464,173	3,494,900
Working capital changes:			
Inventories		(975,005)	(212,955)
Trade and other receivables		(1,060,557)	(74,215)
Prepayments		(38,872)	(11,354)
Trade and other payables		558,473	(438,589)
Cash generated from operations		948,212	2,757,787
Income tax refund		69,802	247,735
Income tax paid		(578,547)	(273,866)
Net cash from operating activities		439,467	2,731,656
Investing activities			
Purchase of property, plant and equipment		(320,702)	(72,326)
Purchase of intangible assets		–	(38,400)
Net proceeds from disposal of plant and equipment		126,126	34,859
Interest received		65,696	70,949
Net cash used in investing activities		(128,880)	(4,918)
Financing activities			
Dividend paid	25	(1,500,000)	(375,000)
Fixed deposits pledged with banks		(821)	(5,634)
Proceeds from trust receipts	A	7,218,437	2,657,920
Repayment of trust receipts	A	(4,898,606)	(3,252,902)
Repayment of obligations under finance leases	A	(191,332)	(143,874)
Proceeds from issuance of ordinary shares		1,000,000	–
Interest paid	A	(98,945)	(66,019)
Proceeds from issuance of shares of a subsidiary to non-controlling shareholder		1	–
Net cash from/(used in) financing activities		1,528,734	(1,185,509)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
Net change in cash and cash equivalents		1,839,321	1,541,229
Cash and cash equivalents at beginning of financial year		8,490,626	6,984,547
Effect of exchange rate changes on cash and cash equivalents		710	(35,150)
Cash and cash equivalents at end of financial year	9	10,330,657	8,490,626

Note A: Reconciliation of liabilities arising from financing activities

	2016 $	Financing cash flows* $	Additions of plant and equipment under finance leases $	Interest expenses $	2017 $
Overdrafts	–	(1,307)	–	1,307	–
Borrowings (Note 12)	816,631	2,267,719	–	70,483	3,154,833
Finance lease payables (Note 13)	533,010	(236,858)	1,352,760	45,526	1,694,438
	1,349,641	2,029,554	1,352,760	117,316	4,849,271

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

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

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

1. General corporate information

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

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

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

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

The principal activities of the subsidiaries are set out in Note 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 2017 were authorised for issue in accordance with a Directors' resolution dated 29 March 2018.

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.

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 ("$") 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.

Full IFRS convergence

Singapore-incorporated companies listed on SGX-ST are 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 new framework is referred to as 'Singapore Financial Reporting Standards (International) ("SFRS(I)")'. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) to the transition. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Full IFRS convergence (Continued)

The Group has performed an assessment of the impact of transition and anticipates that the adoption of the new framework on 1 January 2018 (including the application of all the mandatory exceptions) will not have a material impact on the financial statements of the Group for the financial year ending 31 December 2018, other than applying certain optional exemption in SFRS(I) 1 and the impact from the adoption of SFRS(I) 9 and SFRS(I) 15 which is expected to be similar to the impact of FRS 109 and FRS 115 as disclosed below. The Group is currently finalising the transitional adjustments that are required or elected under SFRS(I) 1.

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 except as discussed below.

FRS 7 (Amendments) *Disclosure Initiative*

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group adopted these amendments on 1 January 2017 and the additional disclosures have been included in the consolidated statement of cash flows.

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 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 123	: Uncertainty over Income Tax Treatments	1 January 2019

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.

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*

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.

The Group has completed its 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 this 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 currently finalising the policies and procedures in determining how to estimate expected credit losses and the sources of forward-looking data, and evaluating the tax implications arising from the above change in impairment model.

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)

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 statement 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 an assessment of its revenue from sales of kitchen equipment and revenue from maintenance services for kitchen equipment. Based on the assessment on initial adoption of FRS 115, the Group does not expect any significant impact on the timing and pattern of revenue recognition. 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.

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.

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 116 *Leases* (Continued)

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 statements 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 therefore will only recognise leases on balance sheet as at 1 January 2019. The Group will include the required additional disclosures in its financial statements for that financial year.

The Group is still in the process of gathering data on its discount rate and expected lease terms for the respective operating leases in order to quantify the impact upon transition to the new standard.

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.

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

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

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

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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.

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. Summary of significant accounting policies (Continued)

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 calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives as follows:

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

Freehold land has indefinite useful life and is not depreciated.

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

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.

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. Summary of significant accounting policies (Continued)

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 acquired 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 bank balances.

Impairment of financial assets

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial assets (Continued)

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).

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 breaches 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 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.

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

<u>Finance leases</u>

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.

<u>Operating leases</u>

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.

2. Summary of significant accounting policies (Continued)

2.12 Leases (Continued)

<u>Operating leases</u> (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.

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.

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.

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

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

Phoenix has been included as a subsidiary of the Group, as described in Note 6 to the financial statements.

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

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) Assessment of the net realisable value of inventories

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

Arising from this assessment, management recognised a write back of inventories of $69,183 (2016: write down of $280,844). As at 31 December 2017, the carrying amount of the Group’s inventories was $4,523,085 (2016: $3,474,458).

(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 2017 was $8,045,098 (2016: $7,518,668).

4. Property, plant and equipment

	Freehold land	Freehold building	Motor vehicles	Furniture and fittings	Plant and machinery	Computer and office equipment	Renovation	Total
	$	$	$	$	$	$	$	$
Group								
Cost								
Balance at 1.1.2017	87,693	357,219	1,595,855	121,082	722,847	387,751	267,493	3,539,940
Additions	–	–	1,429,043	3,316	22,413	152,590	66,100	1,673,462
Disposal	–	–	(819,114)	–	(19,000)	(4,578)	–	(842,692)
Written off	–	–	–	(202)	(2,554)	–	–	(2,756)
Currency re-alignment	1,795	7,313	–	1,001	6,588	198	1,714	18,609
Balance at 31.12.2017	89,488	364,532	2,205,784	125,197	730,294	535,961	335,307	4,386,563
Accumulated depreciation								
Balance at 1.1.2017	–	64,298	1,155,753	86,581	431,226	283,500	166,498	2,187,856
Depreciation for the financial year	–	7,119	222,824	13,120	113,088	62,196	44,660	463,007
Disposal	–	–	(639,801)	–	(14,725)	(4,578)	–	(659,104)
Written off	–	–	–	(202)	(2,214)	–	–	(2,416)
Currency re-alignment	–	1,489	–	931	6,170	197	1,614	10,401
Balance at 31.12.2017	–	72,906	738,776	100,430	533,545	341,315	212,772	1,999,744
Carrying amount								
Balance at 31.12.2017	89,488	291,626	1,467,008	24,767	196,749	194,646	122,535	2,386,819

4. Property, plant and equipment (Continued)

	Freehold land	Freehold building	Motor vehicles	Furniture and fittings	Plant and machinery	Computer and office equipment	Renovation	Total
	$	$	$	$	$	$	$	$
Group								
Cost								
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

4. Property, plant and equipment (Continued)

As at 31 December 2017, the carrying amount of the Group's motor vehicles which were acquired under finance lease agreements was $1,463,225 (2016: $349,437). 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	
	2017	2016
	$	$
Additions of property, plant and equipment	1,673,462	165,026
Acquired under finance lease arrangements	(1,352,760)	(92,700)
Cash payments to acquire property, plant and equipment	320,702	72,326

5. Intangible assets

	Group	
	2017	2016
	$	$
Computer software		
Cost		
Balance at beginning of financial year	309,008	270,608
Additions	–	38,400
Balance at end of financial year	309,008	309,008
Accumulated amortisation		
Balance at beginning of financial year	232,037	161,494
Amortisation for the financial year	57,394	70,543
Balance at end of financial year	289,431	232,037
Carrying amount		
Balance at end of financial year	19,577	76,971

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

6. Investments in subsidiaries

	Company	
	2017	2016
	$	$
Unquoted equity shares, at cost	10,000	10,000

6. Investments in subsidiaries (Continued)

The particulars of the subsidiaries are as follows:

Name of Company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests	
		2017 %	2016 %	2017 %	2016 %
Held by the Company					
Q'son International Pte. Ltd.[1] (Singapore)	Investment holding	100	100	–	–
Q'son Kitchen Equipment Pte. Ltd.[1] (Singapore)	Designing, fabricating, installation, of stainless steel kitchenware and commercial kitchens	100	100	–	–
Held by Q'son Kitchen Equipment Pte. Ltd.					
Q'son Industries (M) Sdn. Bhd.[2] (Malaysia)	Manufacture and distribution of kitchen equipment	100	100	–	–
Qson KitchenHub Sdn. Bhd.[2] (Malaysia)	Investment holding	100	100	–	–
Q'son Kuechen Kultur Co., Ltd[3] (Vietnam)	Import, wholesale and retail of kitchen equipment	100	100	–	–
Phoenix, The Central Kitchen Solutions Pte. Ltd.[(1)(a)] (Singapore)	Wholesale of commercial food service equipment	50	–	50	–

(1) Audited by BDO LLP, Singapore

(2) Audited by BDO, Malaysia

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

Incorporation of subsidiary

(a) On 7 March 2017, the Group incorporated Phoenix, The Central Kitchen Solutions Pte. Ltd. ("Phoenix") with an issued and paid-up share capital of $2.00 comprising 2 ordinary shares. Q'son Kitchen Equipment Pte. Ltd. and a close business associate, each holding 1 ordinary share (representing 50% interest respectively) in Phoenix. The Directors of the Company had assessed that the Group is able to direct the relevant activities of Phoenix through its Board of Directors, which is made up by the executive directors of the Company. Accordingly, the Group has assessed and concluded that it has control of Phoenix within the definitions of FRS 110.

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

7. Inventories

	Group 2017	Group 2016
	$	$
Raw materials	160,731	169,696
Work-in-progress	53,629	43,881
Finished goods	4,308,725	3,260,881
	4,523,085	3,474,458

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 2017 amounted to $15,868,543 (2016: $12,364,756).

As at 31 December 2017, the Group carried out a review of the realisable values of its inventories and the review led to a write back of inventories of $69,183 (2016: write down of $280,844) included in "cost of sales" in the Group's profit or loss. Previous write downs have been reversed as a result of inventories being sold.

8. Trade and other receivables

	Group 2017	Group 2016	Company 2017	Company 2016
	$	$	$	$
Trade receivables – third parties	8,248,627	7,451,123	–	–
Unbilled receivables	113,658	125,005	–	–
Allowance for impairment loss on third parties trade receivables	(317,187)	(57,460)	–	–
	8,045,098	7,518,668	–	–
Non-trade receivables				
- third parties	95,764	99,936	–	–
- subsidiary	–	–	4,828,205	5,165,205
	95,764	99,936	4,828,205	5,165,205
Advance payment to suppliers	646,981	513,248	–	–
Utilities and rental deposits	321,300	213,386	–	–
	9,109,143	8,345,238	4,828,205	5,165,205

Trade and non-trade receivables due from third parties are unsecured and non-interest bearing. Credit terms granted to third parties ranges from 0 to 120 days (2016: 0 to 120 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.

8. Trade and other receivables (Continued)

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

	Group	
	2017	2016
	$	$
Balance at beginning of financial year	57,460	322,609
Allowance made during the financial year	307,264	–
Allowance written back during the financial year	–	(155,051)
Amounts written off	(47,537)	(110,098)
Balance at end of financial year	317,187	57,460

The allowance for impairment loss on third parties trade receivables amounting to $307,264 (2016: $Nil) 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 2017.

In 2016, an allowance written back of $155,051 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.

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	
	2017	2016	2017	2016
	$	$	$	$
Singapore dollar	8,640,606	7,710,044	4,828,205	5,165,205
Ringgit Malaysia	64,688	97,601	–	–
United States dollar	162,474	232,803	–	–
Euro	171,151	48,588	–	–
Chinese renminbi	39,902	219,642	–	–
Others	30,322	36,560	–	–
	9,109,143	8,345,238	4,828,205	5,165,205

9. Cash and bank balances

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Fixed deposits with banks	2,368,911	4,255,284	–	–
Cash at bank	8,672,657	4,945,432	1,066,118	47,110
Cash and bank balances	11,041,568	9,200,716	1,066,118	47,110
Less: Fixed deposits pledged	(710,911)	(710,090)		
Cash and cash equivalents as per consolidated statement of cash flows	10,330,657	8,490,626		

Fixed deposits bear interest rates ranging from 0.10% to 4.50% (2016: 0.10% to 1.32%) per annum with maturity ranging from 3 to 24 (2016: 3 to 25) 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 2017, fixed deposits of the Group amounting to $710,911 (2016: $710,090) were pledged to banks to secure bankers' guarantee facility.

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

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Singapore dollar	9,274,510	6,774,974	1,066,118	47,110
Ringgit Malaysia	971,629	1,101,991	–	–
United States dollar	459,125	390,370	–	–
Euro	328,289	924,738	–	–
Others	8,015	8,643	–	–
	11,041,568	9,200,716	1,066,118	47,110

10. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Trade payables				
- third parties	2,500,485	1,889,869	–	–
- unbilled payables	54,089	153,849	–	–
	2,554,574	2,043,718	–	–
Non-trade payables				
- third parties	237,313	117,989	19,832	2,496
- directors of the Company	4,005	–	–	–
	241,318	117,989	19,832	2,496
Advance received from customers	428,801	620,708	–	–
Accrued directors' fees	145,000	115,000	145,000	115,000
Accrued expenses	1,546,372	1,456,033	85,600	45,400
Goods and services tax payable	187,201	158,908	–	–
	5,103,266	4,512,356	250,432	162,896

Trade and non-trade payables due to third parties are unsecured, non-interest bearing and are normally settled between 30 to 90 (2016: 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	
	2017	2016	2017	2016
	$	$	$	$
Singapore dollar	3,845,425	3,590,295	250,432	162,896
Ringgit Malaysia	424,442	246,675	–	–
United States dollar	201,299	282,646	–	–
Euro	481,948	226,016	–	–
Hong Kong dollar	–	9,739	–	–
Chinese renminbi	136,065	151,042	–	–
Others	14,087	5,943	–	–
	5,103,266	4,512,356	250,432	162,896

11. Provisions

	Provision for reinstatement costs
	$
Group	
2017	
Balance at the beginning and the end of financial year	30,800
2016	
Balance at the beginning and the end of financial year	30,800

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	
	2017	2016
	$	$
Current liabilities		
Secured		
Trust receipts	3,154,833	816,631
Total borrowings	3,154,833	816,631

The average effective interest rates per annum of the borrowings during the financial years ended 31 December 2017 and 2016 were as follows:

	Group	
	2017	2016
	$	$
Trust receipts	2.84	3.10

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 45 to 150 (2016: 120 to 150) days.

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

	Group	
	2017	2016
	$	$
Facilities granted	18,544,500	18,660,600
Facilities utilised	4,756,219	1,327,444

12. Borrowings (Continued)

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	
	2017	2016
	$	$
Singapore dollar	1,708,759	455,337
United States dollar	256,234	–
Euro	988,193	–
Hong Kong dollar	165,400	–
Chinese renminbi	36,247	361,294
	3,154,833	816,631

13. Finance lease payables

	Minimum lease payments	Future finance lease charges	Present value of minimum lease payment
	$	$	$
Group			
2017			
Within one financial year	346,260	(73,830)	272,430
After one financial year but within five financial years	1,210,866	(162,944)	1,047,922
After five financial years	388,743	(14,657)	374,086
	1,599,609	(177,601)	1,422,008
	1,945,869	(251,431)	1,694,438
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

The finance lease terms range from 3 to 10 (2016: 3 to 10) years.

The effective interest rates charged during the financial year ranged from 2.25% to 5.71% (2016: 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.

13. Finance lease payables (Continued)

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	
	2017	2016
	$	$
Structured forward foreign exchange contracts	273	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 aggregating to a net gain of $1,428 have been charged to the profit or loss in the year (2016: net loss of $1,701).

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

	Average exchange rate		Notional amount in foreign currency		Notional amount		Fair value loss	
Outstanding contracts	2017	2016	2017	2016	2017	2016	2017	2016
			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	1.593	1.507	200,000	200,000	318,600	301,400	(273)	(1,293)
					318,600	725,900	(273)	(1,701)

15. Deferred tax liabilities

	Group	
	2017	2016
	$	$
Balance at beginning of financial year	78,147	35,215
Charged to profit or loss	9,593	43,000
Currency re-alignment	(13)	(68)
Balance at the end of financial year	87,727	78,147

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	
	2017	2016
	$	$
Accelerated tax depreciation	87,727	78,147

16. Share capital

	Group and Company			
	2017	2016	2017	2016
	Number of ordinary shares		$	$
Issued and paid up :				
At 1 January	150,000,000	150,000,000	4,124,790	4,124,790
Issued during the financial year	5,000,000	–	1,000,000	–
At 31 December	155,000,000	150,000,000	5,124,790	4,124,790

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction. On 13 December 2017, the Company issued 5,000,000 new ordinary shares for a total consideration of $1,000,000.

17. Other reserves

	Group	
	2017	2016
	$	$
Merger reserve	1,312,241	1,312,241
Foreign currency translation account	(98,051)	(90,093)
	1,214,190	1,222,148

17. Other reserves (Continued)

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.

18. Retained earnings

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

	Company	
	2017	2016
	$	$
Balance at the beginning of financial year	943,688	1,662,961
Profit/(Loss) for the financial year, representing total comprehensive income for the financial year	1,089,735	(344,273)
Dividends (Note 25)	(1,500,000)	(375,000)
Balance at the end of financial year	533,423	943,688

19. Revenue

	Group	
	2017	2016
	$	$
Fabrication and distribution of goods	23,292,219	19,862,843
Maintenance and service income	7,433,204	6,344,363
	30,725,423	26,207,206

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.

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20. Other income

	Group	
	2017	2016
	$	$
Government grants received	129,768	378,828
Allowance for impairment loss on third parties trade receivables written back	–	155,051
Scrap sales	50,476	33,682
Gain on disposal of plant and equipment	–	18,709
Settlement compensation proceeds (Note 27(b))	–	50,000
Others	3,367	15,284
	183,611	651,554

21. Finance costs

	Group	
	2017	2016
	$	$
Interest expenses		
- trust receipts	70,483	36,981
- finance leases	45,526	28,620
- overdrafts	1,307	418
	117,316	66,019

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	
	2017	2016
	$	$
Cost of sales		
Cost of inventories recognised as an expense	15,868,543	12,364,756
Inventories (written back)/written down	(69,183)	280,844
Sub-contractor fees	485,675	461,733
Operating lease expenses		
- rental of warehouse	396,963	357,701

22. Profit before income tax (Continued)

	Group 2017 $	Group 2016 $
Distribution costs		
Carriage outwards	231,796	104,700
Commission	34,490	18,337
Transportation	14,259	17,991
Operating lease expenses		
- rental of sales office	121,009	121,009
Administrative expenses		
Audit fees paid/payable to:		
- auditors of the Company	80,700	75,000
- other auditors	6,488	7,879
Non-audit fees paid/payable to:		
- auditors of the Company	32,100	15,900
- other auditors	1,991	2,004
Plant and equipment written off	340	633
Operating lease expenses		
- rental of office	173,046	147,030
- rental of equipment	16,590	14,908
Consultation fee	6,340	58,700
Training fee	39,922	18,822
Directors' fees+	200,246	154,913
Other expenses		
Amortisation of intangible assets	57,394	70,543
Allowance for impairment loss on third parties trade receivables	307,264	–
Foreign exchange loss, net	90,627	58,696

+ Included in the Directors' fees are fees declared by the subsidiaries to the Directors in their capacity as Directors of those subsidiaries of $55,246 (2016: $39,913).

22. Profit before income tax (Continued)

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

	Group	
	2017	2016
	$	$
Cost of sales	328,338	238,250
Distribution costs	7,477	40,613
Administrative expenses	127,192	131,288
	463,007	410,151

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

	Group	
	2017	2016
	$	$
Salaries, bonus and other expenses	8,752,863	7,467,952
Defined contribution plans	642,084	539,442
	9,394,947	8,007,394

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

23. Income tax expense

	Group	
	2017	2016
	$	$
Current income tax		
- current financial year	346,062	552,806
- over-provision in prior financial years	(55,477)	(254,218)
	290,585	298,588
Deferred tax		
- current financial year	(11,007)	7,000
- under-provision in prior financial years	20,600	36,000
	9,593	43,000
Total income tax expense recognised in profit or loss	300,178	341,588

Domestic income tax is calculated at 17% (2016: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

23. Income tax expense (Continued)

The income tax expenses varied from the amount of income tax expense determined by applying the Singapore statutory tax rate of 17% (2016: 17%) to profit before income tax as a result of the following differences:

Reconciliation of effective income tax rate

	Group	
	2017	2016
	$	$
Profit before income tax	1,597,697	2,909,718
Income tax calculated at Singapore's statutory tax rate	271,609	494,652
Effect of different tax rate in other countries	3,514	(781)
Tax effect of income not subject to income tax	–	(18,516)
Tax effect of non-deductible expenses for income tax purposes	210,303	111,316
Tax effect of tax exempt income	(29,480)	(25,925)
Utilisation of deferred tax assets not recognised previously	(7,513)	(133)
Over-provision of current income tax in prior financial years	(55,477)	(254,218)
Under-provision of deferred tax in prior financial years	20,600	36,000
Tax incentives	(117,054)	(67,091)
Deferred tax benefit arising in current year not recognised	–	9,079
Others	3,676	57,205
	300,178	341,588

Unrecognised deferred tax assets

	Group	
	2017	2016
	$	$
Balance at beginning of financial year	54,708	47,073
Utilisation of deferred tax assets not recognised previously	(7,513)	(133)
Deferred tax benefit arising in current year not recognised	–	9,079
Currency re-alignment	(5,560)	(1,311)
Balance at end of financial year	41,635	54,708

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

	Group	
	2017	2016
	$	$
Unutilised tax losses	41,635	54,708

23. Income tax expense (Continued)

As at 31 December 2017, the Group has unutilised tax losses of approximately $173,000 (2016: $227,000) 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	
	2017	**2016**
Profit attributable to owners of the parent ($)	1,282,347	2,568,130
Weighted average of ordinary shares in issue during the financial year applicable to basic earnings per share	150,246,575	150,000,000
Basic and diluted earnings per share (in cents)	0.85	1.71

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 2017 and 2016 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.

25. Dividends

	Group	
	2017	**2016**
	$	**$**
A first interim tax exempt dividend of $0.0025 (2016: $Nil) per ordinary share on 150,000,000 ordinary shares in respect of the current financial year	375,000	–
A final tax exempt dividend of $0.0075 (2016: $0.0025) per ordinary share on 150,000,000 ordinary shares in respect of the previous financial year	1,125,000	375,000
	1,500,000	375,000

The Board of Directors proposed that a final tax-exempt dividend of $0.005 per ordinary share amounting to $775,000 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 (2016: 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	
	2017	**2016**
	$	**$**
Within one financial year	720,938	627,307
After one financial year but within five financial years	396,192	464,449
	1,117,130	1,091,756

27. Contingent liabilities

(a) Corporate guarantee

As at 31 December 2017, the Company had given guarantees amounting to $15,744,500 (2016: $15,860,600) 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 $4,756,219 (2016: $1,327,444). Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the subsidiary to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facility.

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

(b) Legal suit

In 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.

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 in 2016 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	
	2017	2016
	$	$
Subsidiary:		
- Dividend income	1,500,000	–
- Payments received from	1,837,000	686,000

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.

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

	Group	
	2017	2016
	$	$
Directors of the Company		
- short-term employee benefits	875,710	900,975
- post-employment benefits	33,621	50,590
- directors' fees	145,000	115,000
Directors of subsidiaries		
- directors' fees	55,246	39,913
Other key management personnel		
- short-term employee benefits	773,849	580,265
- post-employment benefits	79,829	57,863
	1,963,255	1,744,606

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.

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

Segment liabilities comprise operating liabilities and exclude tax liabilities.

Segment capital expenditure is the total cost incurred during the 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.

29. Segment information (Continued)

Business segment	Fabrication and distribution business	Maintenance and servicing business	Unallocated	Total
	$	$	$	$
Group				
2017				
Revenue				
External revenue	23,292,219	7,433,204	–	30,725,423
Results				
Segment results	1,997,991	134,621	(417,599)	1,715,013
Finance costs	(88,934)	(28,382)	–	(117,316)
Profit before income tax	1,909,057	106,239	(417,599)	1,597,697
Income tax expense				(300,178)
Profit for the financial year				1,297,519
Non-cash items				
Depreciation of property, plant and equipment	(350,995)	(112,012)	–	(463,007)
Amortisation of intangible asset	(43,509)	(13,885)	–	(57,394)
Inventories written back	69,183	–	–	69,183
Loss on disposal of plant and equipment	(57,462)	–	–	(57,462)
Allowance for impairment loss on third parties trade receivables	(307,264)	–	–	(307,264)
Capital expenditure				
Property, plant and equipment	–	–	1,673,462	1,673,462
Assets and liabilities				
Segment assets	–	–	27,210,382	27,210,382
	–	–	27,210,382	27,210,382
Segment liabilities	–	–	9,983,610	9,983,610
- Current income tax payable	–	–	318,522	318,522
- Deferred tax liabilities	–	–	87,727	87,727
	–	–	10,389,859	10,389,859

29. Segment information (Continued)

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

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				
2017				
Total revenue from external customers	30,444,746	120,685	159,992	30,725,423
Non-current assets	1,992,723	413,673	–	2,406,396
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

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 and Company are not exposed to equity price risk. The Group's and the Company's overall risk management strategy seek to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

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

The Group uses derivative financial instruments to manage its exposure to foreign currency risks.

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

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	
	2017	2016
	$	$
Corporate guarantees provided to banks for subsidiary's banking facilities utilised as at the end of financial year	4,756,219	1,327,444

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 $4,828,205 (2016: $5,165,205) as at 31 December 2017.

(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	
	2017	2016
	$	$
Past due 1 to 60 days	3,756,660	3,833,533
Past due 61 to 180 days	1,084,154	1,621,423
Past due 181 to 365 days	711,687	534,952
Past due over 365 days	1,180,703	404,672
	6,733,204	6,394,580

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	
	2017	2016
	$	$
Past due	317,187	57,460
Less: Allowance for impairment	(317,187)	(57,460)
	–	–

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	
	2017	2016	2017	2016
	$	$	$	$
Singapore dollar	–	–	749,713	1,093,817
Ringgit Malaysia	8,998	79,647	1,540,925	146,236
United States dollar	621,599	623,173	457,533	282,646
Euro	499,440	973,326	1,470,142	226,016
Chinese renminbi	39,902	219,642	172,312	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.

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% (2016: 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	
	2017	**2016**
	$	**$**
Group		
*Singapore dollar**		
Strengthens against Ringgit Malaysia	(37,486)	(54,691)
Weakens against Ringgit Malaysia	37,486	54,691
Ringgit Malaysia		
Strengthens against Singapore dollar	(76,596)	(3,329)
Weakens against Singapore dollar	76,596	3,329
United States dollar		
Strengthens against Singapore dollar	8,203	17,026
Weakens against Singapore dollar	(8,203)	(17,026)
Euro		
Strengthens against Singapore dollar	(48,535)	37,366
Weakens against Singapore dollar	48,535	(37,366)
Chinese renminbi		
Strengthens against Singapore dollar	(6,621)	(14,635)
Weakens against Singapore dollar	6,621	14,635

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

Interest rate risks

As at 31 December 2017 and 2016, the Group and Company are not exposed to significant interest rate risk, as they do not have liabilities that are exposed to floating interest rates. Accordingly, no sensitivity analysis have been performed.

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					
2017					
Financial assets					
Trade and other receivables	8,462,162	–	–	–	8,462,162
Cash and bank balances	11,041,568	–	–	–	11,041,568
Financial liabilities					
Trade and other payables	4,487,264	–	–	–	4,487,264
Borrowings	3,162,065	–	–	(7,232)	3,154,833
Finance lease payables	346,260	1,210,866	388,743	(251,431)	1,694,438
2016					
Financial assets					
Trade and other receivables	7,831,990	–	–	–	7,831,990
Cash and bank balances	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

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	
2017	
Financial assets	
Trade and other receivables	4,828,205
Cash and bank balances	1,066,118
Financial liabilities	
Trade and other payables	250,432
Financial guarantee contracts	4,756,219
2016	
Financial assets	
Trade and other receivables	5,165,205
Cash and bank balances	47,110
Financial liabilities	
Trade and other payables	162,896
Financial guarantee contracts	1,327,444

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.

	Group On demand or within one financial year	
	2017 $	2016 $
Gross settled:		
Structured forward foreign exchange contracts:		
Gross inflow	318,600	725,900
Gross outflow	(318,873)	(727,601)
	(273)	(1,701)

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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 Company are in compliance with all externally imposed capital requirements which are the bank covenants in relation to the borrowings included in Note 12 to the financial statements, for the financial years ended 31 December 2017 and 2016.

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 2016.

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 bank balances.

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Trade and other payables	5,103,266	4,512,356	250,432	162,896
Borrowings	3,154,833	816,631	–	–
Finance lease payables	1,694,438	533,010	–	–
Cash and bank balances	(11,041,568)	(9,200,716)	(1,066,118)	(47,110)
Net (cash)/debt	(1,089,031)	(3,338,719)	(815,686)	115,786
Total equity	16,820,523	16,030,961	5,658,213	5,068,478
	15,731,492	12,692,242	4,842,527	5,184,264
Gearing ratio	n.m	n.m	n.m	2.23%

n.m. – not meaningful as the cash and bank balances 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.

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.

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Group				
Financial liabilities				
- financial lease payables	1,694,438	1,628,000	533,010	524,000

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 loss 2017	Fair value loss 2016	Fair value hierarchy	Valuation technique(s) and key inputs
Group	$	$		
Structured forward foreign exchange contracts	(273)	(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.

30.6 Categories of financial instruments

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

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Financial assets				
Loans and receivables	19,503,730	17,032,706	5,894,323	5,212,315
Financial liabilities				
Derivative financial instruments	273	1,701	–	–
Other financial liabilities, at amortised cost	9,336,535	5,082,381	250,432	162,896

STATISTICS OF SHAREHOLDINGS

AS AT 13 MARCH 2018

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	29	8.73	26,200	0.02
1,001 - 10,000	143	43.07	791,100	0.51
10,001 - 1,000,000	155	46.69	13,647,700	8.80
1,000,001 AND ABOVE	5	1.51	140,535,000	90.67
TOTAL	**332**	**100.00**	**155,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
QKE Holdings Ptwe Ltd [1]	122,491,500	79.03	–	–
Chua Chwee Choo Sally [2]	230,000	0.15	122,491,500	79.03
Lee Chong Hoe Alan [2]	192,000	0.12	122,491,500	79.03
Cheng Chun Choi Frankie [2]	–	–	122,491,500	79.03

Notes:

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

(2) Chua Chwee Choo Sally (Managing Director) and Lee Chong Hoe Alan (Executive Director) and Cheng Chun Choi Frankie each hold approximately 33.3% of the issued share capital of QKE Holdings. As they each hold not less than 20.0% of the issued share capital in QKE Holdings, each of them is therefore deemed to have an interest in the Shares held by QKE Holdings pursuant to section 7 of the Companies Act, Chapter 50.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	QKE HOLDINGS PTE. LTD.	122,491,500	79.03
2	SIRIUS VENTURE CAPITAL PTE LTD	6,010,500	3.88
3	HSBC (SINGAPORE) NOMINEES PTE LTD	5,033,000	3.25
4	NEO GROUP LIMITED	4,500,000	2.90
5	POON WAI	2,500,000	1.61
6	ONG WAI MENG	1,000,000	0.65
7	HO EE HWA @ MADELEINE HO	955,100	0.62
8	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	700,000	0.45
9	DBS NOMINEES (PRIVATE) LIMITED	698,400	0.45
10	HOLT ASIA INVESTMENT PTE LTD	652,000	0.42
11	LEE LAI HENG BRIAN	635,100	0.41
12	NG TIAN ZHU	500,000	0.32
13	MAK PAO YUN	450,000	0.29
14	PHILLIP SECURITIES PTE LTD	442,300	0.29
15	CHANG THIAM HOCK	375,000	0.24
16	NEO KAH KIAT	285,000	0.18
17	THAM SOK ING	250,000	0.16
18	CHUA CHWEE CHOO	230,000	0.15
19	LAM TECK MENG LAWRENCE	200,000	0.13
20	LEE CHONG HOE	192,000	0.12
	TOTAL	**148,099,900**	**95.55**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

16.50% 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 Catalist.

NOTICE OF ANNUAL GENERAL MEETING

YEAR ENDED 31 DECEMBER 2017

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Singapore Kitchen Equipment Limited (the "Company") will be held at 115A Commonwealth Drive, #01-30 Tanglin Halt, Industrial Estate, Singapore 149596 on Wednesday, 25 April 2018 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 financial year ended 31 December 2017 together with the Independent Auditor Report thereon. **(Resolution 1)**

2. To declare the final dividend of 0.50 Singapore cent per ordinary share tax exempt one-tier for the financial year ended 31 December 2017 (FY2016 : 0.75 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:

   Ms Chua Chwee Choo **(Resolution 3)**
   Mr Lee Chong Hoe **(Resolution 4)**

4. To approve the payment of Directors' Fees of S$145,000 for the financial year ended 31 December 2017 (FY2016 : S$115,000). **(Resolution 5)**

5. To re-appoint Messrs BDO LLP as the Independent Auditor 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, 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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 Catalist 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 and subsidiary holdings) 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, 10 April 2018

Explanatory Notes:

(i) 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 and subsidiary holdings) 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 and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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) 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 Meeting.

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)

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/SRS monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and/or SRS Operators.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Wednesday, 25 April 2018 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 [Ö] 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 financial year ended 31 December 2017		
2	Payment of proposed final dividend		
3	Re-election of Ms Chua Chwee Choo as Director		
4	Re-election of Mr Lee Chong Hoe as Director		
5	Approval of Directors' Fees of S$145,000 for the financial year ended 31 December 2017		
6	Re-appointment of Messrs BDO LLP as Independent Auditor		
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 ______________________ 2018

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 10 April 2018.

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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