



kitchen
culture

ANNUAL REPORT 2015

WHERE LIFE REVOLVES
AROUND THE KITCHEN

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	PROXY FORM

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), SAC Advisors Private Limited (formerly known as Canaccord Genuity Singapore Pte. Ltd.) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this annual report.

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

The contact person for the Sponsor is Ms. Lee Khai Yinn, SAC Advisors Private Limited (formerly known as Canaccord Genuity Singapore Pte. Ltd.) at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.



OUR MISSION

To create well-designed, highly functional and premium quality kitchens which are perfectly suited to the lifestyle of modern and cosmopolitan living.

PHILOSOPHY

The kitchen is the heart of the home. It is a sanctuary where family members congregate, and where one plays host or hostess to their guests – displaying their culinary skills while entertaining and interacting as they go about their tasks in a beautifully designed and appointed kitchen.

At Kitchen Culture, we go beyond the basic culinary functions to introduce and integrate the kitchen as part of the modern dweller's lifestyle and culture. Our products and services are driven by three main factors – Design, Function and Form. Each aspect is conscientiously considered and meticulously fused to create high quality kitchens that are both strikingly beautiful and perfect in function.

CORPORATE INFORMATION

01

KITCHEN
CULTURE
HOLDINGS
LTD.
ANNUAL
REPORT
2015

BOARD OF DIRECTORS

LIM WEE LI

Executive Chairman and Chief Executive Officer

ONG BENG CHYE

Lead Independent Director

KESAVAN NAIR

Independent Director

JOANNE KHOO SU NEE

Independent Director

AUDIT COMMITTEE

ONG BENG CHYE – Chairman

KESAVAN NAIR

JOANNE KHOO SU NEE

NOMINATING COMMITTEE

KESAVAN NAIR – Chairman

ONG BENG CHYE

JOANNE KHOO SU NEE

REMUNERATION COMMITTEE

JOANNE KHOO SU NEE – Chairman

KESAVAN NAIR

ONG BENG CHYE

COMPANY SECRETARIES

WEE WOON HONG, LLB (Hons)

LIM SWEE HUA, CA (Singapore)

REGISTERED OFFICE

25 New Industrial Road

#02-01 KHL Industrial Building

Singapore 536211

Tel: +65 6471 6776

Fax: +65 6472 6776/+65 6286 3138

Website: www.kitchencultureholdings.com

SPONSOR

SAC Advisors Private Limited

(formerly known as Canaccord Genuity
Singapore Pte. Ltd.)

77 Robinson Road #21-02

Singapore 068896

INDEPENDENT AUDITORS

KPMG LLP

Public Accountants and Chartered Accountants

16 Raffles Quay #22-00

Hong Leong Building

Singapore 048581

Tan, Yek Lee Doreen, Audit Partner

(With effect from financial year ended

31 December 2015)

SHARE REGISTRAR

RHT Corporate & Advisory Pte. Ltd.

Six Battery Road #10-01

Singapore 049909



CORPORATE
PROFILE

In 2015, the Company launched KCROOM and KCUBE in Singapore, expanded with additional showrooms in China and re-fitted and relocated some of our showrooms in Hong Kong and Singapore.

Listed on SGX-Catalist in 2011, Kitchen Culture Holdings Ltd. ("Kitchen Culture" or the "Company", and together with its subsidiaries, the "Group") ranks among Singapore's leading distributors of high-end kitchen systems, kitchen appliances, wardrobe systems, household furniture and accessories from Europe and USA. Backed by more than two decades of experience and track record in the business, Kitchen Culture has established itself as a premier kitchen solutions provider for discerning and well-heeled consumers in Singapore and Malaysia. Over the past few years, the Company has established its presence in Hong Kong as well as in Jakarta, Indonesia. The Company has also entered into the China market by opening showrooms in Chengdu, Sichuan province. In 2015, the Company launched KCROOM and KCUBE in Singapore, expanded with additional showrooms in China and re-fitted and relocated some of our showrooms in Hong Kong and Singapore.

While Kitchen Culture engages in distribution and retail sales, much of its success can be attributed to its collaborations with property developers. The Company first supplied kitchen appliances for a luxury development along Cuscaden Walk in 1991. This notable project provided the platform for forging strong working relationships with major property developers, and consequently paved the way for Kitchen Culture's business diversification into residential projects.

Kitchen Culture has seven showroom locations in Singapore, Malaysia, Hong Kong and China. Collectively, the showrooms comprise a total area of approximately 72,258 sq ft.

As a testament to its success, Kitchen Culture has received several accolades including the "Best Retail Concept of the Year" in 2004 from Singapore Retail Association, and "Singapore Prestige Brand Award – Promising Brands" in 2007 from Singapore's Association of Small and Medium Enterprises and Lianhe Zaobao. In 2008, Kitchen Culture's principal subsidiary, KHL Marketing Asia-Pacific Pte Ltd, received the esteemed Enterprise 50 award given out by The Business Times and KPMG. In 2014, Kitchen Culture was, once again, recognised at the Singapore Prestige Brand Award in the category of "Singapore Prestige Brand Award – Maybank Regional Brands" and was voted the "Most Popular Maybank Regional Brand".

MILESTONES

2015

- Launched and commenced operations of two new mono brand showrooms in Hong Kong
- Launched and commenced operations of KCROOM and KCUBE in Singapore
- Commenced operations of additional showrooms in Chengdu, Sichuan

2014

- Launched and commenced operations of two showrooms in Chengdu, Sichuan as well as Jakarta, Indonesia
- Awarded the Singapore Prestige Brand Award – Maybank Regional Brands and voted the Most Popular Brand within the category

2013

- Entered into a licensing and dealership agreement with an Indonesian business partner in Jakarta, Indonesia

2012

- Incorporated KHL (Hong Kong) Limited in Hong Kong
- Entered into a joint venture with 40% interest as part of expansion plans into Hong Kong
- Opened two showrooms in Hong Kong totalling about 10,000 sq. ft.

2011

- Listed on SGX-Catalist
- Incorporated Kitchen Culture (Hong Kong) Limited and Kitchen Culture (China) Limited in Hong Kong



BRANDS
KITCHEN SYSTEMS**POGGENPOHL**

S M

With a history of over 120 years and associated with luxury kitchens and quality living, Poggenpohl is the first renowned kitchen system in Germany and each piece is an artful creation that speaks of sheer function in today's modern kitchen.

SIEMATIC

HK C

A leading German manufacturer that infuses creativity into developing individualised solutions for the kitchen, SieMatic provides an extensive insight into the latest design and state-of-the-art technology and quality for the kitchen. The SieMatic design is always an original.

LA CORNUE

S M HK C

La Cornue is determined to preserve the noble values traditionally associated with hand craft production. The products are individually hand-made with patience and pride till today; and use modern technology for its cooking purposes.

EGGERSMANN

S M HK

Eggersmann prides itself on producing individually tailored luxury kitchens for more than a century, of which the designs can hardly be matched by others for its timelessness and minimalism.

RATIONAL

S M

A trusted brand name for more than 40 years, Rational ensures high quality fitted kitchens that have been rigorously tested in every detail, and has devoted itself to consistently develop and produce kitchens by people for people.

HÄCKER

S M

Having produced modern fitted kitchens that fulfil the highest claims in terms of quality, functionality, durability and design since 1938, Häcker is the reliable partner of this specialist trade both today and in the future.

PUREFORM

S M

A customised solution offered only to Kitchen Culture's corporate clientele for their project requirements, Pureform represents a service that we are confident will be synonymous with quality, functionality and technology in time.

SNAIDERO

HK C

Snaidero has been producing tailor-made kitchens for 70 years. With a wealth of experience built up over a long history of both tradition and innovation. Craftsmanship and technological research are the solid guarantees of quality and long life that have always distinguished Snaidero kitchens.

poggen®
pohl

SieMatic

LA CORNUE

eggersmann

rational

Häcker
kitchen.germanMade.

Pureform

snaidero
CUCINE PER LA VITA

BRANDS

KITCHEN APPLIANCES & ACCESSORIES



ELICA

S M

Design is the unifying element and guiding philosophy of the entire collection. Universally acclaimed for its radically innovative appearance, Elica transforms a kitchen into a unique and distinctive environment.



FOSTER

S M HK

An all Italian creation that blends elegant design with advanced technology, Foster boasts of a range of supreme cooking appliances and kitchen accessories that guarantee top notch quality and durability; providing the ultimate solution for an impeccable kitchen.



IRINOX

S M

The world leader in the production of high technology systems for the preservation of perfect quality food through time, Irinox offers the efficiency and effectiveness of professional equipments used in restaurants by redeveloping the technology for domestic use.



KÜPPERSBUSCH

S

Award-winning cooking appliances that indulge your culinary pleasures, Küppersbusch has stood for innovation and tradition more than 135 years, using expertise, creative ideas and stimuli to develop trend-setting technologies that set new standards for modern built-in kitchen appliances.



KWC

S M

KWC is the leader for luxury kitchen faucets in private and professional fields which successfully combines Swiss innovation with technology, precision and fascination. KWC's premium water performance personifies and embodies the traditional values of Swiss craftsmanship, both in their functionality and design.



LIEBHERR

S HK

Producing the largest range of freezers, refrigerators and multi-temperature wine storages worldwide, Liebherr boasts cutting edge features and winning benefits that are ergonomically designed to guarantee absolute freshness of sundries and perishables while providing optimum cooling for prized wines.

STEEL

S M

Steel, a forefront Italian manufacturer of cooking ranges originally for professional use, is now in its third generation and has expanded its range for the domestic market to include cookers, hoods and outdoor cooking equipment. Innovation and functionality are the bywords for Steel's aesthetic designs and professional approach to kitchen products.

SUB-ZERO

S M

With a heritage that started more than 70 years ago and has changed kitchens forever by perfecting the storage of frozen food at ultra low temperatures, Sub-Zero's appliances are remarkably energy-efficient and the quality of materials used is unmistakable.

V-ZUG

S M

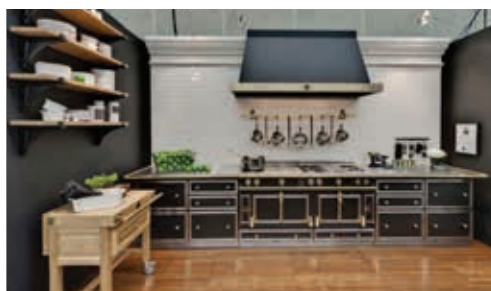
Founded in 1913, V-ZUG is a remarkable and unique Swiss company with uncompromising commitment to innovation and quality. The difference in V-ZUG: creative like sculptors and meticulous like Swiss watchmakers.



WOLF

S M

Cooking is never more enjoyable with Wolf cooking appliances that fuel your passion for culinary experiences. From seamlessly integrated ovens to warming drawers and even outdoor grills, you can take your cooking anywhere.



BRANDS

HOUSEHOLD FURNITURE



ARTANOVA

S

The successful combination of design, quality and practicality makes seating by Artanova so special. The designer upholstered furniture is manufactured in Switzerland and is intended for people who give no chance to mediocrity.

BLUFORM

M HK

Bluform introduces an outstanding combination of technical and refined focus on the latest and most sophisticated design for vanities. The stylistic research made by Pininfarina excels and comes branded with the renowned Italian manufacturing process for a new Bath Concept.

COR

S M

Purity in its purest form, COR designed the world's first modular furniture system, which gives its customers free reign to put together many basic parts and pieces for their unique needs.

DRAENERT

S

High-quality design furniture that is developed and individually crafted using 150 natural stones with seven avenues of colour, Draenert is world-renowned for designer furniture, traditional craftsmanship, quality and first-class workmanship.

FIMES

S M HK

Today, Fimes has become the point of reference for the bedroom furniture district with their new collection of wardrobes, chests, night closets and walk-in closets.

INTERLÜBKE

S M

The range of Interlübke products include beds, cabinets, room dividers, shelf systems, and wardrobes with designs that are simple, soft, pleasant and tailored perfectly to every room.

KFF

S HK

KFF aims to provide characteristic, high quality, comfortable designer seating solutions for everyone all over the world that has a taste for modern furniture, of the highest quality standards, in a domestic or a commercial setting made in Lemgo, Germany.

MATSUOKA

S

For more than 145 years, Matsuoka has been producing furniture artefacts for gracious living. Like sculptured art, each artefact is an evocative package of rich creativity that meets the utilitarian and the aesthetic intention, while demonstrating a holistic expression of the synergy between geometry, materials, craft and finish in the true spirit of Gestalt.

MGS

HK

To achieve superior results and exclusive products, MGS has set a new standard in using stainless steel in this industry. The strong brand identity of the company has been focused in making desired faucets for the most exclusive homes in the world.

TECKELL

S

Giving a new life to the game foosball, Teckell introduces an elegant design piece in our formal living spaces which is characterised by its pure design and essential forms, its crystal transparency, and its elegant statuettes in aluminum.

TISETTANTA

S

The range of Tisettanta, from the living area to the wardrobes, from the kitchen to the child's bedrooms, from the bedroom and its accessories. A large variety of choices to personalise every area of the home, following individual likes and needs.

ARTANOVA
of Switzerland

Bluform

COR



DRAENERT



interlübke

KFF[®]

MATSUOKA
ARTIFACTS FOR GRACIOUS LIVING



Teckell
COLLECTION

Tisettanta
contemporary home

The demand for quality residences is expected to rise, not only in Singapore but also in the region as these economies develop. Today's homeowner does not only consider the choice of location, but also the presence of quality residential infrastructure, all woven in a lifestyle expression of individuality. Developers are responding to this evolution by providing more inspired architecture, sound engineering, better lifestyle facilities and high quality finishes, while leaving no detail to chance. Today's modern home is not only a residential symbol of what the owners have achieved, but also a reflection of the lifestyle they aspire to live in.

It is this trend that inspires Kitchen Culture to continue to bring to market the best available brands of kitchen systems, kitchen appliances, wardrobe systems, household furniture and accessories, while at the same time, providing a premier service that starts from consultation and goes beyond the sale of products. Kitchen Culture will continue to maintain its excellent working relationships with its brand partners and suppliers, while continually bringing new brands and products to market so as to provide customers with more lifestyle choice options.

At Kitchen Culture, our business is organised into **Residential Projects** and **Distribution and Retail**.

RESIDENTIAL PROJECTS

Since starting our business in 1991, we have over the years forged close working relationships with major property developers operating in Singapore for luxury residential projects. Today, Kitchen Culture is seen as the go-to company for branded and sophisticated kitchen systems by developers and construction companies. We have developed a reputation among our customers for meticulous attention and precision lavished on the finest details and the installation of kitchen systems and appliances of quality, sophistication and elegance.

In 2015, the Group's kitchen solutions have been presented in various iconic luxury residential projects such as "Marina One", "New Futura", "V on Shenton", amongst others. Some of the upcoming prestigious projects which will feature the Group's kitchen solutions are "Spottiswoode Suites", "Greenwood Mews", "South Beach" in Singapore as well as "8 Mount Nicholson" in Hong Kong.

DISTRIBUTION AND RETAIL

Under our "kitchen culture" brand, we brand manage, sell and distribute a wide range of premium imported kitchen systems, kitchen appliances, wardrobe systems, household furniture and accessories from Europe and USA. We reach our discerning individual customers through our "kitchen culture" retail showrooms. We also have a wide network of dealers and licensees in Singapore and Malaysia. Our "kitchen culture" stores in Singapore, Malaysia, Hong Kong and China offer renowned brands of kitchen systems, appliances and accessories and make the shopping and planning for a kitchen more pleasurable.

At Kitchen Culture, we believe in understanding and appreciating our customers. That's why we have an in-house design team supporting our two business segments. The design team considers individual customer's psyches, tastes and preferences for the sole purpose of customising space and product solutions to complement their style and needs. This subtle partnership of design, product and consumer understanding adds an entirely new dimension to our business. Beyond that, we also provide value added services such as installation and carpentry through our pre-qualified third party contractors and after-sales maintenance services for our products under warranty.

RESIDENTIAL PROJECTS

Kitchen Culture has effectively tapped into the trend of property developers using branded kitchen concepts in their development projects. The Group has a strong presence in the institutional market where it works closely with selected property developers to cater to upmarket, residential projects.



01



02



03



04

- 01 Photograph of V on Shenton, courtesy on UIC Investments (Properties) Pte. Ltd
- 02 Photograph of South Beach Residences, courtesy of City Developments Limited & IOI Properties
- 03 Photograph of Clermont Residence, courtesy of Guocoland Limited
- 04 Photograph of Spottiswoode Suites, courtesy of Centurion Properties Pte Ltd & Lian Beng Group

PROJECT NAME PROJECTS IN 2015

35 Victoria Street
Clermont Residence
Eden Residence (The Capitol)
Link (THM) Group
Marina One
New Futura
V on Shenton
South Beach Residences
Spottiswoode Suites
8 Mount Nicholson Road (Hong Kong)
3-7 Wing Hing Street (Hong Kong)
Deep Water Bay Road (Hong Kong)
Damansara City (Malaysia)
Le Nouvel (Malaysia)
Emerald Bay (Malaysia)
Water Villa (Malaysia)

PAST PROJECTS

8 Nassim Hill
Alba
Altez
Amber Residences
Ardmore Residence
Ardmore Three
Arthur 118
Bishopsgate Residences
Coral Island
CYAN
Floridian
Four Seasons, Seychelles
Grange Infinite
Greenwood Mews

Hamilton Scotts

Hana
Hillcrest Villa
Horizon Residences
iLiv@Grange
Jardin YHS
Leonie Parc View
Miro
Paradise Island
Paterson Collection
Paterson Suites
PS100
Rivergate
Sandy Island, Sentosa
Scotts High Park
Silversea
Sui Generis
The Binjai On The Park
The Boutiq
The Fernhill
The Glyndebourne

The Green Collection
The Greenwood
The Marq
The Meyerise
The Nassim
The Orange Grove
The Orchard Residences

The Ritz-Carlton Residences,
Singapore, Cairnhill
The Sculptura Ardmore
The Sound
Trilight
TwentyOne Angullia Park
Urban Suites
Vista Residences
Volari
Waterfall Gardens

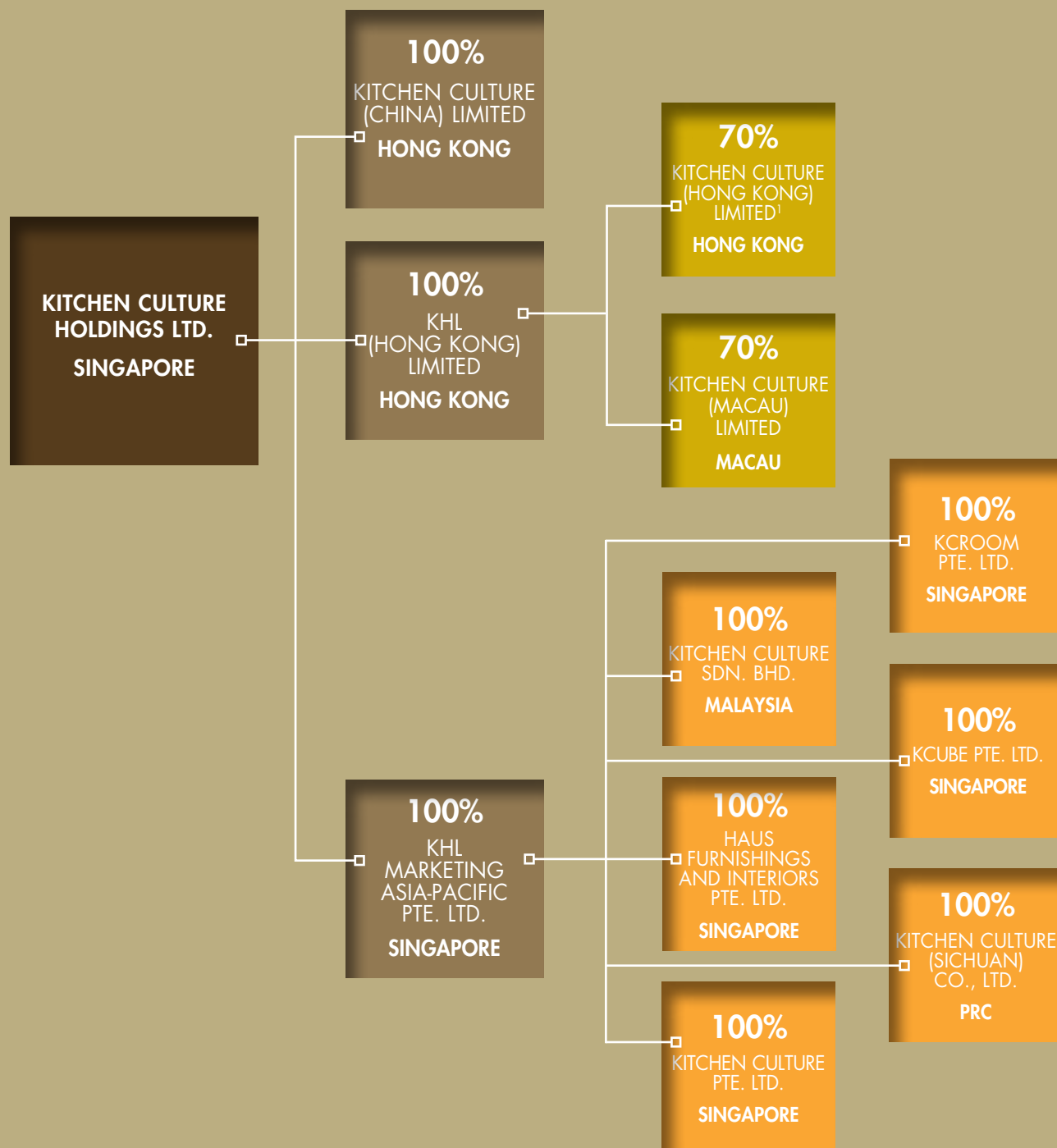
DEVELOPER

Perennial Real Estate
Guocoland Limited
Capitol Investment Holdings
Link (THM) Group
M+S Pte. Ltd.
City Sunshine Holdings Pte. Ltd.
UIC Investments (Properties) Pte. Ltd
City Developments Limited & IOI Properties
Centurion Properties Pte Ltd & Lian Beng Group
Wheelock Properties (HK) Ltd
Wu Yee Holding Ltd
Nan Fung Construction Co Ltd
Guocoland (Malaysia) Berhad
Wing Tai Malaysia Berhad
BRDB Developments Sdn Bhd
IJM Land Berhad

Tennessee Pte Ltd
Far East Organization Centre Pte Ltd
Bishan Properties Pte Ltd (Far East Organization)
Voda Land Pte. Ltd.
Pontiac Land
Wheelock Properties (Singapore) Limited
Fortune Development Pte Ltd
Kajima Overseas Asia Pte Ltd
Ho Bee (Sentosa) Pte Ltd
Far East Organization
Far East Organization
Petite Anse Developments Limited
Grange Properties Pte Ltd
Golden Development Pte Ltd & Astoria Park
Pte Ltd (Far East Organization)
Sardinia Properties Pte. Ltd.
(subsidiary of Hayden Properties Pte. Ltd.)
Pontiac Land
MCL Land Limited
Far East Organization
Heeton Holdings Ltd
Dunearn Pte Ltd
SB (Orchard) Development Pte Ltd
Far East Organization
Ho Bee Investment Ltd
Bukit Sembawang View Pte Ltd
Bukit Sembawang View Pte Ltd
Far East Soho Pte Ltd
Riverwalk Promenade Pte Ltd
YTL Singapore Pte Ltd
Capitaland Limited
Far East Organization
Kajima Overseas Asia Pte Ltd
Layar Intan Sdn Bhd
Unique Development Pte Ltd
MCL Land Limited
City Developments Limited/Millennium
& Cophorne International Limited
Elevation Developments Pte Ltd
Far East Organization
SC Global Developments Ltd
Hong Leong Holdings Limited
Capitaland Limited
Ho Bee Investment Ltd
Capitaland Limited and Sun Hung Kai
Properties Limited
Royce Properties Pte. Ltd.
(subsidiary of Hayden Properties Pte. Ltd.)
SC Global Developments Ltd
Far East Organization
Ho Bee Group
Angullia Development Pte Ltd
Capitaland Limited
Far East Organization
City Developments Limited
MCL Land Limited

OUR CORPORATE STRUCTURE

KITCHEN CULTURE HOLDINGS LTD.
LTD.
ANNUAL REPORT
2015



1. As announced on 5 February 2015, KHL (Hong Kong) Limited acquired additional 30% of the issued and paid up share capital of Kitchen Culture (Hong Kong) Limited. Subsequent to the acquisition, Kitchen Culture (Hong Kong) Limited became a 70% owned subsidiary.

KITCHEN CULTURE PRESENCE

SINGAPORE

CORPORATE OFFICE

25 New Industrial Road #02-01
KHL Industrial Building
Singapore 536211

SHOWROOMS

2 Leng Kee Road #01-02/05/08
Thye Hong Centre
Singapore 159086

KCROOM

2 Leng Kee Road #01-07
Thye Hong Centre
Singapore 159086

KCUBE

25 New Industrial Road #01-01
KHL Industrial Building
Singapore 536211

HONG KONG

CORPORATE OFFICE AND SHOWROOM

Shop 202, Harbour Centre
25 Harbour Road
Wan Chai, Hong Kong

SHOWROOMS

Shop B, Ground Floor &
Basement of Bonny View House
No. 63 & 65
Wong Nai Chung Road
Happy Valley, Hong Kong

LIEBHERR MONO BRAND

Shop 1 Ground Floor, Centre Point
181-185 Gloucester Road
Wan Chai, Hong Kong

SNAIDERO MONO BRAND

Shop 4 Ground Floor, Centre Point
181-185 Gloucester Road
Wan Chai, Hong Kong

MALAYSIA

CORPORATE OFFICE AND SHOWROOMS

45E Ground/1st/3rd/5th Floor
Bangunan Bangsaria,
Jalan Maarof, Bangsar Baru
59100 Kuala Lumpur
Malaysia

CHINA

CORPORATE OFFICE AND SHOWROOM

Unit 203
The Atrium
99, Dong Da Street
Chengdu 610021
PRC

SHOWROOMS

Unit 201/202
The Atrium
99, Dong Da Street
Chengdu 610021
PRC

HAÜS

Unit 204/205/206
The Atrium
99, Dong Da Street
Chengdu 610021
PRC



KITCHEN CULTURE PRESENCE



GERMANY

Poggenpohl, SieMatic, Eggersmann,
Rational, Häcker, Küppersbusch,
Liebherr, COR, Draenert,
Interlübke, KFF

FRANCE

La Cornue

ITALY

Elica, Foster, Irinox, Steel, BluForm,
Fimes, Teckell, Tisettanta, Snaidero

SWITZERLAND

KWC, V-ZUG, Artanova, MGS

USA

Sub-Zero, Wolf

JAPAN

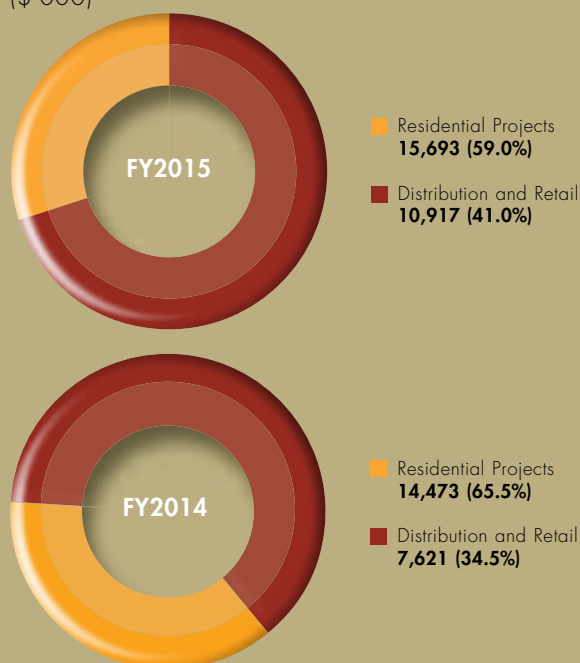
Matsuoka

SINGAPORE

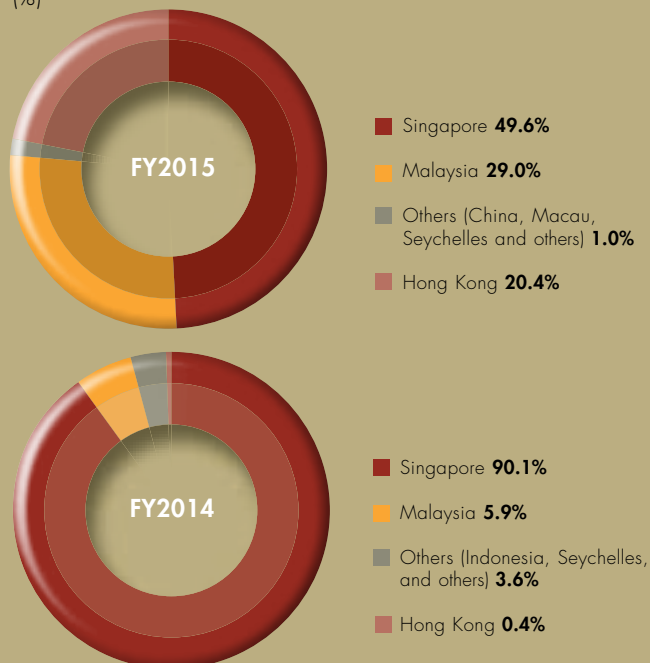
KCROOM
KCUBE
Pureform

FINANCIAL HIGHLIGHTS

REVENUE BY BUSINESS SEGMENT
(\$'000)



REVENUE BY GEOGRAPHICAL REGION
(%)



\$'000	FY2015	FY2014	FY2013	FY2012	FY2011
Revenue	26,610	22,104	32,952	21,660	22,086
Cost of sales	(13,946)	(12,625)	(18,624)	(11,072)	(10,910)
Gross profit	12,664	9,479	14,328	10,588	11,176
Other income	1,072	134	111	153	214
Selling and distribution expenses	(9,143)	(7,286)	(7,808)	(7,159)	(5,830)
Other operating expenses	(5,098)	(148)	(1,339)	(187)	(119)
General and administrative expenses	(5,159)	(3,234)	(3,063)	(3,066)	(3,644)
Finance costs	(835)	(298)	(294)	(263)	(278)
Share of results of joint venture	–	–	(196)	(418)	–
(Loss)/Profit before tax	(6,499)	(1,353)	1,739	(352)	1,519
Tax credit/(expense)	452	(41)	(507)	(16)	(265)
(Loss)/Profit for the year	(6,047)	(1,394)	1,232	(368)	1,254
Other comprehensive income:					
Exchange differences on translation of foreign operations	317	48	14	7	2
Exchange differences transferred to profit or loss upon remeasurement of investment	(11)	–	–	–	–
Total comprehensive income for the year	(5,741)	(1,346)	1,246	(361)	1,256
(Loss)/Profit attributable to:					
Owners of the Company	(5,344)	(1,328)	1,307	(368)	1,254
Non-controlling interests	(703)	(66)	(75)	–	–
	(6,047)	(1,394)	1,232	(368)	1,254
Total comprehensive income attributable to:					
Owners of the Company	(5,058)	(1,279)	1,321	(361)	1,256
Non-controlling interests	(683)	(67)	(75)	–	–
	(5,741)	(1,346)	1,246	(361)	1,256

CHAIRMAN AND CEO STATEMENT



Dear Shareholders,

Moving into 2016, Kitchen Culture has maintained its reputation for service and quality. We have, and will continue to build on our established brand and strong portfolio of the quality brands we carry. With a strong track record of completed and on-going projects, Kitchen Culture is also quick to look into new market segments, to target the right audience in a challenging market for Singapore.

On behalf of the Board of Directors of Kitchen Culture, I wish to present to you the annual report for the financial year ("FY") ended 31 December 2015.

FY2015 was a challenging year, with significant local and global developments which had an impact on the industry and our business. Despite an increase in the Group's revenue, we recorded overall losses. Uncertainties in the economy saw caution being exercised resulting in a general slowdown in the industry and our business.

In Singapore, the cooling measures implemented in the property sector continue to affect our residential projects. In contrast, we recorded improved income from residential projects in Malaysia, which was unfortunately affected by the weakened Malaysian ringgit. This currency crisis resulted in us losing money, despite better turnover. In Hong Kong, we experienced slight improvement in retail and consumer sentiments which has helped to increase our revenue from distribution and retail.

We are excited that our latest showrooms in Chengdu, China will soon be fully operational, with a total floor space of about 18,000 square feet. From the results we have seen from our sales and promotional initiatives in the countries in which we operate, we are optimistic that our efforts and initiatives in Chengdu will become another feather in our cap.

In Indonesia, we have stopped working with our licensee due to their financial inability to carry on the business there, and we are currently exploring other potential opportunities.

Each year brings with it exciting opportunities for growth, and also new challenges to meet.

To take advantage of these opportunities and rise to meet these challenges, I could not ask for a better team to move forward with.

Working together, I have every confidence we will take Kitchen Culture to the top of the market.



CHAIRMAN AND CEO STATEMENT

MEETING NEW CHALLENGES

In the light of the global and local economic factors which affected our business and the industry in FY2015, we found managing rising operating expenses challenging. The labour market has also been tough in Singapore, with increased levies on foreign labour and a dearth of supply from the local pool.

We will adapt accordingly to market conditions and look into restructuring our operation to have optimal efficiency and productivity at the minimum costs. Part of the Group's efforts to meet these challenges was the creation of new concept stores like KCROOM and KCUBE in Singapore to complement our existing business.

KCROOM is a full kitchen appliances store showcasing the brands we represent like Küppersbusch, V-zug, Liebherr and Steel, which target home owners here in Singapore. KCUBE is our new kitchen cabinetry line created and designed by our in-house professionals. With both these new stores, our objective is to give the best kitchen solutions while keeping pricing affordable, to reach out to the mass market here in Singapore.

Regionally, the Group's core focus was on markets in Malaysia and

Hong Kong, and with the opening of our new showrooms in Chengdu, our efforts have been rewarded with new contracts being awarded.

We will continue to explore new business opportunities despite the challenges of FY2015 that will remain in FY2016, and continue to seek more business from the Hong Kong, Malaysia and China markets.

MOVING FORWARD

For the next 12 months, the Group will continue to capitalize on its core competencies and focus on the sale of imported kitchen systems, kitchen appliances and accessories; both for residential projects and for distribution and retail in local and regional markets. We will also explore opportunities to streamline operational costs.

We foresee the economy will remain challenging in FY2016 due to uncertainty in local and global economies, and markets will remain competitive for the next 12 months. Our order book for projects in Singapore, Malaysia and Hong Kong as at 31 January 2016 was approximately \$43.9 million. This is expected to be fulfilled over the next 1 to 3 years. The Group will continue to focus on regional markets including Hong Kong, Malaysia and Chengdu to secure new projects to bolster our

order book for fulfilment in the next 1 to 3 years. We will also pay great attention to our new concept stores, KCROOM and KCUBE.

IN APPRECIATION

As we bid farewell to our former CFO, Mr Lim Yui Fan, we also welcomed our new COO, Mr Tye Seng Kuen Alan. We also wish to welcome our new CFO, Mr Lim Swee Hua who joined the Group recently in June 2016.

Together with members of the Board, I would like to thank my fellow directors, principals, business partners, shareholders, and customers for their support; and every member of staff of Kitchen Culture for their hard work. Each year brings with it exciting opportunities for growth, and also new challenges to meet. To take advantage of these opportunities and rise to meet these challenges, I could not ask for a better team to move forward with. Working together, I have every confidence we will take Kitchen Culture to the top of the market.

LIM WEE LI

Executive Chairman and
Chief Executive Officer



OPERATIONS AND FINANCIAL REVIEW

OPERATIONS REVIEW

REVENUE

Our Group experienced a very challenging environment through a series of cooling measures in the property sector and credit tightening policies in Singapore in the past few years.

In FY2015, the Group consolidated Kitchen Culture (Hong Kong) Limited ("KCHKL"), an entity which we acquired a controlling interest during the year. The Group reported increased revenues of 20.4% from \$22.1 million in FY2014 to \$26.6 million in FY2015, due to higher revenue contribution from the Residential Projects and Distribution and Retail segments by 8.4% or \$1.2 million and 43.3% or \$3.3 million respectively.

In FY2015, the Residential Projects segment accounted for 59.0% or \$15.7 million of the Group's revenue, of which \$3.7 million, \$6.8 million and \$2.2 million was attributable to new projects in Singapore, Malaysia and Hong Kong respectively, while \$3.0 million was derived from 18 ongoing projects in Singapore from the previous financial years.

Concurrently, the Distribution and Retail segment accounted for 41.0% or \$10.9 million of the Group's revenue attributable to an improvement of \$0.3 million, \$3.3 million and \$0.2 million recorded by the Group's operations in Singapore, Hong Kong and Macau respectively, partially offset by a decrease of \$0.5 million from operations in Malaysia. The improvement was mainly due to the various promotional and sales initiatives carried out in those countries in FY2015.

GROSS PROFIT

In tandem with the higher revenue recorded in FY2015, gross profit increased by 33.6% or \$3.2 million, from \$9.5 million in FY2014 to \$12.7 million in FY2015. Overall, gross profit margin increased by 4.7% from 42.9% in FY2014 to 47.6% in FY2015 mainly due to improved performance of the Group's operations in the Distribution and Retail segment.

OPERATING EXPENSES

The Group's first year consolidation of KCHKL has seen increases in the Group's operating expenses. Selling and distribution expenses rose by 25.5% or \$1.9 million, from \$7.3 million in FY2014 to \$9.2 million in FY2015 due mainly to an increase in showroom rental and salaries.

Meanwhile, general and administrative expenses increased by 59.5% or \$1.9 million, from \$3.2 million in FY2014 to \$5.1 million in FY2015 due mainly to an increase in salaries and related costs, depreciation and general expenses.

The Group's other operating expenses incurred reported an increase of \$5.0 million, from \$0.1 million in FY2014 to \$5.1 million in FY2015. This was mainly attributable to an impairment of goodwill of \$2.8 million, net increase in allowance for doubtful receivables of \$0.5 million, an increase in net write-down of inventories of \$0.7 million and net increase in foreign exchange loss of \$0.7 million.

RESULTS FOR THE YEAR

During the year, the Group recorded a loss before tax of \$6.5 million as compared to a loss before tax of \$1.4 million in FY2014. This loss was mainly attributable to the impairment of goodwill, higher operating costs in Singapore and Hong Kong, including the first year consolidation of the business in Hong Kong. The operations in China not taking off as anticipated has also contributed to increased costs for the year. The weak Malaysian ringgit has also resulted in losses arising from weaker currency exchange rates which contributed to lower margins from our wholly-owned subsidiary in Malaysia, Kitchen Culture Sdn. Bhd..

FINANCIAL POSITION OF THE GROUP

ASSETS

As at 31 December 2015, the Group's total assets increased by \$1.5 million to \$30.0 million as a result of consolidation of \$0.3 million of the carrying value of property, plant and equipment of KCHKL, an increase in net trade and other receivables of \$3.2 million, an increase in deferred tax assets of \$0.3 million, an increase in cash and cash equivalents of \$0.2 million and a decrease in inventories of \$2.5 million.

LIABILITIES

The Group's total liabilities as at 31 December 2015 increased by \$6.7 million to \$22.8 million. This was mainly caused by an increase in bank borrowings of \$3.9 million, an increase in trade and other payables of \$2.9 million and a decrease in deferred tax liability of \$0.1 million.

OPERATIONS AND FINANCIAL REVIEW



SHAREHOLDER'S EQUITY

Shareholder's equity contracted by \$5.1 million to \$7.3 million as at 31 December 2015. Non-controlling interests increased from \$287 as at 31 December 2014 to \$0.2 million as at 31 December 2015. The Group reported 7.1 cents for our net asset value per share as at 31 December 2015 against 12.4 cents as at 31 December 2014.

BOARD OF DIRECTORS

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MR LIM WEE LI
Executive Chairman and CEO

Mr Lim Wee Li is the Executive Chairman and CEO of the Company and is responsible for the formulation of the Group's strategic directions and expansion plans. In addition, he oversees the sales, marketing and business development of the Group and liaises with brand principals for securing distribution rights for the Group. He established and founded the Group in 1991 and has spearheaded the growth of its business and operations to the present size and scale. Mr Lim graduated with a Bachelor of Business Administration, majoring in Corporate Finance from University of North Texas, USA in 1988. He was awarded Top Entrepreneur of the Year 2008 by the Association of Small and Medium Enterprise and Rotary Club of Singapore. He is a member of the Singapore Chinese Chamber of Commerce. In 2012, Mr Lim was conferred another prestigious entrepreneurial award, the Outstanding Entrepreneurship Award, by Enterprise Asia.



MR ONG BENG CHYE
Lead Independent Director

Mr Ong Beng Chye is the Lead Independent Director of the Company and was appointed to the Board on 27 June 2011. He has more than twenty two years of experience in areas such as accounting, auditing, public listings, due diligence, mergers and acquisitions, and business advisory. Mr Ong is currently a director of Appleton Global Pte Ltd, a business management and consultancy services firm. He is also serving as an independent director of other listed companies in Singapore. He is a shareholder and a director of a few private limited companies. He is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a non-practising member of the Institute of Singapore Chartered Accountants. Mr Ong obtained a Bachelor of Science (Honours) from The City University, London in 1990.

BOARD OF DIRECTORS



MR KESAVAN NAIR
Independent Director

Mr Kesavan Nair is an Independent Director of the Company and was appointed to the Board on 27 June 2011. Mr Nair is an Advocate and Solicitor and commenced his practice with M.P.D. Nair & Co., in 1992 and is presently a Director with Genesis Law Corporation. Mr Nair graduated with a Bachelor of Laws (Honours) from The University College of Wales, Aberystwyth in 1988. He was admitted as a Barrister-at Law, Middle Temple in 1990, a Barrister and Solicitor of the Supreme Court of the Australian Capital Territory in 1991 and an Advocate & Solicitor of the Supreme Court of Singapore in 1992. Mr Nair also serves as an independent director of other listed companies in Singapore.



MS JOANNE KHOO SU NEE
Independent Director

Ms Joanne Khoo Su Nee was appointed as an Independent Director of the Company on 3 October 2012. She is currently a director of Bowmen Capital Private Limited, a company that provides business and management consultancy services and an independent director of Teho International Inc Ltd.. Ms Khoo has more than 19 years experience in corporate finance and business advisory services. From 2008 to 2012, she was a director of corporate finance at Canaccord Genuity Singapore Pte. Ltd.. Prior to this, she was involved in a wide range of corporate finance activities in the employment of Phillip Securities Pte Ltd and Hong Leong Finance Limited. From 2000 to 2004, she was with Stone Forest Consulting Pte Ltd where she was involved in providing consultancy services to companies seeking public listings in Singapore. From 1997 to 2000, she was with PricewaterhouseCoopers. Ms Khoo graduated with a Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology University in 1996. She was admitted as a Certified Public Accountant by the CPA Australia in 1999 and a Chartered Accountant under the Malaysian Institute of Accountants in 2000.

KEY MANAGEMENT

**MR TYE SENG KUEN
ALAN**
Chief Operating Officer

Mr Tye Seng Kuen Alan joined the Group in January 2016 as Chief Operating Officer and is responsible for overseeing the Group's operations. Prior to joining the Group from 2008 to 2016, he held various positions first at ABN Amro, then at RBS and ANZ Bank before leaving ANZ Bank as head of business banking. Before embarking on his banking career, he was with a United States multi-national corporation for 10 years and completed his service as a country manager.

Mr Tye holds a Bachelor of Business Administration from Camden University and a Master of Business Administrative from Manchester Business School.

MR LIM SWEE HUA
Chief Financial Officer

Mr Lim Swee Hua joined the Group in June 2016 as Chief Financial Officer and is responsible for the overall financial and accounting functions of the Group. Mr Lim has over 10 years of experience in the field of audit and accounting. Prior to joining the Group, he was a senior manager with BDO and Ernst & Young after his tenure with Deloitte & Touche as a manager.

Mr Lim holds a Bachelor of Commerce in Accounting and Finance from the University of Queensland and is a member of the Institute of Singapore Chartered Accountants and CPA Australia.

**MR TERRENCE LIEW
FOOK SIONG**
*General Manager
(Appliances Division)*

Mr Terrence Liew Fook Siong joined the Group in 1994 and is presently the General Manager (Appliances Division). He is responsible for product management, including sales, marketing, after-sales, logistics and procurement activities in the Appliances Division. He leads a team of sales and after-sales staff for retail and project-based sales, as well as local and overseas distribution sales. He also liaises with suppliers' factories, customers and suppliers. Prior to joining the Group, he was with Singapore Technologies Automotive Ltd as technical specialist from 1989 to 1994. Mr Liew graduated with a Diploma in Mechatronic Engineering from Ngee Ann Polytechnic in 1998.

**MR MATHEW SIM
SIANG PING**
*General Manager
(Sub-Zero and
Wolf Division)*

Mr Mathew Sim Siang Ping has been with the Group since 2002. During his 12 years with the Group, he has covered various positions from Retail Manager, Account Manager, Senior Manager (Appliances Division) to presently General Manager (Sub-Zero and Wolf Division). Mr Sim is fully responsible for the day-to-day running of the Sub-Zero and Wolf Division, focusing on sales, marketing, after-sales, logistics and product training. Prior to joining Kitchen Culture, he was a store manager for HMV Pte Ltd from 1997 to 2002. From 1992 to 1997, he was a retail sales executive with Kim Hup Lee & Co. (Private) Limited.

2015 CALENDAR OF EVENTS

Together with joint venture partners, Kitchen Culture opened two mono brand retail showrooms, Liebherr and Snaidero, in Hong Kong.



KCROOM, a premium kitchen appliance reseller, was launched in Singapore to showcase exclusive kitchen appliances to customers.



KCUBE, a new brand launched to provide a total kitchen and wardrobe solution targeted at new discerning customers.



Kitchen Culture sponsored the location for Channel NewsAsia for the "Common Cents" program hosted by Cheryl Fox. The show featured radio DJs Mike Kasem and Sonia Chew in a cooking showdown.



Kitchen Culture organizes a series of cooking classes for stakeholders. Participants are taught recipes, with hands-on participation with appliances, by our very own in-house chef.



In collaboration with Senso's Group, Kitchen Culture hosted an exclusive cooking class for valued clients. Attendees got to enjoy different cuisines from expert chefs.



Kitchen Culture invited Epicure's MasterClass customers to come down for a private demonstration of our appliances and what they can do.



A cooking class by Chef Mervyn was hosted for key stakeholders. Held together with Sub-Zero and Wolf, the focus was on cooking for festive events, and included a hands-on and demonstration on how to make mooncakes.



The Board of Directors (the "Board" or "Directors") of Kitchen Culture Holdings Ltd. (the "Company", and together with its subsidiaries, the "Group") is committed to maintaining a high standard of corporate governance within the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company believes that, the Singapore Code of Corporate Governance 2012 (the "Code") serves as a practical guide in defining duties and responsibilities of the Board.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the Singapore Exchange Listing Manual Section B: Rules of Catalist (the "Catalist Rules") requirements.

The Board confirms that, for the financial year ended 31 December 2015 ("FY2015"), the Company has generally adhered to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

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 management remains accountable to the board.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group and to protect and enhance long-term shareholders' value.

Matters which specifically require the Board's decision or approval are those involving:

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of Directors for appointment to the Board and appointment of key personnel;
- announcement of half-year and full-year results, the annual report and financial statements;
- material acquisitions and disposal of assets;
- all matters of strategic importance; and
- corporate governance.

Board committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), have been established to assist the Board in the discharge of specific responsibilities. These committees are chaired by Independent Directors and function within clearly defined terms of reference and operating procedures.

CORPORATE
GOVERNANCE REPORT

The Board meets at least twice a year at regular intervals. Telephonic attendance at Board meetings is allowed under the Company's Constitution. The Board and Board committees may also make decisions by way of circulating resolutions. Besides the scheduled Board meetings, the Board meets on an ad hoc basis as warranted by particular circumstances.

There was no new Director appointed in FY2015. When a new Director is to be appointed, he will receive appropriate orientation to familiarise him with the business and organisation structure of the Group. To get a better understanding of the Group's business, the newly appointed Director will also be given the opportunity to visit the Group's operational facilities and meet with the management of the Group (the "Management"). The Directors are provided with updates on changes in the relevant new rules and regulations to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. The Directors may also attend appropriate courses, conferences and seminars at the Company's expenses.

During FY2015, the number of meetings held and attended by each member of the Board is as follows:

Types of Meetings Names of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Lim Wee Li	2	2	2	2*	1	1*	1	1*
Ong Beng Chye	2	2	2	2	1	1	1	1
Kesavan Nair	2	2	2	2	1	1	1	1
Joanne Khoo Su Nee	2	2	2	2	1	1	1	1

Note:

* By invitation

Board Composition and Guidance

Principle 2: *There should be a strong and independent element on the board, which is able to exercise objective judgment 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 consists of four members, three of whom are Independent Directors. This composition complies with the Code's guideline that at least half of the Board should be made up of Independent Directors, where the Chairman of the Board and the Chief Executive Officer (the "CEO") is the same person. The Board includes one female Director in recognition of the value of gender diversity.

Executive Director

Mr Lim Wee Li (Executive Chairman and CEO)

Independent Directors

Mr Ong Beng Chye (Lead Independent Director)

Mr Kesavan Nair

Ms Joanne Khoo Su Nee

The independence of each Director is subject to annual review by the NC. The NC adopts the definition in the Code as to what constitutes an independent director in its review to ensure that the Board consists of persons who, together, will provide core competencies necessary to meet the Company's objectives. In this regard, the NC is of the view that Mr Ong Beng Chye, Mr Kesavan Nair and Ms Joanne Khoo Su Nee are independent.

In view that at least half of the Board is made up of Independent Directors, the Board and the NC are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs.

There was no Director who has served on the Board beyond nine years from the date of his or her first appointment.

The Board, through the NC, has examined its size and composition and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group. The Board and the NC are of the view that no individual or small group of individuals dominates the Board's decision-making process.

There is adequate relevant competence on the part of the Directors, who, as a group, carry specialist backgrounds in law, accounting, finance, business and management as well as strategic planning. The Independent Directors participate actively in Board meetings. Where necessary, the Independent Directors meet and discuss on the Group's affairs without the presence of the Management.

Chairman and Chief Executive Officer

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

Mr Lim Wee Li currently assumes the roles of both the Executive Chairman and CEO. As the Executive Chairman, he is responsible for leading the Board to ensure its effectiveness on all respects of its role, ensuring effective communication with shareholders, encouraging constructive relations within the Board and between the Board and the Management, and promoting high standards of corporate governance. As the CEO, he is responsible for the formulation of the Group's strategic directions and expansion plans, and managing the Group's overall business development.

Taking into account the current corporate structure, size, nature and scope of the Group's operations, the Board is of the view that it is not necessary to separate the roles of the Executive Chairman and CEO.

CORPORATE GOVERNANCE REPORT

To promote a high standard of corporate governance, Mr Ong Beng Chye has been appointed as the Lead Independent Director as well as the Chairman of the AC. In accordance with the Code, Mr Ong Beng Chye is available to shareholders when they have concerns where contact through the normal channels of the Executive Chairman and CEO, and/or Chief Financial Officer ("CFO") has failed to resolve or for which such contact is inappropriate. The Independent Directors led by the Lead Independent Director, discuss or meet amongst themselves without the presence of the Executive Chairman and CEO where necessary. The Lead Independent Director will also provide feedback to the Executive Chairman and CEO after such discussions or meetings.

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 consists of three Independent Directors, namely Mr Kesavan Nair, Mr Ong Beng Chye and Ms Joanne Khoo Su Nee. The Chairman of the NC is Mr Kesavan Nair. The NC has written terms of reference that describe the responsibilities of its members.

The principal functions of the NC are as follows:

- (a) to review and recommend to the Board appointments and re-appointments of the Directors having regard to the Director's contribution and performance;
- (b) to determine, on an annual basis, if a Director is independent, guided by the independence guidelines contained in the Code;
- (c) to decide whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- (d) to assess the effectiveness of the Board as a whole and the Board committees as well as the contribution of each Director to the effectiveness of the Board;
- (e) to make plans for succession, in particular for the Chairman of the Board and CEO; and
- (f) to recommend to the Board comprehensive induction training programmes for new Directors and review of training and professional development programs for the Board.

The NC has reviewed the independence of each Director in accordance with the Code's definition of independence and is satisfied that more than half of the Board is made up of Independent Directors.

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new Directors through the business network of the Board. The NC will generally assess suitable candidates for appointment to the Board based on the requisite qualification, expertise and experience. If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion.

The Constitution of the Company provides that at least one-third of the Directors shall retire from office by rotation at each annual general meeting ("AGM") of the Company and, all Directors shall retire from office at least once every three years. A retiring Director is eligible for re-election by shareholders at the AGM.

CORPORATE GOVERNANCE REPORT

The NC assesses and recommends to the Board whether retiring Directors are suitable for re-election. The NC, in considering the re-appointment of a Director, evaluates such Director's contributions in terms of experience, business perspective and attendance at meetings of the Board and/or Board committees and pro-activeness of participation in meetings. Each member of the NC shall abstain from recommending his or her own re-election. The NC has recommended the re-election of two retiring Directors, namely Mr Kesavan Nair and Ms Joanne Khoo Su Nee at the forthcoming AGM. The Board has accepted the NC's recommendation.

The dates of initial appointment and re-election of the Directors as well as the Directors' directorships in other listed companies are set out below:

Name of Director	Date of Initial Appointment	Date of Last Re-election	Directorships in Other Listed Companies	
			Present	Past (Last three years)
Lim Wee Li	25 March 2011	30 April 2015	Nil	Nil
Ong Beng Chye	27 June 2011	30 April 2015	<ul style="list-style-type: none"> • Geo Energy Resources Limited • Hafary Holdings Limited • Heatec Jietong Holdings Ltd. • IPS Securex Holdings Limited 	Nil
Kesavan Nair	27 June 2011	28 April 2014	<ul style="list-style-type: none"> • Elektromotive Group Limited • HG Metal Manufacturing Limited • IEV Holdings Limited 	Nil
Joanne Khoo Su Nee	3 October 2012	26 April 2013	<ul style="list-style-type: none"> • TEHO International Inc Ltd. 	Nil

Notwithstanding that some of the Directors have multiple board representations, the Board is satisfied that each Director is able to and has been adequately carrying out his or her duties as a Director of the Company. As such, the Board does not propose to set the maximum number of listed company board representations which Directors may hold until such need arises. There is no alternate Director on the Board.

Key information regarding the Directors and information on shareholdings in the Company held by each Director are set out in the "Board of Directors" and "Directors' Statement" sections of this annual report respectively.

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 decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and

CORPORATE GOVERNANCE REPORT

the Board committees and for assessing the contribution from each individual Director to the effectiveness of the Board. Assessment checklists which include evaluation factors such as Board composition and structure, conduct of meetings, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, training and recruitment, compensation, financial reporting and communicating with shareholders, are disseminated to each Director for completion and the assessment results are discussed at the NC meeting. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his or her performance or re-nomination as a Director. No external facilitator had been engaged by the Board for this purpose.

Access to Information

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

Directors are furnished regularly with information from the Management about the Group as well as the relevant background information relating to the business to be discussed at Board meetings. The Directors are also provided with the contact details of the Management and the Company Secretaries to facilitate separate and independent access.

At least one of the Company Secretaries attends Board and Board committee meetings. Together with the Management, the Company Secretaries are responsible for ensuring that appropriate procedures are followed and that the requirements of the Companies Act, Cap. 50, and the provisions in the Catalist Rules are complied with. The appointment and the removal of the Company Secretary is a matter for the Board as a whole. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his or her duties and responsibilities as a Director.

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 RC consists of three Independent Directors, namely Ms Joanne Khoo Su Nee, Mr Kesavan Nair and Mr Ong Beng Chye. The Chairman of the RC is Ms Joanne Khoo Su Nee. The RC has written terms of reference that describe the responsibilities of its members.

The principal functions of the RC are as follows:

- (a) to review and recommend to the Board a general framework of remuneration for the Board and key management personnel and the specific remuneration packages and terms of employment (where applicable) for each Director, key management personnel and employees related to the Directors and substantial shareholders of the Company; and

- (b) to review all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.

The RC did not seek any external professional advice on remuneration of the Directors. When necessary, the RC would seek independent professional advice on remuneration matters at the expense of the Company.

Each member of the RC shall abstain from voting on any resolutions in respect of his or her remuneration package.

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 Company has a remuneration policy for its Executive Chairman and CEO, which consists of a fixed component and a variable component. The fixed and variable components are in the form of a base salary and a variable bonus respectively, which takes into account the performance of the Group and the performance of the Executive Chairman and CEO, as well as market rates. The performance-related elements of remuneration are designed to align the Executive Chairman and CEO's interest with those of shareholders and link rewards to corporate and individual performance. The Company does not have any employee share option scheme or other long-term employee incentive scheme.

Mr Lim Wee Li (Executive Chairman and CEO) is paid based on his service agreement with the Company. Under the service agreement, Mr Lim Wee Li will be paid an annual fixed bonus of one month of his last drawn salary. He is also entitled to receive an annual performance bonus based on the audited profit before tax of the Group when it exceeds \$1,000,000 for the financial year. No annual performance bonus has been paid for FY2015. The service agreement provides that the Company shall be entitled to recover from Mr Lim Wee Li the relevant portion of the bonus and any sum paid under the service agreement in the event that there is a restatement of the financial statements of the Company made to reflect the correction of a misstatement due to error or fraud (not change in accounting principle) during the financial year of the Company, or misconduct of Mr Lim Wee Li resulting in financial loss to the Company. The service agreement is automatically renewed on a year-to-year basis upon expiry on such terms and conditions as the parties may agree, and provided for, *inter alia*, termination by either party upon giving not less than six months' notice in writing.

The Independent Directors do not have service agreements with the Company. They are paid fixed Directors' fees, which are determined by the Board, appropriate to the level of their contributions, taking into account factors such as the effort and time spent and the responsibilities of each Independent Director. The Directors' fees are subject to approval by shareholders at the AGM. Except as disclosed, the Independent Directors do not receive any other remuneration from the Company.

CORPORATE
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Disclosure on Remuneration

Principle 9: Each 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.

The Board supports and is keenly aware of the need for transparency. However, the Board is of the view that full disclosure of the remuneration of the Directors and executive officers is not in the best interests of the Company, having taken into consideration the sensitive nature of the matter and the competitive business environment which the Group operates in.

A breakdown, showing the level and mix of each Director's remuneration for FY2015 is as follows:

Remuneration Band and Name of Director	Fee ⁽¹⁾ (%)	Salary (%)	Bonus (%)	Benefits (%)	Total (%)
\$250,000 to below \$500,000					
Lim Wee Li	–	82	7	11	100
Below \$250,000					
Ong Beng Chye	100	–	–	–	100
Kesavan Nair	100	–	–	–	100
Joanne Khoo Su Nee	100	–	–	–	100

Note:

(1) These fees are subject to the approval of the shareholders at the forthcoming AGM.

A breakdown, showing the level and mix of each executive officer's remuneration for FY2015 is as follows:

Remuneration Band and Name of Executive Officer	Salary (%)	Bonus (%)	Benefits (%)	Total (%)
Below \$250,000				
Tye Seng Kuen Alan ⁽¹⁾	–	–	–	–
Lim Swee Hua ⁽²⁾	–	–	–	–
Terrence Liew Fook Siong	79	7	14	100
Mathew Sim Siang Ping	74	7	19	100
Lim Soon Kiat Lucien ⁽³⁾	98	–	2	100
Lim Yii Fan ⁽⁴⁾	85	6	9	100
Lim Thiam Guan ⁽⁵⁾	80	6	14	100
Mahmud Bin Abdul Karim ⁽⁶⁾	67	5	28	100

Notes:

- (1) Mr Tye Seng Kuen Alan was appointed as Chief Operating Officer on 15 January 2016.
- (2) Mr Lim Swee Hua was appointed as Chief Financial Officer on 16 June 2016.
- (3) Mr Lim Soon Kiat Lucien ceased his employment as Chief Operating Officer on 5 January 2015.
- (4) Mr Lim Yii Fan ceased his employment as Chief Financial Officer on 16 January 2016.
- (5) Mr Lim Thiam Guan ceased his employment as Finance Manager on 26 April 2016.
- (6) Mr Mahmud Bin Abdul Karim ceased his employment as General Manager (Project and Retail, Design Development Division) on 29 April 2016.

The aggregate total remuneration paid to the above executive officers amounted to approximately \$748,000 for FY2015.

Other than disclosed elsewhere, there are no termination, retirement and post-employment benefits that may be granted to the Directors, Executive Chairman and CEO and executive officers of the Group.

There was no employee of the Group who is an immediate family member of the Directors or the Executive Chairman and CEO in FY2015.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

ACCOUNTABILITY AND AUDIT

Accountability

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

For the financial performance reporting via SGXNET, and the annual report to the shareholders, the Board has a responsibility to present a fair assessment of the Group's financial position, including the prospects of the Group. The Board also takes adequate steps to ensure compliance with legislative and regulatory requirements and observes obligations of continuing disclosure under the Catalist Rules.

The Management will provide all members of the Board with management accounts of the Group's performance with explanatory details on its operations on a half-yearly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. Board papers are given prior to any Board meeting to facilitate effective discussion and decision-making.

CORPORATE GOVERNANCE REPORT

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 ensures that the Management maintains a sound system of internal control to safeguard the shareholders' investment and the Group's assets.

The Company has a risk management committee made up of the Executive Chairman and CEO as well as executive officers. The Management regularly reviews and improves the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate such risks. The Management reviews significant control policies and procedures and highlights significant matters to the Board and the AC.

To enhance the Group's system of internal controls, the Board has appointed an international auditing firm, BDO LLP, to review, recommend and have subsequent rectifications follow-up on the Group's internal controls system, and to expand and enhance on its policies and procedures manual. BDO LLP and the independent auditor are two separate entities and independent of each other.

Based on the internal controls established and maintained by the Group, work performed by the independent auditor and internal auditor within the scope of their audits, and reviews performed by the risk management committee, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal controls systems in place are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group as at 31 December 2015. The Board and the AC note that all internal controls 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 Board will continue its risk assessment process, which is an on-going process, with a view to improve the Group's internal controls system.

The Executive Chairman and CEO assisted in overseeing the financial and compliance matters of the Group until the recent appointment of the current CFO. The Board has received assurance from the Executive Chairman and CEO that (a) the financial records have been properly maintained and the financial statements for FY2015 give a true and fair view of the Group's operations and finances; and (b) the Group has put in place and will continue to maintain a reasonably adequate and effective systems of risk management and internal controls.

Audit Committee

Principle 12: The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.

The AC consists of three Independent Directors, namely Mr Ong Beng Chye, Mr Kesavan Nair and Ms Joanne Khoo Su Nee. The Chairman of the AC is Mr Ong Beng Chye. The AC has written terms of reference that describe the responsibilities of its members. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

The AC shall meet periodically to perform, *inter alia*, the following functions:

- (a) to review the audit plans of the independent auditor and internal auditor, including the results of the independent auditor and internal auditor's review and evaluation of the system of internal controls of the Group;
- (b) to review the annual consolidated financial statements and the independent auditor's report on the financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from their audits including any matters which the independent auditor may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
- (c) to review the periodic consolidated financial statements comprising the statement of comprehensive income of the Group, statement of cash flows of the Group, statements of financial position of the Group and the Company and statements of changes in equity of the Group and the Company and such other information required by the Catalist Rules before submission to the Board for approval;
- (d) to review and discuss with the independent auditor and internal auditor, any suspected fraud, irregularity or infringement of any relevant laws, rules and 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;
- (e) to review the co-operation given by the Management to the independent auditor;
- (f) to consider the appointment or re-appointment of the independent auditor;
- (g) to review and ratify any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules;
- (h) to review any potential conflicts of interests;
- (i) to review the procedures by which employees of the Group may, in confidence, report to the chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;
- (j) to undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (k) to undertake generally such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC is given the task to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he or she is interested.

The AC has full access to and co-operation from the Management and full discretion to invite any Director and/or executive officer to attend its meetings, and has reasonable resources to enable it to discharge its functions properly.

The AC had met with the independent auditor, without the presence of the Management to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and the independence, objectivity and observations of the independent auditor.

CORPORATE GOVERNANCE REPORT

The AC confirms that it has undertaken a review of all non-audit services provided by the independent auditor and that such non-audit services would not, in the AC's opinion, affect the independence of the independent auditor. In the AC's opinion, the independent auditor, KPMG LLP is suitable for re-appointment and it has accordingly recommended to the Board that KPMG LLP be nominated for re-appointment as auditor of the Company at the forthcoming AGM.

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the independent auditor and the cost effectiveness of the audit. During FY2015, the aggregate amount of fees paid or payable to the independent auditor for the audit and non-audit services is reflected in Note 25 to the audited financial statements.

The Company has complied with Rules 712 and 715 of the Catalist Rules in appointing the audit firms for the Group for FY2015.

The Board has, on the recommendation of the AC, implemented a whistle blowing policy whereby the staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware. No such whistle blowing letter was received in FY2015.

It is the Company's practice for the independent auditor to present to the AC its audit plan and with updates relating to any change in accounting standards impacting the financial statements. During FY2015, the changes in accounting standards did not have any material impact on the Group's financial statements.

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

Internal Audit

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

The AC is aware of the need to establish a system of internal controls within the Group to safeguard the shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risks.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function at this juncture. The Company has therefore appointed BDO LLP, an international auditing firm, to undertake the functions of an internal auditor for the Group. The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The internal auditor reports directly to the AC and administratively to the Executive Chairman and CEO.

BDO LLP is an international auditing firm and performs its work based on the BDO Global Internal Audit Methodology which is consistent with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

The AC had met with BDO LLP, without the presence of the Management to discuss its findings on the Group's observance of internal control measures that are in place.

The AC has reviewed the adequacy of the internal audit function and is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group to perform its duties effectively. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including the access to the AC.

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.

The Group's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Group ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company.

All shareholders are entitled to attend the general meetings of the Company ("General Meetings") and are afforded the opportunity to participate effectively at the General Meetings. Shareholders are informed of the rules, including voting procedures, that govern General Meetings. All shareholders are allowed to vote in person or by proxy. The Constitution of the Company allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the General Meetings. Pursuant to the amendments to the Companies Act effective from 1 January 2016, corporations which provide nominee or custodial services are allowed to appoint more than two proxies to attend General Meetings.

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 is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. In line with the continuous disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, Cap. 50, it is the Board's policy to ensure that all shareholders are informed on a timely basis of every significant development that has an impact on the Group. Such information is disclosed in an accurate and comprehensive manner through SGXNET, press releases and the Company's website.

The Company does not practise selective disclosure. Results and annual reports are announced or issued within the mandatory period.

CORPORATE GOVERNANCE REPORT

The Company conducts its investor relations on the following principles:

- (a) Information deemed to be price-sensitive is disseminated without delay via announcements on SGXNET;
- (b) Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions; and
- (c) Operate an open policy with regard to investors' enquiries.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company'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. No dividend was paid or proposed for FY2015 as the Board feels it is prudent to retain cash resources so that the Company has the flexibility to execute its business plans effectively.

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 views on various matters affecting the company.

All shareholders will receive the Company's annual report and notice of AGM or General Meetings. Shareholders will be given the opportunity and time to voice their views and ask the Directors or the Management questions regarding the Company at the forthcoming AGM or any General Meetings. Resolutions at General Meetings are on each substantially separate issue.

The Chairman of the Board and of each Board committee is required to be present to address questions at the AGM or, if necessary, any General Meetings. The independent auditor will also be present at such meeting to assist the Directors to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. All minutes of AGM or General Meetings that include substantial and relevant comments or queries from the shareholders and responses from the Board and the Management are made available to the shareholders upon their request.

The Constitution of the Company allows any member of the Company, if he or she is unable to attend the meeting, to appoint not more than two proxies to attend and vote on his or her behalf at the meeting through proxy forms sent in advance. Pursuant to the amendments to the Companies Act effective from 1 January 2016, corporations which provide nominee or custodial services are allowed to appoint more than two proxies to attend General Meetings. As the authentication of shareholders' identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

The Board will adhere to the Catalist Rules where all resolutions are to be voted by poll for General Meetings held on or after 1 August 2015. An announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be made after any General Meetings.

ADDITIONAL INFORMATION

Dealing in Securities

The Company has adopted policies in line with the requirements of the Catalist Rules on dealings in the Company's securities.

The Company and its officers are prohibited from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month before the date of the announcement of the full-year or half-year results and ending on the date of the announcement of the relevant results.

In addition, Directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

Interested Person Transaction

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction.

All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Details of the interested person transaction entered into by the Group for FY2015 as required for disclosure pursuant to Rule 1204(17) of the Catalist Rules of the SGX-ST are set out below:

Name of interested person	Aggregate value of all interested person transactions during FY2015 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Lim Wee Li – Corporate guarantee over the loan ⁽¹⁾ provided by Lim Wee Li to a subsidiary of the Company	\$266,781	Nil

Note:

(1) Please refer to the "Material Contracts and Loans" section of this annual report for more information on the loan.

The Board confirms that the above interested person transaction was entered into on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Non-Sponsor Fees

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's sponsor, SAC Advisors Private Limited (formerly known as Canaccord Genuity Singapore Pte. Ltd.), for FY2015.

Material Contracts and Loans

With reference to Rule 1204(8) of the Catalist Rules, save as disclosed below, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the Executive Chairman and CEO or any Director or controlling shareholder of the Company, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

Loan Agreement dated 29 April 2015

Mr Lim Wee Li (the "Lender"), the Executive Chairman and CEO as well as a controlling shareholder of the Company, had entered into a loan agreement dated 29 April 2015 (the "Loan Agreement") with KHL Marketing Asia-Pacific Pte Ltd (the "Borrower"), a wholly-owned subsidiary of the Company in relation to the grant of a loan of \$250,000 (the "Loan").

The maturity date of the Loan shall be the date falling twenty-four (24) months from the date of disbursement of the Loan ("Maturity Date"). The Maturity Date may be extended by mutual agreement in writing. The quantum of the Loan actually disbursed ("Aggregate Indebtedness") shall be repaid in the following manner:

- (i) Any outstanding Aggregate Indebtedness and Interest (as defined below) shall be repaid by the Borrower to the Lender free from withholding or any form of deduction on the Maturity Date.
- (ii) The Aggregate Indebtedness and Interest may be repaid or prepaid by the Borrower (or any other person on its behalf) whether in full or part thereof at any time prior to the Maturity Date (without incurring any additional penalty) at any time after 1 May 2016 upon giving seven (7) days' notice to the Lender prior to the repayment of the Aggregate Indebtedness and Interest.
- (iii) Upon the occurrence of an event of default provided in the Loan Agreement, the Borrower shall be obliged at the option of the Lender serving seven (7) days' prior written notice on the Borrower to repay the entire Aggregate Indebtedness and Interest in full.

The Loan shall be interest bearing at a simple interest rate of ten per cent (10%) per annum (the "Interest") during the term accruing from the date of disbursement of the Loan to the actual repayment of the Loan and calculated on the basis of a 365-day calendar year. Interest shall be payable by the Borrower to the Lender on a monthly basis in arrears on the last day of each month commencing from the date of disbursement of the Loan in such manner as may be requested by the Lender until full repayment or settlement of the Aggregate Indebtedness by the Borrower to the Lender.

The Loan (including the Interest thereon) is secured by corporate guarantee from the Company.

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 42 to 107 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and the financial performance, cash flows of the Group and changes in equity of the Group and Company for the financial year then ended in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards and at the date of this statement, having regard to the continuing availability of credit facilities from financial institutions to the Group and that there will be sufficient cash flows to be generated from the Group's operations, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Lim Wee Li
Ong Beng Chye
Kesavan Nair
Joanne Khoo Su Nee

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and companies in which interests are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
Lim Wee Li				
Kitchen Culture Holdings Ltd.	64,700,000	60,300,000	10,000,000	14,400,000
Kitchen Culture (Hong Kong) Limited	–	–	3,000,000	7,000,000
Kitchen Culture (Macau) Limited	–	–	MOP17,500	MOP17,500

DIRECTORS' STATEMENT

3 DIRECTORS' INTERESTS (CONTINUED)

By virtue of Section 7 of the Singapore Companies Act, Mr. Lim Wee Li is deemed to have an interest in all the related corporations of the Company.

The directors' interests in the shares and options of the Company at 21 January 2016 were the same at 31 December 2015.

4 SHARE OPTIONS

Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

5 AUDIT COMMITTEE

The Audit Committee ("AC") of the Company is chaired by Mr. Ong Beng Chye, an independent director, and includes Mr. Kesavan Nair and Ms. Joanne Khoo Su Nee, who are both independent directors. The Audit Committee has met two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive director and external and internal auditors of the Company:

- (a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the directors of the Company;
- (d) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

5 AUDIT COMMITTEE (CONTINUED)

- (e) the co-operation and assistance given by the management to the Group's internal and external auditors; and
- (f) the re-appointment of the external auditors of the Group.

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 directors the nomination of KPMG LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

6 AUDITORS

Pursuant to a resolution passed at the Annual General Meeting held on 30 April 2015, KPMG LLP was appointed as auditors of the Company. The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the directors

Lim Wee Li

Ong Beng Chye

5 July 2016

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY KITCHEN CULTURE HOLDINGS LTD.

Report on the financial statements

We have audited the accompanying financial statements of Kitchen Culture Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position and statement of changes in equity of the Group and the Company as at 31 December 2015, the statement of profit or loss and other comprehensive income and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 42 to 107.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

INDEPENDENT AUDITORS' REPORT

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KITCHEN
CULTURE
HOLDINGS
LTD.
ANNUAL
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2015

Report on the financial statements (Continued)

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicates that the financial statements have been prepared on a going concern basis notwithstanding the net loss of \$6.0 million and the operating cash outflow of \$1.7 million for the current year. As of 31 December 2015, the Group has also breached a loan covenant as required by a bank (the "Bank") and triggered cross default on other banking facilities of the Group as disclosed in Note 18 to the financial statements. Subsequent to year end, the Group has fully repaid the Bank and terminated that facility on 30 June 2016. Credit facilities from other financial institutions continue to be available to the Group and a director has provided short-term advances amounting to \$3.0 million as at 30 June 2016 to meet the Group's short-term working capital requirements.

The financial statements have been prepared on a going concern basis, the validity of which premised on the continuing availability of credit facilities to the Group and that the Group generates sufficient cash flows from its operations by fulfilling its order books and meeting its retail sales target. Should the order books be subjected to variation, modification or cancellation by customers or the Group is unable to meet the targeted amounts of retail sales, the Group's cash flows would be impacted. In addition, guarantees issued by the Company may be called upon.

These conditions, along with other matters set forth in Note 2 indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and the Company to continue as a going concern if the cash flows from operating activities were found to be insufficient to meet the debt obligations as and when they fall due. If the Group is unable to continue as a going concern, it could have an impact on the Group's and the Company's classification of assets and liabilities and the Group and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial statements.

Other matter

The financial statements for the year ended 31 December 2014 were audited by another firm of auditors whose report dated 26 March 2015 expressed an unqualified opinion on those financial statements.

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 to which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

5 July 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 \$	2014 \$	2015 \$	2014 \$
Assets					
Cash and cash equivalents	5	3,257,939	3,067,150	21,767	31,910
Trade receivables	6	11,139,910	6,093,031	-	-
Other receivables	7	1,841,741	2,894,721	4,090,881	4,803,648
Inventories	8	10,760,610	13,292,426	-	-
Current assets		27,000,200	25,347,328	4,112,648	4,835,558
Property, plant and equipment	9	1,687,517	1,719,513	-	-
Investment property	10	276,883	-	-	-
Goodwill on consolidation	11	-	-	-	-
Subsidiaries	12	-	-	1,500,005	1,500,005
Investment in joint venture	13	-	-	-	-
Trade receivables	6	674,385	1,472,211	-	-
Deferred tax assets	19	350,582	-	-	-
Non-current assets		2,989,367	3,191,724	1,500,005	1,500,005
Total assets		29,989,567	28,539,052	5,612,653	6,335,563
Liabilities					
Trade payables	14	7,646,581	6,120,681	-	-
Other payables	15	2,353,435	1,002,690	297,931	232,963
Finance lease liabilities	17	58,058	50,216	-	-
Borrowings	18	8,414,731	6,724,976	-	-
Income tax payable		4,429	4,429	-	-
Current liabilities		18,477,234	13,902,992	297,931	232,963
Finance lease liabilities	17	114,563	69,658	-	-
Borrowings	18	4,250,000	2,083,333	-	-
Deferred tax liabilities	19	-	85,000	-	-
Non-current liabilities		4,364,563	2,237,991	-	-
Total liabilities		22,841,797	16,140,983	297,931	232,963
Equity					
Share capital	20	6,231,259	6,231,259	6,231,259	6,231,259
Translation reserve	21	374,915	88,683	-	-
Retained earnings/(Accumulated losses)		734,090	6,078,414	(916,537)	(128,659)
Equity attributable to owners of the Company		7,340,264	12,398,356	5,314,722	6,102,600
Non-controlling interests		(192,494)	(287)	-	-
Total equity		7,147,770	12,398,069	5,314,722	6,102,600
Total liabilities and equity		29,989,567	28,539,052	5,612,653	6,335,563

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$	2014 \$
Revenue	22	26,609,899	22,103,895
Cost of sales		(13,945,575)	(12,624,849)
Gross profit		12,664,324	9,479,046
Other income	23	1,071,963	134,304
Selling and distribution expenses		(9,143,014)	(7,285,714)
Other operating expenses		(5,098,375)	(147,661)
General and administrative expenses		(5,159,140)	(3,234,523)
Loss from operations		(5,664,242)	(1,054,548)
Finance costs	24	(835,220)	(298,650)
Share of results of joint venture		-	-
Loss before tax	25	(6,499,462)	(1,353,198)
Tax credit/(expense)	26	452,433	(41,174)
Loss for the year		(6,047,029)	(1,394,372)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		316,809	47,993
Exchange differences transferred to profit or loss upon remeasurement of investment		(11,014)	-
Other comprehensive income for the year, net of tax		305,795	47,993
Total comprehensive income for the year		(5,741,234)	(1,346,379)
Loss attributable to:			
Owners of the Company		(5,344,324)	(1,327,699)
Non-controlling interests		(702,705)	(66,673)
		(6,047,029)	(1,394,372)
Total comprehensive income attributable to:			
Owners of the Company		(5,058,092)	(1,279,639)
Non-controlling interests		(683,142)	(66,740)
		(5,741,234)	(1,346,379)
Loss per share			
Basic and diluted (cents)	27	(5.3)	(1.3)

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

STATEMENTS OF
CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

Group

	Share capital \$	Translation reserve \$	Retained earnings/ (Accumulated losses) \$	Attributable to owners of the Company \$	Non- controlling interests \$	Total equity \$
At 1 January 2014	6,231,259	40,623	7,547,815	13,819,697	(74,528)	13,745,169
Total comprehensive income for the year						
Loss for the year	–	–	(1,327,699)	(1,327,699)	(66,673)	(1,394,372)
Other comprehensive income						
Exchange differences on translation of foreign operations	–	48,060	–	48,060	(67)	47,993
Total other comprehensive income	–	48,060	–	48,060	(67)	47,993
	–	48,060	(1,327,699)	(1,279,639)	(66,740)	(1,346,379)
Transactions with owners, recognised directly in equity						
Contributions by and distribution to owners						
Issue of ordinary shares	–	–	–	–	1,279	1,279
Total contributions by and distribution to owners	–	–	–	–	1,279	1,279
Changes to ownership interests in subsidiaries						
Acquisition of non- controlling interests in a subsidiary without a change in control (Note 31)	–	–	(141,702)	(141,702)	139,702	(2,000)
Total changes to ownership interests in subsidiaries	–	–	(141,702)	(141,702)	139,702	(2,000)
Total transaction with owners	–	–	(141,702)	(141,702)	140,981	(721)
At 31 December 2014	<u>6,231,259</u>	<u>88,683</u>	<u>6,078,414</u>	<u>12,398,356</u>	<u>(287)</u>	<u>12,398,069</u>

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

STATEMENTS OF
CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

Group

	Share capital \$	Translation reserve \$	Retained earnings/ (Accumulated losses) \$	Attributable to owners of the Company \$	Non- controlling interests \$	Total equity \$
At 1 January 2015	6,231,259	88,683	6,078,414	12,398,356	(287)	12,398,069
<u>Total comprehensive income for the year</u>						
Loss for the year	-	-	(5,344,324)	(5,344,324)	(702,705)	(6,047,029)
Other comprehensive income	-					
Exchange differences on translation of foreign operations	-	297,246	-	297,246	19,563	316,809
Exchange differences transferred to profit or loss upon remeasurement of investment	-	(11,014)	-	(11,014)	-	(11,014)
Total other comprehensive income	-	286,232	-	286,232	19,563	305,795
	-	286,232	(5,344,324)	(5,058,092)	(683,142)	(5,741,234)
Transactions with owners, recognised directly in equity						
Changes to ownership interests in subsidiaries						
Acquisition of non- controlling interests in a joint venture with change in control (Note 31)	-	-	-	-	490,935	490,935
Total transactions with owners	-	-	-	-	490,935	490,935
At 31 December 2015	6,231,259	374,915	734,090	7,340,264	(192,494)	7,147,770

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

STATEMENTS OF
CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

Company

	Share capital \$	Retained earnings/ (Accumulated losses) \$	Total \$
At 1 January 2014	6,231,259	55,723	6,286,982
Loss for the year, representing total comprehensive income for the year	—	(184,382)	(184,382)
At 31 December 2014	6,231,259	(128,659)	6,102,600
Loss for the year, representing total comprehensive income for the year	—	(787,878)	(787,878)
At 31 December 2015	<u>6,231,259</u>	<u>(916,537)</u>	<u>5,314,722</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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	Note	2015 \$	2014 \$
Operating activities			
Loss for the year		(6,499,462)	(1,353,198)
Adjustments for:			
Remeasurement gain on previously held joint venture	31	(643,566)	–
Loss on settlement on pre-existing relationship	31	112,157	–
Impairment of goodwill on consolidation		2,834,058	–
Depreciation of property, plant and equipment		860,857	428,743
Property, plant and equipment written off		33,720	7,794
Interest expense		835,220	298,650
Interest income		(146,958)	(2,869)
Unrealised foreign exchange loss		234,728	28,887
Operating cash flows before movements in working capital		(2,379,246)	(591,993)
Inventories		3,937,817	(981,352)
Trade and other receivables		(2,133,919)	2,705,613
Trade and other payables		(1,130,928)	(1,002,455)
Cash (used in)/generated from operating activities		(1,706,276)	129,813
Income taxes received/(paid)		24,814	(536,369)
Net cash used in operating activities		(1,681,462)	(406,556)
Investing activities			
Net cash inflow/(outflow) from acquisition of subsidiary	31	76,501	(2,000)
Payment for deferred consideration on acquisition of subsidiary		(332,438)	–
Interest received		10,257	2,869
Purchase of property, plant and equipment		(859,265)	(603,247)
Net cash used in investing activities		(1,104,945)	(602,378)
Financing activities			
Fixed deposit pledged to bank		(418)	(167,087)
Proceeds from issue of shares		–	1,279
Proceeds from borrowings		14,760,421	7,704,976
Repayment of borrowings		(10,903,999)	(6,352,402)
Repayment of finance leases		(60,113)	(50,216)
Repayment of advances from directors		–	(846,820)
Interest paid		(815,219)	(298,650)
Net cash from (used in) financing activities		2,980,672	(8,920)
Net increase (decrease) in cash and cash equivalents		194,265	(1,017,854)
Cash and cash equivalents at beginning of the year		2,900,063	3,919,654
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies		(3,894)	(1,737)
Cash and cash equivalents at end of the year	5	3,090,434	2,900,063

Significant non-cash transactions

During the financial year, the Group acquired property, plant and equipment totalling \$969,191(2014: \$603,247), of which \$109,926 (2014: \$Nil) was acquired under finance lease.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

1 GENERAL INFORMATION

The Company is incorporated in Singapore with its principal place of business and registered office at 25 New Industrial Road, #02-01, KHL Industrial Building, Singapore 536211. The Company is listed on the Catalist board of the Singapore Exchange. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements. The Group is primarily involved in the selling and distribution of imported high-end kitchen systems and appliances, wardrobe systems and household furniture and accessories.

The consolidated financial statements were authorised for issue by the Board of Directors on 5 July 2016.

2 GOING CONCERN

The Group recorded a net loss after tax for the year ended 31 December 2015 of \$6.0 million, and has a cash outflow of \$1.7 million for its operating activities. As at 31 December 2015, the Group's current assets (which includes inventories of \$10.8 million and amount due from construction contracts of \$4.7 million) exceeded its current liabilities by \$8.5 million.

As disclosed in Note 18, the Group breached a bank covenant as required by a bank ("the Bank"). This breach of the covenant triggered the cross-default clauses of facilities from other financial institutions and as a result, the Group's bank borrowings of \$8.4 million could be called for repayment at any time upon notification by financial institutions, and consequently a non-current portion of the term loan amounting to \$1.3 million has been re-classified to "current" liabilities as at 31 December 2015. Whilst the Group has a net current asset at 31 December 2015, the inventories and amounts due from construction contracts may not be quickly converted into cash to meet the Group's current liabilities.

Subsequent to year end, the Group has fully repaid the Bank and terminated that facility on 30 June 2016. Credit facilities from other financial institutions continue to be available to the Group and a director has provided short-term advances amounting to \$3.0 million as at 30 June 2016 to meet the Group's short-term working capital requirements. In addition, the Group continues to source for new projects and customers and is undertaking initiatives to reduce the level of inventories held and other costs of operations.

On the basis that the Group has continuous support from the financial institutions and is able to generate sufficient cash flows from its operations by fulfilling its order books and meeting its retail sales target, the Board of Directors is confident that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate. As such, the financial statements have been prepared on a going concern basis, which assumes that the Group and the Company will be able to meet its debt obligations as and when they fall due within the next twelve months.

Notwithstanding the above, the Board of Directors acknowledges that there remain uncertainties over the ability of the Group to generate the necessary cash flows to meet its obligations. These uncertainties include order books subject to variation, modification and cancellation by customers, as well as retail sales unable to meet the targeted amounts. In addition, guarantees issued by the Company as disclosed in Note 28(c)(iii) may be called upon.

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2 GOING CONCERN (CONTINUED)

The above are material uncertainties which may cast significant doubt on the ability of the Group and the Company to continue as a going concern. If the Group is unable to continue as a going concern, it could have an impact on the Group's and the Company's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 10 – Investment property
- Note 28 – Financial instruments
- Note 31 – Acquisition of a subsidiary

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Adoption of new and revised standards

On 1 January 2015, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

	Effective date (annual periods beginning on or after)
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 1 <i>Presentation of Financial Statements: Disclosure Initiative</i>	1 January 2016
Amendments to FRS 7 <i>Statement of Cash Flows: Disclosure Initiative</i>	1 January 2017
Amendments to FRS 27 <i>Separate Financial Statements: Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 16 <i>Property, Plant and Equipment</i> and FRS 38 <i>Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 110 <i>Consolidated Financial Statements</i> and FRS 28 <i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to FRS 110 <i>Consolidated Financial Statements</i> , FRS 112 <i>Disclosure of Interests in Other Entities</i> , FRS 28 <i>Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to FRS 111 <i>Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Improvements to Financial Reporting Standards (November 2014)	1 January 2016

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets. The following sets out the key requirements of FRS 109.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Adoption of new and revised standards (Continued)

FRS 109 *Financial Instruments* (Continued)

All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at fair value through profit or loss (FVTPL) at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

Management is currently evaluating the potential impact of the application of FRS 109 on the financial statements of the Group and of the Company in the period of initial application.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Adoption of new and revised standards (Continued)

FRS 115 Revenue from Contracts with Customers (Continued)

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management is currently evaluating the potential impact of the application of FRS 115 on the financial statements of the Group and of the Company in the period of initial application.

The Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Stock Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (“IFRS”) for financial year ending 31 December 2018 onward. Singapore-incorporated companies listed on SGX will need to assess the impact of IFRS 1: *First-time adoption of IFRS* when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- The size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries 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 their subsidiaries. Any difference between the amount of which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

3.4 Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Business combination (Continued)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their 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 recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Business combination (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

3.5 Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105.

Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Joint ventures (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3.6 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as 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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the 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.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Goodwill (Continued)

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.7 Financial instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees 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. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

The Group classifies financial assets into the loans and receivables category.

Loans and receivables

Trade receivables, loans and other receivables that 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 method, except for short-term receivables when the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

Effective interest method (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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

Financial liabilities

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

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing loans, bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities (Continued)

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 Revenue.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

3.8 Leases

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

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases 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 use 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 as an expense over the lease term on the same basis as the lease income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Leases (Continued)

The Group as lessee

Assets held under finance leases are recognised as assets 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 directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.9 Construction contracts

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability under trade and other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises 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 weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3.11 Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than asset under construction, over their estimated useful lives, using the straight-line method, as follows:

	<u>No. of years</u>
Leasehold property	over the lease terms of 25 years
Renovations	5 years
Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 to 10 years
Operating equipment	5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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.

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 amounts of the asset and is recognised in profit or loss.

3.12 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. The Group has elected to measure its investment property using the cost model. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Investment property (Continued)

The investment property is depreciated over the shorter of the lease term and its useful life unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful life of the investment property is the shorter of its lease term of 23 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.13 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it.

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's obligation.

3.15 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from service is recognised during the financial year in which the services are rendered by reference to the completion of actual service provided as a proportion of the total services to be performed.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to progress of construction work based on surveys of work performed to date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus representing amounts due from customers is shown as 'construction contracts in progress' and included under 'trade and other receivables'. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus representing amounts due to customers is shown as 'billings in advance of work completed' and included under 'deferred income'. Amounts received before the related work is performed are shown as 'customer advances' and included under 'deferred income'.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue recognition (Continued)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income

The Group's policy for recognition of revenue from operating leases is described in Note 3.8.

3.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.18 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. 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 retirement benefit plan.

3.19 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

3.20 Income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income 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 calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Income tax (Continued)

Deferred tax is recognised on the 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. 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 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of 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.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

NOTES TO THE FINANCIAL STATEMENTS

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Income tax (Continued)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.21 Foreign currency transactions and translation

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 and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

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

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

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

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Foreign currency transactions and translation (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.22 Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash on hand and fixed deposits, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies and assessment of going concern, which are described in Notes 2 and 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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.

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4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the entity's accounting policies

Management did not make any material judgements that have significant effect on the amounts recognised in the financial statements except for those affecting accounting estimates as disclosed below.

Key sources of estimation uncertainty

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

Cash flows projection

In assessing the cash flows projection to support the going concern assumption, management has estimated the future cash flows to be generated by the Group based on projected order books and retail sales. Significant assumptions are required in determining the amount and timing of the estimated project and retail revenue and the relevant costs and expenses. The Group relies on past experience and knowledge of the project and retail managers.

The resulting cash flows could change significantly as a result of changes in market conditions and the key assumptions such as variation, modification and cancellation by project customers and retail sales not being able to meet the targeted amounts.

Allowance for doubtful debts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts require the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate have been changed. The carrying amounts of the Group's trade and other receivables and the related allowances for doubtful debts are disclosed in Notes 6 and 7 to the financial statements respectively.

Allowances for inventories

Management determines whether an allowance for inventory obsolescence or slow-moving inventories or for any shortfall in net realisable value of inventories by reviewing the inventory listing on a periodic basis. The review involves a comparison of the carrying value of the inventory items with the respective net realisable value as well as the forecasted demand for the inventories. Arising from the review, management sets up the necessary allowance for obsolete and slow-moving inventories or for any shortfall in the net realisable value of the inventories. The carrying amounts of the Group's inventories are disclosed in Note 8 to the financial statements.

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4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period and details of the impairment loss recognised during the financial year are provided in Note 11 to the financial statements.

Impairment of investment in subsidiaries

The Company assesses annually whether its investment in subsidiaries exhibits any indication of impairment. Where such indications exist, the recoverable amounts of the investment in subsidiaries will be determined based on value-in-use calculations. The value-in-use calculation requires the Company to estimate the future cash flows expected from these investments and a suitable discount rate in order to calculate present value. The carrying amount of the investment in subsidiaries is disclosed in Note 12 to the financial statements.

Construction contracts

The Group recognised contract revenue by reference to the stage of completion of the project activity at the end of reporting period, when the outcome of a construction project can be estimated reliably. The stage of completion is measured by reference to the proportion of value of work certified for work performed to-date compared to the total project revenue.

Significant assumptions are required in determining the stage of completion, the extent of the project costs incurred, the estimated total project revenue and total budgeted project costs, as well as the recoverability of the projects. Total project revenue also includes an estimation of the variation works and claims that are recoverable from the customers. In making these estimates, the Group relied on past experience and knowledge of the project managers.

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5 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Bank balances	3,090,434	2,900,063	21,767	31,910
Fixed deposit	167,505	167,087	-	-
	3,257,939	3,067,150	21,767	31,910
Pledged fixed deposit	(167,505)	(167,087)	-	-
Cash and cash equivalents in the consolidated statement of cash flows	3,090,434	2,900,063	21,767	31,910

Fixed deposit bears interest rate of 0.25% (2014: 0.25%) per annum with maturity date of three months after the end of the reporting period. The fixed deposit is pledged to a bank to secure banking facilities.

6 TRADE RECEIVABLES

	Group	
	2015 \$	2014 \$
<u>Current</u>		
Trade receivables	5,252,467	2,397,660
Amount due from a joint venture (trade)	-	47,012
Retention sums (Note 16)	2,131,468	1,101,502
	7,383,935	3,546,174
Allowance for doubtful receivables	(940,093)	(368,180)
Net trade receivables	6,443,842	3,177,994
Amount due from customers on construction contracts (Note 16)	4,696,068	2,915,037
	11,139,910	6,093,031
<u>Non-current</u>		
Retention sums (Note 16)	674,385	1,472,211

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6 TRADE RECEIVABLES (CONTINUED)

Movement in allowance for doubtful receivables:

	Group	
	2015	2014
	\$	\$
At beginning of the year	368,180	353,335
Allowance made during the year	589,865	15,707
Recovered during the year	(1,009)	(658)
Written off during the year	(9,276)	–
Exchange differences	(7,667)	(204)
At end of the year	<u>940,093</u>	<u>368,180</u>

The average credit period on sale of goods is 60 days (2014: 60 days). No interest is charged on the trade receivables.

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically.

Trade receivables are provided for based on estimated irrecoverable amounts determined by reference to past default experience, including customers who have exhibited indicators of possible default. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Included in the Group's trade receivables are debtors with carrying amounts of \$2,335,991 (2014: \$1,465,370) which are past due at the end of the reporting period for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The table below is an analysis of trade receivables as at the end of reporting period:

	Group	
	2015	2014
	\$	\$
Not past due and not impaired	9,478,304	6,099,872
Past due but not impaired ⁽ⁱⁱ⁾	<u>2,335,991</u>	<u>1,465,370</u>
	<u>11,814,295</u>	<u>7,565,242</u>
Impaired receivables – individually assessed ⁽ⁱⁱⁱ⁾		
Past due more than 180 days	940,093	368,180
Less: Allowance for impairment	<u>(940,093)</u>	<u>(368,180)</u>
	–	–
Trade receivables, net	<u>11,814,295</u>	<u>7,565,242</u>

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6 TRADE RECEIVABLES (CONTINUED)

(i) Aging of receivables that are past due but not impaired:

	Group	
	2015	2014
	\$	\$
1 day to 60 days	1,313,855	1,381,853
More than 60 days	1,022,136	83,517
	2,335,991	1,465,370

(ii) These amounts are stated before any deduction for impairment losses.

7 OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Deposits	1,126,121	640,618	-	-
Prepayments	630,733	165,893	34,500	35,733
Other receivables	84,887	78,003	-	17,414
Amounts due from subsidiaries	-	-	5,111,433	2,755,400
Amounts due from joint venture	-	2,351,590	-	2,336,484
	1,841,741	3,236,104	5,145,933	5,145,031
Allowance for doubtful receivables	-	(341,383)	(1,055,052)	(341,383)
	1,841,741	2,894,721	4,090,881	4,803,648

Movement in allowance for doubtful receivables:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
At beginning of the year	341,383	341,383	341,383	341,383
Arising during the year	-	-	713,669	-
Eliminated on consolidation ⁽ⁱ⁾	(341,383)	-	-	-
	-	341,383	1,055,052	341,383

(i) During the year, the joint venture entity became a subsidiary of the Group and all balances were eliminated on consolidation.

Amounts due from subsidiaries and joint venture

Balances from subsidiaries and joint venture are non-trade in nature, unsecured, interest free and repayable on demand.

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8 INVENTORIES

	Group	
	2015	2014
	\$	\$
Finished goods	9,985,044	12,459,078
Goods-in-transit	775,566	833,348
	<u>10,760,610</u>	<u>13,292,426</u>

Movement in allowance for inventory obsolescence are as follows:

	Group	
	2015	2014
	\$	\$
Balance at beginning of the year	775,734	669,387
Allowance made during the year (Note 25)	1,501,565	111,341
Reversal of allowance (Note 25)	(661,251)	(2,865)
Exchange differences	(16,400)	(2,219)
Balance at end of the year	<u>1,599,648</u>	<u>775,644</u>

The cost of inventories recognised as an expense includes \$899,779 (2014: \$111,341) in respect of write-downs of inventory to net realisable value and \$601,786 (2014: \$Nil) in respect of inventory written-off, and has been reduced by \$661,251 (2014: \$2,865) in respect of the reversal of such allowance upon reassessment of the allowance in the current year. The charge and reversal to the current year profit or loss were included in "Other operating expenses".

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9 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property \$	Renovations \$	Furniture and fittings \$	Office equipment \$	Motor vehicles \$	Operating equipment \$	Total \$
Cost							
At 1 January 2014	319,480	1,167,232	449,805	515,419	904,570	25,030	3,381,536
Additions	-	457,239	11,579	109,722	24,707	-	603,247
Disposals	-	-	(9,950)	-	-	-	(9,950)
Exchange differences	-	(5,307)	(2,998)	(1,142)	(1,176)	-	(10,623)
At 31 December 2014	319,480	1,619,164	448,436	623,999	928,101	25,030	3,964,210
Additions	-	695,221	11,511	75,223	187,236	-	969,191
Acquisition through business combination	-	103,803	33,763	42,850	-	-	180,416
Write-off	-	(181,506)	-	-	-	-	(181,506)
Reclassified to investment property (Note 10)	(319,480)	-	-	-	-	-	(319,480)
Exchange differences	-	(2,398)	(18,171)	(5,484)	(8,386)	-	(34,439)
At 31 December 2015	-	2,234,284	475,539	736,588	1,106,951	25,030	4,578,392
Accumulated depreciation							
At 1 January 2014	17,039	513,800	248,183	252,986	781,531	12,030	1,825,569
Depreciation for the year	12,779	212,133	60,975	51,999	85,851	5,006	428,743
Disposals	-	-	(2,156)	-	-	-	(2,156)
Exchange differences	-	(2,730)	(2,743)	(810)	(1,176)	-	(7,459)
At 31 December 2014	29,818	723,203	304,259	304,175	866,206	17,036	2,244,697
Depreciation for the year	12,779	621,315	63,196	110,280	48,281	5,006	860,857
Write-off	-	(147,786)	-	-	-	-	(147,786)
Reclassified to investment property (Note 10)	(42,597)	-	-	-	-	-	(42,597)
Exchange differences	-	7,993	(17,672)	(4,968)	(9,649)	-	(24,296)
At 31 December 2015	-	1,204,725	349,783	409,487	904,838	22,042	2,890,875
Carrying amounts							
At 31 December 2014	289,662	895,961	144,177	319,824	61,895	7,994	1,719,513
At 31 December 2015	-	1,029,559	125,756	327,101	202,113	2,988	1,687,517

The Group has motor vehicles with carrying amounts of \$90,521 (2014: \$1) under finance leases arrangements.

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10 INVESTMENT PROPERTY

	Group	
	2015	2014
	\$	\$
Cost		
At 1 January	-	-
Reclassified from property, plant and equipment (Note 9)	276,883	-
At 31 December	276,883	-

During the financial year, the owner-occupied leasehold property has been reclassified from property, plant and equipment to investment property due to a change in use from owner-occupation to leasing of the property for rental income and capital appreciation.

The Group's investment property is held for capital appreciation and/or to earn rental and are expected to be recovered through sale. There was no operating lease income and no significant direct operating expenses (including repairs and maintenance) were incurred on the investment property.

Fair value measurement of the Group's investment properties

The Group's investment property as at 31 December 2015 was valued by the directors of the Group who formed an opinion based on transactions of similar property in the vicinity and that the value of the investment property is approximately \$600,000 (2014: \$nil).

The fair value measurement of investment property not carried at fair value but for which fair values are disclosed has been categorised as a Level 2 fair value based on the inputs to the valuation technique used (see Note 3.1).

11 GOODWILL

	Group
	\$
Cost	
At 1 January 2015	-
Arising on acquisition of subsidiaries (Note 31)	2,697,402
Exchange differences	136,656
At 31 December 2015	2,834,058
Impairment	
At 1 January 2015	-
Impairment loss	2,834,058
At 31 December 2015	2,834,058
Carrying amount	
At 31 December 2015	-

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11 GOODWILL (CONTINUED)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of the goodwill had been fully allocated to Kitchen Culture (Hong Kong) Limited which the Group has determined the subsidiary to be a single CGU.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectation of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budget and extrapolates cash flows for the following five years based on an estimated growth rate of 3% per annum. The rate used to discount the forecasted cash flows from Kitchen Culture (Hong Kong) Limited is 13.78%.

The review led to a reduction in the CGU through the recognition of an impairment loss against goodwill of \$2,834,058 in profit or loss and included under other operating expenses.

12 SUBSIDIARIES

	Company	
	2015 \$	2014 \$
Unquoted equity shares at cost	1,500,005	1,500,005

Details of significant subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and operations	Proportion of ownership interest and voting power held	
			2015 %	2014 %
<u>Held by the Company</u>				
KHL Marketing Asia-Pacific Pte. Ltd. ("KHLM")	Sales and distribution of kitchen system and appliances, wardrobe system, household furniture and appliances	Singapore	100	100
Kitchen Culture (China) Limited ⁽ⁱⁱ⁾	Dormant	Hong Kong	100	100
KHL (Hong Kong) Limited ⁽ⁱⁱⁱ⁾	Investment holding	Hong Kong	100	100

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12 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Country of incorporation and operations	Proportion of ownership interest and voting power held	
			2015 %	2014 %
<u>Held by KHL Marketing</u>				
<u>Asia-Pacific Pte. Ltd.</u>				
Kitchen Culture Sdn. Bhd. ⁽ⁱ⁾	Trading in furniture and fittings, kitchen equipment and related products	Malaysia	100	100
Kitchen Culture Pte. Ltd. ^(iv)	Dormant	Singapore	100	100
Haus Furnishings and Interiors Pte. Ltd. ^(iv)	Dormant	Singapore	100	100
KCube Pte. Ltd. (f.k.a. Eclat Office Club Pte. Ltd.)	Trading in mid-range kitchen equipment and related products	Singapore	100	100
Kitchen Culture (Sichuan) Co., Ltd. ⁽ⁱⁱⁱ⁾	Sales and distribution of kitchen system, kitchen appliances, wardrobe system, household furniture and appliances	The People's Republic of China	100	100
KCROOM Pte. Ltd. ^(iv)	Dormant	Singapore	100	100
<u>Held by KHL (Hong Kong) Limited</u>				
Kitchen Culture (Macau) Limited ^(iv)	Dormant	Macau	70	70
Kitchen Culture (Hong Kong) Limited ⁽ⁱⁱⁱ⁾	Sales and distribution of kitchen system, kitchen appliances, wardrobe system, household furniture and appliances	Hong Kong	70	40

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12 SUBSIDIARIES (CONTINUED)

The above subsidiaries are audited by KPMG LLP Singapore except for the subsidiaries that are indicated below:

- (i) Audited by an independent overseas member firm of KPMG LLP.
- (ii) Audited by FTW & Partners CPA Limited, Hong Kong ("FTW").
- (iii) Audited by Grant Thornton LLP, China ("GT").
- (iv) Audited by Keng Ou CPAs, Macau ("KOCPA").
- (v) Not required to be audited.

The Board of Directors and the Audit Committee of the Company have reviewed the profile of FTW, GT and KOCPA, and having considered that the subsidiaries audited by these firms are not significant subsidiaries, the Board of Directors and the Audit Committee are satisfied that their appointment would not compromise the standard and effectiveness of the audit of the Group.

The net assets of each subsidiary referred to in (ii), (iii) and (iv) above are less than 20% of the net assets of the Group as at the end of the reporting period.

On 5 February 2015, the Group through its wholly-owned subsidiary, KHL (Hong Kong) Limited, acquired an additional 30% interest in its joint venture, Kitchen Culture (Hong Kong) Limited from the joint venture partners. The acquisition resulted in the Group obtaining control with 70% interest in the entity, and the entity was consolidated with effect from the date of acquisition. Details of the acquisition are disclosed in Note 31.

13 INVESTMENT IN JOINT VENTURE

	Group	
	2015	2014
	\$	\$
Unquoted equity shares, at cost	-	646,600
Goodwill written off	-	(28,554)
Group's share of post-acquisition losses	-	(614,433)
Exchange differences	-	(3,613)
	-	-

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13 INVESTMENT IN JOINT VENTURE (CONTINUED)

Details of the Group's joint venture are as follows:

Name of joint venture	Principal activities	Country of incorporation and operations	Proportion of ownership interest and voting power held	
			2015 %	2014 %
<u>Held by KHL (Hong Kong) Limited</u>				
Kitchen Culture (Hong Kong) Limited ⁽ⁱ⁾	Sales and distribution of kitchen equipment, accessories and related products	Hong Kong	-	40

(i) Audited by FTW & Partners CPA Limited, Hong Kong ("FTW").

In 2014, the joint venture is accounted for using the equity method in the consolidated financial statements.

During the year, the Group through its wholly-owned subsidiary, KHL (Hong Kong) Limited, acquired an additional 30% interest in Kitchen Culture (Hong Kong) Limited which resulted in the Group obtaining control over the entity. After the acquisition, Kitchen Culture (Hong Kong) Limited was accounted for as a subsidiary (Note 12).

14 TRADE PAYABLES

	Group	
	2015 \$	2014 \$
Trade payables	3,128,447	2,790,503
Sales deposits received	3,111,037	2,495,763
Advances received for construction contracts (Note 16)	361,090	512,057
Amounts due to customers on projects (Note 16)	1,046,007	322,358
	<u>7,646,581</u>	<u>6,120,681</u>

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15 OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Amounts due to related parties (non-trade)	-	17,691	-	-
Deferred consideration on acquisition of subsidiary	123,579	-	-	-
Other payables	913,966	379,026	114,812	50,744
Loan from a director and shareholder of a subsidiary	414,265	-	-	-
Accrued operating expenses	901,625	605,973	183,119	182,219
	2,353,435	1,002,690	297,931	232,963

The amounts due to related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

Included in the other payables are amounts due to third parties of \$79,648 (2014: Nil) which are unsecured, interest-free and repayable in equal monthly instalments by April 2016.

The loan from a director and shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

16 CONSTRUCTION CONTRACTS

	Group	
	2015	2014
	\$	\$
Amounts due from contract customers included in trade receivables (Note 6)	4,696,068	2,915,037
Amounts due to contract customers included in trade payables (Note 14)	(1,046,007)	(322,358)
	3,650,061	2,592,679
Costs incurred plus recognised profits (less recognised losses to date)	61,318,234	53,886,945
Less: Progress billings	(57,668,173)	(51,294,266)
	3,650,061	2,592,679
Retention sums held by customers included in trade receivables:		
- Current (Note 6)	2,113,581	1,101,502
- Non-current (Note 6)	674,385	1,472,211
	2,787,966	2,573,713
Advances received from customers (Note 14)	361,090	512,057

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17 FINANCE LEASE LIABILITIES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014
	\$	\$	\$	\$
Amounts payable under finance leases:				
Within one year	67,006	57,301	58,058	50,216
In the second to fifth year inclusive	125,153	78,866	114,563	69,658
	192,159	136,167	172,621	119,874
Less: Future finance charges	(19,538)	(16,293)	-	-
Present value of finance lease liabilities	172,621	119,874	172,621	119,874
Less: Amount due for settlement within 12 months (shown as current liabilities)			(58,058)	(50,216)
Amount due for settlement after 12 months			114,563	69,658

Finance lease terms are for an average of 7 years (2014: 7 years). The average effective borrowing rate was 3.6% to 5.4% (2014: 3.6% to 4.5%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Finance lease liabilities of \$172,621 (2014: \$119,874) was guaranteed by a director of the Company.

The fair value of the Group's lease obligations approximates its carrying amount.

18 BORROWINGS

	Year of maturity	2015	2014
		\$	\$
Group			
Borrowings from financial institutions			
Term loan I	2018	1,273,487	1,750,000
Term loan II	2017	409,700	722,222
Term loan III	2017	461,452	711,111
Term loan IV	2018	474,519	-
Short-term revolving loans	2016	4,000,000	3,775,000
Accounts receivable financing	2016	901,232	828,000
Bills payable	2016	894,341	1,021,976
		8,414,731	8,808,309

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18 BORROWINGS (CONTINUED)

	Year of maturity	2015 \$	2014 \$
Borrowings from non-financial institutions			
Loan from a director	2017	250,000	–
Loan from shareholders	2017	1,500,000	–
Loan from other third parties	2017	2,500,000	–
		4,250,000	–
		12,644,731	8,808,309
Presented as:			
Current		8,414,731	6,724,976
Non-current		4,250,000	2,083,333
		12,644,731	8,808,309

Term loan I

Term loan I bears interest at 2.5% fixed rate per annum and is repayable in 48 monthly instalments of \$43,828 commencing 1 July 2014.

Term loan II

Term loan II bears interest at 3% fixed rate per annum and is repayable in 36 monthly instalments of \$30,278 commencing 14 March 2014.

Term loan III

Term loan III bears interest at 2.95% fixed rate per annum and is repayable in 36 monthly instalments of \$24,189 commencing 30 September 2014.

Term loan IV

Term loan IV bears interest at 3% fixed rate per annum and is repayable in 36 monthly instalments of \$15,139 commencing 6 November 2015.

Short-term revolving loans

Short-term revolving loans bear interest at interests rates ranging from 1.5% to 2.5% (2014: 1.5% to 2.5%) per annum above the Bank's Cost of Funds and are repayable on demand. The effective interest rates ranged from 2.22% to 4.65% (2014: 1.56% to 4.07%) per annum.

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18 BORROWINGS (CONTINUED)

Accounts receivable financing

Accounts receivable financing relates to bank financing on certain sales invoices, and bears interest rates ranging from 3.43% to 3.49% (2014: 2.85%) per annum and are repayable within 3 months (2014: 4 months) after the end of the reporting period.

Bills payable

Bills payable to banks bear effective interest rates ranging from 1.55% to 2.82% (2014: 1.70% to 2.74%) per annum and are repayable within 6 months (2014: 6 months) after the end of the reporting period.

Borrowings from non-financial institutions

Borrowings from non-financial institutions bear interest at 10% fixed rate per annum and is repayable upon maturity on 30 April 2017.

All borrowings from financial and non-financial institutions are secured by corporate guarantees from the Company.

Breach of loan covenant

The Group has a secured short-term revolving loan facility amounting to \$500,000 at 31 December 2015 with a bank (the "Bank"). This loan is repayable within 3 months subsequent to year end. The loan contains covenants stating that at the end of the year, the Group shall maintain a minimum tangible net worth (defined as paid-up capital plus revenue reserves excluding intangibles) of \$10,000,000 and the Group's gearing ratio (defined as ratio of total bank debts to tangible net worth) cannot exceed 1.5 times.

As at 31 December 2015, the Group's tangible net worth and gearing ratio were \$7,340,264 and 1.2 times respectively. As a result of this breach in loan covenant, cross default clauses of facilities from other financial institutions were triggered. Accordingly, the non-current portion term loans amounting to \$1,339,452 were reclassified to current term loans as at 31 December 2015.

Subsequent to year end, the Group has fully repaid the Bank and terminated the facility on 30 June 2016. Credit facilities from other financial institutions continue to be available to the Group and a director has provided short-term advances amounting to \$3.0 million as at 30 June 2016 to meet the Group's short-term working capital requirements.

The advances from a director are unsecured, interest-free and are repayable on demand. As at the date of this report, the director undertakes not to demand for repayments unless the Group has sufficient funds to meet its obligations as and when due.

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19 DEFERRED TAX LIABILITIES/(ASSETS)

The following are the deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Property, plant and equipment \$	Tax loss carry forward \$	Total \$
Group			
At 1 January 2014	58,000	–	58,000
Charged to profit or loss	27,000	–	27,000
At 31 December 2014	85,000	–	85,000
Credit to profit or loss	(166,368)	(261,251)	(427,619)
Exchange differences	(2,386)	(5,577)	(7,963)
At 31 December 2015	(83,754)	(266,828)	(350,582)

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of \$7,357,585 (2014: \$4,613,030) available for offset against future profits. A deferred tax asset has been recognised in respect of \$266,828 (2014: \$Nil) of such losses based on management's assessment of probable taxable profits of a subsidiary. Deferred tax assets in respect of the following items have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

	Group	
	2015 \$	2014 \$
Deductible/(Taxable) temporary differences	743,226	(7,411)
Unutilised tax losses	5,788,009	4,613,030
Unabsorbed capital allowances	110,543	64,217
	6,641,778	4,669,836

Unutilised tax losses may be carried forward indefinitely subject to the conditions imposed by the tax authorities including the retention of majority shareholders as defined.

20 SHARE CAPITAL

	Group and Company			
	No. of shares		\$	\$
	2015	2014	\$	\$
Issued and paid-up				
At beginning and end of year	100,000,000	100,000,000	6,231,259	6,231,259

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

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21 TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Singapore dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of translation reserve.

22 REVENUE

	Group	
	2015	2014
	\$	\$
Revenue from construction contracts	15,692,335	14,473,016
Sales of goods	10,684,974	7,501,235
Rendering of services	232,590	119,939
Rental income	-	9,705
	26,609,899	22,103,895

23 OTHER INCOME

	Group	
	2015	2014
	\$	\$
Government grant	26,290	12,622
Discounting of deferred consideration and loan to net present value	136,701	-
Interest income	10,257	2,869
License income	58,333	45,833
Remeasurement gain on previously held joint venture (Note 31)	643,566	-
Sundry income	196,816	72,980
	1,071,963	134,304

24 FINANCE COST

	Group	
	2015	2014
	\$	\$
Accretion of interest on deferred consideration and loan	117,554	-
Interest expenses on loans and bills payable	708,249	291,565
Finance lease interest	9,417	7,085
	835,220	298,650

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25 LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	Group	
	2015	2014
	\$	\$
	<hr/>	<hr/>
Allowance for doubtful receivables:		
– trade (third parties)	589,865	15,707
Allowance for doubtful trade receivables written back	(1,009)	(658)
Bad debts recovered	(31,971)	(1,570)
Audit fees paid to:		
– auditors of the Company	122,000	70,200
– other auditors	37,725	10,408
Non-audit fees paid to:		
– auditors of the Company	11,000	–
Cost of inventories recognised as an expense included in cost of sales	4,560,284	1,453,639
Depreciation of property, plant and equipment	860,857	428,743
Directors' fees	106,000	102,000
Gain on re-measurement of previously held joint venture (Note 31)	(643,566)	–
Goodwill arising on consolidation written off	2,834,058	–
Allowance for inventories:		
– written off	601,786	–
– written down	238,528	111,341
– reversal of written down	–	(2,865)
Loss on settlement of pre-existing loans upon obtaining control in a subsidiary (Note 31)	112,157	–
Net loss/(gain) on foreign exchange difference	625,194	(117,162)
Property, plant and equipment written off	33,720	7,794
Rental expense	4,484,540	3,159,635
Salaries and related costs	5,557,750	4,390,637
Contributions to defined contribution plans	504,721	358,046
	<hr/>	<hr/>

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26 TAX CREDIT/(EXPENSE)

	Group	
	2015	2014
	\$	\$
Current tax expense		
Current year	-	-
Over/(under) provided in prior years	24,814	(14,174)
	24,814	(14,174)
Deferred tax expense		
Movement in temporary differences	350,929	(27,000)
Over provided in prior years	76,690	-
	427,619	(27,000)
Income tax credit/(expense)	452,433	(41,174)
Reconciliation of effective tax rate		
Loss before income tax	6,499,462	1,353,198
Tax calculated using Singapore tax rate of 17% (2014: 17%)	1,104,908	230,044
Effect of different tax rates in other countries	85,808	(4,063)
Income not subject to tax	215,899	25,263
Effects of unrecognised tax benefits	(606,753)	(195,996)
Expenses not deductible for tax purposes	(720,455)	(83,064)
Effects of previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax asset	271,522	-
Over/(under) provided in prior years	101,504	(14,174)
Others	-	816
Income tax credit/(expense)	452,433	(41,174)

27 LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following:

	Group	
	2015	2014
	\$	\$
Loss for the year attributable to owners of the Company	(5,344,324)	(1,327,699)
Weighted average number of ordinary shares in issue	100,000,000	100,000,000
Basic and diluted loss per share	(5.3)	(1.3)

Diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares.

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28 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial assets				
<u>Loans and receivables</u>				
Trade and other receivables*	13,025,303	10,294,070	4,056,381	4,767,915
Cash and cash equivalents	3,257,939	3,067,150	21,767	31,910
	16,283,242	13,361,220	4,078,148	4,799,825
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial liabilities				
<u>Other financial liabilities</u>				
Trade and other payables**	6,527,889	4,115,551	297,931	232,963
Finance lease liabilities	172,621	119,874	-	-
Borrowings	12,664,731	8,808,309	-	-
	19,365,241	13,043,734	297,931	232,963

* Excludes prepayments

** Excludes deposits and advances

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group and the Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

(c) Financial risk management policies and objectives

The Group is exposed to various financial risks arising from the normal course of business. It has adopted risk management policies and utilises a variety of techniques to manage its exposure to these risks. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board with management is responsible for developing and monitoring the Group's risk management policies. The management reports regularly to the Board of Directors on its activities.

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28 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

The Group does not hold nor issue derivative financial instruments.

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

(i) Foreign currency risk management

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. Such significant foreign currencies include the Hong Kong dollar ("HKD"), Singapore dollar ("SGD"), Euro ("EUR") and United States dollar ("USD"). The Group does not enter into any derivative financial investments to hedge this risk.

The Group uses natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

At the end of the reporting period, the carrying amounts of monetary assets (including trade receivables and cash and cash equivalent) monetary liabilities (including trade payables) denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Monetary assets				
HKD	3,540,574	1,996,698	3,540,574	1,996,698
EUR	109,335	8,810	-	-
USD	961	53,292	-	-
Monetary liabilities				
HKD	72,546	-	-	-
SGD	8,569,076	5,644,214	-	-
EUR	1,625,743	1,578,164	-	-
USD	14,755	1,579	-	-

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28 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(i) Foreign currency risk management (Continued)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

A positive number below indicates an increase in loss for the year where functional currency of each Group entity strengthens by 10% against the foreign currency. For a 10% weakening of the functional currency of each Group entity against the foreign currency, there would be an equal and opposite impact on the profit or loss.

	Group		Company	
	(Decrease)/Increase in loss before tax		(Decrease)/Increase in loss before tax	
	2015	2014	2015	2014
	\$	\$	\$	\$
HKD	346,803	199,670	354,057	199,670
SGD	(856,908)	(564,421)	-	-
EUR	(151,641)	(156,935)	-	-
USD	(1,379)	5,171	-	-

(ii) Interest rate risk management

Summary quantitative data of the Group's interest-bearing financial instruments can be found in Section (iii) of this Note. The Group's policy is to maintain cash and cash equivalents and borrowings in both fixed and variable rate instruments.

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28 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(ii) Interest rate risk management (Continued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rates financial instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year would increase/decrease by \$28,978 (2014: \$28,125) respectively. This is mainly attributable to the Group's exposure to variable interest rates on its interest-bearing borrowings.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss and equity.

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YEAR ENDED 31 DECEMBER 2015

28 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iii) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Short-term funding is obtained from overdraft facilities, advances from a director and short-term bank loans. Any temporary shortfall of funds of the Company or its subsidiaries would be managed via short-term funding.

As disclosed in Note 2, on the basis that the Group has continuous support from the banks and financial institutions and is able to generate sufficient cash flow from its operations based on the projected order books and retail sales, the Board of Directors is confident that adequate liquidity exists to finance the requirements of the Group for at least the next twelve months. In addition, as at the date of this report, a director undertakes not to demand for repayments of the advances unless the Group has sufficient funds to meet its obligations as and when due as disclosed in Note 18.

Liquidity and interest risk analysis

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's and Company's liquidity risk management as the Group's and Company's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipate that the cash flow will occur in a different period. 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 asset on the statements of financial position.

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28 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iii) Liquidity risk management (Continued)

Liquidity and interest risk analysis (Continued)

Non-derivative financial assets (Continued)

	Weighted average effective interest rate %	Within 1 year \$	Within 2 to 5 years \$	Adjustment \$	Total \$
Group					
2015					
Non-interest bearing	NA	15,441,352	674,385	-	16,115,737
Fixed rate instruments	0.25	167,924	-	(419)	167,505
		<u>15,609,276</u>	<u>674,385</u>	<u>(419)</u>	<u>16,283,242</u>
2014					
Non-interest bearing	NA	11,721,922	1,472,211	-	13,194,133
Fixed rate instruments	0.25	167,505	-	(418)	167,087
		<u>11,889,427</u>	<u>1,472,211</u>	<u>(418)</u>	<u>13,361,220</u>
Company					
2015					
Non-interest bearing	NA	<u>4,078,148</u>	<u>-</u>	<u>-</u>	<u>4,078,148</u>
2014					
Non-interest bearing	NA	<u>4,799,825</u>	<u>-</u>	<u>-</u>	<u>4,799,825</u>

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28 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iii) Liquidity risk management (Continued)

*Liquidity and interest risk analysis (Continued)*Non-derivative financial liabilities

The following table detail the remaining contractual maturity for non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to 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 is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate %	Within 1 year \$	Within 2 to 5 years \$	Total contractual cash flows \$	Adjustment \$	Total principal \$
Group						
2015						
Non-interest bearing Finance lease liabilities (fixed rate)	NA	6,527,889	-	6,527,889	-	6,527,889
Fixed rate instruments	4.73	67,006	125,153	192,159	(19,538)	172,621
Variable rate instruments	7.23	2,691,135	4,675,000	7,366,135	(496,977)	6,869,158
	3.16	5,978,697	-	5,978,697	(183,124)	5,795,573
		<u>15,264,727</u>	<u>4,800,153</u>	<u>20,064,880</u>	<u>(699,639)</u>	<u>19,365,241</u>
2014						
Non-interest bearing Finance lease liabilities (fixed rate)	NA	4,115,551	-	4,115,551	-	4,115,551
Fixed rate instruments	3.77	57,301	78,866	136,167	(16,293)	119,874
Variable rate instruments	2.71	1,047,218	2,222,509	3,269,727	(86,394)	3,183,333
	2.36	5,757,295	-	5,757,295	(132,319)	5,624,976
		<u>10,977,365</u>	<u>2,301,375</u>	<u>13,278,740</u>	<u>(235,006)</u>	<u>13,043,734</u>
Company						
2015						
Non-interest bearing Intra-group financial guarantee	NA	297,931	-	297,931	-	297,931
		<u>36,371,750</u>	<u>-</u>	<u>36,371,750</u>	<u>-</u>	<u>36,371,750</u>
		<u>36,669,681</u>	<u>-</u>	<u>36,669,681</u>	<u>-</u>	<u>36,669,681</u>
2014						
Non-interest bearing Intra-group financial guarantee	NA	232,963	-	232,963	-	232,963
	NA	35,879,950	-	35,879,950	-	35,879,950
		<u>36,112,913</u>	<u>-</u>	<u>36,112,913</u>	<u>-</u>	<u>36,112,913</u>

NOTES TO THE FINANCIAL STATEMENTS

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28 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iii) Liquidity risk management (Continued)

Liquidity and interest risk analysis (Continued)

Non-derivative financial liabilities (Continued)

Guarantees

The maximum exposure of the Company in respect of the intra-group financial guarantee (see Note 18) at the reporting date based on the credit facilities and banker guarantees available to a subsidiary was \$36,371,750 (2014: \$35,879,950). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

Financial support to subsidiaries

As at 31 December 2015, the Company has unsecured contingent liabilities in respect of undertakings to provide continuing financial support to its subsidiaries, Kitchen Culture (Hong Kong) Limited and KHL (Hong Kong) Limited to continue their operations for the next twelve months after the date of their audited financial statements. The net current liability portion of those subsidiaries amounted to \$3,065,907 (2014: \$695,462) as at year end.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has credit policies in place to mitigate the risk of financial loss from defaults. The Group does not require collateral in respect of trade and other receivables. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's and Company's cash and bank balances are held with creditworthy financial institutions.

Trade receivables consist of various customers spread across different geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, letters of credit will be obtained on the trade receivables.

The Group's customers are mainly property development main contractors, property developers and individuals. The Group's historical experience in the collection of accounts receivable fall within the recorded allowances. Due to these factors, management believe that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables. The good credit history of these customers reduces the risk to the Group to an acceptable level.

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28 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iv) Credit risk management (Continued)

The Group and Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristic except as described below. The Group and Company defines counterparties as having similar characteristics if they are related entities.

At the end of the year, the Group has outstanding trade receivables from the top 5 customers which represent 34% (2014: 57%) of total trade and other receivables balance at year end. Ongoing credit evaluation is performed on the financial condition of customers.

At the end of the year, the Company has outstanding net other receivables (excluding prepayments) of \$4,056,381 (2014: \$2,755,400) from its subsidiaries which represent 99% (2014: 57%) of its total other receivables. Ongoing credit evaluation is performed on the financial condition of its subsidiaries.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for impairment losses, and the exposure to defaults from financial guarantees above, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Group and Company determines concentration of credit risk by monitoring the country and business segment profile of its trade and other receivables on an ongoing basis. The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Singapore	5,902,474	9,492,605	512,136	2,063,824
Malaysia	5,450,773	778,687	114	114
Hong Kong	1,582,088	–	3,538,966	2,681,398
Others	89,968	22,778	5,165	5,165
	13,025,303	10,294,070	4,056,381	4,750,501

Further details of credit risks on trade and other receivables are disclosed in Notes 6 and 7 to the financial statements.

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28 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(v) Determination of fair values

Non-current trade receivables

The fair value of non-current trade receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

Other financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, bank borrowing, and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

(d) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, to maximise the return to stakeholders through the optimisation of the debt and equity balance, and to ensure externally imposed capital requirements are complied with. The Group has breached certain externally imposed capital requirements for the year ended 31 December 2015. Details of the breach are disclosed in Note 18.

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising paid up capital, reserves and retained earnings and/or accumulated losses.

The Group's management will review the capital structure periodically. As part of this review, management will consider the cost of capital and the risks associated with each class of capital. The Group will seek to balance its overall capital structure through the payment of dividends, issue of new shares, issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from prior year.

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29 COMMITMENTS**Capital commitments**

Capital commitments contracted but not provided for in the financial statements:

	Group	
	2015	2014
	\$	\$
Acquisition of property, plant and equipment	24,255	100,680

Operating lease arrangements***The Group as a lessee***

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2015	2014
	\$	\$
Future minimum lease payments payable:		
Within one year	4,528,513	2,143,424
In the second to fifth year inclusive	5,940,868	3,581,886
After five years	2,686,033	3,645,854
	13,155,414	9,371,164

Operating lease payments represent rentals payable by the Group for its office premises, various showrooms and warehouses under non-cancellable operating lease agreements. Leases are negotiated with varying terms, escalation clauses and rentals are fixed for an average of two to three years with renewal options.

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

30 SEGMENT INFORMATION

The Group is organised into business units based on its products and services for management purposes. The reportable segments are residential projects, distribution and retail, and others.

Residential projects segment is involved in designing, assembling, installing, testing and inspection of various furniture and fittings, kitchen equipment and related products.

Distribution and retail segment is involved in selling and distributing of products through a network of authorised dealers and retailers.

Others are the investment holding, dormant and inactive companies.

Management monitors the operating results of its reportable segments separately for making decisions about allocation of resources and assessment of performances of each segment.

30 SEGMENT INFORMATION (CONTINUED)

The segment information provided to Management for the reportable segments is as follows:

	Residential Projects		Distribution and Retail		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Reportable segment revenue	15,692,335	14,473,016	10,917,564	7,621,174	-	9,705	26,609,899	22,103,895
Reportable segment (losses)/profits	(3,201,768)	(27,380)	310,987	(878,242)	291,616	(453,180)	(2,599,165)	(1,358,802)
Reportable segment assets	18,026,565	12,658,308	11,906,728	13,769,753	56,274	2,110,991	29,989,567	28,539,052
Segment liabilities	4,997,696	3,326,725	6,466,045	4,688,254	504,468	250,241	11,968,209	8,265,220
Capital expenditure	464,528	145,455	504,663	457,792	-	-	969,191	603,247
Other material at non-cash income/ (expenses)								
Depreciation of property, plant and equipment	(433,913)	(240,451)	(426,944)	(188,292)	-	-	(860,857)	(428,743)
Allowance for doubtful trade receivables	(84,283)	-	(505,582)	(9,038)	-	(6,669)	(589,865)	(15,707)
Goodwill arising on consolidation written off	-	-	-	-	(2,834,058)	-	(2,834,058)	-
Property, plant and equipment written off	(12,146)	-	(21,574)	-	-	(7,794)	(33,720)	(7,794)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

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YEAR ENDED 31 DECEMBER 2015

30 SEGMENT INFORMATION (CONTINUED)**Segment results**

Performance of each segment is evaluated based on segment profit or loss which is measured differently from the net profit or loss before tax in the financial statements. Interest income, gain/(loss) on foreign exchange difference, interest on borrowings, goodwill written off and share of results of joint venture are not allocated to segments as these are managed on a group basis.

A reconciliation of segment loss to the loss before tax is as follows:

	Group	
	2015	2014
	\$	\$
Segment losses	(2,599,165)	(1,358,802)
Interest income	146,958	2,869
(Loss)/gain on foreign exchange difference	(625,194)	117,162
Interest on borrowings	(588,003)	(114,427)
Goodwill arising on consolidation written off	(2,834,058)	-
Loss before tax	<u>(6,499,462)</u>	<u>(1,353,198)</u>
Total assets for reportable segments/Consolidated total assets	<u>29,989,567</u>	<u>28,539,052</u>
Total liabilities for reportable segments	11,968,209	8,265,220
Other liabilities	10,873,588	7,875,763
Consolidated total liabilities	<u>22,841,797</u>	<u>16,140,983</u>

Segment assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments.

Segment liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than deferred tax liabilities, tax payable and certain borrowings which are classified as unallocated liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

30 SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Sales to external customers		Non-current assets	
	2015	2014	2015	2014
	\$	\$	\$	\$
Group				
Singapore	13,201,489	19,916,986	1,129,355	1,195,267
Hong Kong	5,423,086	83,609	317,518	–
Malaysia	7,704,082	1,293,907	222,757	175,450
Indonesia	–	742,052	–	–
The People's Republic of China	38,994	–	299,770	348,796
Others	242,248	67,341	–	–
	<u>26,609,899</u>	<u>22,103,895</u>	<u>1,969,400</u>	<u>1,719,513</u>

Non-current assets information presented above are non-current assets (excluding financial assets and deferred tax asset) as presented on the consolidated statement of financial position.

Information about major customers

Revenue of approximately \$11,369,072 (2014: \$8,342,000) are derived from 3 (2014: 3) major external customers who individually contributed 10 per cent or more of the Group's revenue, and are attributable to the residential project segment. The details are tabled below.

	Group	
	2015	2014
	\$	\$
Customer 1	6,770,344	3,133,000
Customer 2	2,933,459	2,810,000
Customer 3	1,665,269	2,399,000
	<u>11,369,072</u>	<u>8,342,000</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

31 ACQUISITION OF SUBSIDIARIES

Acquisition of non-controlling interests without a change in control in 2014

On 18 July 2014, the Group acquired the remaining 20% of the issued share capital of Eclat Office Club Pte. Ltd. ("Eclat Office") from its non-controlling interest for a cash consideration of \$2,000. As a result of this acquisition, Eclat Office became a wholly-owned subsidiary of the Group.

The following summarises the effect of the change in the Group's ownership interest in Eclat Office on the equity attributable to equity holders of the Company.

	2014
	\$
Consideration paid for acquisition on non-controlling interests	2,000
Carrying amount of non-controlling interest acquired	139,702
Decrease in equity attributable to equity holders of the Company	<u>141,702</u>

Acquisition of non-controlling interests with change in control in 2015

On 5 February 2015, the Company, through the Group's wholly-owned subsidiary, KHL (Hong Kong) Limited ("KHLHK"), completed the acquisition ("Acquisition") of an additional 30% of the issued and paid-up share capital of Kitchen Culture (Hong Kong) Limited ("KCHK"). KCHK was a 40% joint venture of the Group, and subsequent to completion of the Acquisition, KCHK became a 70%-owned subsidiary of the Group (through KHLHK).

Consideration transferred

	2015
	\$
Cash	65,138
Deferred consideration	425,797
Total consideration	<u>490,935</u>

Deferred consideration

The Group has agreed to pay the consideration of \$455,962 at equal amounts over a period of 14 months. The fair value of the deferred consideration is \$425,797 at the date of acquisition. As at December 2015, the remaining deferred consideration outstanding was \$123,579.

Settlement of pre-existing relationships

As at acquisition date, a subsidiary KHLM and the Company have extended advances and have trade amounts owed for the purchases of goods by KCHK amounting to \$2,163,942. As the Company consolidates KCHK following the business combination, these pre-existing relationships are effectively settled as a result of the combination. The fair value of the amount owing from KCHK is \$2,051,785. Following the business combination, the amounts are eliminated in the consolidated financial statements, resulting in a loss on settlement of \$112,157.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

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31 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition related costs

The Group has incurred acquisition related costs of \$3,566 on legal fees. These costs have been included in 'administrative expenses'.

Identifiable asset acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	2015 \$
Property, plant and equipment	180,416
Inventories	1,364,563
Trade receivables and other receivables	980,438
Cash and cash equivalents	141,639
Trade and other payables	(98,010)
Sales deposits received	(638,402)
Shareholder loan	(939,611)
Total identifiable net assets	991,033
Goodwill on acquisition	2,697,402
Fair value of KCHK	3,688,435
The fair value of KCHK is represented by:	
Total consideration for 30% interest acquired	490,935
Fair value of 30% held by non-controlling interest	490,935
Fair value of pre-existing 40% interest in the acquiree	654,580
Settlement of pre-existing relationship	2,051,985
Fair value of KCHK	3,688,435
Effect on cash flow:	
Cash and cash equivalents acquired	141,639
Total consideration paid in cash	(65,138)
Acquisition of subsidiary, net of cash acquired	76,501

The remeasurement to fair value of the Group's existing 40% interest in Kitchen Culture (Hong Kong) Limited resulted in a gain of \$643,566 (\$654,580 less nil carrying value of equity-accounted investee at date of acquisition less \$11,014 of translation reserve reclassified to profit or loss). This amount has been recognised in 'other income' in the statement of profit or loss (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

31 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Measurement of fair values

The valuation techniques used for measuring fair value of material assets acquired, liabilities assumed and deferred consideration were as follows:

Items	Valuation technique
Assets acquired – Property, plant and equipment	<i>Cost technique:</i> The valuation model utilises the depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Liabilities assumed – Shareholder loan	<i>Discounted cash flow technique:</i> Shareholder loan amounts are discounted to fair value based on repayment tenors and expected repayment periods at appropriate discount rates.
Deferred consideration	<i>Discounted cash flow technique:</i> Deferred consideration amounts are discounted to fair value based on agreed repayment periods at appropriate discount rates.

From the date of acquisition to 31 December 2015, KCHK contributed revenue of \$5,423,633 and profit of \$540,896 to the Group's results. If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue would have been \$26,775,734 and consolidated loss for the year would have been \$6,247,249. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

32 RELATED CORPORATIONS AND RELATED PARTIES TRANSACTIONS

Related corporations in these financial statements refer to members of the holding company's group of companies. Some of the Company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Some of the Group's transactions and arrangements are with related parties and the effects of these on the basis determined between the parties are reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

32 RELATED CORPORATIONS AND RELATED PARTIES TRANSACTIONS (CONTINUED)

Other than disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	Group	
	2015	2014
	\$	\$
Interest paid/payable		
– Director	16,781	–
– Shareholder	100,685	–
	<u>117,466</u>	<u>–</u>

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	Group	
	2015	2014
	\$	\$
Short-term employee benefits	617,636	706,699
Post-employment benefits (including CPF)	109,267	53,551
	<u>726,903</u>	<u>760,250</u>

STATISTICS OF SHAREHOLDINGS

AS AT 24 JUNE 2016

SHARE CAPITAL

Issued and fully paid capital – S\$6,600,013#
Total number of shares in issue – 100,000,000
Number of treasury shares – Nil

Class of shares – Ordinary shares
Voting rights – 1 vote per share

Note:

Being the issued and paid-up share capital of the Company extracted from Accounting and Corporate Regulatory Authority Singapore (ACRA).

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 17.05% of the issued ordinary shares of the Company were held in the hands of the public as at 24 June 2016 and therefore Rule 723 of the Catalyst Rules is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	6	7.41	5,100	0.01
1,001 – 10,000	20	24.69	123,500	0.12
10,001 – 1,000,000	48	59.26	8,453,000	8.45
1,000,001 and above	7	8.64	91,418,400	91.42
TOTAL	81	100.00	100,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

S/N	Name	Number of Shares	%
1	Lim Wee Li	60,300,000	60.30
2	Hong Leong Finance Nominees Pte Ltd	10,470,000	10.47
3	Lim Han Li	8,250,000	8.25
4	Sing Investments & Finance Nominees (Pte) Ltd	4,400,000	4.40
5	Maybank Kim Eng Securities Pte Ltd	4,057,400	4.06
6	Lee Yong Miang	2,541,000	2.54
7	Cheng Chih Kwong @Thie Tji Koang	1,400,000	1.40
8	Tsai Fung-Chung	1,000,000	1.00
9	Zhou Zhijun	1,000,000	1.00
10	Tan Heng Mong	700,000	0.70
11	Fung Chu Wan	500,000	0.50
12	HSBC (Singapore) Nominees Pte Ltd	500,000	0.50
13	Lim Siah Mong	500,000	0.50
14	Gay Soon Watt	400,000	0.40
15	Tseng I-Ming	400,000	0.40
16	Yeow Chee Siong	400,000	0.40
17	Hartoko Sarwono	370,000	0.37
18	Chi Chia Ming	170,000	0.17
19	Khua Kian Keong	170,000	0.17
20	Koh Yong Meng	170,000	0.17
	TOTAL	97,698,400	97.70

STATISTICS OF SHAREHOLDINGS

AS AT 24 JUNE 2016

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SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Lim Wee Li ⁽¹⁾	60,300,000	60.30	14,400,000	14.40
Lim Han Li	8,250,000	8.25	–	–

Note:

- (1) Mr Lim Wee Li is deemed interested in 10,000,000 shares held by Hong Leong Finance Nominees Pte Ltd and 4,400,000 shares held by Sing Investments & Finance Nominees (Pte) Ltd as nominees of Mr Lim Wee Li.

NOTICE OF ANNUAL GENERAL MEETING

KITCHEN CULTURE HOLDINGS LTD.

(Registration Number 201107179D)

(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of KITCHEN CULTURE HOLDINGS LTD. (the "**Company**") will be held at 25 New Industrial Road, #02-01 KHL Industrial Building, Singapore 536211 on Thursday, 28 July 2016 at 2.30 p.m., for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2015 together with the Independent Auditor's Report thereon. **(Resolution 1)**
2. To approve the payment of Directors' fees of \$106,000 for the financial year ended 31 December 2015 (2014: \$106,000). **(Resolution 2)**
3. To approve the payment of Directors' fees of \$106,000 for the financial year ending 31 December 2016, payable half-yearly in arrears. **(Resolution 3)**
4. To re-elect Kesavan Nair, a Director retiring pursuant to Regulation 107 of the Company's Constitution. *(see explanatory note 1)* **(Resolution 4)**
5. To re-elect Joanne Khoo Su Nee, a Director retiring pursuant to Regulation 107 of the Company's Constitution. *(see explanatory note 2)* **(Resolution 5)**
6. To re-appoint KPMG LLP as auditor of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix its remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:

7. That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual ("**Catalist Rules**"), the Directors be authorised and empowered to: **(Resolution 7)**
 - (a) (i) allot and 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,

NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors 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 Instrument made or granted by the Directors 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) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and Instruments 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) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) 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 the exercise of 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 bonus issue, 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 SGX-ST) and the Constitution for the time being of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(see explanatory note 3)

NOTICE OF ANNUAL GENERAL MEETING

8. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Wee Woon Hong
Lim Swee Hua
Company Secretaries

13 July 2016
Singapore

Explanatory Notes:

1. Mr Kesavan Nair will, upon re-election as a Director, remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees of the Company, and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Detailed information on Mr Kesavan Nair can be found under the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement" of the Company's Annual Report 2015.
2. Ms Joanne Khoo Su Nee will, upon re-election as a Director, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees of the Company, and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Detailed information on Ms Joanne Khoo Su Nee can be found under the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement" of the Company's Annual Report 2015.
3. The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM 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 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), of which up to 50% may be issued other than on a *pro rata* basis to shareholders of the Company.

Notes:

- (i) A shareholder of the Company entitled to attend and vote at the AGM may appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.
- (ii) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member.
- (iii) The instrument appointing a proxy, duly executed, must be deposited at the Company's registered office at 25 New Industrial Road, #02-01 KHL Industrial Building, Singapore 536211 not less than 48 hours before the time appointed for holding the AGM.

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- (iv) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
- (v) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

Personal Data Privacy:

"**Personal data**" in this Notice of AGM has the same meaning as "personal data" in the Personal Data Protection Act 2012, which includes your name and your proxy's and/or representative's name, address and NRIC/Passport number. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative(s)'s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (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 express 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; (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) 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. Your personal data and your proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), SAC Advisors Private Limited (formerly known as Canaccord Genuity Singapore Pte. Ltd.), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this notice.

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

The contact person for the Sponsor is Ms. Lee Khai Yinn, SAC Advisors Private Limited (formerly known as Canaccord Genuity Singapore Pte. Ltd.), at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.

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KITCHEN CULTURE HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
 (Company Registration Number: 201107179D)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Supplementary Retirement Scheme ("SRS Investors") may attend and cast his vote(s) at the AGM in person. SRS Investors who are unable to attend the AGM but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the SRS Investors shall be precluded from attending the AGM.
2. This Proxy Form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We, _____ (Name) _____ (NRIC/Passport No.)
 of _____ (Address)
 being a member/members of Kitchen Culture Holdings Ltd. (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 him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the AGM of the Company to be held at 25 New Industrial Road, #02-01 KHL Industrial Building, Singapore 536211 on Thursday, 28 July 2016 at 2.30 p.m. and at any adjournment thereof.

Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.

No.	Resolutions relating to:	For	Against
	Ordinary Business		
1.	To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2015 together with the Independent Auditor's Reports thereon		
2.	To approve the payment of Directors' fees of \$106,000 for the financial year ended 31 December 2015		
3.	To approve the payment of Directors' fees of \$106,000 for the financial year ending 31 December 2016, payable half-yearly in arrears		
4.	To re-elect Kesavan Nair as a Director of the Company		
5.	To re-elect Joanne Khoo Su Nee as a Director of the Company		
6.	To re-appoint KPMG LLP as auditor of the Company and to authorise the Directors to fix its remuneration		
	Special Business:		
7.	To authorise the Directors to allot and issue shares and convertible securities		

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM.)

Dated this _____ day of _____, 2016

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

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

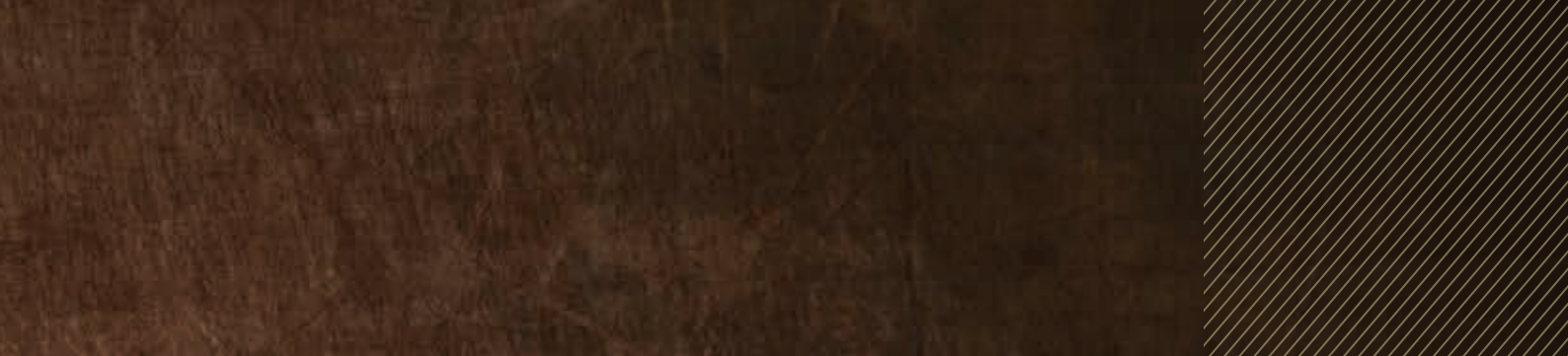
*Delete where inapplicable

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, Cap. 289), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. 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. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A shareholder of the Company entitled to attend and vote at the AGM of the Company may appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.
3. Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company. "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 of Singapore.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 25 New Industrial Road, #02-01 KHL Industrial Building, Singapore 536211 not less than 48 hours before the time appointed for the AGM.
5. Where a member appoints more than one proxy, he/she shall specify the number of shares to be represented by each proxy, failing which, the appointment shall be deemed to be in the alternative.
6. 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 under its common seal or under the hand of its attorney or by an officer on behalf of the corporation.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notarially certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.
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 AGM, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy 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 AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the notice of AGM of the Company dated 13 July 2016.





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