A decorative border of various food items surrounds the central text. In the top left, there are red tomatoes and green herbs. Below them are green citrus slices and whole green tomatoes. To the right, there are green herbs and a brown, wavy pattern. Along the bottom, there are green peas in pods, orange bow-tie pasta, and a large orange bowl. Scattered throughout are small brown seeds or coffee beans.

chaswood

RESOURCES HOLDINGS LTD.

ANNUAL REPORT 2015

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this annual report.

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

The contact person for the Sponsor is:
Eric Wong (Director, Investment Banking)
CIMB Bank Berhad, Singapore Branch,
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#09-01 Singapore Land Tower
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CORPORATE PROFILE

Established in 2002, Chaswood Resources Group is one of the leading casual dining operators in Malaysia. We have been consistently invigorating the food and beverage industry with the most compelling dining and beverage trends, demonstrated our ability to expand our market share and received numerous accolades.

Focused on our vision to become the leading regional restaurant brand developer, owner and operator, we have diversified our portfolio and introduced new concepts and innovations.

We manage international brands like the celebrated TGI FridaysSM from the USA and Bulgogi Brothers from Korea with several proprietary brands such as Teh Tarik PlaceTM, Italiannies[®], The Apartment[®], Malones[®] Irish Restaurant & Bar and Laundry Bar. In addition to developing and managing restaurants, we have grown our proprietary Teh Tarik PlaceTM brand to greater heights since its establishment as one of the fastest growing franchises in Malaysia.

The Group now has presence in Malaysia, China and Indonesia with 73 outlets, supported by a workforce of over 1,500 staffs.

OUR VISION

To become the leading restaurant brand developer, owner and operator in Southeast Asia and China.

OUR MISSION

As a Group, we are committed to creating value. Our guests are always treated to excellent cuisines, exceptional service and genuine hospitality at our restaurants and bars.

In creating value, we are dependent on people. Our key asset is our dynamic team. We are committed to inspiring and developing each team member to his or her fullest potential. This means creating the opportunity for them to learn and grow. Coaching, training and mentoring are the key elements in building our team and business.

To excel, we add value to our relationships with our business partners and investors by driving efficiencies and investing in growth for long term value.

OUR BRANDS



Category: American, Casual Dining
 Brand Promise: In Here, It's Always Friday
 Brand Essence: Infectious Energy
 No. of Restaurants: 16 in Malaysia, 7 in China and 4 in Indonesia



It's fun, it's familiar, it's where every day is Friday. TGI Fridays™, credited as being the first American casual dining chain, has been a favorite place for millions of guests since 1965. TGI Fridays™ arrived in Kuala Lumpur in 1994 and quickly became the point of reference for American food lovers. Today, almost five decades on, there are more than 900 TGI Fridays™ outlets in 58 countries.

No matter who you are, or what the occasion is, you know you'll have a great time every time at a TGI Fridays™ restaurant.

fridays.com.my, fridays.com.id, fridays.com.cn

Italiannies® PASTA PIZZA & VINO

Category: Italian-American, Casual Dining
 Brand Promise: Every Guest Leaves Happy
 Brand Essence: Food is a Celebration of Life
 No. of Restaurants: 7 in Malaysia



The best ingredients for an enjoyable evening are good company and great food. Italians know this, and live by that formula. Following this rich tradition, Italiannies® is a place where families and friends gather to share delectable dishes and stories of the day – in a simple celebration of life and living.

With its welcoming authentic Italian ambiance — from a unique continental facade, to sepia-toned photographs decorating the walls and dark wooden furniture, plus the aroma of freshly cooked food emanating from its open kitchen — Italiannies® makes guests feel right at home. The amiable staff and A'more di Merrier shared presentation menu concept complete the dining experience; it's a true family affair.

italiannies.com.my

OUR BRANDS

the apartment[®] restaurant & bar

Category:	Modern European, Casual Dining
Brand Promise:	Fresh & Simple
Brand Essence:	Where Dining Out Means Coming Home
No. of Restaurants:	2 in Malaysia



Adding zesty spirit to contemporary urban living, The Apartment[®] at the Curve and KLCC revolves around homely comfort and luxury. With large open spaces and its eclectic decor, The Apartment[®] satisfies the senses.

The Apartment[®] is fresh, hip, and it stands for escaping conventional restaurant culture. It's a place where Western and local flavours are fused into a contemporary menu; a place where the modern and familiar coexist. We want to take you home.

attheapartment.com

A contemporary reimagining of the beloved neighbourhood Mamak stalls with that same laid-back vibe, it's a hangout spot for people from all walks of life.

Foodies can enjoy Malaysia's renowned street food like our namesake Teh Tarik, crispy hand-tossed Roti Canai and spicy Nasi Lemak. Each dish is made with authentic recipes and quality ingredients. So come take a seat, order a cup of Teh Tarik, and just relax. It is the most Malaysian thing to do after all.

tehtarikplace.my



Category:	Local, Quick Service
Brand Promise:	Freshly Made Food and Beverages
Brand Essence:	From Malaysia with Love
No. of Restaurants:	29 in Malaysia



OUR BRANDS



BULGOGI BROTHERS

Category:	Korean, Casual Dining
Brand Promise:	Contemporary Korean Dining Experience
Brand Essence:	Treating Our Guest Like Honored Guest in Our Own Home
No. of Restaurants:	1 in Malaysia, and 1 in Indonesia



A meat and spice paradise that keeps tongues wagging, Bulgogi Brothers specialises in Korean cuisine and bulgogi. A word that literally means 'fire meat' in Korean.

Opening its first restaurant in Gang-nam, Seoul, Korea in October 2006, Bulgogi Brothers has gone on to provide gourmands with high quality meat dishes at over 42 branches globally.

At Bulgogi Brothers, guests can feast on different kinds of bulgogi dishes right at their tables which have built-in induction cookers. Aside from bulgogi, rice dishes (bibimbap), stew (jjigae) and noodles are also served.

bulgogibros.com.my

If there's one place you can always rely on for a pick-me-up, it's your local Irish pub. Pouring creamy pints of draft since 2009, Malones® Irish restaurant and bar offers a delightful menu filled with an array of authentic Irish specialities along with our very own chefs' creations.

Malones® is all about fun, letting loose and just being yourself; a perfect embodiment of Irish exuberance. If you're looking for luck, do so in Malones®.

malones.my

Malones® IRISH RESTAURANT & BAR

Category:	Irish Restaurant and Bar
Brand Promise:	You're Guaranteed A Warm Welcome
Brand Essence:	Emotional Connection
No. of Restaurants:	5 in Malaysia



OUR BRANDS

Laundry

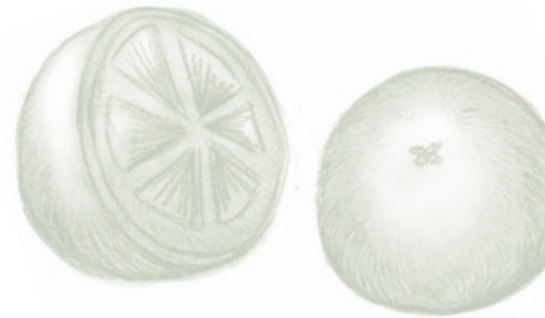
Category: Live Venue, Bar
No. of Restaurants: 1 in Malaysia



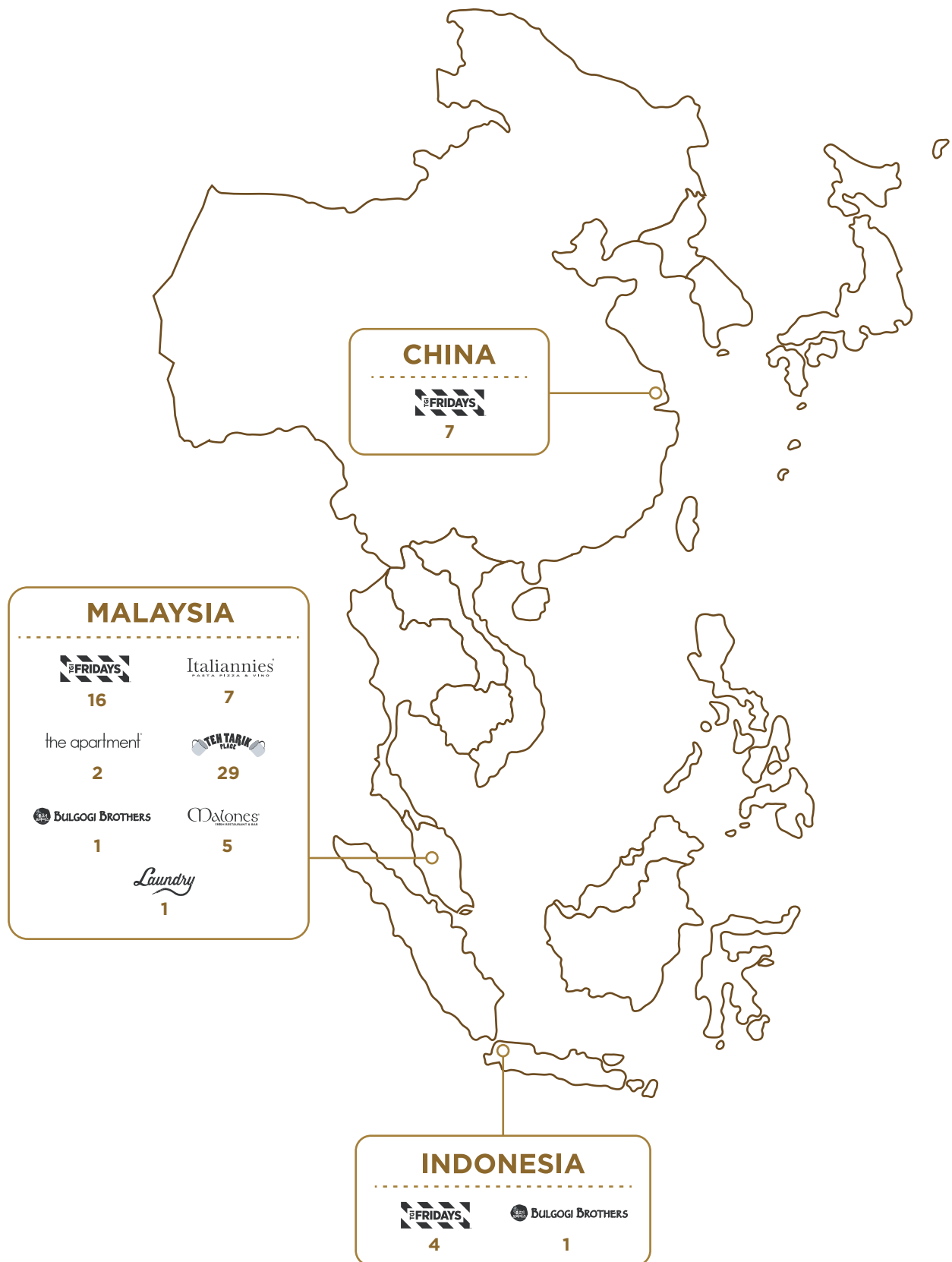
Born out of a passion for life and its many pleasures, Laundry is all about good music, great company, amazing food and drinks. Since its opening, Laundry has been a firm supporter of the local music scene while providing a platform for international artistes to strut their stuff.

A modern bar and lounge, Laundry is the ideal place to catch up with friends over a couple of drinks and bites.

laundrybar.net



OUR PRESENCE



TOTAL: 73 OUTLETS

KEY MILESTONES

2002 

Chaswood was founded after a management buyout of the initial 4 TGI Fridays™ outlets in Malaysia.

2003 

Chaswood secured development rights for TGI Fridays™ in Malaysia.

2004 *Italiannies*

Chaswood developed Italiannies®, its first proprietary brand.

2007

Laundry

TEH TARIK PLACE

the apartment

3 new brands launched under Chaswood.

2009 *Malones*

The first Malones® outlet launched in Malaysia.

2010

Posh Corridor Sdn Bhd became a major shareholder of Chaswood.

2012 





Chaswood listed on the Catalist Board of the SGX-ST via a reverse takeover exercise.

Bulgogi Brothers launched in Malaysia.

TGI Fridays™ was introduced to the Indonesian market.

2013





BULGOGI BROTHERS

1st franchisee restaurant for Teh Tarik Place™ opened in Malaysia.

Bulgogi Brothers outlet launched in Jakarta, Indonesia.

2014 

20th anniversary of TGI Fridays™ in Malaysia.

2015 

Opened the first 'own setup' TGI Fridays™ outlet in Shanghai, China.

Acquisition of TGI Fridays™ operations in China.

AWARDS & ACCOLADES

YEAR	AWARDS & ACCOLADES	AWARDED BY
2016	Best American Style Restaurant (TGI Fridays™, Shanghai)	Time Out Shanghai
2014	Gold Award - Service Excellence (Malones® Irish Restaurant & Bar)	Hospitality Asia Pacific Award
	Silver Award - Most Innovative Guest (Malones® Irish Restaurant & Bar)	Hospitality Asia Pacific Award
2013	Best General Manager, Asia Pacific	Carlson Restaurants Worldwide
2012	Overall International General Manager of the Year	Carlson Restaurants Worldwide
	Best General Manager, Asia Pacific	Carlson Restaurants Worldwide
	Franchisee of the Year	ET and Zeus, Inc.
	Best Value Mall Food	Yum List
	Ernst & Young Entrepreneur of the Year - Andrew Roach Reddy as Finalist	Ernst & Young Malaysia
2010	2010 Successful Entrepreneur Award to Andrew Reddy Platinum Category in Singapore	The GRC Press Holdings, Singapore
2009	Bull Dog Award to Andrew Reddy	Carlson Restaurants Worldwide
	Best Family Restaurant: TGI Fridays™	Time Out Malaysia
	Best Modern European Restaurant: The Apartment®	Time Out Malaysia
	Sales Excellence Award	Boustead Curve Sdn. Bhd.
2008	Best Laureate Award for Best Brands - TGI Fridays™ F&B American Restaurant	The Asia Pacific Brands Foundation
2007	Sales Achievement Award	Boustead Curve Sdn. Bhd.
	Best Live Entertainment Venue - Laundry	Juice Magazine
	Best Laureate Award for Best Brands TGI Fridays™ F&B American Restaurant	The Asia Pacific Brands Foundation
	Vice President Gold Star	Carlson Restaurants Worldwide
	Top 30 under 30	Le Prestige Magazine
2006	Best Live Performance: Laundry	Klue Magazine
	Best Live Entertainment: Laundry	Juice Magazine
	Best General Manager, International	Carlson Restaurants Worldwide
	Best General Manager, Asia Pacific	Carlson Restaurants Worldwide
	Vice Presidential Gold Star	Carlson Restaurants Worldwide
	Best Italian Restaurant: Italiannies®	Klue Magazine
	Best Live Performance: Laundry	Klue Magazine
	The Curve Sales Excellence Award	Boustead Curve Sdn. Bhd.
2005	Vice President Gold Star	Carlson Restaurants Worldwide
2003	Karl Davis Award	Carlson Restaurants Worldwide
2002	Best General Manager, Asia Pacific	Carlson Restaurants Worldwide

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report and audited financial statements of Chaswood Resources Holdings Ltd and its subsidiaries ("Chaswood" or the "Group") for the financial year ended 31 December 2015 ("FY2015").

Financial Overview

FY2015 was a challenging year for the Group and the F&B industry due to the softer market sentiments, market uncertainty, drop in crude oil prices, weakened Ringgit and the implementation of the Goods and Services Tax ("GST") in Malaysia which affected the consumers' spending behaviour.

Despite the challenges, the Group reported a revenue of RM166.5 million in FY2015, an increase of 7.7% as compared to the corresponding preceding year ("FY2014") which was mainly due to the revenue contribution of approximately RM29.2 million from the newly acquired TGI Fridays™, business operations in China in April 2015.

In FY2015, the Group incurred a net loss after tax of approximately RM13.8 million as compared to a net loss after tax of approximately RM12 million in FY2014. The increase in net loss after tax was mainly attributed to the Group's lower sales from the existing outlets, including certain non-performing outlets which have been closed during the financial year, and the increase in food costs in respect of imported products in view of the weakened Ringgit, which has resulted in lower gross profit margin in FY2015 of 66.8% (FY2014: 68.8%). This was offset by lower staff costs due to lower headcount and other administrative expenses following implementation of cost control measures. Pursuant to the acquisition of the TGI Fridays™ business operations in China, the total assets for the Group increased from RM97.1 million in FY2014 to RM118.4 million in FY2015.

Moving Ahead

2016 might remain challenging due to the uncertainties in the business environment. In this trying business environment, the Group's strategy will be to secure improved market share by implementing various promotional activities and introducing value-for-money offers to cater to the more price sensitive customers. The Group will focus on strengthening its core brands i.e. TGI Fridays™, Italiannies®, the Apartment®, Malones® and Teh Tarik Place™ and leverage on the growing Pinch of Salt® loyalty card members (about 230,000 members to-date) to understand consumer behaviour and drive effective marketing strategies. The Group will also continue to implement cost management controls to cushion the impact from this challenging business environment.

The expansion into China was a significant milestone for the Group as it demonstrated TGI Fridays™ Inc's (the franchisor) confidence in Chaswood to be a strong steward of the brand. The China business operations have shown positive results and improvement since the operations were spearheaded by Chaswood's leadership. In January 2016, TGI Fridays™ won the Best American Style Restaurant category for Time Out Shanghai magazine, which is a notable accomplishment as this is the first award received in Shanghai. In line with the Group's expansion strategy and strengthening of the Group's foothold in China, the Group opened its first "own set-up" TGI Fridays™ outlet in Shanghai in October 2015.

In Appreciation

On behalf of the Board, I would like to express our gratitude to our shareholders for the strong support and confidence in us, particularly during this challenging period. We would also like to extend our gratitude to the management and staff, business partners and various professionals for the untiring efforts, support, dedication and commitment in assisting us to fulfil our vision to be one of the leading multi-concept casual dining operators in Southeast Asia and China.

Ng Teck Wah

Non-Independent Non-Executive Chairman

BOARD OF DIRECTORS

MR NG TECK WAH

Non-Independent Non-Executive Chairman

Mr Ng Teck Wah was appointed to the Board as the Non-Independent Non-Executive Director on 1 March 2012 and was thereafter appointed as the Chairman on 25 July 2014. Mr. Ng is a founder and Managing Partner of Tremendous Asia Partners Group (TAP), a Southeast Asian focused private equity firm. He is an Arthur Andersen thoroughbred having joined the partnership upon graduation and has worked in various capacities throughout Southeast Asia before seeking early retirement in 2007 to build a Southeast Asian private equity operation, bringing to the table his 30 years of experience in consultancy, turnaround management, mergers and acquisition and transaction advisory.

Mr Teck Wah's last position before embarking into the private equity field was as the Executive Director of Transaction Advisory Services in Ernst & Young, Kuala Lumpur. He is one of the founding directors of Arthur Andersen corporate finance in Malaysia. During his tenure in Arthur Andersen, he has served in Singapore, Hong Kong, Manila, Thailand as well as Indonesia and has helped to develop the emerging corporate finance division in Southeast Asia.

Mr Teck Wah has a strong reputation in the market as a Mergers, Acquisitions and Restructuring Specialist and has built a preeminent status as a market leader in corporate transaction advisory in Malaysia. He has built a strong track record in leading large turnaround and insolvency assignments across a spectrum of industries.

Mr Teck Wah has a degree in Bachelor of Commerce in Accounting from University of Birmingham and is a fellow member of The Association of Chartered Certified Accountants UK (ACCA).

MR ANDREW ROACH REDDY

Executive Director and Managing Director

Mr Andrew Roach Reddy is the Managing Director and was appointed to the Board on 1 March 2012. He is responsible for the formulation of Chaswood Group's strategic directions, expansion plans and overall business development. He has been in the hotel and service industry for more than 30 years.

The seed of his casual dining empire was planted when he joined BistroAmericana Holdings Sdn. Bhd. as a General Manager in 1993 and subsequently became the Director of various TGI Fridays™ restaurants 6 years later. With a wealth of experience under his belt and an unrelenting drive for success, he founded Chaswood Resources Sdn. Bhd. with 2 other partners in 2002 and took the business under his personal charge; and bought the TGI Fridays™ franchise from BistroAmericana Holdings Pte. Ltd. As the Managing Director, Mr Andrew Reddy spearheaded the growth of the Group's business and operations to its present scale and success. Under his leadership, Chaswood Group has grown from strength to strength and has expanded to being one of Malaysia's leading multi-concept operator in the food and beverage industry with presence in Malaysia, China and Indonesia.

He holds a Master of Business Administration degree in General and Strategic Management (Honorary) from the Maastricht School of Management, Netherlands.

BOARD OF DIRECTORS

DATUK JARED LIM CHIH LI

Non-Independent Non-Executive Director

Datuk Jared Lim Chih Li was appointed to the Board as the Non-Independent Non-Executive Director on 1 March 2012. Datuk Jared is also the Managing Director of Attilan Group Limited and the founding partner of Tremendous Asia Partners, an Asian-owned and locally-grown private equity fund focused on the consumers' space in Southeast Asia.

Prior to joining Attilan Group Limited in 2007, Datuk Jared was an investment banker with Avenue Securities and was responsible for setting up of the corporate finance unit, eventually building it up to a 40 man strong unit with a strong track record in Equity offerings, Restructurings, M&A and Bond Issues. Datuk Jared built a niche in Malaysia in cross border equity offerings involving PRC enterprises, which eventually led to his conviction that it was timely to start an Emerging East Asian private equity model.

Datuk Jared has a Bachelor degree in Economics and Accounting from the University of Bristol and obtained a First Class in Masters of Finance from the University of Hull and the Chartered Financial Analyst (CFA) qualification.

MR CHRISTOPHER JOHN MCAULIFFE

Independent Non-Executive Director

Mr Christopher John McAuliffe was appointed to the Board as an Independent Non-Executive Director on 30 April 2012. He has more than 18 years of investment banking experience in London, Singapore and Hong Kong and is presently the Managing Director of Sprint Capital Partners Limited, an investment manager and advisory firm based in Hong Kong, which he established in 2008.

In 1993, Mr Chris joined Barclays de Zoete Wedd where he was involved in general corporate finance advisory activities across Europe. In 1998, Barclays de Zoete Wedd was acquired by Credit Suisse First Boston and Chris became a Vice President and subsequently, a Director of its Transportation and Logistics Group. He relocated to Singapore in 2000 and was promoted to Managing Director and head of the Asia-Pacific Industrials Group of Credit Suisse First Boston, Singapore. From 2005 to 2008, he was the Managing Director and co-head of Citigroup's Asia Pacific Industrials Group, based in Hong Kong where he managed the firm's industrial sector investment banking activities across the Asia-Pacific region.

Mr Chris is a Board Member of Stanmore Coal Limited, an Australian Securities Exchange listed coal mine developer and Xplorer PLC, a UK main board listed oil & gas focused acquisition vehicle. He was also formerly a Board Member of Satimola LLP, a private potash mine developer in Kazakhstan and a Vice Chairman of the Supervisory Board of Asian Bamboo AG listed on the Frankfurt Stock Exchange.

Mr Chris holds a degree in Bachelor of Business Law (LLB Hons) from the University of Huddersfield, United Kingdom and a Master in Business Administration (MBA) from the University of Bradford, United Kingdom.

BOARD OF DIRECTORS

DATUK TEE GUAN PIAN

Independent Non-Executive Director

Datuk Tee Guan Pian was appointed to the Board as the Independent Non-Executive Director on 31 March 2015.

Datuk Tee has 25 years of professional experience which includes 5 years of experience as a bank examiner with the Malaysian Central Bank, Bank Negara Malaysia (“BNM”) where his responsibilities included inspecting financial institutions under the purview of BNM. He subsequently moved on to the public practice sector and was a partner of another accounting firm for 14 years before being appointed as Senior Partner of the present firm with international affiliation in 87 countries. Other than overseeing the day to day running of the firm, he is actively involved in the corporate advisory and insolvency practice of the firm.

Datuk Tee holds a degree in Bachelor of Accounting (Hons) from University of Malaya. He is a Fellow Member of the Certified Public Accountants of Australia as well as a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, Chartered Tax Institute of Malaysia and Malaysian Institute of Management.

KEY EXECUTIVES

MR KEK POH HEAN

Chief Executive Officer (China)

Mr Kek Poh Hean was the Group Chief Financial Officer of the Company appointed since 16 May 2012. Following the Group's acquisition of TGI Fridays™ restaurants in China, he was appointed as the Chief Executive Officer in charge of the operations in China. He possesses more than 13 years of broad finance and capital market experience and gained cross-border experience in various countries including Malaysia, Thailand, Indonesia and China during his career.

He was formerly the Chief Financial Officer of China Fibretech Ltd. from 2007 to 2012, listed in the SGX-ST. During his tenure, he oversaw the IPO process of China Fibretech Ltd. and successfully listed the group in the SGX-ST in June 2008. He was previously the Chief Financial Officer of China-KL International Limited. Prior to these appointments, he was a Manager with the advisory arm of PricewaterhouseCoopers from 2005 to 2006 managing internal audit, enterprise risk management and Sarbanes Oxley projects for a portfolio of clients which range from listed companies and government linked companies in Singapore. He was previously the finance manager of Wearnes Automotive Pte. Ltd., the automotive arm of Wearnes International Limited from 2004 and 2005. He started his career as an associate in PricewaterhouseCoopers in 1999 and was promoted to Assistant Manager before he left to join Wearnes Automotive Pte. Ltd.

Mr Kek obtained a degree in Bachelor of Accountancy (2nd Upper Class Hons) from Nanyang Technological University in 1999. He is also a qualified Certified Public Accountant with the Institute of Certified Public Accountants of Singapore and had obtained a Chartered Financial Analyst qualification from the CFA Institute and a Certified Internal Auditor qualification from the International Institute of Auditors.

MR BRYAN THAM KEEN TEK

Group Chief Financial Officer

Mr Bryan Tham Keen Tek is the Group Chief Financial Officer of the Company and was appointed on 20 July 2015. He oversees the finance, accounting, tax and internal audit aspects of the Group. He possesses more than 15 years of experience in audit, accounting, financial reporting and business planning in large corporations. He also has about 10 years of experience in retail as well as the food and beverage industry.

He was formerly the General Manager of Finance at Nando's Malaysia and Singapore from 2010 to 2015, where he played an integral role in restructuring the finance and accounting team and implementing an automated system to support the growth of Nando's in Malaysia and Singapore. Prior to joining Nando's, Mr Bryan was the Head of Finance at Tangs Departmental Store Sdn Bhd from 2006 to 2010, where he was a key project committee member in the setting up of the first Tangs departmental store in Pavilion, Kuala Lumpur. Prior to these appointments, he worked as an external auditor with the audit and advisory arm of Pricewaterhouse Coopers, Kuala Lumpur where he was involved in audit, business advisory and merger & acquisition of certain public listed corporations.

Mr Bryan obtained a degree in Bachelor of Accountancy (2nd Upper Class Hons) degree from University Malaya in 1999. He is also a qualified Certified Public Accountant with the Malaysian Institute of Certified Public Accountants.

KEY EXECUTIVES

MR CHANDRA SUPANDI

International Chief Operating Officer

Mr Chandra Supandi was appointed as the International Chief Operating Officer (“ICOO”) of the Group on 1 July 2013. He was sought to be Group’s local partner for the operation of TGI Fridays™ restaurants in Indonesia in 2012 given his food and beverage (“F&B”) experience in the Southeast region particularly in Indonesia, Thailand and Singapore. Thereafter, he was officially appointed as the ICOO of the Chaswood Group.

Mr Chandra is a successful businessman and entrepreneur with more than 10 years of experience in trading, transportation and business management operations in Indonesia and Singapore before venturing into F&B in 2006. His business interest in F&B includes being an F&B operator in Thailand and Indonesia which manages multiple brands such as Waraku Japanese Casual Dining, Mr Curry Japanese Curry Concept, Café De Waraku, Pasta De Waraku and Waku Grill Japanese Yakiniku. In 2011, he also invested in Bonchon Singapore Pte Ltd, the master franchise holder for Bonchon Chicken, a South Korean based fried chicken restaurant chain in Singapore. Given that he has no executive duties in these companies, there is no material conflict of interest and various clauses have been incorporated in his employment contract to prevent any conflict of interest.

Mr Chandra graduated with a Diploma from East Los Angeles College, California USA and has a degree in Bachelor of Science in Business Administration (BSBA) from Oklahoma State University, USA.

MR NICOL ROACH REDDY

Acting Chief Operating Officer

Mr Nicol Roach Reddy is the Acting Chief Operating Officer of the Chaswood Group. He joined Bistroamericana (M) Sdn. Bhd. as a server in 1999 and has been part of the Chaswood Group since its establishment. He held various positions including bartender, cook, kitchen manager, general manager and regional manager in all the brands of the Chaswood Group before being promoted to his current position on 7 November 2014.

He oversees the overall operations of the Chaswood Group including all aspects of operations, sales, business development, procurement and cost controls. He is very hands on and with over 15 years in the business, he is currently leading the team to roll out operational improvement exercises involving cost saving measures, lower labour redundancy and margin improvement. Mr Nicol had also been the driving force for the creation and remodelling of some of the Group’s brands such as Italiannies® and Teh Tarik Place™ (which has embarked into a franchising model).

Mr Nicol graduated from Taylor’s College in Malaysia with a Higher Diploma in Electrical and Electronic Engineering in 2001.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Mr Andrew Roach Reddy - Managing Director

Non-Independent Non-Executive

Mr Ng Teck Wah - Chairman

Datuk Jared Lim Chih Li

Independent Non-Executive

Datuk Tee Guan Pian

Mr Christopher John McAuliffe

AUDIT COMMITTEE

Datuk Tee Guan Pian - Chairman

Mr Christopher John McAuliffe

Mr Ng Teck Wah

NOMINATING COMMITTEE

Mr Christopher John McAuliffe - Chairman

Mr Ng Teck Wah

Datuk Tee Guan Pian

REMUNERATION COMMITTEE

Datuk Tee Guan Pian - Chairman

Mr Christopher John McAuliffe

Mr Ng Teck Wah

SECRETARY

Ms Loh Mei Ling

AUDITOR TO THE COMPANY

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Audit Partner-In-Charge:

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COMPANY REGISTRATION NUMBER

200401894D

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Tricor Barbinder Share Registration Services

80 Robinson Road

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Singapore 068898

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1st Floor Lot 10 & 11 Plaza Azalea

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40000 Shah Alam

Selangor Malaysia

Malayan Banking Berhad

37th Floor, Menara Maybank

100 Jalan Tun Perak

50050 Kuala Lumpur Malaysia

Ambank (M) Berhad

Level 18 Menara Dion

Jalan Sultan Ismail

50250 Kuala Lumpur

Malaysia

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REPORT ON CORPORATE GOVERNANCE

Report on Corporate Governance

The Board of Directors (the “**Board**”) of Chaswood Resources Holdings Ltd. (the “**Company**”) is committed to maintaining a high standard of corporate governance within and throughout the Company and its subsidiaries (collectively known as the “**Group**”) in complying with the principles and guidelines set out in the Code of Corporate Governance 2012 (the “**Code**”) which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited’s (“**SGX-ST**”) Catalyst Rules. This report outlines the Company’s corporate governance practices throughout the financial year with specific reference to the Code and the disclosure guide developed by the SGX-ST (the “**Guide**”).

The Board confirms that for FY2015 the Company has adhered to the principles and guidelines of the Code and, where applicable, has specified and explained the deviation from the Code and/or Guide in this Report. The Company will continually review its corporate governance processes to strive to fully comply with the Code and/or Guide.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The Board’s primary function is to protect the Company’s shareholders’ interests and enhance the long-term value and returns for the shareholders. It sets the overall strategy for the Group and supervises the management. To fulfill this role, the Board is responsible for setting the strategic direction for the Group, establishing goals for management and monitoring the achievement of these goals.

Apart from its statutory responsibilities, the Board’s principal functions include the following:

- (a) to approve corporate policies, strategic directions and financial objectives of the Group and monitor the achievement of these objectives;
- (b) to approve annual reports and periodic financial announcements;
- (c) to review management performance in ensuring management leadership of high quality, effectiveness and integrity;
- (d) to approve annual budgets, major funding proposals, investment and divestment proposals;
- (e) to ensure the adequacy and integrity of the Group’s internal controls, risk management systems and periodic reviews of the Group’s financial performance and compliance;
- (f) to consider sustainability issues such as environmental and social factors when formulating the Company’s strategic objectives; and
- (g) to assume responsibility for corporate governance framework of the Company.

The Company recognises that stakeholders’ perceptions may affect the Company’s reputation and the Company may consider stakeholder planning exercise in the near future to address this issue.

All Directors exercise due diligence and independent judgement in dealing with the business affairs of the Group, and are obliged to act in good faith and make decisions objectively in the best interest of the Company.

To assist in the execution of its responsibilities, the Board is supported by a number of committees which includes the Audit Committee (“**AC**”), the Nominating Committee (“**NC**”) and the Remuneration Committee (“**RC**”). These committees have written mandates and operating procedures, which are reviewed on a regular basis.

The Board and AC meet at least four times a year to oversee the business affairs of the Group to review, consider and approve financials, business strategies and objectives of the Group. Where necessary, additional Board meetings and committee meetings are held to deliberate on urgent substantive matters. The Company’s Constitution allows meetings to be conducted both physically and by way of telephone conferencing or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other, provided that the requisite quorum is present.

REPORT ON CORPORATE GOVERNANCE

The Directors' participation in the meetings held in FY2015 is summarised in the table below:

	Board Committee							
	Board		Audit		Nominating		Remuneration	
	*Held	Attended	*Held	Attended	*Held	Attended	*Held	Attended
Directors/ Board Members								
Andrew Roach Reddy	6	6	–	–	–	–	–	–
Ng Teck Wah	6	6	4	4	3	3	2	2
Datuk Jared Lim Chih Li	6	5	–	–	–	–	–	–
Christopher John McAuliffe	6	6	4	4	3	3	2	2
Datuk Tee Guan Pian ⁽¹⁾	4	2	3	3	1	1	1	1

Notes:

* No. of meetings held whilst a member

⁽¹⁾ Datuk Tee Guan Pian was appointed as an Independent Director, Chairman of the AC and RC and Member of the NC on 31 March 2015.

The Group has adopted internal guidelines governing matters that require the Board's approval. The Board Authority Matrix forms a guideline and provides clear directions on matters requiring the Board's approval which include:

- issuance of shares;
- investments;
- material acquisitions and disposal of assets;
- major corporate or financial restructurings;
- major divestment or capital expenditure;
- material legal suits and or claims; or
- announcement of the Group's half yearly and full year results and the release of the Annual Reports

The Board as a whole is provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected role and responsibilities. Regular updates on the latest corporate governance and listing policies as well as new releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("ACRA") are circulated to the Board from time to time.

Where possible and when an opportunity arises, the Directors will be invited to locations within the Group's operations to enable them to obtain a better perspective of the business and enhance their understanding of the Group's operations.

The Company will, at its expense, provide on-going education to the Board on processes, corporate governance practices, updates on regulatory changes to the Catalist Rules of the SGX-ST as well as changes to the accounting standards and industry developments. Directors are encouraged to keep themselves abreast of the latest developments relevant to the business of the Group.

A new director will, upon appointment, be provided with a formal letter setting out his roles, duties and responsibilities as a member of the Board. The Company will, at its expense, arrange for a new director with no prior experience of serving as a director in a listed company to attend appropriate courses, conferences or seminars, including programmes or courses organised by the Singapore Institute of Directors or other training institutions in areas such as accounting, legal and industry-specific knowledge.

REPORT ON CORPORATE GOVERNANCE

Other than Datuk Tee Guan Pian who had been appointed as an Independent Non-Executive Director, Chairman of the AC and RC and a member of the NC on 31 March 2015, there was no other new director appointed on Board during FY2015. The Company has instituted an orientation programme to familiarise Datuk Tee Guan Pian with the Group's core business and governance policies.

Principle 2: Board Composition and Guidance

The Board currently comprises five (5) Directors of whom one (1) is Executive, two (2) are Non-Independent Non-Executive and two (2) are Independent Non-Executive Directors as at the date of this Report.

The Board members as at the date of this Report are as follows:

Mr Ng Teck Wah	Non-Independent Non-Executive Chairman
Mr Andrew Roach Reddy	Executive Director and Managing Director
Datuk Jared Lim Chih Li	Non-Independent Non-Executive Director
Mr Christopher John McAuliffe	Independent Non-Executive Director
Datuk Tee Guan Pian	Independent Non-Executive Director

The NC reviewed the independence of the Directors annually, bearing in mind the circumstances and principles set forth in the Code as well as all other relevant circumstances and facts. Each independent director is required to provide and has provided the annual confirmation confirming his independence in accordance with the guidelines as set out in the Code. The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code.

The Company did not meet the requirement of Rule 406(3)(c) of the Catalist Rules which requires at least one of the Independent Director to be a resident in Singapore. Efforts are being made by the Company to identify and appoint a suitable candidate who is a resident in Singapore and is eligible to be the Independent Non-Executive Director of the Company. The Company endeavours to comply with the requirement as soon as practicable.

The Company has no independent director who has served on the Board beyond nine years.

To date, none of the Independent Directors of the Company have been appointed as a director of the Company's principal subsidiaries. The Board and the Management are of the view that the current board structures in the principal subsidiaries are well organised and constituted. The Board and Management will from time to time review the board structures of the principal subsidiaries and make appropriate corporate decision of considering the appointment of an Independent Director into the principal subsidiaries.

The Board constantly examines its size with a view of determining the composition that is appropriate for effective decision-making taking into account the size and scope of the affairs and operations of the Group to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board is in the view that the current size of the Board is not so large as to be unwieldy. With two out of five members of the Board being independent, the Company maintains a satisfactory independent element on the Board.

The Board also considers that its composition of Non-Executive and Independent Directors provide an effective Board with a combination of core competencies of knowledge, business contacts and extensive business and commercial experience necessary to meet the requirements of the Group which facilitates effective decision-making. The Directors bring with them a wealth of expertise and experience with an appropriate balance and diversity of skills in areas such as accounting, finance, legal, business and management experience and industry knowledge. Its composition enables the management to benefit from a diverse and objective perspective on any issues raised before the Board.

The Board is able to exercise objective judgment on corporate affairs independently from the Management. The Board is of the view that, given its current structure, there is sufficiently strong independent element on the Board to enable independent exercise of objective judgment on corporate affairs of the Group by members of the Board, taking into account factors such as the number of Independent Directors on the Board as well as the size and scope of the affairs and operations of the Group.

The Non-Executive Directors constructively challenge, review and discuss key issues, assist in developing proposals on strategy, review the performance of management in meetings, identify goals and monitor the reporting of performance. All Directors take decisions objectively in the interests of the Company. No individual or group of individuals dominates the Board's decision-making.

REPORT ON CORPORATE GOVERNANCE

Principle 3: Chairman and Chief Executive Officer

The Board subscribes to the principle set out in the Code on the separation of the roles of the Chairman and the Chief Executive Officer or the Managing Director. The roles and responsibilities of the Chairman and the Managing Director in the Company are distinct and separate. This is to ensure appropriate balance of power and authority, accountability and decision making.

The Chairman, Mr Ng Teck Wah, is a Non-Independent Non-Executive Director. He and Mr Andrew Roach Reddy, the Managing Director, are not related to each other. The Managing Director is responsible for the day-to-day management of the affairs of the Group. He takes a leading role in developing and expanding the businesses of the Group and ensures that the Board is kept updated and informed of the Group's business.

The Chairman's responsibilities include:

- (a) scheduling meetings and leading the Board to ensure its effectiveness and approving the agenda of Board meetings in consultation with the Managing Director;
- (b) reviewing key proposals and Board papers before they are presented to the Board and ensuring that Board members are provided with accurate and timely information in order to make sound and informed decisions;
- (c) encouraging active and effective engagement, participation by and contribution from all Directors, and facilitating constructive relations among the Directors and the Management on various matters including strategic issues and business planning processes;
- (d) promoting effective communication with the shareholders;
- (e) promoting high standards of corporate governance with the support of all Directors, Company Secretary and the Management; and
- (f) promoting a culture of openness and debate at the Board.

The Company noted Guideline 3.3 of the Code with regard to the appointment of a Lead Independent Director in view that the Chairman of the Board is not an Independent Director.

BOARD MEMBERSHIP

Principle 4: Nominating Committee ("NC")

The members of the NC as at the date of this Report comprise entirely of Non-Executive Directors, the majority of whom including the Chairman, is independent.

The members of the NC as at the date of this Report are:-

Mr Christopher John McAuliffe (Chairman)
Mr Ng Teck Wah
Datuk Tee Guan Pian

The Chairman of the NC is not associated with the substantial shareholders of the Company.

The NC has adopted specific written terms of reference and is scheduled to meet at least once a year, whose principal functions among others, include the following:

- (a) to identify, review and recommend candidates for appointment as Directors of the Company and appointment to the Board committees as well as to senior management positions in the Company;
- (b) to re-nominate, appoint and re-appoint Directors having regard to the Director's contribution and performance;
- (c) to determine annually whether or not a Director is independent;

REPORT ON CORPORATE GOVERNANCE

- (d) to decide whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations;
- (e) to formulate succession plan for Directors, in particular, the Chairman and the Managing Director;
- (f) to review the Board's structure, size and composition, having regard to the principles of corporate governance and the Code;
- (g) to assess the effectiveness of the Board as a whole and assess the contribution of each individual director to the effectiveness of the Board on an annual basis; and
- (h) to review training programs for the Board.

When a Director chooses to retire or the need for a new director arises, either to replace a retiring Director or to enhance the Board's strength, the NC reviews and assesses the potential candidates before making recommendations to the Board. The NC takes into consideration the qualification and experience of each candidate, his/ her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives.

Pursuant to the provision of Article 89 of the Company's Constitution, at least one third of the Directors are required to retire by rotation from office and subject themselves to re-election by the shareholders at every annual general meeting. Every Director must retire from office at least once in every three years. A retiring Director is eligible for re-election. In addition, Article 88 of the Company's Constitution provides that a newly appointed Director must retire and submit himself for re-appointment at the next AGM following his appointment. Thereafter, he is subject to retire by rotation at least once every three years.

At the forthcoming AGM, the following Directors will be retiring and eligible for re-election:

- (i) Mr Ng Teck Wah (retiring pursuant to Article 89 of the Company's Constitution)
- (ii) Datuk Jared Lim Chih Li (retiring pursuant to Article 89 of the Company's Constitution)

The NC has recommended to the Board that Mr Ng Teck Wah and Datuk Jared Lim Chih Li be nominated for re-election at the forthcoming AGM in accordance with Article 89 of the Company's Constitution. In making its recommendation, the NC evaluates such Directors' competencies, commitment, contribution and performance, such as their attendance at meetings of the Board and Board Committees, where applicable, participation, candour and any special contributions.

The NC is also responsible for determining annually, and as and when circumstances required, the independence of Directors, bearing in mind the salient factors set out in the Code as well as other relevant circumstances and facts. In its annual review, the NC, having considered the guidelines set out in the Code, has confirmed independence status of the Independent Directors, namely Mr Christopher John McAuliffe and Datuk Tee Guan Pian.

All Directors are required to declare their board representations. The NC has reviewed the current board representations of the Directors and the Board is of the view that its assessment should not be restricted to the number of board representations of each Director. Based on the annual review, the Board is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations. The Board will review as and when required and, if necessary, determine the maximum number of listed company board representations and other principal commitments.

There is no alternate director on the Board.

The NC reviews and assesses candidates for directorship before making recommendations to the Board. The NC takes into consideration the qualification and experience of each candidate, his/her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives.

Key information regarding the Directors' academic and professional qualifications and other appointments is set out in this Annual Report under the heading "Board of Directors".

REPORT ON CORPORATE GOVERNANCE

The dates of initial appointment, last re-election/re-appointment and the directorships of each of the Directors of the current Board are set out below:

Director	Date of Initial Appointment	Date of Last Re-Election	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company	Other Principal Commitments, if any
Ng Teck Wah	1 March 2012	28 April 2014	<u>Present</u> - Past three years Attilan Group Limited (formerly known as Asiasons Capital Limited)	Founding and Managing Partner of Tremendous Asia Partners Group
Andrew Roach Reddy	1 March 2012	29 April 2015	-	-
Datuk Jared Lim Chih Li	1 March 2012	28 April 2014	<u>Present</u> Attilan Group Limited (formerly known as Asiasons Capital Limited) <u>Past three years</u> -	Managing Director of Attilan Group Limited and Founding Partner of Tremendous Asia Partners Group
Christopher John McAuliffe	30 April 2012	29 April 2015	<u>Present</u> Stanmore Coal Limited Xplorer PLC Past three years Asian Bamboo AG	Managing Director of Sprint Capital Partners Ltd.
Datuk Tee Guan Pian	31 March 2015	29 April 2015	<u>Present</u> - Past three years Spring Gallery Berhad (formerly known as PFCE Berhad)	Senior Partner of UHY Malaysia

The NC held three (3) meetings during the year under review.

Principle 5: Board Performance

Board Evaluation

The NC has an annual Board performance evaluation to assess the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board and its Board Committees by having the Directors complete the Board Performance Evaluation Forms. The completed evaluation forms were submitted to the Company Secretary for collation and the consolidated findings were analysed and presented to the NC for review before submitting to the Board for discussion with a view to implementing certain recommendations to further enhance the effectiveness of the Board. No external facilitator was used in FY2015.

The performance criteria for the Board evaluation are in respect of the Board's processes, independence, information, accountability, performance in relation to discharging its principal functions, and the Board Committees' performance in relation to discharging their responsibilities as set out in their respective terms of reference. The NC considers that the present Board size facilitates effective decision making and is appropriate for the nature and scope of the Group's operations. The NC will constantly examine its size with a view to determining its impact upon its effectiveness.

REPORT ON CORPORATE GOVERNANCE

Individual Director Evaluation

The NC, in assessing the contribution of each Director, has considered the Directors' attendance and participation at the Board Meetings and the Board Committee Meetings, their qualification, experience and expertise and the time and effort dedicated to the Group's business and affairs including management's access to the Directors for guidance or exchange of views as and when necessary. In assessing the effectiveness of the Board as a whole, both quantitative and qualitative criteria are considered. Such criteria include return on equity and the achievement of strategic objectives. The Chairman should act on the results of the performance evaluation and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

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

Principle 6: Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, the Management provides the Board members with 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 as Directors such as periodic management accounts and all relevant information. In addition, all relevant information on material events and transactions are circulated to the Directors as and when they arise.

The Directors have unrestricted access to the Group's records and information and to request additional information as needed to make informed decisions. The Board members have separate and independent access to senior management staffs and, whenever necessary, senior management staffs will be invited to attend the Board Meetings and Board Committee Meetings to answer additional queries from the Board members and provide detailed insights into their areas of operations to the Board members. Board papers and related materials specifying relevant information and rationale for each proposal for which the Board's approval is sought are provided to the Directors for the Board's attention and consideration. A quarterly report on the financial results and performance of the Group with explanations of material variance between actual results and budgets are also provided to the Directors.

The Directors have separate and independent access to the Company Secretary at all times. The Company Secretary assists the Board to ensure that Board procedures and applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and Board Committees and between senior management and Non-Executive Directors, and advises the Board through the Chairman on all governance. The Company Secretary attends Board Meetings and Board Committee Meetings. The appointment and the removal of the Company Secretary is a matter for deliberation by the Board.

The Board, either individually or as a group, in the furtherance of their duties, has access to independent professional advice, if necessary, at the Company's expense and after consultation with the Chairman.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The members of the RC as at the date of this Report comprise entirely of Non-Executive Directors, the majority of whom including the Chairman, is independent.

The members of the RC as of the date of this Report are:-

Datuk Tee Guan Pian (Chairman)
Mr Ng Teck Wah
Mr Christopher John McAuliffe

The role of the RC is to review and recommend to the Board a framework of remuneration of the Board and key executives of the Group, including but not limited to Directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind.

REPORT ON CORPORATE GOVERNANCE

The RC has adopted specific written terms of reference and is scheduled to meet at least once a year, whose principal functions among others, include the following:

- (a) to review and recommend to the Board in consultation with the Management and the Chairman of the Board a framework of remuneration and to determine the specific remuneration packages and terms of employment for each Executive Director and Key Management Personnel of the Company, including those employees related to the Executive Directors and controlling Shareholders of the Company;
- (b) to review the service contract of each Director;
- (c) to consider whether Directors should be eligible for benefit under long-term incentive schemes; and
- (d) to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

As part of its review, the RC shall ensure that:

- (i) all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kinds should be covered, taking into account factors such as efforts and time spent, and responsibilities of the Directors. Non-executive Directors are not over-compensated to the extent that their independence may be compromised.
- (ii) the remuneration packages should be comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Directors' and senior executives' performances.
- (iii) the remuneration package of employees related to Executive Directors and controlling Shareholders of the Company are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

No Director will be involved in deciding his own remuneration, except in providing information and documents if requested by the RC to assist in its deliberations. The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. The Company did not engage a remuneration consultant in FY2015.

The RC held two (2) meetings during the year under review.

Principle 8: Level and Mix of Remuneration

The RC takes into consideration industry practices and norms in compensation, in addition to the Company's relative performance to the industry and the performance of the individual Directors. A significant and appropriate proportion of Executive Director's and Key Management Personnel's remuneration should be structured so as to link rewards to corporate and individual performance. The RC, in establishing the framework of remuneration policies for its Directors and Key Management Personnel, is largely guided by the financial performance of the Company. The primary objective of the RC is to align the interests of the Management with that of the shareholders. In this regard, the RC believes that remuneration should be competitive and sufficient to attract, retain and motivate the Executive Director and Key Management Personnel to better manage the Company.

The Non-Executive Directors are paid in accordance with a remuneration framework comprising basic fees and additional fees for serving as the Chairman of the Board and on any of the Board Committees. Directors' fees are subject to the approval of the shareholders at the forthcoming AGM and such payment to be paid quarterly in arrears. Mr Andrew Roach Reddy, the Executive Director and Managing Director, entered into a service agreement with the Company which took effect from the date of the completion of the Chaswood Group's business on 1 March 2012 for an initial period of three years, and is renewable on a yearly basis thereafter. Pursuant to the recent expiration of Mr Andrew Roach Reddy's service agreement on 29 February 2016 and with the recommendation of the RC in due consultation with the Board, the service agreement of Mr Andrew Roach Reddy has been renewed for a further term of one (1) year from 1 March 2016 until 28 February 2017.

REPORT ON CORPORATE GOVERNANCE

The service agreement spells out the terms of employment such as salary and other benefits. Mr Andrew Roach Reddy's service agreement is not excessively long with onerous removal clauses. Under the service agreement, either party may, inter alia, terminate the service agreement by giving to the other party not less than six months' notice in writing, or, in lieu of notice, payment of an amount equivalent to six months' salary.

The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

The Non-Executive and Independent Directors do not have any service contracts with the Company and their terms are specified in the Constitution. There are no share-based compensation schemes in place for Independent Directors.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Director and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

Principle 9: Disclosure on Remuneration

The RC reviewed and deliberated the Director's fees and remuneration of top four Key Management Personnel. A breakdown, showing the level and mix of each Director's remuneration for FY2015, is as follows:

Name of Director	Salary	Director's fees ⁽¹⁾	Performance Based Bonuses	Other Benefits	Total Remuneration
	%	%	%	%	%
\$250,000 to \$500,000					
<u>Executive Directors</u>					
Andrew Roach Reddy	84	–	–	16 ⁽²⁾	100
\$250,000 and below					
<u>Non-Independent and Non-Executive Directors</u>					
Ng Teck Wah	–	100	–	–	100
Datuk Jared Lim Chih Li	–	100	–	–	100
<u>Independent Directors</u>					
Datuk Tee Guan Pian ⁽³⁾	–	100	–	–	100
Christopher John McAuliffe	–	100	–	–	100

Note:

⁽¹⁾ The Director's fees for the FY2015 has been approved at the AGM held on 29 April 2015.

⁽²⁾ The other benefits include provision for contractual bonus.

⁽³⁾ Datuk Tee Guan Pian was appointed on 31 March 2015. As such, his entitlement to Director's fees was pro-rated based on 8 months of service from 31 March 2015 until 31 December 2015.

REPORT ON CORPORATE GOVERNANCE

The remuneration of the top four Key Management Personnel of the Company for the FY2015 is shown in the following bands:

Name of Key Management Personnel	Title	Salary %	Performance Based Bonuses %	Other Benefits ⁽⁴⁾ %	Total Remuneration %
\$250,000 to \$500,000					
Kek Poh Hean ⁽¹⁾	Chief Executive Officer - China	81	–	19	100
\$250,000 and below					
Lim Cheng Seong ⁽²⁾	Chief Financial Officer	89	–	11	100
Nicol Roach Reddy	Acting Chief Operating Officer	89	–	11	100
Chandra Supandi	Chief Operating Officer - Indonesia	95	–	5	100
Bryan Tham Keen Tek ⁽³⁾	Group Chief Financial Officer	85	–	15	100

Notes:

- ⁽¹⁾ Mr Kek Poh Hean was redesignated from the position of Group Chief Financial Officer to Chief Executive Officer -China with effect from 20 July 2015.
- ⁽²⁾ Mr Lim Cheng Seong resigned from the position of Chief Financial Officer with effect from 30 June 2015.
- ⁽³⁾ Mr Bryan Tham Keen Tek was appointed as Group Chief Financial Officer with effect from 20 July 2015 in place of Mr Kek Poh Hean who has been redesignated and Mr Lim Cheng Seong who has resigned.
- ⁽⁴⁾ The other benefits comprises of employers contribution paid to defined contribution plan.

The aggregate amount of the remuneration paid to the abovementioned Key Management Personnel is approximately S\$908,320.

It is in the best interest of the Company for not disclosing the detailed remuneration of each Director and Key Management Personnel to maintain confidentiality of remuneration matters given the competitive conditions in the industry. Instead, the Company is disclosing the remuneration of each Director and Key Management Personnel in the bands of S\$250,000 and up to S\$500,000.

Mr Nicol Roach Reddy, the Acting Chief Operating Officer is the son of Mr Andrew Roach Reddy, the Executive Director and Managing Director of the Company. Mr Nicol Roach Reddy's annual remuneration exceeds S\$50,000 (in the bands of S\$50,000 and up to S\$100,000) and his remuneration has been disclosed under the remuneration of top four Key Management Personnel section of the Annual Report. As at the end of FY2015, there were four employees related to Mr. Andrew Roach Reddy, whose annual remuneration was below S\$50,000.

The Executive Director and Key Management Personnel remuneration includes fixed salary, bonus and employers contribution to defined contribution plan. The Company does not provide any termination and retirement benefits to the Executive Director and Key Management Personnel except for post-employment benefit comprises employer's contribution paid to defined contribution plan for the Key Management Personnel is in the aggregate amount of approximately S\$41,000 in FY2015. The Company does not have any share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

The RC conducted annual reviews of the remuneration to ensure that the remuneration of the Executive Director and Key Management Personnel commensurates with their performance and corporate performance of the Company. Please refer to explanation for framework of remuneration policies in Principle 8: Level and Mix of Remuneration.

No remuneration consultants were engaged by the Company in FY2015.

REPORT ON CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Group recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis so that it may effectively discharge its duties. The Group ensures that price-sensitive information is first publicly released and announced within the prescribed period after review by the Board. The Company ensures compliance with legislative and regulatory requirements, including compliance with the Catalist Rules of the SGX-ST and to release half-yearly and annual financial results to the shareholders. The half-yearly financial results are released to the shareholders within 45 days of the reporting period while the annual financial results are released to the shareholders within 60 days of the financial year end.

The Management of the Company issues a representation letter to the AC on a half-yearly basis confirming that the Group financial reporting, processes, control and procedures are in place, highlighting material risks and impacts, and providing updates on status of significant financial issues of the Group. In accordance with Rule 705(5) of the Catalist Rules, the Management provides confirmation in its half-yearly financial results announcements that, to the best of its knowledge, nothing had come to the attention of the Board which might render the financial statements to be false or misleading in any material aspect.

The Management provides all members of the Board with management accounts which present a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis and/or when requested. Such reports provide highlight of key business indicators and major issues relevant to the Group's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk and is fully aware of the need to put in place a sound system of risk management and internal controls to safeguard the shareholders' interests and the Group's assets. On an annual basis, the internal audit function prepares an internal audit plan taking into consideration the risks identified which is approved by the AC and audits are conducted to assess the adequacy and the effectiveness of the Group's internal control systems put in place, including financial, operational, compliance and information technology controls and risk management systems. Any material non-compliance or lapses in internal controls, together with recommendation for improvement, are reported to the AC. The AC has reviewed and, based on the internal control system established and maintained by the Group, work performed by the internal auditors and reviews performed by the Management, is not aware of any issues causing it to believe that the system of internal controls are inadequate and the same was reported to the Board. The Board with the concurrence of the AC is of the opinion that currently there are adequate internal controls systems in the Company in addressing financial, operational, compliance and information technology controls and risk management systems. The Board regularly reviews the effectiveness of all internal controls, including operational controls.

The Board has received assurance from the Managing Director and the Group Chief Financial Officer at the Board Meeting held on 24 February 2016 that the Group's risk management and internal control systems in place are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

The internal auditors, Nexia TS Advisory Pte Ltd, were engaged to conduct risk assessment review in accordance with the Group's business operation in identifying and managing operational, compliance and financial risks and assist the Group in establishing a separate Risk Management Working Group to assist in carrying out its responsibility of overseeing the Company's risk management framework and policies. The Risk Management Working Group would determine the Group's levels of risk tolerance and risk policies, and oversees the Management in the design, implementation and monitoring of the risk management and internal control systems. The Board would also monitor the Group's risks through the work performed by the AC, Risk Management Working Group, internal auditors and external auditors.

REPORT ON CORPORATE GOVERNANCE

Principle 12: Audit Committee

The members of the AC as at the date of this Report comprise entirely of Non-Executive Directors, the majority of whom including the Chairman is independent.

The members of the AC as of the date of this Report are:-

Datuk Tee Guan Pian (Chairman)
Mr Ng Teck Wah
Mr Christopher John McAuliffe

The Board is of the view that the members of the AC who possess the appropriate accounting experience and/or related financial management expertise have sufficient financial management expertise and experience to discharge the AC's functions.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC has adopted specific written terms of reference and is scheduled to meet at least four times a year, whose principal functions include the following:

- (a) to review with the external auditors the audit plan and their results of the external audit, their letter to management and the management's response;
- (b) to review the half-yearly financial information and annual financial statements in ensuring the integrity of the financial statements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, significant financial reporting issues and judgements, compliance with accounting standards and compliance with the Catalist Rules of the SGX-ST and any other relevant statutory or regulatory requirements;
- (c) to review the internal control procedures and ensure co-ordination between the external auditors and the Management, and review the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management, where necessary);
- (d) to review and discuss with the external auditors of any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- (e) to consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;
- (f) to review interested person transactions (if any) falling within the scope of Chapter 9 of the Catalist Rules of the SGX-ST;
- (g) to review potential conflicts of interest, if any;
- (h) 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
- (i) generally to undertake such other functions and duties as may be required by the legislation, regulations or the Catalist Rules of the SGX-ST, or by such amendments as may be made thereto from time to time.

The AC held four (4) meetings during the year under review.

The AC met with the internal and external auditors, without the presence of the Company's Management, at least once a year to review the overall scope of both the internal and external audits, and the assistance given by the Management to the auditors.

REPORT ON CORPORATE GOVERNANCE

On a quarterly basis, the AC reviews the interested person transactions and the financial results announcements (on a half-yearly basis) before their submission to the Board for approval.

The AC is kept abreast by the Management of changes to accounting standards, the Catalist Rules of the SGX-ST and other regulations which could have an impact of the Group's business and financial statements.

During the financial year, the AC has reviewed the scope and quality of audit by the external auditors and their independence and objectivity as well as the cost effectiveness. The AC has also reviewed the audit and non-audit fees paid to the external auditors. The AC, having reviewed all non-audit services provided by the external auditors of the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The detailed information on the audit and non-audit fees paid/ payable to external auditors for FY2015 can be found on page 58 (Note 7) of this Annual Report.

Moore Stephens LLP ("Moore Stephens") were appointed as the auditors of the Company in place of RMS Chio Lim LLP on 18 September 2015.

Moore Stephens and/or its overseas independent member firms audit all of the Company's Singapore-incorporated subsidiaries and foreign-incorporated associated subsidiaries under Rule 718 for the purpose of Rules 715 of the Catalist of the SGX-ST, save for the following which are not significant foreign-incorporated subsidiaries:

Name of subsidiary	Country of incorporation	Auditing firm
PT Chaswood Resources	Indonesia	RSM AAJ Associates
PT Chaswood Resources Jakarta	Indonesia	RSM AAJ Associates
PT Chaswood Resources BB	Indonesia	RSM AAJ Associates
Chaswood Resources (Thailand) Co., Ltd.	Thailand	RSM Audit Services (Thailand) Limited
Chaswood Resources (HK) Private Limited	Hong Kong	Dormant (not audited as immaterial)

The Board and the AC are satisfied that the appointment of the different auditors of the abovementioned overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group. The Company confirms that it is in compliance with Rule 712 and 715 of the Catalist Rules of the SGX-ST in relation to the appointment of auditors for the Group.

The AC has recommended to the Board that Moore Stephens to be re-appointed as the auditors of the Company at the forthcoming AGM. No former partner or direct or of the Company's existing auditing firm or audit corporation is a member of the AC.

The Company has put in place a whistle-blowing policy to provide an avenue to all employees and external parties to report any concern or complaint regarding questionable accounting or auditing matters, internal controls, disclosure matters, conflict of interest, insider trading, collusion with competitors, serious breaches of the Group policy, unsafe work practices or any other matters involving fraud, corruption and employee misconduct.

During the financial year, there was no material whistle-blowing report received by the AC regarding the abovementioned concerns.

A dedicated and secured e-mail address is established to allow whistle-blowers to contact the AC members directly. All concerns or irregularities raised will be treated in confidence and every effort will be made to ensure that confidentiality is maintained throughout the process.

The AC members may, in consultation with the Managing Director and/or senior management, direct the complaint to the division or department best placed to address it, or lead the investigation to ensure prompt and appropriate investigation and resolution.

REPORT ON CORPORATE GOVERNANCE

Principle 13: Internal Audit

The AC is responsible in ensuring that internal control system has been appropriately implemented and monitored. The internal audit function is outsourced to Nexia TS Risk Advisory Pte Ltd (“**Internal Auditors**”). The AC approves the hiring, removal, evaluation and compensation of the outsourced internal auditing firm. The Internal Auditors have unfettered access to the accounting, records, properties and personnel of the Company, including the AC.

The main objective of the internal audit function is to assist the Group in evaluating and assessing the effectiveness of internal controls and consequently to highlight the areas where control weaknesses exist, if any, and thus improvements could be made.

The internal audit function is independent and the Internal Auditors report directly to the AC on audit matters and to the Group Chief Financial Officer on administrative matters. The Internal Auditors assist the Board in monitoring and managing risks and internal controls of the Group.

The AC reviews and approves the plan, findings and recommendations presented by the Internal Auditors. The Management together with the Board will review all audit reports and findings from the Internal Auditors and the external auditors during the AC meetings.

During FY2015, the Internal Auditors’ report and risk assessment review report were presented to the AC, focusing on findings of the existence and adequacy of the Group’s material accounting and financial control, operational and compliance controls and recommendations were made by the Internal Auditors in this respect.

The AC has reviewed the adequacy of the internal audit function and is satisfied that the outsourced internal audit function is adequately resourced, effective and has the appropriate standing within the Group. The AC is also of the view that the outsourced internal audit function is staffed with persons with the relevant qualifications and experience. The internal audit work performed by the Internal Auditors is based on the Standards for the Professional Practices of Internal Auditing set by The Institute of Internal Auditors.

The Board recognises that no cost effective internal control system will preclude all errors and irregularities as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The AC is not aware of any issues causing it to believe that the system of internal controls is inadequate and the same was reported to the Board. Based on the aforesaid, the AC and the Board are satisfied that currently there is an adequate internal controls system in the Company in addressing financial, operational, compliance and information technology risks. The Board regularly reviews the effectiveness of all internal controls, including operational controls. The AC oversees and monitors the implementation of any improvement thereto.

SHAREHOLDER RIGHT AND RESPONSIBILITIES

Principle 14: Shareholder Rights

The Board is mindful of the obligation to provide regular, effective and fair communication with shareholders. Information is communicated to the shareholders on a timely basis. The Board provides shareholders with an assessment of the Company’s performance, position and prospects on a half-yearly basis and other ad hoc announcements as required by the SGX-ST. The Company’s Annual Report is sent to all shareholders and is available to other investors on request and accessible at the Company’s website.

The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders’ meetings or on an ad hoc basis. Shareholders are informed of shareholders’ meetings through notices published in the newspapers or reports or circulars sent to all shareholders. Each item of special business included in the notice of the meeting is accompanied by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meetings. The Chairmen of the AC, RC and NC are normally available at the meetings to answer those questions relating to the work of these committees. The external auditors are also present to assist the directors in addressing any relevant queries by shareholders.

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Constitution of the Company allows each shareholder to appoint up to two proxies to attend General Meetings.

REPORT ON CORPORATE GOVERNANCE

Principle 15: Communication with Shareholders

With the Investor Relations (“IR”) Policy to regularly convey pertinent information to shareholders, the Company is committed to disclose as much relevant information as possible to shareholders in a timely basis through SGXNet and other information channels, including a well-maintained and updated corporate website - <http://www.chaswood.com.my> containing various investor-related information on the Company which serves as an important resource for investors.

To enable shareholders to contact the Company easily, the contact details of the IR team is set out on the Company’s website.

When opportunities arise, the Managing Director will solicit and try to understand the views of shareholders before and/or after the general meetings of the Company.

The Group does not have a policy on payment of dividends at present. The form, frequency and amount of dividends declared each year will take into consideration the Group’s cash position, cash flow in relation to operating activities, projected capital requirements for business growth and other factors as the Board may deem appropriate. After review, the Board has not declared dividends for FY2015 as the Company has deemed it more appropriate to retain the cash in the Group for its future growth plans.

Principle 16: Conduct of shareholders’ meetings

The Company supports active shareholder participation at general meetings. The shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay informed of the Group’s strategies and development. In the event that the shareholders are unable to attend the meetings, they are allowed to appoint up to two proxies to attend and vote in place of the shareholders pursuant to the Constitution of the Company. Thus, the Company does not encourage voting in absentia.

At general meetings, separate resolutions will be set out on distinct issues for approval by shareholders.

The Company’s Management and the Chairmen of the AC, RC and NC are in attendance at each general meeting, whenever possible, to respond to shareholders’ queries. The Company’s external auditors, Moore Stephens, will also be present to address shareholders’ queries about the conduct of audit and the preparation and content of the auditors’ report.

The Company prepares shareholders’ meeting minutes which include comments and the questions received from shareholders and responses from the Board and Management. The Company will be pleased to make these minutes available to shareholders upon their request.

To enhance greater transparency and shareholder participation, the Company has since September 2015 implemented voting of resolutions at general meeting by way of poll. All resolutions put forth at the general meetings are to be voted by poll. Voting results of all votes cast for and against each resolution and the respective percentage will be announced via the SGXNET.

DEALINGS IN SECURITIES

The Company has adopted as its own internal compliance code, the best practices guide in Rule 1204 (19) of the Catalist Rules of the SGX-ST with regard to dealing in the Company’s securities by the Directors and its officers. The Directors, the Management and the officers of the Group are prohibited from dealing in the Company’s shares during the period commencing one month before the announcement of the Company’s half year and full year financial results. They are also prohibited from dealing in the Company’s shares on short-term consideration and while they are in possession of unpublished price-sensitive, financial or confidential information.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

REPORT ON CORPORATE GOVERNANCE

MATERIAL CONTRACTS

All material contracts entered into between the Company and its subsidiaries involving the interests of the Chairman, any Director or controlling shareholder during the financial year under review have been disclosed in Note 24 of the financial statements and Section Interested Person Transaction below.

Save as disclosed under Section Interested Person Transaction and in the financial statements, no material contracts have been entered into, since the previous financial year.

INTERESTED PERSON TRANSACTION ("IPTs")

The Group has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The Group does not have any general mandate from shareholders for Interested Person Transactions.

The Board and the AC has reviewed the IPTs entered during the FY2015 by the Group and the aggregate value of IPTs entered during the FY2015 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	RM'000	RM'000
TAP Venture Fund I Pte. Ltd. (formerly known as Asiasons Venture Fund Pte. Ltd.) ⁽¹⁾		Not applicable - the Company does not have a shareholders' mandate under Rule 920
- Interest expenses on Exchangeable Bonds	857	
- Net proceeds from issuance of Exchangeable Bonds	3,900	
Posh Corridor Sdn. Bhd. and Andrew Roach Reddy ⁽²⁾		
- Interest-free shareholders loans	3,688	

Notes:

⁽¹⁾ Interest expenses paid to and subscription of Exchangeable Bonds by a company in which Datuk Jared Lim Chih Li and Mr Ng Teck Wah are deemed interested by virtue of the company is a private equity investment company managed by TAP Private Equity Pte. Ltd. (formerly known as Asiasons Private Equity Pte. Ltd.) ("TAPPE") on a full discretionary basis and TAPPE is in turn wholly owned by Attilan Group Limited (formerly known as Asiasons Capital Limited).

⁽²⁾ Interest-free loans from Posh Corridor Sdn. Bhd., a substantial shareholder of the Company, and Andrew Roach Reddy, a substantial shareholder and the Managing Director of the Company. The interest-free loans were subsequently offsetted against the consideration for the Proposed Placement as disclosed under the Share Placement section of the Annual Report.

To avoid a potential conflict of interest arises, the Directors do not participate in discussions and are refrained from exercising any influence over other members of the Board.

Apart from the above, there were no other IPTs during the financial year.

REPORT ON CORPORATE GOVERNANCE

USE OF PLACEMENT PROCEEDS

Redeemable Exchangeable Bonds

The shareholders of the Company had at the Extraordinary General Meeting (“EGM”) convened on 28 February 2014 approved the issuance of the Redeemable Exchangeable Bonds (“**Exchangeable Bonds**”) by the Company’s wholly-owned subsidiary Chaswood Capital Pte. Ltd. (“**Chaswood Capital**”) to TAP Venture Fund I Pte. Ltd. (formerly known as Asiasons Venture Fund Pte. Ltd.) (the “**Investor**”).

Chaswood Capital had on 25 April 2014, 5 December and 27 January 2015 issued a total of six Exchangeable Bonds at the issue price of S\$500,000 for each Exchangeable Bonds for an aggregate principal amount of S\$3.0 million and the Exchangeable Bonds were fully subscribed by the Investor on the respective issuance date.

As at the date of this Report, a total of RM7,871,000 equivalent to the total proceeds from the subscription of the Exchangeable Bonds had been fully utilised. The status on the use of proceeds is as follows:-

Use of Proceeds from the Exchangeable Bonds	Amount Allocated RM'000	Amount Utilised as at 31/7/2015 RM'000	Amount Utilised in the period from 1/8/2015 to 16/12/2015 RM'000	Total Amount Utilised as at 16/12/2015 RM'000	Balance RM'000
Capital expenditure and working capital for outlet expansion in China and/or Indonesia	7,446	6,719	727	7,475 ⁽²⁾	–
Expenses relating to the Exchangeable Bonds	425	396	29 ⁽¹⁾	396	–
TOTAL	7,871⁽³⁾	7,115	756	7,871	–

Notes:

- (1) Approximately RM29,000 being surplus was reallocated from expenses relating to the Exchangeable Bonds to capital expenditure and working capital purposes for outlet expansion in China and/or Indonesia.
- (2) Included approximately RM29,000 reallocated from expenses relating to the Exchangeable Bonds to capital expenditure and working capital purposes for outlet expansion in China and/or Indonesia.
- (3) The Exchangeable Bonds subscribed in three (3) tranches of S\$1.0 million, S\$0.5 million and S\$1.5 million were converted into Ringgit Malaysia (“**RM**”) for utilisation at the then prevailing exchange rate of RM2.55, RM2.62 and RM2.68 per Singapore Dollar (“**S\$**”) respectively.

Except for approximately RM29,000 originally intended for the use on expenses relating to the Exchangeable Bonds has been reallocated for the use on capital expenditure and working capital purposes for outlet expansion in China and/or Indonesia, the utilisation of the proceeds from the issuance of Exchangeable Bonds is substantially consistent with the intended uses as disclosed in the Circular.

REPORT ON CORPORATE GOVERNANCE

Share Placement

On 9 December 2015, Posh Corridor Sdn. Bhd. ("**Posh Corridor**") and Andrew Roach Reddy (collectively the "**Subscribers**") entered into separate loan agreements with the Company pursuant to which Posh Corridor and Andrew Roach Reddy have granted interest-free shareholder loans of S\$894,079 and S\$319,079 respectively to the Company ("**Shareholders' Loans**").

Concurrently on 9 December 2015, the Company entered into a subscription agreement ("**Subscription Agreement**") with the Subscribers pursuant to which the Company has agreed to allot and issue an aggregate of 23,787,412 new ordinary shares in the share capital of the Company ("**Placement Shares**") and the Subscribers have agreed to subscribe for the Placement Shares, at an issue price of S\$0.051 per Placement Share ("**Placement Price**"), amounting to an aggregate consideration of approximately S\$1,213,158, and on the terms and conditions of the Subscription Agreement ("**Share Placement**").

Pursuant to the terms of the Subscription Agreement, the aggregate consideration for the Placement Shares payable by the Subscribers to the Company will be offsetted against the Shareholders' Loans.

The shareholders of the Company had at the Extraordinary General Meeting ("**EGM**") convened on 24 February 2016 approved the allotment and issuance of the Placement Shares to the Subscribers at the Placement Price.

As at the date of this Report, the net proceeds of approximately S\$1.15 million raised from the Share Placement have been fully utilised for the intended purposes of (i) settling the Group's general overheads, (ii) settling amounts owing to trade creditors and other operating expenses, which are or were incurred in the normal course of business of the Group and (iii) repayment of loans.

NON-SPONSOR FEES

The Continuing Sponsor of the Company is CIMB Bank Berhad Singapore Branch. There was no non-sponsor fee paid to the Sponsor by the Company in FY2015.

DIRECTORS' STATEMENT

The directors present their statement to the members, together with the audited consolidated financial statements of Chaswood Resources Holdings Ltd. ("the Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2015, and the statement of financial position of the Company as at 31 December 2015.

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 40 to 92 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as disclosed in Note 1 to the financial statements.

1 Directors

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

Ng Teck Wah	-	Non-Independent Non-Executive Chairman
Andrew Roach Reddy	-	Executive Director and Managing Director
Datuk Jared Lim Chih Li	-	Non-Independent Non-Executive Director
Datuk Tee Guan Pian	-	Independent Non-Executive Director
Christopher John McAuliffe	-	Independent Non-Executive Director

2 Arrangements to Enable Directors to Acquire Shares and Debentures

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

3 Directors' Interests in Shares and Debentures

The directors of the Company holding office at the beginning and the end of the financial year had no interests in the share capital or debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

Name of Directors	Shareholdings registered in the name of director or nominee		Shareholdings in which a director is deemed to have an interest	
	As at 1.1.2015	As at 31.12.2015	As at 1.1.2015	As at 31.12.2015
The Company				
<i>Number of ordinary shares</i>				
Andrew Roach Reddy	52,054,455	52,054,455	-	-
Datuk Jared Lim Chih Li ⁽¹⁾	-	-	145,951,367	145,951,367
Ng Teck Wah ⁽²⁾	-	-	145,951,367	145,951,367

⁽¹⁾ By virtue of Section 7 of the Act, Datuk Jared Lim Chih Li is deemed interested in all shares held by Posh Corridor Sdn. Bhd. in the Company, through his deemed interest of 44.01% (2014: 44.01%) in Attilan Group Limited (formerly known as Asiasons Capital Limited), a company incorporated and domiciled in Singapore. Posh Corridor Sdn. Bhd. is a subsidiary of Attilan Group Limited (formerly known as Asiasons Capital Limited).

⁽²⁾ By virtue of Section 7 of the Act, Ng Teck Wah is deemed interested in all shares held by Posh Corridor Sdn. Bhd. in the Company, through his deemed interest of 44.01% (2014: 44.01%) in Attilan Group Limited (formerly known as Asiasons Capital Limited), a company incorporated and domiciled in Singapore. Posh Corridor Sdn. Bhd. is a subsidiary of Attilan Group Limited (formerly known as Asiasons Capital Limited).

3 Directors' Interests in Shares and Debentures (cont'd)

By virtue of Section 7 of the Act, the above directors with shareholdings are deemed to have an interest in the Company and in all the related corporations of the Company.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2016.

4 Share Options

Options Granted

During the financial year, no option to take up unissued shares of the Company or any subsidiary was granted.

Options Exercised

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

Options Outstanding

At the end of the financial year, there were no unissued shares of the Company or any subsidiary under option.

5 Audit Committee

The members of the Audit Committee ("AC") at the date of this report are as follows:

Datuk Tee Guan Pian	Chairman
Christopher John McAuliffe	Member
Ng Teck Wah	Member

The AC performs the functions specified by Section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan;
- Reviewed with the independent external auditor their report on the financial statements and the assistance given by the Company's officers to them;
- Reviewed with the internal auditor the scope and results of the internal audit procedures;
- Reviewed the financial statements of the Company and its subsidiaries prior to their submission to the directors of the Company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the AC are described in the report on corporate governance included in the annual report of the Company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provide non-audit services (if any).

DIRECTORS' STATEMENT

6 Independent Auditor

Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment as the independent auditors.

On behalf of the Board of Directors,

Ng Teck Wah
Director

Andrew Roach Reddy
Managing Director

31 March 2016

INDEPENDENT AUDITOR'S REPORT

to the Members of CHASWOOD RESOURCES HOLDINGS LTD. (Registration No.: 200401894D)

Report on the Financial Statements

We have audited the accompanying financial statements of Chaswood Resources Holdings Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), as set out on pages 40 to 92, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and statement of changes in equity of the Company, for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

The financial statements for the previous financial year ended 31 December 2014 were audited by another firm of auditors whose report dated 9 April 2015 expressed an unmodified opinion on those financial statements.

INDEPENDENT AUDITOR'S REPORT

to the Members of CHASWOOD RESOURCES HOLDINGS LTD. (Registration No.: 200401894D)

Report on Other Legal and Regulatory Requirements

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

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore

31 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2015

		Group	
	Notes	2015 RM'000	2014 RM'000
Revenue	5	166,510	154,659
Cost of sales		(55,353)	(48,305)
Gross profit		111,157	106,354
Other items of income			
Interest income		43	53
Other gains	6	443	744
Other items of expense			
Marketing and distribution costs		(5,125)	(7,017)
Administrative expenses	7	(105,759)	(88,832)
Finance costs	8	(2,946)	(2,134)
Other losses	6	(2,240)	(11,201)
Other expenses	9	(7,484)	(6,157)
Loss before tax		(11,911)	(8,190)
Income tax expense	10	(1,878)	(3,837)
Loss after tax		(13,789)	(12,027)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences on translation of net assets of foreign subsidiaries, net of income tax		4,695	(507)
Total comprehensive loss for the year		(9,094)	(12,534)
Loss for the year attributable to:			
Equity holders of the Company		(13,786)	(11,810)
Non-controlling interests		(3)	(217)
Loss after tax		(13,789)	(12,027)
Total comprehensive loss attributable to:			
Equity holders of the Company		(9,119)	(12,311)
Non-controlling interests		25	(223)
Total comprehensive loss for the year		(9,094)	(12,534)
Loss per share			
- Basic and diluted (in sen)	11	(6.1)	(5.2)

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2015

		Group		Company	
	Notes	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
ASSETS					
Non-current assets					
Property and equipment	12	62,177	55,142	–	–
Intangible assets	13	16,547	9,238	–	–
Investments in subsidiaries	14	–	–	150,000	150,000
		<u>78,724</u>	<u>64,380</u>	<u>150,000</u>	<u>150,000</u>
Current assets					
Inventories	15	3,810	3,913	–	–
Trade and other receivables	16	6,199	5,662	2,091	355
Other assets	17	14,836	15,063	–	83
Cash and cash equivalents	18	14,814	8,089	–	–
		<u>39,659</u>	<u>32,727</u>	<u>2,091</u>	<u>438</u>
TOTAL ASSETS		<u>118,383</u>	<u>97,107</u>	<u>152,091</u>	<u>150,438</u>
EQUITY AND LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	10	2,639	2,535	–	–
Other financial liabilities	21	32,072	14,469	–	–
		<u>34,711</u>	<u>17,004</u>	<u>–</u>	<u>–</u>
Current liabilities					
Provision for taxation		1,636	2,810	–	–
Trade and other payables	22	45,202	28,495	955	880
Other financial liabilities	21	16,362	19,133	–	–
Other liabilities	23	394	603	–	–
		<u>63,594</u>	<u>51,041</u>	<u>955</u>	<u>880</u>
Total liabilities		<u>98,305</u>	<u>68,045</u>	<u>955</u>	<u>880</u>
Capital and Reserves					
Share capital	19	20,776	20,776	158,444	158,444
(Accumulated losses)/retained earnings		(5,240)	8,546	(9,851)	(9,041)
Other reserves	20	4,669	(108)	2,543	155
Equity attributable to owners of the Company		<u>20,205</u>	<u>29,214</u>	<u>151,136</u>	<u>149,558</u>
Non-controlling interests		(127)	(152)	–	–
Total equity		<u>20,078</u>	<u>29,062</u>	<u>151,136</u>	<u>149,558</u>
TOTAL EQUITY AND LIABILITIES		<u>118,383</u>	<u>97,107</u>	<u>152,091</u>	<u>150,438</u>

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2015

Group	Notes	Attributable to owners of the Company					Total Equity RM'000
		Share Capital	Other Reserves	Retained Earnings/ (Accumulated losses)	Total	Non-controlling Interests	
		RM'000	RM'000	RM'000	RM'000	RM'000	
<u>2015</u>							
Balance as at 1 January 2015		20,776	(108)	8,546	29,214	(152)	29,062
Movements in equity:							
Issuance of exchangeable bonds	20B	–	110	–	110	–	110
Loss for the year		–	–	(13,786)	(13,786)	(3)	(13,789)
Effects of translation of net assets of foreign subsidiaries	20A	–	4,667	–	4,667	28	4,695
Total comprehensive loss for the year		–	4,667	(13,786)	(9,119)	25	(9,094)
Balance as at 31 December 2015		<u>20,776</u>	<u>4,669</u>	<u>(5,240)</u>	<u>20,205</u>	<u>(127)</u>	<u>20,078</u>
<u>2014</u>							
Balance as at 1 January 2014		20,776	315	20,356	41,447	71	41,518
Movements in equity:							
Issuance of exchangeable bonds	20B	–	78	–	78	–	78
Loss for the year		–	–	(11,810)	(11,810)	(217)	(12,027)
Effects of translation of net assets of foreign subsidiaries	20A	–	(501)	–	(501)	(6)	(507)
Total comprehensive loss for the year		–	(501)	(11,810)	(12,311)	(223)	(12,534)
Balance as at 31 December 2014		<u>20,776</u>	<u>(108)</u>	<u>8,546</u>	<u>29,214</u>	<u>(152)</u>	<u>29,062</u>

Company	Notes	Share Capital RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000
<u>2015</u>					
Balance as at 1 January 2015		158,444	155	(9,041)	149,558
Movements in equity:					
Loss for the year	20A	–	–	(810)	(810)
Foreign currency translation		–	2,388	–	2,388
Total comprehensive loss for the year		–	2,388	(810)	1,578
Balance as at 31 December 2015		<u>158,444</u>	<u>2,543</u>	<u>(9,851)</u>	<u>151,136</u>
<u>2014</u>					
Balance as at 1 January 2014		158,444	266	(3,667)	155,043
Movements in equity:					
Loss for the year	20A	–	–	(5,374)	(5,374)
Foreign currency translation		–	(111)	–	(111)
Total comprehensive loss for the year		–	(111)	(5,374)	(5,485)
Balance as at 31 December 2014		<u>158,444</u>	<u>155</u>	<u>(9,041)</u>	<u>149,558</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2015

	Notes	Group 2015 RM'000	2014 RM'000
Cash flows from operating activities			
Loss before tax		(11,911)	(8,190)
Adjustments for:			
Amortisation of franchise agreement cost		203	490
Depreciation of property and equipment		7,281	5,667
Loss/(gain) on disposal of property and equipment		528	(543)
Impairment allowance on franchise agreement cost		–	1,501
Impairment allowance on property and equipment		–	7,518
Interest income		(43)	(53)
Interest expense		2,946	2,134
Property and equipment written off		1,712	2,182
Operating profit before working capital changes		716	10,706
Change in working capital:			
Inventories		926	(735)
Trade and other receivables		9,104	(1,952)
Other assets		227	(3,430)
Trade and other payables		9,472	(1,508)
		20,445	3,081
Tax paid		(2,948)	(2,880)
Net cash generated from operating activities		17,497	201
Cash flows from investing activities			
Net cash outflows arising from acquisition of subsidiaries	14	(10,414)	–
Purchase of property and equipment		(6,459)	(10,070)
Proceeds from disposal of equipment		440	1,881
Franchise agreement cost paid		–	(528)
Interest received		43	53
Net cash used in investing activities		(16,390)	(8,664)
Cash flows from financing activities			
(Decrease)/Increase in bills payable		(556)	205
Drawdown of borrowings		12,525	8,565
Repayment of borrowings		(7,452)	(7,622)
Repayment of finance lease payables		(322)	(264)
Decrease/(Increase) in cash restricted in use		345	(689)
Proceeds from issuance of exchangeable bonds		3,900	3,971
Interest paid		(2,366)	(2,027)
Net cash generated from financing activities		6,074	2,139
Net increase/(decrease) in cash and cash equivalents		7,181	(6,324)
Foreign exchange differences		278	(865)
Cash and cash equivalents, statement of cash flows, beginning balance		240	7,429
Cash and cash equivalents, statement of cash flows, ending balance	18A	7,699	240

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

1. General

Chaswood Resources Holdings Ltd. (the “Company”) is incorporated in Singapore with limited liability. The financial statements are presented in Ringgit Malaysia (“RM”). The registered office is at 80 Robinson Road, #02-00, Singapore 068898. It is listed on the SGX-Catalist Board.

The principal activities of the Company are that of investment holding. The principal activities of the subsidiaries are described in Note 14.

The board of directors approved and authorised these financial statements for issue on the date of the directors’ statement.

During the financial year ended 31 December 2015, the Group’s total current liabilities exceeded its total current assets by RM23.94 million and the Group also incurred loss after tax of RM13.79 million and total comprehensive loss of RM9.09 million for the financial year ended 31 December 2015. In the opinion of the directors, the Group is able to continue as a going concern as the directors are of the view that the Group will be able to generate net cash inflows from operating activities for a period of 12 months from the date of these financial statements, to enable the Group to meet its financial obligations as and when they fall due. Accordingly, the directors of the Group are of the view that the use of going concern assumption is appropriate for the preparation of these financial statements.

2. New and Revised Singapore Financial Reporting Standards (“FRSs”)

(a) Adoption of New and Revised FRSs

During the current financial year, the Group has adopted all the revised and amended FRSs that are relevant to the Group’s operations and mandatory for annual periods beginning on 1 January 2015.

- *Improvements to FRS 16, Property, Plant and Equipment*
- *Improvements to FRS 24, Related Party Disclosures*
- *Improvements to FRS 103, Business Combinations*
- *Improvements to FRS 108, Operating Segments*
- *Improvements to FRS 113, Fair Value Measurement*

The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. New and Revised Singapore Financial Reporting Standards (“FRSs”) (cont’d)

(b) New and Amendments to FRSs issued but not yet effective

As at the date of these financial statements, the Company has not adopted the following new and amendments to FRSs that have been issued but are not yet effective:

- *FRS 1, Disclosure Initiative*
- *FRS 109, Financial Instruments*
- *FRS 115, Revenue from Contracts with Customers*
- *Amendments to FRS7, Statement of Cash Flows*
- *Amendments to FRS12, Recognition of Deferred Tax Assets for Unrealised Losses*
- *Amendments to FRS110, FRS 112 and FRS 28: Investment Entities*

Except for FRS 115 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below:

FRS 115 Revenue from Contracts with Customers

FRS 115 Revenue from Contracts with Customers sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue standards, FRS 18 Revenue and FRS 11 Construction Contracts, and the related interpretations on revenue recognition, INT FRS 115 Agreements for the Construction of Real Estate, INT FRS 118 Transfers of Assets from Customers, and INT FRS 31 Revenue – Barter Transactions Involving Advertising Services.

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied. Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments

FRS 109 was introduced to replace FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. FRS 109 also provides a simplified hedge accounting model that will align more closely with companies’ risk management strategies.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. Summary of Significant Accounting Policies

(a) *Accounting Convention*

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs need not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS.

(b) *Basis of Presentation*

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary (including any goodwill) and amounts previously recognised in other comprehensive income is also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and its fair value is recognised in profit or loss.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50.

(c) *Basis of Preparation of the Financial Statements*

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimates, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

(d) *Revenue Recognition*

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the financial year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. Summary of Significant Accounting Policies (cont'd)

(d) *Revenue Recognition (cont'd)*

Revenue from rendering of services that are not significant transactions is recognised as the services are provided or when the significant acts have been completed.

Interest income is recognised using the effective interest method.

Fees charged for the use of continuing rights granted by the franchise and royalty agreement, or for other services provided during the period of the agreement, are recognised as revenue as the services are provided or the rights used.

(e) *Employee Benefits*

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund (government managed defined contribution retirement benefit plan).

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

(f) *Income Tax*

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss.

For such items recognised outside profit or loss, the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

(g) *Customer Loyalty Programme*

The Group operates a customer loyalty programme called "Pinch of Salt" in Malaysia that provides awards or points to programme members based on accumulated purchases. A portion of revenue attributable to the award of customer loyalty benefits, estimated based on expected utilisation of these benefits, is deferred until they are utilised. These are included under deferred revenue on the statement of financial position. Any remaining unutilised benefits are recognised as revenue upon expiry.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. Summary of Significant Accounting Policies (cont'd)

(h) *Foreign Currency Transactions*

Most of the subsidiaries in the Group operate principally in Malaysia, and the functional currency of these entities is the Malaysian ringgit, as it reflects the primary economic environment in which these subsidiaries operate. The functional currency of the Company and the Singapore subsidiaries is the Singapore dollar.

Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At the end of each financial year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the financial year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation of the Company's separate financial statement is in Malaysian ringgit as the financial statements are meant primarily for users in Malaysia.

The translations of S\$ amounts into RM amounts are included solely for the convenience of readers. The reporting year end rates used are S\$1 to RM3.0609 (2014: S\$1 to RM2.647) which approximate the rate of exchange at the end of the reporting year. The average rates of exchange for the reporting year were S\$1 to RM2.8594 (2014: S\$1 to RM2.58). Such translation should not be construed as a representation that the Singapore dollar amounts could be converted into RM at the above rate or other rate.

(i) *Translation of Financial Statements of Other Entities*

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. In translating the financial statements of an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the financial year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the financial year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant entity.

(j) *Segment Reporting*

The Group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(k) *Borrowing Costs*

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. Summary of Significant Accounting Policies (cont'd)

(l) *Property and Equipment*

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold buildings	-	2%
Equipment	-	5% - 20%
Leasehold improvements	-	10%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the financial year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Cost includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

(m) *Leases*

Whether an arrangement is, or contains, a lease, it is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases.

For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. Summary of Significant Accounting Policies (cont'd)

(n) *Intangible Assets*

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses.

An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use.

The useful life for franchise agreement cost is between 10 to 15 years.

(o) *Subsidiaries*

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

(p) *Business Combinations*

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed as incurred.

As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. If the acquirer has made a gain from a bargain purchase that gain is recognised in profit or loss. If there is gain on bargain purchase, for the gain on bargain purchase reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. Summary of Significant Accounting Policies (cont'd)

(q) *Non-Controlling Interests*

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(r) *Impairment of Non-Financial Assets*

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

(s) *Goodwill*

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with FRS 103 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this FRS 103.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill (and also an intangible asset with an indefinite useful life or an intangible asset not yet available for use) is tested for impairment, at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. Summary of Significant Accounting Policies (cont'd)

(t) *Inventories*

Inventories are measured at the lower of cost (first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(u) *Financial Assets*

(i) *Initial recognition, measurement and derecognition*

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the “substance over form” based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(ii) *Subsequent measurement*

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the financial year date there were no financial assets classified in this category.
2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
3. Held-to-maturity financial assets: As at end of the financial year date there were no financial assets classified in this category.
4. Available for sale financial assets: As at end of the financial year date there were no financial assets classified in this category.

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3. Summary of Significant Accounting Policies (cont'd)

(v) **Cash and Cash Equivalents**

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

(w) **Financial Liabilities**

(i) *Initial recognition, measurement and derecognition*

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability.

Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

(ii) *Subsequent measurement*

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. **Liabilities at fair value through profit or loss:** Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount measured in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. **Other financial liabilities:** All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

(x) **Classification of Equity and Liabilities**

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

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3. Summary of Significant Accounting Policies (cont'd)

(y) *Exchangeable Bonds*

Exchangeable bonds are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the exchangeable bonds and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the entity, is included in capital reserves in equity. The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt of the instrument. The difference between this amount and the interest paid is the carrying value of the exchangeable bonds.

(z) *Fair Value Measurement*

Fair value is taken to be 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 (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. 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. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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3. Summary of Significant Accounting Policies (cont'd)

(aa) Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

(ab) Contingencies

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

Contingent liabilities and assets are not recognised in the statement of financial position of the Group.

(ac) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in the case is the Board of Directors of the Company, to make decision about resources to be allocated to segment and to assess its performance, and for which discrete financial information is available.

4. Critical Judgements, Assumptions and Estimation Uncertainties

In addition to the critical judgements on the appropriateness of the going concern assumptions, the critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Impairment of goodwill and franchise agreement cost

An assessment is made annually whether goodwill and franchise agreement cost have suffered any impairment losses. The assessment process is complex and highly judgemental and is based on assumptions that are affected by expected future market or economic conditions. Judgement is required in identifying the cash generating units ("CGU") and the use of estimates as disclosed in Notes 13A and 13B respectively. Projections of future revenues were a critical estimate in determining fair value. Actual outcomes could vary from these estimates as disclosed in Notes 13A and 13B respectively.

Impairment of property and equipment

As at 31 December 2015, the Group has property and equipment stated at carrying value of RM62,177,000 (2014: RM55,142,000) (Note 12). An assessment is made at each end of the financial year whether there is any indication that the assets may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the assets. The recoverable amounts of cash-generating units, if applicable, is determined based on value-in-use calculations. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected.

NOTES TO THE FINANCIAL STATEMENTS

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4. Critical Judgements, Assumptions and Estimation Uncertainties (cont'd)

Useful lives of leasehold improvements and equipment

The estimates for the useful lives and related depreciation charges for leasehold improvements and equipment are based on commercial and other factors, which could change significantly as a result of innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset (or class of assets) at the end of the financial year affected by the assumption is RM60,904,000 (2014: RM53,814,000) (Note 12).

Consolidation of Chaswood Resources (Thailand) Co., Ltd. ("Chaswood Thailand")

In 2012, the Company subscribed for 49% of the paid up capital of 100,000 shares in Chaswood Thailand for a cash consideration of Baht 4,410,000.

De-facto control exists when the size of an entity's own voting rights relative to the size and dispersions of other vote holders give the entity, the practical ability unilaterally to direct the relevant activities of the Company. The Group holds 49% of voting rights in Chaswood Thailand.

The Group has an agreement with the other shareholder which owns the remaining voting shares, where the other shareholder agreed to always vote in the same way as the Group and that the Group is entitled to 90% of the profits.

Accordingly, management considers Chaswood Thailand as a subsidiary of the Group and the Group has consolidated 90% of the results of Chaswood Thailand in the Group's financial statements.

Impairment of investments in subsidiaries

Where an investee is in net equity deficit and has suffered losses, a test is made whether the investment in the investee has suffered any impairment. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset (or class of assets) at the end of the financial year affected by the assumption is RM150,000,000 (2014: RM150,000,000) (Note 14).

Income taxes

The Group is presently subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the Group-wide provision for income taxes. The entity recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4. Critical Judgements, Assumptions and Estimation Uncertainties (cont'd)

Necessary public house licences / beer house licences
("Liquor Licences") have not been obtained for certain restaurants in Malaysia

The Group has yet to obtain the Liquor Licences for certain restaurants in Malaysia. The Group is therefore not in compliance with the relevant legislation in Malaysia regulating the business which involves providing intoxicating beverages (such as beer and liquor) to its patrons. Management has submitted application for renewal to the relevant authorities and assumed that the Liquor License will be obtained in due course. In the event that the regulatory authority in Malaysia requires the strict compliance by the Group, the affected restaurants may have to cease providing such beverages, which may have an adverse effect on the Group's business and financial performance.

Customer loyalty programme

The Group operates a customer loyalty programme called "Pinch of Salt" in Malaysia that provides awards or points to programme members based on accumulated purchases. A portion of revenue attributable to the award of customer loyalty benefits is deferred until they are utilised. The deferment of the revenue is estimated based on historical trends of redemption, which is then used to project the expected utilisation of these benefits. Any remaining unutilised benefits are recognised as revenue upon expiry. This estimation requires significant judgement. As at 31 December 2015, the carrying amount of the Group's deferred revenue amounted to RM394,000 (2014: RM603,000) (Note 23).

5. Revenue

	Group	
	2015	2014
	RM'000	RM'000
Sale of food and beverages	153,155	139,416
Service charges	10,763	12,789
Franchise related income	2,592	2,454
	<u>166,510</u>	<u>154,659</u>

6. Other Gains and (Other Losses)

	Group	
	2015	2014
	RM'000	RM'000
Foreign exchange translation gains	443	15
Property and equipment written off	(1,712)	(2,182)
Impairment allowance on franchise agreement cost	–	(1,501)
Impairment allowance on property and equipment	–	(7,518)
(Loss)/gain on disposal on property and equipment	(528)	543
Others	–	186
	<u>(1,797)</u>	<u>(10,457)</u>

Presented in the profit or loss as:

Other gains	443	744
Other losses	<u>(2,240)</u>	<u>(11,201)</u>
	<u>(1,797)</u>	<u>(10,457)</u>

NOTES TO THE FINANCIAL STATEMENTS

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7. Administrative Expenses

	Group	
	2015	2014
	RM'000	RM'000
Audit fees paid and payable to:		
- Audit fees to independent auditors of the Company	300	298
- Audit fees to independent auditors of the subsidiaries	488	393
- Non-audit fees to independent auditors of the Company	–	41
- Non-audit fees to independent auditors of the subsidiaries	–	38
Employee benefits expense	46,634	39,807
Operating supplies	4,452	2,685
Rental of apartments	1,654	1,384
Rental of restaurant premises	28,619	25,309
Repairs and maintenance	2,601	2,725
Utilities	9,042	7,618
Employee benefits expense:		
Salaries and other short-term employee benefits (including the directors)	44,836	37,132
Contributions to defined contribution plans	1,798	2,675
	<u>46,634</u>	<u>39,807</u>

8. Finance Costs

	Group	
	2015	2014
	RM'000	RM'000
Interest on:		
Exchangeable bonds	857	263
Bank borrowings	2,049	1,816
Finance lease payables	40	55
	<u>2,946</u>	<u>2,134</u>

9. Other Expenses

	Group	
	2015	2014
	RM'000	RM'000
Amortisation of franchise agreement cost	203	490
Depreciation of property and equipment	7,281	5,667
	<u>7,484</u>	<u>6,157</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

10. Income Tax Expense

	Group	
	2015 RM'000	2014 RM'000
Current tax expense:		
- current financial year	1,859	4,342
- over provision in the previous financial year	(85)	(181)
	<u>1,774</u>	<u>4,161</u>
Deferred tax:		
- origination and reversal of temporary differences	(190)	(330)
- reduction in income tax rate	(117)	-
- under provision in the previous financial year	411	6
	<u>104</u>	<u>(324)</u>
Total income tax expense	<u>1,878</u>	<u>3,837</u>

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

	Group	
	2015 RM'000	2014 RM'000
Loss before tax	(11,911)	(8,190)
Income tax at the above rate	(2,025)	(1,392)
Tax effects of:		
- non deductible expenses	2,538	3,652
- non taxable gain	-	(22)
- effect of reduction in tax rate on deferred tax	(117)	-
- effect of different tax rates in different countries	(620)	(57)
- utilisation of previously unrecognised deferred tax assets	-	(26)
- deferred tax assets not recognised	1,776	1,857
- overprovision of income tax expense in prior year	(85)	(181)
- underprovision of deferred tax expense in prior year	411	6
Total income tax expense	<u>1,878</u>	<u>3,837</u>

Expenses not deductible for tax purposes comprise transaction cost related to the acquisition of subsidiaries, entertainment and non-trade related operating expenses.

Deferred tax balance in statement of financial position:

At the beginning of financial year	2,535	2,859
Recognised in profit or loss	104	(324)
At the end of financial year	<u>2,639</u>	<u>2,535</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

10. Income Tax Expense (cont'd)

	Group	
	2015 RM'000	2014 RM'000
Deferred tax liabilities/(assets) are presented after offsetting:		
Deferred tax liabilities:		
- excess of net book value of equipment over tax values	4,680	2,976
Deferred tax assets:		
- unutilised tax losses	(442)	(160)
- unabsorbed capital allowances	(1,599)	(281)
	<u>2,639</u>	<u>2,535</u>
Deferred tax assets have not been recognised in respect of the following temporary differences		
- unutilised tax losses	13,237	7,551
- unabsorbed capital allowances	2,104	1,845
- others	1,160	–
	<u>16,501</u>	<u>9,396</u>

Deferred tax assets have not been recognised in respect of the above items as they relate to loss making subsidiaries and it is not probable that they will be utilised by taxable profits in the foreseeable future.

The realisation of the future income tax benefits from tax loss carry forwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

11. Loss per Share

The following table illustrates the numerators and denominators used to calculate basic amount per share of no par value.

Loss per share is calculated by dividing the Group's loss after tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year as follows:

	Group	
	2015 RM'000	2014 RM'000
Net loss attributable to equity holders	(13,786)	(11,810)
Interest on exchangeable bonds (Note 8)	857	263
	<u>(12,929)</u>	<u>(11,547)</u>
Weighted average number of equity shares	No:'000	No:'000
Basic	226,818	226,818
Dilutive exchangeable bonds effect	10,000	5,000
Diluted	<u>236,818</u>	<u>231,818</u>
Basic loss per share	<u>(6.1)</u>	<u>(5.2)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

11. Loss per Share (cont'd)

The weighted average number of equity shares refers to shares in circulation during the reporting period.

There is no dilutive effect from the exchangeable bonds as they are anti-dilutive because their conversion to ordinary shares would decrease loss per share.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. The diluted amount per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each reporting year. The average number of ordinary shares assumed to be outstanding during the reporting year as if the exchangeable bonds had been converted into ordinary shares and the profit or loss is after giving effect to the elimination of interest expense, net of tax benefit applicable to the exchangeable bonds.

In the previous financial year, the Group issued redeemable exchangeable bonds ("Exchangeable Bonds Tranche 1 and 2") on 25 April 2014 and 5 December 2014 for an aggregate subscription price of S\$1,500,000 (approximately RM3,971,000) (Note 21C). The Exchangeable Bonds Tranche 1 and 2 will result in the issuance of 5,000,000 ordinary shares in the event they are converted based on a conversion price of S\$0.30 per ordinary share.

During the current financial year, the Group issued redeemable exchangeable bonds ("Exchangeable Bonds Tranche 3") on 27 January 2015 for an aggregate subscription price of S\$1,500,000 (approximately RM3,900,000) (Note 21C). The Exchangeable Bonds Tranche 3 will result in the issuance of 5,000,000 ordinary shares in the event they are converted based on a conversion price of S\$0.30 per ordinary share.

12. Property and Equipment

	Leasehold building RM'000	Leasehold improvements RM'000	Equipment RM'000	Total RM'000
Group				
2015				
Cost				
At 1 January 2015	1,569	38,732	50,253	90,554
Additions	–	1,970	4,489	6,459
Written off	–	(1,878)	(1,231)	(3,109)
Disposals	–	(288)	(1,408)	(1,696)
Acquisition of subsidiaries	–	3,973	5,687	9,660
Foreign exchange adjustments	–	331	315	646
At 31 December 2015	1,569	42,840	58,105	102,514
Accumulated depreciation and impairment losses				
At 1 January 2015	241	16,147	19,024	35,412
Charge for the year	55	4,072	3,154	7,281
Written off	–	(586)	(811)	(1,397)
Disposals	–	(64)	(664)	(728)
Foreign exchange adjustments	–	(29)	(202)	(231)
At 31 December 2015	296	19,540	20,501	40,337
Net book value				
At 31 December 2015	1,273	23,300	37,604	62,177

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31 December 2015

12. Property and Equipment (cont'd)

	Leasehold building RM'000	Leasehold improvements RM'000	Equipment RM'000	Total RM'000
Group				
2014				
Cost				
At 1 January 2014	1,569	38,312	46,120	86,001
Additions	–	5,183	4,986	10,169
Written off	–	(1,976)	(2,163)	(4,139)
Disposals	–	(828)	(786)	(1,614)
Reclassifications	–	(2,019)	2,019	–
Foreign exchange adjustments	–	60	77	137
At 31 December 2014	1,569	38,732	50,253	90,554
Accumulated depreciation and impairment losses				
At 1 January 2014	213	8,297	16,058	24,568
Charge for the year	28	1,746	3,893	5,667
Impairment loss	–	6,879	639	7,518
Written off	–	(640)	(1,317)	(1,957)
Disposals	–	(90)	(186)	(276)
Foreign exchange adjustments	–	(45)	(63)	(108)
At 31 December 2014	241	16,147	19,024	35,412
Net book value				
At 31 December 2014	1,328	22,585	31,229	55,142

Certain items are under finance lease agreements (see Note 21B).

Leasehold improvements and equipment amounting to RM1,712,000 was written off during the financial year due to restaurant outlets closure.

In the previous financial year, leasehold improvements and equipment amounting to RM7,518,000 was fully impaired due to weaker performance of certain subsidiaries. This arose from the management regular review of the recoverable amount of property and equipment. Management estimated the recoverable amount of the asset on the basis of its value-in-use. The discount rate used in measuring value-in-use was 4.3% (2014: 7.0%). No further impairment on property and equipment is made during the current financial year.

As at the current reporting date, leasehold building amounting to RM86,000 (2014: RM88,000) is pledged as security for a banking facility (Note 21A).

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13. Intangible Assets

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Goodwill (Note 13A)	14,204	6,953	–	–
Franchise agreement cost (Note 13B)	2,343	2,285	–	–
	<u>16,547</u>	<u>9,238</u>	<u>–</u>	<u>–</u>

13A. Goodwill

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>				
At the beginning of the year	6,953	6,953	–	–
Addition	7,251	–	–	–
At the end of the year	<u>14,204</u>	<u>6,953</u>	<u>–</u>	<u>–</u>

The goodwill mainly relates to the initial acquisition of TGI Fridays business in 2002 and the acquisition of TGI Fridays business in China during the financial year.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment by each primary reporting segment as follows:

	Group	
	2015	2014
	RM'000	RM'000
Assets allocations:		
Malaysia	6,953	6,953
People's Republic of China ("PRC")	7,251	–
	<u>14,204</u>	<u>6,953</u>

During the financial year, the Group assessed the recoverable amount of the goodwill, and determined that the goodwill on consolidation is not impaired.

The basis of the determination of the recoverable amount is set out below.

The recoverable amount of a cash-generating unit is determined using the value-in-use approach, and this is derived from the present value of the future cash flows from this segment computed based on the projections of financial budgets approved by management covering a period of ten years. The key assumptions used in the determination of the recoverable amount are as follows:

	Gross margin		Growth rate of revenue		Discount rate	
	2015	2014	2015	2014	2015	2014
	%	%	%	%	%	%
Operating restaurants	<u>65.2 – 73.5</u>	<u>65 – 71</u>	<u>3 – 8</u>	<u>0 – 5</u>	<u>4.3</u>	<u>7.0</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

13. Intangible Assets (cont'd)

13A. Goodwill (cont'd)

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and cost saving measures, if any.

(ii) Growth rate

Pre-tax cash flow projections based on the most recent financial budgets approved by the management covering a ten years period based on the above stipulated growth rate.

(iii) Discount rate

The discount rate used is based on the weighted average cost of capital.

Actual outcomes could vary from these estimates. If the revised growth rate of revenue had been 3% less favourable than management's estimates at the end of the reporting year, there would not be a need to reduce the carrying value of goodwill. If the revised discount rate applied to the discounted cashflows had been 1% less favourable than management's estimates these would not be a need to reduce the carrying values of goodwill.

13B. Franchise Agreement Cost

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Cost</u>				
At the beginning of the year	5,895	5,191	979	983
Additions	–	528	–	–
Foreign exchange adjustments	267	176	–	(4)
At the end of the year	6,162	5,895	979	979
<u>Accumulated amortisation and impairment</u>				
At the beginning of the year	3,610	1,556	979	128
Additions	203	490	–	98
Impairment loss	–	1,501	–	–
Foreign exchange adjustments	6	63	–	753
At the end of the year	3,819	3,610	979	979
<u>Net book value</u>				
At the end of the year	2,343	2,285	–	–

The franchise agreement cost, which relates to the licence agreements entered with four franchisors for the operation of four restaurant concepts, namely TGI Fridays, Bulgogi Brothers, Watami and Paradise Dynasty, were tested for impairment at the end of the financial year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs to sell or its value in use. The recoverable amounts of cash-generating units have been determined based on its value in use method. The value is regarded as the lowest level for fair value measurement as the valuation includes inputs for the asset that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

13. Intangible Assets (cont'd)

13B. Franchise Agreement Cost (cont'd)

In the previous financial year, an impairment loss was recognised to write down the carrying amount of franchise agreement cost for Bulgogi Brothers Malaysia, Watami and Paradise Dynasty. During the financial year, no impairment loss (2014: RM1,501,000) has been recognised in profit or loss under the line item "other losses" as disclosed in Note 6. In the previous financial year, the impairment loss was the result of deteriorating financial performance of the above mentioned restaurant concepts.

The franchise fees which relate to the license agreement entered with the franchisor for the operation of Bulgogi Brothers restaurant concept in certain provinces of China, amounting to RM1,035,000 (2014: RM1,035,000) are not amortised as the Group is planning to recommence its Bulgogi Brothers operation in China in the foreseeable future and the corresponding franchise fees will only expire on December 2023.

The basis of the determination of the recoverable amount is set out below.

The recoverable amount of a cash-generating unit is determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the franchises computed based on the projections of financial budgets approved by management covering a period of ten years. The key assumptions used in the determination of the recoverable amount are as follows:

	Gross margin		Growth rate of revenue		Discount rate	
	2015	2014	2015	2014	2015	2014
	%	%	%	%	%	%
Operating restaurants	65.2 – 73.5	65 – 71	3 – 8	0 – 5	4.3	7.0

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the years immediately before the budgeted year, increased for expected efficiency improvements and cost saving measures, if any.

(ii) Growth rate

Pre-tax cash flow projections based on the most recent financial budgets approved by the management covering a ten years period based on the above stipulated growth rate.

(iii) Discount rate

The discount rate used is based on the weighted average cost of capital.

Management believes that any reasonably possible change in the key assumptions on which the franchise agreement cost recoverable amount is based on would not cause the carrying amount to exceed its recoverable amount.

Actual outcomes could vary from these estimates.

If the revised revenue growth rate of TGI Fridays and Bulgogi Brothers had been 3% less favourable than management's estimates at the end of the reporting year, there would not be a need to reduce the carrying value of franchise agreement cost. If the revised discount rate applied to TGI Fridays and Bulgogi Brothers discounted cash flows had been 1% less favourable than management estimates, these would also not be a need to reduce the carrying value of franchise agreement cost.

NOTES TO THE FINANCIAL STATEMENTS

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14. Investments in Subsidiaries

	Company	
	2015 RM'000	2014 RM'000
<u>Cost</u>		
Movement during the year:		
Balance at the beginning of the year	150,954	150,954
Allowance for impairment	(954)	(954)
Balance at the end of the year	<u>150,000</u>	<u>150,000</u>
<u>Movement in allowance for impairment</u>		
Balance at the beginning of the year	(954)	–
Allowance for impairment	–	(984)
Foreign exchange adjustments	–	30
Balance at the end of the year	<u>(954)</u>	<u>(954)</u>
Total cost comprising		
Unquoted equity shares at cost	<u>150,000</u>	<u>150,000</u>

Name of Subsidiaries, Place of operations, and Country of incorporation	Principal activities	Cost of investment		Effective percentage of Equity interest	
		2015 RM'000	2014 RM'000	2015 %	2014 %
<u>Held by the Company</u>					
Chaswood Resources Sdn. Bhd. ⁽¹⁾ Malaysia	Investment holding and restaurant operator	150,000	150,000	100	100
Chaswood Resources (Thailand) Co. Ltd ⁽²⁾ Thailand	Restaurant operator	954	954	90	90
Chaswood Global Pte. Ltd. ⁽⁴⁾ Singapore	Investment holding	(*)	(*)	100	100
Chaswood Sino Pte. Ltd. ⁽⁴⁾ Singapore	Investment holding	(*)	(*)	100	100
		<u>150,954</u>	<u>150,954</u>		

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

14. Investments in Subsidiaries (cont'd)

Name of Subsidiaries, Place of operations, and Country of incorporation	Principal activities	Effective percentage of Equity interest	
		2015 %	2014 %
<u>Held by Subsidiaries</u>			
Chaswood Resources Sdn. Bhd.			
Bistroamericana (P.J.) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (M) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (S.J.) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (J.B.) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (T.C.) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistro Italiana (SJ) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (B.U.)Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Trinity Square Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistro Italiana (JB) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistro Italiana (TC) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistro Italiana (TG) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Teh Tarik Place Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (Q.B.) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (BB) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (SP) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
The Apartment Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

14. Investments in Subsidiaries (cont'd)

Name of Subsidiaries, Place of operations, and Country of incorporation	Principal activities	Effective percentage of Equity interest	
		2015 %	2014 %
<u>Held by Subsidiaries (cont'd)</u>			
Chaswood Resources Sdn. Bhd. (cont'd)			
Teh Tarik Place Holdings Sdn. Bhd. ⁽¹⁾ Malaysia	Dormant	100	100
Curry Leaf’s Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistromalones (S) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Teh Tarik Place (SA) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (IOI) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (Hartamas) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (TG) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (WW) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistromalones (BB) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
The Apartment (BB) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (A) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistrojapan (BB) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistrojapan (BU) Sdn. Bhd. ⁽¹⁾ Malaysia	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

14. Investments in Subsidiaries (cont'd)

Name of Subsidiaries, Place of operations, and Country of incorporation	Principal activities	Effective percentage of Equity interest	
		2015 %	2014 %
Held by Subsidiaries (cont'd)			
Chaswood Resources Sdn. Bhd. (cont'd)			
Chaswood Communications Sdn. Bhd. ⁽¹⁾ Malaysia	Dormant	100	100
Cafe Baci Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (PM) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistrojapan (PM) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistro Italiana (PM) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (SA) Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bulgogi Brothers Restaurants Sdn. Bhd. ⁽¹⁾ Malaysia	Restaurant operator	100	100
Bistroamericana (EC) Sdn. Bhd. ⁽⁷⁾ Malaysia	Restaurant operator	100	–
Bistro Italiana (EC) Sdn Bhd. ⁽⁷⁾ Malaysia	Restaurant operator	100	–
Bistromalones (PJ) Sdn. Bhd. ⁽⁷⁾ Malaysia	Restaurant operator	100	–
Chaswood Resources Pte. Ltd. ⁽⁴⁾ Singapore	Investment holding	100	100
PT Chaswood Resources ⁽³⁾ Indonesia	Investment holding	99	99
Beijing TGI Friday's Restaurant Co. Ltd. ⁽⁶⁾ PRC	Restaurant operator	100	–
Yi Jun Restaurant Management (Shanghai) Co. Ltd ⁽⁶⁾ PRC	Restaurant operator	100	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

14. Investments in Subsidiaries (cont'd)

Name of Subsidiaries, Place of operations, and Country of incorporation	Principal activities	Effective percentage of Equity interest	
		2015 %	2014 %
<u>Held by Subsidiaries (cont'd)</u>			
Chaswood Resources Pte. Ltd.			
Chaswood Resources (OR) Pte. Ltd. ⁽⁴⁾ Singapore	Restaurant operator	100	100
Bistroamericana (KM) Pte. Ltd. ⁽⁴⁾ Singapore	Restaurant operator	100	100
Bistromalones (313) Pte. Ltd. ⁽⁴⁾ Singapore	Restaurant operator	100	100
Chaswood Capital Pte. Ltd. ⁽⁴⁾ Singapore	Investment holding	100	100
PT Chaswood Resources			
PT Chaswood Resources Jakarta ⁽³⁾ Indonesia	Restaurant operator	75	75
PT Chaswood Resources BB ⁽³⁾ Indonesia	Restaurant operator	75	75
Chaswood Global Pte. Ltd.			
Chaswood Resources (HK) Private Limited ⁽⁵⁾ Hong Kong	Dormant	100	100
Chaswood Sino Pte. Ltd.			
Chaswood Restaurant Management Shanghai Co. Ltd ⁽⁶⁾ PRC	Restaurant operator	94	94

^(*) Cost of investment is less than RM1,000.

⁽¹⁾ Audited by Moore Stephens Associate PLT, Malaysia, a firm of independent auditors, a member firm of Moore Stephens International of which Moore Stephens LLP, Singapore is also a member.

⁽²⁾ Audited by RSM Audit Services (Thailand) Limited. Cost of investment of RM954,000 was fully impaired in financial year 2014.

⁽³⁾ Audited by RSM AAJ Associate, Indonesia.

⁽⁴⁾ Audited by Moore Stephens LLP, Singapore.

⁽⁵⁾ Not audited as immaterial.

⁽⁶⁾ Audited by Dahua CPA, a member firm of Moore Stephens International of which Moore Stephens LLP, Singapore is also a member.

⁽⁷⁾ Not audited as newly incorporated during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

14. Investments in Subsidiaries (cont'd)

The subsidiaries with non-controlling interests are considered not significant to the reporting entity.

Incorporation of new subsidiaries

The Company's wholly-owned subsidiary, Chaswood Resources Sdn. Bhd. has incorporated three (3) new subsidiaries in Malaysia on 18 August 2015 as follows:

- Bistroamericana (EC) Sdn. Bhd.;
- Bistro Italiana (EC) Sdn. Bhd.; and
- Bistromalones (PJ) Sdn. Bhd.

The principal activities of the above new subsidiaries are to carry out business as restaurant operators and each subsidiary was incorporated with an authorised share capital of 100 ordinary shares at RM1.00 each and a paid up capital of RM100.

Acquisition of subsidiaries

On 20 April 2015, the Group acquired 100% equity interest in Beijing TGI Friday's Restaurant Co., Ltd. ("Beijing TGIF") and Yi Jun Restaurant Management (Shanghai) Co., Ltd ("Yi Jun") for a consideration of RM18.395 million. The subsidiaries were acquired to expand the Group's restaurant operations in PRC.

The following summarises the major classes of consideration transferred, and the recognised amounts of the assets acquired and liabilities assumed at the acquisition date:

	Group 2015 RM'000
<u>Fair value of identifiable assets acquired and liabilities assumed:</u>	
Property and equipment	9,660
Inventories	823
Trade and other receivables	7,682
Cash and cash equivalents	2,617
Trade and other payables	(9,638)
	<u>11,144</u>
<u>Net cash outflows arising from acquisition of subsidiaries</u>	
Purchase consideration satisfied in cash	(13,031)
Cash and cash equivalents of subsidiaries acquired	2,617
	<u>(10,414)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

14. Investments in Subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

	Group 2015 RM'000
<u>Goodwill arising from business combination</u>	
Fair value of consideration transferred via:	
- Cash	13,031
- Earn out payable (Note 21F)	5,364
	<u>18,395</u>
Fair value of identifiable assets acquired and liabilities assumed	11,144
Goodwill on acquisition (Note 13A)	<u><u>7,251</u></u>

Impact of acquisition in statement of comprehensive income

From the date of acquisition, Beijing TGIF and Yi Jun have contributed loss net of tax of RM4,179 to the Group's loss net of tax. If the combination had taken place at the beginning of the financial year, the contribution to the Group's loss net of tax would have been loss net of tax of RM1.65 million and contribution to the Group's revenue would have been RM45.25 million.

15. Inventories

	Group 2015 RM'000	2014 RM'000
Food and beverage	<u>3,810</u>	<u>3,913</u>
The amount of inventories included in cost of sales	<u>(55,353)</u>	<u>(48,305)</u>

There are no inventories pledged as security for liabilities.

16. Trade and Other Receivables

	Group 2015 RM'000	2014 RM'000	Company 2015 RM'000	2014 RM'000
<u>Trade receivables</u>				
Outside parties	<u>4,433</u>	<u>3,260</u>	<u>—</u>	<u>—</u>
<u>Other receivables</u>				
Outside parties	1,766	2,402	—	—
Subsidiaries	<u>—</u>	<u>—</u>	<u>2,091</u>	<u>355</u>
	<u>1,766</u>	<u>2,402</u>	<u>2,091</u>	<u>355</u>
	<u><u>6,199</u></u>	<u><u>5,662</u></u>	<u><u>2,091</u></u>	<u><u>355</u></u>

NOTES TO THE FINANCIAL STATEMENTS

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17. Other Assets

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Prepayments	5,588	4,858	–	–
Rental deposits	9,248	10,205	–	83
	<u>14,836</u>	<u>15,063</u>	<u>–</u>	<u>83</u>

18. Cash and Cash Equivalents

	Group	
	2015 RM'000	2014 RM'000
Cash on hand	95	153
Cash at banks	11,908	4,780
Fixed deposits with licensed banks ^(a)	2,811	3,156
	<u>14,814</u>	<u>8,089</u>
Not restricted in use	12,003	4,933
Restricted in use ^(a)	2,811	3,156
	<u>14,814</u>	<u>8,089</u>

(a) The interest-earning balances are not significant.

This amount is pledged as security for bank borrowings obtained (Note 21).

18A. Cash and cash equivalents in the statement of cash flows:

	Group	
	2015 RM'000	2014 RM'000
Amount shown above	14,814	8,089
Bank overdraft (Note 21)	(4,304)	(4,693)
Cash restricted in use over 3 months	(2,811)	(3,156)
Cash and cash equivalents for statement of cash flows purposes at the end of the year	<u>7,699</u>	<u>240</u>

18B. Non-cash transactions

In the previous financial year, equipment amounted to RM99,000 was acquired by means of finance leases (Note 21B).

19. Share Capital

	Group		Company	
	No. of shares '000	RM'000	No. of shares '000	RM'000
<u>Issued and paid up</u>				
Ordinary shares of no par value:				
Balance at the beginning and the end of the year	<u>226,818</u>	<u>20,776</u>	<u>226,818</u>	<u>158,444</u>

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The Company is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

19. Share Capital (cont'd)

Capital Management

In order to maintain its listing on the Singapore Stock Exchange, the Company has to have share capital with at least a free float of 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury shares purchases mean it will automatically continue to satisfy that requirement, as it did throughout the year. Management received a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the year.

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The management monitors the capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt/equity. Net debt is calculated as total borrowings less cash and cash equivalents.

	Group	
	2015	2014
	RM'000	RM'000
Bank borrowings (Note 21)	27,860	22,787
Finance lease payables (Note 21)	244	566
Exchangeable bonds (Note 21)	9,662	4,000
Bills payable (Note 21)	1,000	1,556
Bank overdrafts (Note 21)	4,304	4,693
	<u>43,070</u>	<u>33,602</u>
Less: Cash and cash equivalents (Note 18)	<u>(14,814)</u>	<u>(8,089)</u>
Net debts	<u>28,256</u>	<u>25,513</u>
Total equity	<u>20,078</u>	<u>29,062</u>
Debt-to-equity ratio	<u>1.41</u>	<u>0.88</u>

The unfavourable change as shown by the increase in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in new debt. There was an unfavourable change with decreased retained earnings.

20. Other Reserves

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Translation reserve (Note 20A)	4,481	(186)	2,543	155
Capital reserve (Note 20B)	188	78	–	–
	<u>4,669</u>	<u>(108)</u>	<u>2,543</u>	<u>155</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

20. Other Reserves (cont'd)

20A. Translation Reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations where the functional currencies are different from the presentation currency of the Group.

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At beginning of the year	(186)	315	155	266
Net currency translation differences of net assets of foreign subsidiaries	4,667	(501)	2,388	(111)
At end of the year	<u>4,481</u>	<u>(186)</u>	<u>2,543</u>	<u>155</u>

20B. Capital Reserve

Capital reserve relates to the value of the options granted to the bondholder to convert their exchangeable bonds as disclosed in Note 21C into shares.

	Group	
	2015 RM'000	2014 RM'000
<u>Exchangeable Bonds</u>		
At beginning of the year	78	–
Equity element of the issue (Note 21C)	110	78
At end of the year	<u>188</u>	<u>78</u>

21. Other Financial Liabilities

	Group	
	2015 RM'000	2014 RM'000
<u>Non-current</u>		
Bank borrowings (Note 21A)	18,603	10,164
Finance lease payables (Note 21B)	98	305
Exchangeable bonds (Note 21C)	9,662	4,000
Earn out payables (Note 21F)	3,709	–
	<u>32,072</u>	<u>14,469</u>
<u>Current</u>		
Bank borrowings (Note 21A)	9,257	12,623
Finance lease payables (Note 21B)	146	261
Bank overdrafts (Note 21D)	4,304	4,693
Bills payable (Note 21E)	1,000	1,556
Earn out payables (Note 21F)	1,655	–
	<u>16,362</u>	<u>19,133</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

21. Other Financial Liabilities (cont'd)

21A. Bank Borrowings

The bank borrowings are term loans that bear interest rates ranging from Base Rate ("BR") + 0% to BR + 2.5% (2014: BR + 0% to BR +2.5%) per annum.

The term loans at the end of the financial year are secured by:

- (i) Fixed and floating charges over all the present and future assets of certain subsidiaries; and
- (ii) Pledge of the fixed deposits with licensed banks of the Group.

Certain term loans are also covered by:

- (i) Corporate guarantees of the Company and Chaswood Resources Sdn. Bhd.;
- (ii) Legal charge over a leasehold building of the Group (Note 12); and
- (iii) Legal assignment to licensed bank all rights, titles, benefits and interests to and in the insurance policies of certain subsidiaries.

Callable term loans include an overriding payment on demand clause which gives lenders the right to demand repayment at any time, at their sole discretion irrespective of whether a default event has occurred. Callable term loans are classified as current liabilities in their entirety, irrespective of the probability that the lender will exercise the demand clause. As at 31 December 2015, the amount due after more than one year which falls under the definition of callable term loans was RM3,244,000 (2014: RM3,832,000). This amount has been classified as current liabilities in the statement of financial position.

Management believes that the banks concerned will not exercise the demand clause on the callable loan agreements. An analysis of the repayment amounts based on the repayment schedules in the loan agreements assuming the banks void the demand clause is as follows:

	Group	
	2015	2014
	RM'000	RM'000
Repayable between 2 to 5 years	3,244	3,832

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

21. Other Financial Liabilities (cont'd)

21A. Bank Borrowings (cont'd)

In the previous financial year, there was a breach of loan agreement terms. The required gearing ratio of 1.25 for the loan amounting to RM3,859,000 was not maintained. The lender has not made a demand for accelerated repayment. The lender agreed after the end of reporting year to waive the requirements and as such the loan of RM2,506,000 was classified as “current” at the end of last reporting year. There is no such breach of loan agreement terms for the current financial year.

Term Loans	Number of Monthly Instalments	Monthly Instalment Amount	Commencement Date of Repayment	Amount Outstanding	
				2015 RM'000	2014 RM'000
1	120	1,140	June 2015	–	12
2	60	27,100	April 2010	–	119
3	60	23,228	October 2010	–	241
4	60	21,440	June 2011	84	317
5	60	19,710	April 2011	–	52
6	54	13,791	December 2011	74	228
7	54	34,478	December 2011	145	560
8	54	27,582	August 2012	334	644
9	54	32,075	September 2012	451	835
10	53	22,300	April 2013	397	665
11	53	28,500	April 2013	512	853
12	60	36,039	April 2014	1,331	1,559
13	60	36,039	January 2014	1,219	1,559
14	53	26,200	April 2013	444	785
15	54	41,080	April 2013	809	1,226
16	54	34,710	April 2013	675	1,023
17	50	31,600	August 2013	549	740
18	54	138,062	May 2015	5,060	5,698
19	60	31,600	December 2014	1,458	1,839
20	60	39,937	November 2014	1,566	1,916
21	60	43,577	November 2014	1,567	1,916
22	60	230,669	November 2015	11,185	–
				<u>27,860</u>	<u>22,787</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

21. Other Financial Liabilities (cont'd)

21B. Finance Lease Payables

	Minimum Payments RM'000	Finance Charges RM'000	Present Value RM'000
<u>2015</u>			
Minimum finance lease payments			
- not later than 1 year	160	(14)	146
- later than one year and not later than 5 years	126	(28)	98
	<u>286</u>	<u>(42)</u>	<u>244</u>
<u>2014</u>			
Minimum finance lease payments			
- not later than 1 year	293	(32)	261
- later than one year and not later than 5 years	355	(50)	305
	<u>648</u>	<u>(82)</u>	<u>566</u>

The hire purchase payables of the Group bear effective interest rates ranging from 4.9% to 7.0% (2014: 4.9% to 7.0%) per annum.

Net book value of equipment under finance leases amounted to RM313,000 (2014: RM635,000).

The obligations under finance lease payables are secured by the lessor's charge over the leased assets.

21C. Exchangeable Bonds

	Group	
	2015 RM'000	2014 RM'000
Net proceeds	7,871	3,971
Equity component	(188)	(78)
	<u>7,683</u>	<u>3,893</u>
Interest accreted	1,120	263
Interest paid	(433)	(156)
Foreign exchange adjustments	1,292	—
	<u>9,662</u>	<u>4,000</u>

The exchangeable bonds are convertible at the holder's option into ordinary shares of the Company on or before the maturity date (being three years from the date of the issuance of the Exchangeable Bonds). The amount reserved for the exchangeable bond is split between the liability component without conversion option and the equity component with conversion option.

The exchangeable bonds are secured by a corporate guarantee of the Company.

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21. Other Financial Liabilities (cont'd)

21C. Exchangeable Bonds (cont'd)

The main features are as follows:

Tranche 1:

Date of issue	25 April 2014
Issue amount	SGD1,000,000 (approximately RM2,647,000)
Maturity date	23 April 2017
Interest rate	10.00 % per year (5% paid half-yearly and 5% rolled over principal which shall be payable in cash upon redemption)
Rate for an equivalent non-convertible bond of comparable companies	11.07%
Conversion features	Convertible at the holder's option into ordinary shares of the company on or before the maturity date.
Conversion ratio on issue	SGD0.30 per share for SGD1,000,000 of exchangeable bonds
Redemption features	Redeemable by maturity date

Tranche 2:

Date of issue	5 December 2014
Issue amount	SGD500,000 (approximately RM1,324,000)
Maturity date	23 April 2017
Interest rate	10.00 % per year (5% paid half-yearly and 5% rolled over principal which shall be payable in cash upon redemption)
Rate for an equivalent non-convertible bond of comparable companies	11.07%
Conversion features	Convertible at the holder's option into ordinary shares of the company on or before the maturity date.
Conversion ratio on issue	SGD0.30 per share for SGD1,000,000 of exchangeable bonds
Redemption features	Redeemable by maturity date

Tranche 3:

Date of issue	27 January 2015
Issue amount	SGD1,500,000 (approximately RM3,900,000)
Maturity date	23 April 2017
Interest rate	10.00 % per year (5% paid half-yearly and 5% rolled over principal which shall be payable in cash upon redemption)
Rate for an equivalent non-convertible bond of comparable companies	11.07%
Conversion features	Convertible at the holder's option into ordinary shares of the company on or before the maturity date.
Conversion ratio on issue	SGD0.30 per share for SGD1,000,000 of exchangeable bonds
Redemption features	Redeemable by maturity date

The above exchangeable bonds remained outstanding as at 31 December 2015.

The Company and its wholly-owned subsidiary Chaswood Capital Pte. Ltd. (the "Issuer") had on 30 September 2013 entered into a legally binding term sheet (the "Term Sheet") with TAP Venture Fund I Pte. Ltd. (the "Investor") in relation to the proposed issuance of an aggregate principal amount of SGD3,000,000 redeemable exchangeable bonds (the "Exchangeable Bonds") by the Issuer to the Investor at the issue price of SGD500,000 per Exchangeable Bond.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

21. Other Financial Liabilities (cont'd)

21C. Exchangeable Bonds (cont'd)

The Issuer undertakes to the Investor that the Issuer shall not issue new shares and securities (including convertible securities) in any companies within the Group without the prior written consent of the Investor.

The Investor is a private equity investment company incorporated in Singapore and managed by TAP Private Equity Pte. Ltd. ("TAPPE") on a full discretionary basis. TAPPE is a wholly-owned subsidiary of Attilan Group Ltd ("AGL") (formerly known as Asiasons Capital Limited), a shareholder of the Company.

In addition, Datuk Jared Lim Chih Li, who is the Non-Independent Non-Executive Director of the Company, is the director and substantial shareholder of AGL. Ng Teck Wah who is the Non-Independent Non-Executive Chairman of the Company is the substantial shareholder of AGL. Accordingly, the issuance of the Exchangeable Bonds constitute an interested person transactions pursuant to Chapter 9 of the Catalyst Rules which was approved by the shareholders of the Company at the Extraordinary General Meeting ("EGM") convened on 28 February 2014.

21D. Bank Overdrafts

The bank overdrafts of the Group bore interest rates ranging from BR + 1.25% to BR + 1.5% (2014: BR +1.25% to BR + 1.5%) per annum and are secured by:

- (i) Fixed and floating charges over all the present and future assets of certain subsidiaries;
- (ii) Pledge of the fixed deposits with licensed banks; and
- (iii) Corporate guarantees of the Company and Chaswood Resources Sdn. Bhd.

21E. Bills Payable

The bills payable of the Group bore a weighted average interest rate of 5.0% (2014: 5.0%) per annum and are secured by the same securities as the bank overdrafts (Note 21D).

21F. Earn Out Payables

	Minimum Payments RM'000	Finance Charges RM'000	Present Value RM'000
<u>2015</u>			
Minimum payments			
- not later than 1 year	2,076	(421)	1,655
- later than one year and not later than 5 years	4,151	(442)	3,709
	<u>6,227</u>	<u>(863)</u>	<u>5,364</u>

Earn out payables of the Group relates to the balance purchase price for the acquisition of Beijing TGIF and Yi Jun (Note 14) which shall be payable based on three (3) equal instalment to be due on 15 April 2016, 2017 and 2018 respectively subject to certain terms and condition as stated in the sales and purchase agreement dated 20 April 2015.

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22. Trade and Other Payables

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<u>Trade payables</u>				
Outside parties	16,646	12,031	–	–
<u>Other payables</u>				
Outside parties (Note 22A)	20,748	13,121	–	–
Related company	–	484	–	–
Accruals	7,808	2,859	955	880
	<u>28,556</u>	<u>16,464</u>	<u>955</u>	<u>880</u>
	<u>45,202</u>	<u>28,495</u>	<u>955</u>	<u>880</u>

- 22A.** In the previous financial year, the above amount included balances with Tiny Synergy Sdn Bhd (“Tiny Synergy”), a company specialising in renovation works for food and beverage and retail outlets had performed several renovation works for the Group for an aggregate amount of RM3,097,000. Tiny Synergy was appointed as the Group’s main contractor for renovation works for the Group’s restaurants in Malaysia since 2009. An aggregate amount of RM1,400,000 was paid in advance by the Group to Tiny Synergy on 29 January 2014 as commitment for the continuation of renovation works to be performed by Tiny Synergy in the Group’s restaurants in the financial year ended 31 December 2014. There are no advances made by the Group to Tiny Synergy during the current financial year.

23. Other Liabilities

	Group	
	2015	2014
	RM'000	RM'000
<u>Current</u>		
Deferred revenue	<u>394</u>	<u>603</u>

24. Related Party Relationships and Transactions

24A. Related Companies and Related Parties

The Company is a subsidiary of Posh Corridor Sdn. Bhd., incorporated in Malaysia. The Company’s ultimate parent company is Dragonrider Opportunity Fund L.P., incorporated in the Cayman Islands. Related companies in these financial statements include the members of the ultimate parent company’s group of companies.

There are transactions and arrangements between the reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees, no interest or charge is imposed unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances as follows:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

24. Related Party Relationships and Transactions (cont'd)

24A. Related Companies and Related Parties (cont'd)

The Company had the following transaction with related parties during the financial year:

	Company	
	2015	2014
	RM'000	RM'000
Advances to subsidiaries	3,717	223

During the financial year ended 31 December 2014, Posh Corridor Sdn. Bhd., the immediate parent of the Company and Andrew Roach Reddy, a shareholder and Executive Director of the Company (collectively the "Shareholders") provided a guarantee of RM1,400,000 to TAP Venture Fund I Pte. Ltd. (the "Investor") for the Exchangeable Bonds in favour of Chaswood Capital Pte. Ltd. (the issuer of the Exchangeable Bonds) in the event Chaswood Capital Pte. Ltd. fails to meet its obligations to the Investor. The guarantee was provided by the Shareholders in their personal capacity at no cost to the Group. The guarantee was subsequently released.

Significant related party transactions

During the financial year, the Company entered into the following transactions with related parties:

		Company	
		2015	2014
	Note	RM'000	RM'000
Salaries and other short-term employee benefits	(i)	582	499
Provision of corporate services	(ii)	–	106
Fees on issuance of exchangeable bonds	(iii)	–	147
Interest expense of exchangeable bonds	(iii)	857	263
Net proceeds from issuance of exchangeable bonds	(iv)	3,900	3,971
Purchases of equipment	(v)	–	87
Interest-free shareholders loans	(vi)	3,688	–

- (i) Employees related to Mr Andrew Roach Reddy.
- (ii) Provision of services by an entity in which Mr Teck Sim Colin, a former director, has deemed interest.
- (iii) Fees and interest expenses in relation to the issuance of exchangeable bonds paid to an entity in which Datuk Jared Lim Chih Li and Mr Ng Teck Wah have deemed interests.
- (iv) Subscription of exchangeable bonds by an entity in which Datuk Jared Lim Chih Li and Mr Ng Teck Wah have deemed interests.
- (v) Purchases of equipment from an entity owned by Mr Andrew Roach Reddy's son.
- (vi) Interest-free loans from Mr Andrew Roach Reddy and Posh Corridor Sdn. Bhd., the immediate parent of the Company, which were subsequently offsetted against the consideration for the Proposed Placement as disclosed in Note 30.

The above named directors have significant influence over the Company.

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24. Related Party Relationships and Transactions (cont'd)

24B. Key Management Compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling activities of the Company. The directors and executive officers of the Company are considered as key management personnel of the Company.

	Group	
	2015	2014
	RM'000	RM'000
Salaries and other short-term employee benefits	3,056	3,185

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Company	
	2015	2014
	RM'000	RM'000
Remuneration of directors of the Company	1,301	1,240
Fees to directors of the Company	397	423

25. Operating Lease Payment Commitments

At the end of the financial year, the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group	
	2015	2014
	RM'000	RM'000
Not later than 1 year	12,789	20,457
Later than 1 year and not later than 5 years	13,100	22,663
	25,889	43,120
Rental expense for the year	30,273	26,693

Operating lease payments are for rentals payable for restaurants, offices, signage, storage, equipment and apartments. The lease rental terms are negotiated for periods between one and five years and certain rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage. The variable rent is calculated based on a percentage of monthly revenue. Contingent rent is not included in the above amounts.

NOTES TO THE FINANCIAL STATEMENTS

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26. Capital Commitments

Estimated amounts committed at the end of the financial year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2015	2014
	RM'000	RM'000
Commitments to:		
- purchase equipment	-	1,684
- acquire subsidiaries	-	12,932

27. Contingent Liabilities

	Group	
	2015	2014
	RM'000	RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	30,850	21,164

28. Financial Information by Operating Segments

28A. Information about Reportable Segment Profit or Loss, Assets and Liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 *Operating Segments*. This disclosure standard has no impact on the reported results or financial position of the Group.

The management considers the business from a geographic segment perspective. There is no business segment as the Group operates in substantially one business segment that is restaurant business serving food and beverages.

The geographic segments are as follows:

1. Malaysia
2. Singapore
3. Thailand
4. Indonesia
5. China

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The management reporting systems evaluates performance based on a number of factors. However, the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation and amortisation, interests and income taxes (called "Recurring EBITDA") and (2) operating results before tax.

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28. Financial Information by Operating Segments (cont'd)

28B. Profit or Loss From Continuing Operations and Reconciliations

2015	Malaysia RM'000	Singapore RM'000	Thailand RM'000	Indonesia RM'000	China RM'000	Total RM'000
Revenue from external customers	119,950	4,111	270	12,495	29,684	166,510
Recurring earnings/(losses) before interest,taxes, and depreciation and amortisation ("EBITDA")	1,838	(2,288)	(319)	68	1,017	316
Finance cost	(2,036)	(889)	–	(21)	–	(2,946)
Depreciation	(4,261)	(84)	(540)	(516)	(1,880)	(7,281)
Amortisation	(147)	–	–	(56)	–	(203)
Operating loss before taxation	(4,606)	(3,261)	(859)	(525)	(863)	(10,114)
Property and equipment written off	(295)	–	–	–	(1,417)	(1,712)
Loss on disposal of equipment	(176)	(352)	–	–	–	(528)
Foreign exchange translation gains	(64)	80	425	2	–	443
Loss before tax	(5,141)	(3,533)	(434)	(523)	(2,280)	(11,911)
Income tax expense	(1,838)	(6)	–	(34)	–	(1,878)
Loss after tax	(6,979)	(3,539)	(434)	(557)	(2,280)	(13,789)
<u>Assets and Liabilities</u>						
<u>Segment assets</u>						
Cash and cash equivalents	4,150	115	–	971	9,578	14,814
Trade and other receivables	1,120	–	42	2,831	2,206	6,199
Inventories	2,625	23	5	427	730	3,810
Other assets	12,209	635	–	1,992	–	14,836
Intangible assets	14,861	228	–	619	839	16,547
Property and equipment	44,013	–	418	8,514	9,232	62,177
Total assets	78,978	1,001	465	15,354	22,585	118,383
<u>Segment liabilities</u>						
Deferred and current tax	4,275	–	–	–	–	4,275
Exchangeable bond	–	9,662	–	–	–	9,662
Borrowings	33,408	–	–	–	–	33,408
Earn out payables	5,364	–	–	–	–	5,364
Trade and other payables	26,137	3,289	264	7,277	8,235	45,202
Other liabilities	394	–	–	–	–	394
Total liabilities	69,578	12,951	264	7,277	8,235	98,305
<u>Other segment information</u>						
Expenditure for non-current assets:						
Property and equipment	3,717	–	–	1,249	1,493	6,459
Other non-cash expenses other than depreciation or amortisation						
- Property and equipment written off	295	–	–	–	1,417	1,712

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28. Financial Information by Operating Segments (cont'd)

28B. Profit or Loss From Continuing Operations and Reconciliations (cont'd)

2014	Malaysia RM'000	Singapore RM'000	Thailand RM'000	Indonesia RM'000	China RM'000	Total RM'000
Revenue from external customers	134,265	7,335	3,102	9,957	–	154,659
Recurring earnings/(losses) before interest, taxes, and depreciation and amortisation ("EBITDA")	17,512	(4,365)	(452)	(786)	(607)	11,302
Finance cost	(1,871)	(263)	–	–	–	(2,134)
Depreciation	(4,823)	(91)	(378)	(375)	–	(5,667)
Amortisation	(376)	(98)	–	(16)	–	(490)
Operating loss before taxation	10,442	(4,817)	(830)	(1,177)	(607)	3,011
Property and equipment written off	(2,182)	–	–	–	–	(2,182)
Impairment allowance on franchise agreement cost	(748)	(753)	–	–	–	(1,501)
Impairment allowance on property and equipment	(5,440)	–	(2,078)	–	–	(7,518)
Loss before tax	2,072	(5,570)	(2,908)	(1,177)	(607)	(8,190)
Income tax expense	(3,739)	(98)	–	–	–	(3,837)
Loss after tax	(1,667)	(5,668)	(2,908)	(1,177)	(607)	(12,027)
Assets and Liabilities						
<i>Segment assets</i>						
Cash and cash equivalents	6,185	389	30	789	696	8,089
Trade and other receivables	4,366	191	721	252	132	5,662
Inventories	3,540	88	25	260	–	3,913
Other assets	11,450	934	159	2,391	129	15,063
Intangible assets	7,742	197	–	461	838	9,238
Property and equipment	45,567	621	738	7,069	1,147	55,142
Total assets	78,850	2,420	1,673	11,222	2,942	97,107
<i>Segment liabilities</i>						
Deferred and current tax	5,264	81	–	–	–	5,345
Exchangeable bond	–	4,000	–	–	–	4,000
Borrowings	29,602	–	–	–	–	29,602
Trade and other payables	21,857	2,278	926	3,357	77	28,495
Other liabilities	603	–	–	–	–	603
Total liabilities	57,326	6,359	926	3,357	77	68,045
Other segment information						
Expenditure for non-current assets:						
Property and equipment	6,260	–	–	2,760	1,149	10,169
Intangible assets	–	193	–	107	228	528
Other non-cash expenses other than depreciation or amortisation						
Property and equipment written off	2,182	–	–	–	–	2,182
Impairment allowance on franchise agreement cost	748	753	–	–	–	1,501
Impairment allowance on property and equipment	5,440	–	2,078	–	–	7,518

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29. Financial Instruments

29A. Classification of financial assets and liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the financial year by FRS 39 categories:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets:</u>				
Cash and cash equivalents	14,814	8,089	–	–
Trade and other receivables	6,199	5,662	2,091	355
	<u>21,013</u>	<u>13,751</u>	<u>2,091</u>	<u>355</u>
<u>Financial liabilities</u>				
Other financial liabilities	48,434	33,602	–	–
Trade and other payables	45,202	28,495	955	880
	<u>93,636</u>	<u>62,097</u>	<u>955</u>	<u>880</u>

Further quantitative disclosures are included throughout these financial statements

29B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks. However these are not formally documented in written form. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following good market practices.

There have been no changes to the exposure to risk, the objectives, policies and processes for managing the risk and the methods used to measure risk.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

29. Financial Instruments (cont'd)

29C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values, either due to their short-term nature or they are floating rate instruments that are re-priced to market interest rates on or near the reporting date and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

For contingent consideration, the valuation techniques is based on discounted cash flows and the significant unobservable inputs used for the fair value measurement (Level 3) include probability of meeting contractual earnings target and own credit risk. A significant increase/(decrease) in the probability of meeting the contractual earnings target would result in a significantly higher/(lower) fair value measurement.

29D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents, receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year.

Credit risk on cash balances with banks and any other financial instruments is limited because the counterparties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

There is no significant concentration of credit risk on receivables, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Note 18 discloses the maturity of the cash and cash equivalents balances.

Due to the nature of the business, all trade receivables as at end of the financial year are aged less than 30 days.

Other receivables are normally with no fixed terms and therefore there is no maturity.

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

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29. Financial Instruments (cont'd)

29E. Liquidity risk - financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

	Less than 1 year RM'000	1 - 5 years RM'000	Total RM'000
Group			
Non-derivative financial liabilities			
<u>2015</u>			
Gross borrowing commitments	15,352	22,776	38,128
Gross finance lease payables	160	126	286
Trade and other payables	45,202	–	45,202
Earn out payables	2,076	4,151	6,227
Exchangeable bonds	–	11,427	11,427
	<u>62,790</u>	<u>38,480</u>	<u>101,270</u>
Non-derivative financial liabilities			
<u>2014</u>			
Gross borrowing commitments	20,849	10,859	31,708
Gross finance lease payables	293	355	648
Trade and other payables	28,495	–	28,495
Exchangeable bonds	–	4,792	4,792
	<u>49,637</u>	<u>16,006</u>	<u>65,643</u>
Company			
Non-derivative financial liability			
<u>2015</u>			
Trade and other payables	<u>955</u>	<u>–</u>	<u>955</u>
<u>2014</u>			
Trade and other payables	<u>880</u>	<u>–</u>	<u>880</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

29. Financial Instruments (cont'd)

29E. Liquidity risk - financial liabilities maturity analysis (cont'd)

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. At the end of the reporting year, no claims on the financial guarantees are expected to be repayable.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 90 days (2014: 90 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

29F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed rates and floating interest rates. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments by type of interest rates:

	Group	
	2015 RM'000	2014 RM'000
<u>Financial assets</u>		
Floating rate	2,811	3,156
<u>Financial liabilities</u>		
Fixed rates	15,270	4,567
Floating rates	33,164	29,035
	<u>48,434</u>	<u>33,602</u>

The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	Group	
	2015 RM'000	2014 RM'000
Financial liabilities:		
A hypothetical variation in interest rate by 50 basis points (2014: 50 basis points) with all other variables held constant, would have an increase in pre-tax loss for the year	<u>152</u>	<u>129</u>

At Company level, the amounts are not significant and are therefore not disclosed.

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31 December 2015

29. Financial Instruments (cont'd)

29G. Foreign currency risks

Analysis of amounts denominated in non-functional currency.

	Ringgit Malaysia ("RM")
Company	
2015	
<u>Financial asset</u>	
Trade and other receivables	2,091
2014	
<u>Financial asset</u>	
Trade and other receivables	355

There is exposure to foreign currency risk as part of its normal business.

	Company	
	2015	2014
	RM'000	RM'000
A hypothetical 10% strengthening in the exchange rate of the functional currency of RM against SGD with all other variables held constant would have a unfavourable effect on post-tax loss of	(174)	(29)

Sensitivity analysis

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant non-functional foreign currency. The sensitivity rate used is the reasonably possible change in foreign exchange rate. For similar rate weakening of the functional currency against the relevant foreign currency above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the following basis that there without taking into consideration hedged transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

30. Events after the End of the Financial Year

Completion of Proposed Placement of 23,787,412 New Ordinary Shares in the Share Capital of the Company

On 4 March 2016, the Company announced that the completion of the Proposed Placement has taken place in accordance with the terms and conditions as set out in the subscription agreement dated 9 December 2015 and 23,787,412 ordinary shares of the Company have been allotted and issued to the subscribers.

Following the completion of the Proposed Placement, the Company's issued and paid-up share capital has increased from 226,817,819 ordinary shares to 250,605,231 ordinary shares.

31. Comparative figures

Certain reclassifications have been made to prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended on the face of the statement of financial position of the Group for the financial year ended 31 December 2014 as summarised below:

	Group	
	As Reclassified RM'000	As previously Reported RM'000
<u>Statement of financial position</u>		
Non-current assets		
Other assets	—	6,621
Current assets		
Other assets	15,063	8,442

SHAREHOLDERS' INFORMATION

as at 17 March 2016

No. of shares	:	250,605,231
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

The Company does not have any Treasury Shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1~99	3	0.52	182	0.00
100 ~ 1,000	195	33.39	96,266	0.04
1,001 ~ 10,000	219	37.50	1,073,999	0.43
10,001 ~ 1,000,000	156	26.71	13,093,150	5.22
1,000,001 and above	11	1.88	236,341,634	94.31
Total	584	100.00	250,605,231	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	POSH CORRIDOR SDN BHD	100,898,838	40.26
2	ANDREW ROACH REDDY	58,310,906	23.27
3	RHB SECURITIES SINGAPORE PTE LTD	51,532,490	20.56
4	G1 INVESTMENTS PTE LTD	13,340,000	5.32
5	RAMESH S/O PRITAMDAS CHANDIRAMANI	2,838,200	1.13
6	ABN AMRO NOMINEES SINGAPORE PTE LTD	2,083,000	0.83
7	OCBC SECURITIES PRIVATE LTD	1,736,200	0.69
8	CIMB SECURITIES (SINGAPORE) PTE LTD	1,701,000	0.68
9	ONG LAY SAN (WANG LISHAN)	1,559,000	0.62
10	LIM SIEW HOOI	1,336,000	0.53
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,006,000	0.40
12	MAYBANK KIM ENG SECURITIES PTE LTD	751,000	0.30
13	UOB KAY HIAN PTE LTD	739,000	0.29
14	IPCO INTERNATIONAL LIMITED	623,000	0.25
15	TAN AIK TI RON	533,000	0.21
16	SOH HAN CHUEN	520,000	0.21
17	KAM FUNG CHAU & KAM FUNG CHIU, ANTHONY	504,900	0.20
18	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	361,000	0.14
19	CHEOK SIEW KHIM	295,600	0.12
20	ABN AMRO CLEARING BANK N.V.	258,000	0.10
TOTAL		240,927,134	96.11

SHAREHOLDERS' INFORMATION

as at 17 March 2016

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 17 March 2016:

Name	No. of Ordinary shares			
	Direct Interest	%	Indirect Interest	%
Andrew Roach Reddy	58,310,906	23.27	–	–
G1 Investments Pte Ltd ⁽¹⁾	13,340,000	5.32	–	–
Blumont Group Ltd. ⁽¹⁾	–	–	13,340,000	5.32
Posh Corridor Sdn. Bhd. ^{(2) (3)}	100,898,838	40.26	58,095,490	23.18
Attilan Group Limited ^{(3) (4)} (formerly known as Asiasons Capital Limited)	–	–	163,482,328	65.24
TAP Private Equity Inc. ⁽³⁾ (formerly known as Asiasons Private Equity Inc.)	–	–	158,994,328	63.44
Attilan Investment Ltd. ^{(3) (4)} (formerly known as Asiasons Investment Ltd.)	–	–	163,482,328	65.24
Dragonrider Opportunity Fund L.P. ⁽³⁾	–	–	158,994,328	63.44
Datuk Jared Lim Chih Li ⁽⁵⁾	–	–	163,482,328	65.24
Ng Teck Wah ⁽⁵⁾	–	–	163,482,328	65.24

Notes:

- ⁽¹⁾ G1 Investments Pte. Ltd. is a wholly owned subsidiary of Blumont Group Ltd. By virtue of Section 7 of the Companies Act, Blumont Group Ltd. is deemed to be interested in all the Shares held by G1 Investments Pte. Ltd.
- ⁽²⁾ Posh Corridor Sdn. Bhd. ("**Posh Corridor**") is deemed interested in 44,755,490 Shares held by RHB Securities Singapore Pte. Ltd. as its nominee and 13,340,000 Shares held by G1 Investments Pte. Ltd. due to an assignment of shares arrangement.
- ⁽³⁾ Posh Corridor is owned by Dragonrider Opportunity Fund L.P. ("**DOF**") (78.4%) and Attilan Investment Ltd ("**AIL**") (21.6%). DOF is a fund managed by TAP Private Equity Inc. ("**TAP**") which is in turn wholly owned by Attilan Group Limited ("**AGL**"). AIL is a wholly owned subsidiary of AGL. By virtue of Section 7 of the Companies Act, DOF, TAP, AIL and AGL are deemed to be interested in all the Shares held by Posh Corridor.
- ⁽⁴⁾ AIL is deemed interested in 158,994,328 Shares held by Posh Corridor and 4,488,000 Shares held by RHB Securities Singapore Pte. Ltd. as its nominee. By virtue of Section 7 of the Companies Act, AGL is deemed to be interested in all the Shares held by AIL.
- ⁽⁵⁾ Each of Datuk Jared Lim Chih Li and Ng Teck Wah has a deemed interest of 44.01% in AGL. By virtue of Section 7 of the Companies Act, each of them is deemed to be interested in all the Shares held by Posh Corridor and AIL.

FREE FLOAT

Based on the information available to the Company as at 17 March 2016, 11.50% of the issued share capital of the Company was held by the public. The Company is therefore in compliance with Rule 723 of SGX-ST Listing Manual Section B: Rules of Catalyst.

NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Chaswood Resources Holdings Ltd will be held at 22 Cross Street, #03-54/61 China Square Central Singapore 048421 on Wednesday, 27 April 2016 at 10.30 am for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

- | | | |
|----|--|---------------------|
| 1. | To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2015 together with the Directors' Statement and Independent Auditors' Report thereon. | Resolution 1 |
| 2. | To approve the payment of Directors' fees of S\$155,000 (2015: S\$143,125) for the financial year ending 31 December 2016, payable quarterly in arrears. | Resolution 2 |
| 3. | To re-elect Mr Ng Teck Wah who is retiring in accordance with Article 89 of the Company's Constitution.
<i>[See Explanatory Note 1]</i> | Resolution 3 |
| 4. | To re-elect Datuk Jared Lim Chih Li who is retiring in accordance with Article 89 of the Company's Constitution. | Resolution 4 |
| 5. | To re-appoint Moore Stephens LLP as Auditors of the Company and to authorize the Directors to fix their remuneration. | Resolution 5 |
| 6. | To transact any other ordinary business which may be properly transacted at an Annual General Meeting. | |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without amendments.

7. Authority to issue shares

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

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

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (a) 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 in the capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (b) below):
- (b) (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 (a) above, the total number of issued shares shall be based on the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities;
 - (ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (iii) any subsequent consolidation or subdivision of shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalyst Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note 2]

Resolution 6

BY ORDER OF THE BOARD

Andrew Roach Reddy
Managing Director
12 April 2016
Singapore

NOTICE OF ANNUAL GENERAL MEETING

.....

Explanatory Notes:

Ordinary Business

1. Mr Ng Teck Wah a Non-Independent Non-Executive Chairman of the Company, if re-elected, shall remain as a member of the Audit, Nominating and Remuneration Committees. Mr Ng Teck Wah is considered by the Board to be non-independent for the purpose of Rule 704(7) of the Catalyst Rule. Detailed information of Mr Ng Teck Wah can be found under the section entitled “Board of Directors” of the Annual Report.

Special Business

2. The Ordinary Resolution 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding in total, 100% of the total number of issued shares in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to the shareholders.

Notes:

- i. A proxy need not be a member of the Company.
- ii. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the “Companies Act”), a member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
- iii. Where a member appoints more than one proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
- iv. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at this meeting, but each proxy must be appointed to exercise the rights attached to a different shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
- 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 appointed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.
- vi. The instrument appointing a proxy must be deposited at the office of the Company’s Share Registrar at 80 Robinson Road #11-02 Singapore 068898 not less than forty-eight (48) hours before the time for holding the Annual General Meeting.

Personal data privacy:

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

CHASWOOD RESOURCES HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

I/We _____ (Name) NRIC/Passport No. _____

of _____ (Address)

being a member/members of the above-mentioned 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/them, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 22 Cross Street, #03-54/61 China Square Central, Singapore 048421 on Wednesday, 27 April 2016 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

☐ Please tick here if more than two proxies will be appointed (Please refer to note 4). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.

No	Resolutions relating to:	Number of Votes For*	Number of Votes Against*
	Ordinary Business		
1.	To receive and adopt the Audited Financial Statements, Directors' Statement and Independent Auditors' Report for the year ended 31 December 2015.		
2.	To approve payment of Directors' Fees of S\$155,000 for the financial year ending 31 December 2016, payable quarterly in arrears.		
3.	To re-elect Mr Ng Teck Wah as a director of the Company.		
4.	To re-elect Datuk Jared Lim Chih Li as a director of the Company.		
5.	To re-appoint Moore Stephens LLP as the auditors of the Company and authorize the Directors to fix their remuneration.		
	Special Business		
6.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap.50		

** Voting will be conducted by Poll. If you wish to exercise all your votes "For" or "Against", please indicate an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated _____ day of _____ 2016

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

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



Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the “Companies Act”) a member entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
4. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend speak and vote at the meeting 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.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such a person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The instrument appointing a proxy or proxies, together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof, shall be deposited at the office of the Company’s Share Registrar at 80 Robinson Road, #11-02 Singapore 068898 not less than forty-eight (48) hours before the time appointed for the Meeting.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
9. In the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.
10. An investor who buys shares using CPF monies (“CPF Investor”) and/or SRS monies (“SRS Investor”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2016.



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