

Appendix H

Audited Financial Statements of the Group of Offerors

Banyan Tree Resorts & Spas (Thailand) Company Limited
Report and financial statements
31 December 2016



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Independent Auditor's Report

To the Shareholders of Banyan Tree Resorts & Spas (Thailand) Company Limited

Opinion

I have audited the accompanying financial statements of Banyan Tree Resorts & Spas (Thailand) Company Limited (the Company), which comprise the statement of financial position as at 31 December 2016, and the related statements of income and changes in shareholders' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banyan Tree Resorts & Spas (Thailand) Company Limited as at 31 December 2016 and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

The engagement partner on the audit resulting in this independent auditor's report is Miss Rosaporn Decharkom.

Rosaporn D

Rosaporn Decharkom
Certified Public Accountant (Thailand) No. 5659

EY Office Limited
Bangkok: 26 April 2017

Banyan Tree Resorts & Spas (Thailand) Company Limited**Statement of financial position****As at 31 December 2016**

		(Unit: Baht)	
	<u>Note</u>	<u>2016</u>	<u>2015</u>
Assets			
Current assets			
Cash and cash equivalents		42,631,534	17,875,039
Trade and other receivables	5	74,878,415	68,329,009
Inventories	6	11,411,486	15,401,654
Other current assets		8,352,256	7,335,274
Total current assets		<u>137,273,691</u>	<u>108,940,976</u>
Non-current assets			
Restricted bank deposit	7	116,425	115,110
Investments in subsidiary	8	6,170,980	6,170,980
Long-term investments	9	385,576,271	366,690,903
Building and equipment	10	5,473,650	12,951,567
Intangible assets	11	806,521	294,442
Other non-current assets		9,487,254	20,064,684
Total non-current assets		<u>407,631,101</u>	<u>406,287,686</u>
Total assets		<u>544,904,792</u>	<u>515,228,662</u>

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

Banyan Tree Resorts & Spas (Thailand) Company Limited**Statement of financial position (continued)****As at 31 December 2016**

		(Unit: Baht)	
	<u>Note</u>	<u>2016</u>	<u>2015</u>
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	12	554,571,461	548,863,341
Short-term loans from related companies	13	189,717,364	160,641,498
Current portion of long-term loan from a related company	14	21,601,500	-
Other current liabilities			
Accrued expenses		12,164,088	7,464,299
Withholding tax payable		11,007,729	10,980,563
Others		11,284,552	13,461,971
Total current liabilities		<u>800,346,694</u>	<u>741,411,672</u>
Non-current liabilities			
Long-term loan from a related company - net of current portion	14	-	21,693,943
Provision for long-term employee benefits	15	12,314,571	12,756,242
Total non-current liabilities		<u>12,314,571</u>	<u>34,450,185</u>
Total liabilities		<u>812,661,265</u>	<u>775,861,857</u>

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

Banyan Tree Resorts & Spas (Thailand) Company Limited

Statement of financial position (continued)

As at 31 December 2016

			(Unit: Baht)
	<u>Note</u>	<u>2016</u>	<u>2015</u>
Shareholders' equity			
Share capital			
Registered, issued and fully paid			
102,219 preference shares of Baht 100 each	17	10,221,900	10,221,900
98,191 ordinary shares of Baht 100 each		9,819,100	9,819,100
Unrealised loss on changes in value of investments	9	(218,004,024)	(236,889,392)
Retained earnings (deficit)			
Appropriated - statutory reserve	16	2,004,100	2,004,100
Unappropriated		(71,797,549)	(45,788,903)
Total shareholders' equity (Capital deficit)		<u>(267,756,473)</u>	<u>(260,633,195)</u>
Total liabilities and shareholders' equity		<u>544,904,792</u>	<u>515,228,662</u>

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



Directors



Banyan Tree Resorts & Spas (Thailand) Company Limited**Income statement****For the year ended 31 December 2016**

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Revenues		
Service income	144,643,434	135,792,904
Sales	18,834,994	20,150,148
Other income	18,072,060	8,626,236
Total revenues	<u>181,550,488</u>	<u>164,569,288</u>
Expenses		
Cost of sales and services	128,347,268	121,120,632
Selling expenses	880,461	608,581
Administrative expenses	75,892,056	89,433,206
Total expenses	<u>205,119,785</u>	<u>211,162,419</u>
Loss before finance cost	<u>(23,569,297)</u>	<u>(46,593,131)</u>
Finance cost	(1,417,159)	(1,965,285)
Net loss for the year	<u>(24,986,456)</u>	<u>(48,558,416)</u>

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

Banyan Tree Resorts & Spas (Thailand) Company Limited

Statement of changes in shareholders' equity

For the year ended 31 December 2016

(Unit: Baht)

	Note	Issued and paid-up share capital		Unrealised gain	Retained earnings (deficit)		Total
		Preference shares	Ordinary shares	(loss) on changes in the value of investments	Appropriated statutory reserve	Unappropriated	(Capital deficit)
Balance as at 1 January 2015		10,221,900	9,819,100	(143,249,441)	2,004,100	3,791,703	(117,412,638)
Decrease in fair value of investments in							
available-for-sale securities		-	-	(93,639,951)	-	-	(93,639,951)
Dividend paid	17	-	-	-	-	(1,022,190)	(1,022,190)
Net loss for the year		-	-	-	-	(48,558,416)	(48,558,416)
Balance as at 31 December 2015		<u>10,221,900</u>	<u>9,819,100</u>	<u>(236,889,392)</u>	<u>2,004,100</u>	<u>(45,788,903)</u>	<u>(260,633,195)</u>
Balance as at 1 January 2016		10,221,900	9,819,100	(236,889,392)	2,004,100	(45,788,903)	(260,633,195)
Increase in fair value of investments in							
available-for-sale securities	9	-	-	18,885,368	-	-	18,885,368
Dividend paid	17	-	-	-	-	(1,022,190)	(1,022,190)
Net loss for the year		-	-	-	-	(24,986,456)	(24,986,456)
Balance as at 31 December 2016		<u>10,221,900</u>	<u>9,819,100</u>	<u>(218,004,024)</u>	<u>2,004,100</u>	<u>(71,797,549)</u>	<u>(267,756,473)</u>

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

Banyan Tree Resorts & Spas (Thailand) Company Limited

Notes to financial statements

For the year ended 31 December 2016

1. General information

1.1 Corporate information

Banyan Tree Resorts & Spas (Thailand) Company Limited ("the Company") was incorporated as a limited company under the Thai laws and domiciled in Thailand. Its major shareholder is Banyan Tree Spas Pte. Ltd. which was incorporated in Singapore. The Company is principally engaged in providing spa services in seven hotels and one branch as follows.

1. Banyan Tree Hotel, Bangkok
2. Banyan Tree Hotel, Phuket
3. Angsana Laguna Phuket Hotel
4. Dusit Laguna Hotel, Phuket
5. Outrigger Laguna Phuket Beach Resort, Phuket
6. The Allamanda, Phuket
7. Cassia Hotel, Phuket
8. Chill Chill, Sathorn

The Company's registered address is located at 21/100 Thai Wah Tower II, South Sathorn Road, Tungmahamek, Sathorn, Bangkok.

During the year 2016 and in March 2017, the Company suspended the operations of the Allamanda, Phuket and Outrigger Laguna Phuket Beach Resort, Phuket, respectively.

2. Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standard applicable to non-publicly accountable entities as issued by the Federation of Accounting Professions and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the notes on accounting policies.

3. Significant accounting policies

3.1 Revenue recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Rendering of services

Service income is recognised when services have been rendered taking into account the stage of completion.

Management income is recognised based on monthly management fees, when services have been rendered and invoices issued, excluding value added tax.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

Dividends are recognised when the right to receive the dividends is established.

3.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

3.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

3.4 Inventories

Finished goods are valued at the lower of cost (weighted average method) and net realisable value.

3.5 Investments

Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as a separate item in shareholders' equity.

Investments in non-marketable equity securities and subsidiary are stated at cost net of allowance for loss on diminution in value (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the year.

The weighted average method is used for computation of the cost of investment.

3.6 Plant and equipment / Depreciation

Building and equipment are stated at cost less accumulated depreciation and allowance for loss on diminution in value of assets (if any). Depreciation of building and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Building and building improvement	10 years
Furniture, fixtures, equipment and vehicles	3 - 5 years

Depreciation is included in determining income.

3.7 Intangible assets

Intangible assets are stated at cost less any accumulated amortisation and allowance for diminution in value (if any).

Intangible assets are amortised as expenses in the income statements on a straight-line basis over the economic useful life. A summary of the intangible assets are as follows:

	<u>Useful lives</u>
Computer software	3 years

3.8 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of the reporting period.

Gains and losses on exchange are included in determining income.

3.9 Provisions

Provisions are recognised when the Company has a present obligation 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.

For long-term employee benefit, the Company calculates its long-term employee benefits obligation on the basis of its best estimate of its payment obligations as at the end of the reporting period.

3.10 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

4. Use of accounting estimates

The preparation of financial statements in conformity with financial reporting standards requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

5. Trade and other receivables

(Unit: Thousand Baht)

	2016	2015
Trade accounts receivable - related parties	61,320	61,157
Trade accounts receivable - unrelated parties	18,234	19,006
Receivable from revenue department	6,353	-
Other receivables	1,423	1,391
Advance	1,267	643
Total	88,597	82,197
Less: Allowance for doubtful debts	(13,719)	(13,868)
Trade and other receivables, net	74,878	68,329

6. Inventories

	(Unit: Thousand Baht)	
	2016	2015
Material in spa service center	3,612	4,364
Finished goods	7,799	11,038
Total	11,411	15,402

7. Restricted bank deposit

These represent saving deposit pledged with the bank as a guarantee to the Provincial Electricity Authority.

8. Investments in subsidiary

	(Unit: Thousand Baht)							
	Shareholding		Cost		Allowance for diminution in value of investments		Carrying amounts - net	
Company	percentage							
	2016	2015	2016	2015	2016	2015	2016	2015
	(%)	(%)						
Banyan Tree Hotels & Resorts (Thailand) Limited	51	51	6,171	6,171	-	-	6,171	6,171
			6,171	6,171	-	-	6,171	6,171

9. Long-term investments

	(Unit: Thousand Baht)	
	2016	2015
Laguna Resorts & Hotels Public Company Limited	603,580	603,580
Unrealised loss on changes in the value of investments	(218,004)	(236,889)
Total long-term investments	385,576	366,691

10. Building and equipment

(Unit: Thousand Baht)

	Building and building improvement	Furniture, fixtures, equipment and vehicle	Total
Cost			
1 January 2015	76,577	33,114	109,691
Additions	499	1,434	1,933
Disposals	-	(76)	(76)
Write-off	(897)	(493)	(1,390)
31 December 2015	76,179	33,979	110,158
Additions	488	1,130	1,618
Disposals	-	(137)	(137)
Write-off	(16,096)	(2,459)	(18,555)
31 December 2016	60,571	32,513	93,084
Accumulated depreciation			
1 January 2015	64,956	27,522	92,478
Depreciation for the year	2,632	2,531	5,163
Accumulated depreciation on disposals	-	(75)	(75)
Accumulated depreciation on write-off	(173)	(187)	(360)
31 December 2015	67,415	29,791	97,206
Depreciation for the year	2,793	2,026	4,819
Accumulated depreciation on disposals	-	(99)	(99)
Accumulated depreciation on write-off	(14,218)	(2,316)	(16,534)
31 December 2016	55,990	29,402	85,392
Allowance for diminution in value			
1 January 2015	-	-	-
Increase during the year	-	-	-
31 December 2015	-	-	-
Increase during the year	2,218	-	2,218
31 December 2016	2,218	-	2,218
Net book value			
31 December 2015	8,877	4,075	12,952
31 December 2016	2,363	3,111	5,474

During the current year, the Company recognised allowance of Baht 2.2 million (2015: Nil) for diminution in value of building improvement of spa at Outrigger laguna Phuket Beach Resort, which was suspended the operation in March 2017.

11. Intangible assets

Details of intangible assets which are computer software are as follows:

(Unit: Thousand Baht)

Cost

1 January 2015	2,656
Write-off	312
31 December 2015	2,968
Additions	690
31 December 2016	3,658

Accumulated amortisation

1 January 2015	2,591
Amortisation for the year	83
31 December 2015	2,674
Amortisation for the year	177
31 December 2016	2,851

Net book value

31 December 2015	294
31 December 2016	807

12. Trade and other payables

(Unit: Thousand Baht)

	2016	2015
Trade accounts payable - related parties	59,168	61,999
Trade accounts payable - unrelated parties	3,265	2,165
Other payables	3,494	481
Payable from purchase of shares - related party	488,644	484,218
Total trade and other payables	554,571	548,863

13. Short-term loans from related companies

	(Unit: Thousand Baht)	
	2016	2015
(1) SGD loan of SGD 0.6 million repayable at call and interest free	13,896	14,293
(2) USD loan of USD 0.9 million repayable at call and interest free	31,397	31,616
(3) USD loan of USD 1.2 million repayable at call and interest free	44,224	44,532
(4) Baht loan of Baht 70 million carries interest rate at 1.5 percent per annum	70,000	70,000
(5) Baht loan of Baht 0.2 million repayable at call and interest free	200	200
(6) Baht loan, with a facility of Baht 40 million, carries interest rate at 1.5 percent per annum	30,000	-
Total short-term loans from related companies	189,717	160,641

14. Long-term loan from a related company

	(Unit: Thousand Baht)	
	2016	2015
Long-term loan from a related company with a facility of USD 1.5 million repayable on 31 December 2017 and interest free	21,602	21,694
Total	21,602	21,694
Less: Portion due within one year	(21,602)	-
Total long-term loan from a related company	-	21,694

As at 31 December 2016 and 2015, the Company has drawn down such loan amounting to USD 0.6 million.

15. Provisions - Long-term employee benefits

(Unit: Thousand Baht)

	2016	2015
Balance at the beginning of year	12,756	11,325
Increase during the year	813	2,228
Utilised	(1,254)	(797)
Balance at the end of year	12,315	12,756

The provisions represent the Company's obligations payable to its employees when they reach a retirement age. They are determined based on the employee's age, length of employment services and salary increase rate, among other things.

16. Statutory reserve

According to the Thai Civil and Commercial Code, the Company is required to set aside a statutory reserve equal to at least 5% of its profit each time the Company pays out a dividend, until such reserve reaches 10% of its registered share capital. The statutory reserve cannot be used for dividend payment. At present, the statutory reserve has fully been set aside.

17. Preference shares

Under the Company's Articles of Association, the preference shareholders are granted voting rights at the proportion of 10 shares per one vote, and are entitled to receive a cumulative preferential dividend of 10% of the par value of the shares.

As at 31 December 2016, the balance of the Company's arrears on the preference shares dividend were Baht 4.1 million (2015: Baht 3.1 million).

18. Foreign currency assets/liabilities

The Company had foreign currency assets and liabilities, which had not been hedged against foreign exchange risk as follow: -

Foreign currencies	Amount as at 31 December		Average exchange rate as at	
	2016	2015	2016	2015
	(Unit: Million)	(Unit: Million)	(Baht per 1 foreign currency unit)	
Assets				
US dollar	1.3	1.0	35.6588	35.9233
SG dollar	-	1.1	24.5265	25.2484

Foreign currencies	Amount as at 31 December		Average exchange rate as at 31 December	
	2016	2015	2016	2015
	(Unit: Million)	(Unit: Million)	(Baht per 1 foreign currency unit)	
<u>Liabilities</u>				
US dollar	4.1	4.3	36.0025	36.2538
SG dollar	0.6	0.7	25.0755	25.7905
ID rupiah	-	568.0	-	0.0028
CNY	0.1	-	5.0831	-

19. Bank guarantee

As at 31 December 2016 and 2015, there were outstanding bank guarantees of Baht 0.1 million issued by bank on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

20. Commitments

20.1 Lease and service agreements with respect to spa operation

The Company entered into lease agreements with related companies, owners of the hotel which the spa is located on, to lease hotel area and use the hotel utilities. The terms of the agreements are generally between 1 and 17 years. In consideration for such services, the Company is committed to pay remuneration in accordance with the rates, terms and basis specified in the agreements.

As at 31 December 2016 and 2015, future minimum payments required under these lease and service contracts were as follows:

	(Unit: Million Baht)	
	<u>2016</u>	<u>2015</u>
Payable:		
in up to 1 year	4	17
in over 1 and up to 5 years	5	6
in over 5 years	14	16

20.2 Other lease and service agreements

The Company has entered into several lease agreements in respect of the lease of residential space, motor vehicles and equipment and service agreements. The terms of the agreements are generally between 1 and 5 years.

As at 31 December 2016 and 2015, future minimum lease payment required under these operating leases and service contracts were as follows:

	(Unit: Million Baht)	
	<u>2016</u>	<u>2015</u>
Payable:		
in up to 1 year	1	2

Moreover, the Company had a commitment in respect of computer software maintenance service contracts amounting to USD 0.02 million per annum (2015: USD 0.02 million per annum).

21. Reclassification

The reclassifications are as follows:

	(Unit: Thousand Baht)	
	<u>As reclassified</u>	<u>As previously reported</u>
Trade and other payables	548,863	625,071
Short-term loans from related companies	160,641	84,433

The reclassifications had no effect to previously reported net profit or shareholders' equity.

22. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 26 April 2017.

Company Registration No. 200003108H

**Banyan Tree Holdings Limited
and its subsidiaries**

**Annual Financial Statements
31 December 2016**

Banyan Tree Holdings Limited and its subsidiaries

General information

Directors

Ho KwonPing (Executive Chairman)
Ariel P Vera
Chia Chee Ming Timothy
Fang Ai Lian
Elizabeth Sam
Chan Heng Wing
Tham Kui Seng
Lim Tse Ghow Olivier

Company Secretary

Jane Teah Seow Lian

Registered Office

211 Upper Bukit Timah Road
Singapore 588182

Solicitors

WongPartnership LLP

Bankers

Hong Kong & Shanghai Banking Corporation Ltd
Malayan Banking Berhad
Qatar National Bank SAQ
Bank of East Asia Ltd
Bank of China Ltd
The Siam Commercial Bank Public Company Limited

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditor

Ernst & Young LLP
Partner in charge: Simon Yeo (Date of appointment: since financial year ended
31 December 2016)

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Banyan Tree Holdings Limited and its subsidiaries

Directors' statement

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Banyan Tree Holdings Limited ("the Company") and its subsidiaries (collectively, "the Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the 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.

Directors

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

Ho KwonPing
Ariel P Vera
Chia Chee Ming Timothy
Fang Ai Lian
Elizabeth Sam
Chan Heng Wing
Tham Kui Seng
Lim Tse Ghow Olivier

Arrangements to enable Directors to acquire shares and debentures

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate, other than pursuant to the Banyan Tree Share Option Scheme, the Banyan Tree Performance Share Plan, Banyan Tree Share Award Scheme 2016 and the Founder's Grant.

Banyan Tree Share Option Scheme, Banyan Tree Performance Share Plan and Banyan Tree Share Award Scheme 2016

There are three share-based incentive schemes for its Directors and employees, the Banyan Tree Share Option Scheme (the "Share Option Scheme") and a performance share plan known as the Banyan Tree Performance Share Plan (the "Plan") (collectively, the "Schemes") and the Banyan Tree Share Award Scheme 2016 (the "Share Award Scheme"). The Schemes have expired on 27 April 2016 and the Company adopted the Share Award Scheme on 28 April 2016 to replace the plan. Ho KwonPing, the Executive Chairman and controlling shareholder*, was/is not entitled to participate in the Schemes and Share Award Scheme.

At the date of this statement, the Share Award Scheme is the only share incentive scheme of the Company in force and administered by the Nominating and Remuneration Committee ("NRC") which comprises Chia Chee Ming Timothy, Elizabeth Sam and Chan Heng Wing, all of whom are Independent Directors of the Company.

Under the Share Option Scheme (prior to expiry), eligible participants may be granted options to acquire shares in the Company whereas under the Plan (prior to expiry), the Company's shares may be issued to eligible participants. The Schemes and Share Award Scheme enable eligible participants to participate in the equity of the Company with the aim of motivating them towards better performance.

More information about the Schemes and the Share Award Scheme and details of performance shares and awards granted to a Non-Executive Director and eligible participants during the financial year under the Plan, can be found in Note 42 to the financial statements.

Founder's Grant

Ho KwonPing is entitled to, for each financial year for a period of ten years beginning from the financial year ended 31 December 2010, an amount equivalent to 5% of the profit before tax of the Group, such amount to be payable in cash or in shares at the sole discretion of the Company (the "Founder's Grant"). Ho KwonPing shall be paid a total amount of S\$37,372 in cash pursuant to the Founder's Grant in respect of financial year ended 31 December 2016. Details of the Founder's Grant can be found in Note 42 to the financial statements.



The term "controlling shareholder" shall have the meaning ascribed to it in the SGX-ST Listing Manual.

Banyan Tree Holdings Limited and its subsidiaries

Directors' statement

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Companies Act, Chapter 50 of Singapore ("Companies Act"), an interest in shares and debentures of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

Name of directors and companies in which interests are held	Holdings registered in the name of director or nominee			Holdings in which a director is deemed to have an interest		
	At the beginning of financial year	At the end of financial year	As at 21 January 2017	At the beginning of financial year	At the end of financial year	As at 21 January 2017
Banyan Tree Holdings Limited (Incorporated in Singapore)						
<i>Ordinary shares</i>						
Ho KwonPing	–	–	–	287,032,582	293,319,882	293,319,882
Ariel P Vera	1,098,000	1,120,500	1,120,500	172,500 ¹	–	–
Chia Chee Ming Timothy	257,000	257,000	257,000	–	–	–
Elizabeth Sam	156,000	156,000	156,000	–	–	–
<i>Debentures</i>						
Chan Heng Wing ²	\$250,000	\$250,000	\$250,000	–	–	–
Fang Ai Lian ³	\$500,000	\$500,000	\$500,000	–	–	–
Bangtao Development Limited (Incorporated in Thailand)						
<i>Ordinary shares</i>						
Ho KwonPing	1	1	1	–	–	–
Phuket Resort Development Limited (Incorporated in Thailand)						
<i>Ordinary shares</i>						
Ho KwonPing	1	1	1	–	–	–
Twin Waters Development Company Limited (Incorporated in Thailand)						
<i>Ordinary shares</i>						
Ho KwonPing	2	2	2	–	–	–

¹ The number of shares comprised in awards granted by the Company under the Banyan Tree Performance Share Plan, subject to performance conditions being met.

² Series 09 Notes issued by BTH under its S\$700 million Multicurrency Debt Issuance Programme.

³ Series 10 Notes issued by BTH under its S\$700 million Multicurrency Debt Issuance Programme.

Directors' interests in shares and debentures (cont'd)

By virtue of Section 7 of the Companies Act, Ho KwonPing is deemed to have interests in shares of the subsidiaries held by the Company.

Except as disclosed in the financial statements, no Director who held office at the end of the financial year had interest in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Audit and Risk Committee ("ARC")

As at the date of this statement, the members of the ARC are as follows:

Fang Ai Lian (Chairman)
Tham Kui Seng
Lim Tse Ghow Olivier

All ARC members are Non-Executive Independent Directors.

The ARC has adopted a Charter that is approved by the Board of Directors ("the Board") and which clearly set out its responsibilities as follows:

1. assist the Board in the discharge of its statutory responsibilities on financial and accounting matters;
2. review of the audit plans, scope of work and results of the audits compiled by the internal and external auditors;
3. review of the co-operation given by the Company's officers to the external auditors;
4. nomination of the external auditors for re-appointment;
5. review of the integrity of any financial information presented to the Company's shareholders;
6. review of interested person transactions;
7. review and evaluation of the Company's administrative, operating and internal accounting controls and procedures;
8. review of the risk management structure and oversight of the risk management processes and activities to mitigate and manage risk at levels that are determined to be acceptable to the Board; and
9. where necessary, commission and review of the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

The ARC performed the functions specified in the Companies Act. The functions performed are detailed in the Corporate Governance Report.

Banyan Tree Holdings Limited and its subsidiaries

Directors' statement

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,



Ho KwonPing
Director



Fang Ai Lian
Director

Singapore
16 March 2017

Banyan Tree Holdings Limited and its Subsidiaries

Independent auditor's report For the financial year ended 31 December 2016

Independent auditor's report to the members of Banyan Tree Holdings Limited

Report on the Audit of the Financial Statements

We have audited the financial statements of Banyan Tree Holdings Limited ("the Company") and its subsidiaries (collectively, "the Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (cont'd)

1. *Adequacy of allowance for trade receivables*

Trade receivables balances include long-term trade receivables of approximately \$29.1 million and current trade receivables of approximately \$43.2 million which represent approximately 4.5% of total assets of the Group. Management needs to estimate the amount of allowance for doubtful trade receivables, where the trade receivables are assessed to be impaired, and this requires significant management judgment. As such, we determined that this is a key audit matter. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by the Group's management.

We assessed the Group's processes and controls for monitoring and identifying trade receivables with collection risks. We performed audit procedures, amongst others, obtaining trade receivable confirmations, assessing the facts and circumstances surrounding the outstanding amount presented by management, and reviewed for evidence of collection by way of subsequent receipts from debtors after the year end.

We assessed management's justification of the adequacy of the amount of allowance made and assumptions used to calculate the trade receivables impairment amount, notably through detailed analyses of their aging trends, specific risks and inquiry of management if there is any dispute by debtors.

The subsidiaries' auditors were involved in the audit of trade receivables of the subsidiaries. The subsidiaries' auditors evaluated the adequacy of the impairments recognised, taking into account the facts and circumstances specific to the outstanding amounts due to the subsidiaries.

The results of our evaluation shows that management's assessment on the Group's allowance for trade receivables is reasonable.

We also assessed the adequacy of the Group's disclosures on the trade receivables in Note 20 and Note 26, respectively and the related risks such as credit risk and liquidity risk in Notes 45(a) and 45(b) to the financial statements.

2. *Fair value measurement of freehold land and buildings and investment properties*

As at 31 December 2016, the value of property, plant and equipment and investment properties amounted to approximately \$657.7 million and \$70.6 million, respectively. The valuations of the freehold land and buildings and investment properties are complex and dependent on a range of estimates (amongst others, discount rate, yield adjustments, occupancy rates and growth rates) made by management. As such, we determined that this is a key audit matter.

The management uses professional independent appraisal companies and accredited independent property valuers to support its determination of the fair value of freehold land and buildings and investment properties. In accordance with the Group's policy, valuations for freehold land and buildings are performed once in three years while valuations for investment properties are performed annually.

Key Audit Matters (cont'd)

2. *Fair value measurement of freehold land and buildings and investment properties (cont'd)*

Our audit work in assessing the reasonableness of management's judgements and estimations of these fair values considered, among others, the objectivity, independence and competence of the external appraisers. We held discussions with management and external appraisers to understand and assess the appropriateness of the valuation models, data and assumptions on discount rate, yield adjustments, occupancy rates and growth rates used. We involved our valuation specialists to assist us in assessing the appropriateness of the data and assumptions used.

Based on the work performed, we considered the methodology and assumptions used by management to be appropriate.

We also assessed the adequacy of the disclosures related to freehold land and buildings and investment properties in Note 12, 13 and 47, respectively to the financial statements.

3. *Measurement of unquoted long-term investments*

The Group's unquoted long-term investments whose fair value can be reliably measured are measured at fair value whilst investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

The measurement for these long-term investments is a subjective area, and the valuation techniques involve various assumptions. As such, we determined that this is a key audit matter. There are mainly two types of valuations techniques used by management to value unquoted long-term investments:

Value-in-use method

As at 31 December 2016, the Group recorded an impairment loss of \$1.3 million for one of the unquoted long-term investments carried at cost less impairment. The value-in-use method uses a discounted cash flow model requiring significant judgement and estimation.

Our audit procedures included the assessment of the Group's methodology and calculation of the long-term investment's value-in-use. We evaluated the reasonableness of cash flow projections against the most recent financial performance and considered the appropriateness of key inputs such as long-term growth rate, the discount rate and compared these to available industry, economic and financial data.

Adjusted net assets method

During the year, the Group reclassified the unquoted long-term investment in Banyan Tree Indochina Hospitality Fund, L.P. to investment in associate when it established significant influence. The fair value of this long-term investment was determined using the adjusted net assets method as of the date the Group gained significant influence and the fair value is deemed to be the cost for the initial application of equity accounting.

Banyan Tree Holdings Limited and its Subsidiaries

Independent auditor's report For the financial year ended 31 December 2016

Independent auditor's report to the members of Banyan Tree Holdings Limited

Key Audit Matters (cont'd)

3. *Measurement of unquoted long-term investments (cont'd)*

The fair value is determined based on the valuation of the underlying property assets. The valuation of the assets are complex and dependent on a range of estimates (amongst others, discount rate, occupancy rates and growth rates) made by management. Management used an accredited independent property valuer to support its determination of the fair value of these assets.

Our audit work in assessing the reasonableness of management's judgements and estimations of the fair value was similar to those procedures that were applied in assessing the fair value of freehold land and building and investment properties as described in matter 2 above.

Based on the work performed, we considered the methodology and assumptions used by management to be appropriate.

We also assessed whether the Group's disclosures in relation to the long-term investment are compliant with the relevant accounting requirements in Note 18 and 47(b), respectively to the financial statements.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

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

Banyan Tree Holdings Limited and its Subsidiaries

Independent auditor's report For the financial year ended 31 December 2016

Independent auditor's report to the members of Banyan Tree Holdings Limited

Responsibilities of Management and Directors for the Financial Statements (cont'd)

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Banyan Tree Holdings Limited and its Subsidiaries

**Independent auditor's report
For the financial year ended 31 December 2016**

Independent auditor's report to the members of Banyan Tree Holdings Limited

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

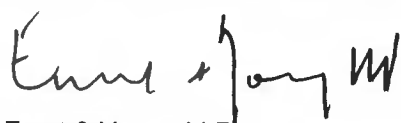
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Simon Yeo.



Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

16 March 2017

Banyan Tree Holdings Limited and its Subsidiaries

**Consolidated income statement
For the financial year ended 31 December 2016**

		Group	
	Note	2016 \$'000	2015 \$'000
Revenue	3	309,565	370,688
Other income	4	29,652	6,350
		339,217	377,038
Costs and expenses			
Cost of operating supplies		(25,663)	(26,254)
Cost of properties sold		(27,765)	(58,506)
Salaries and related expenses	5	(99,929)	(105,915)
Administrative expenses		(53,115)	(68,195)
Sales and marketing expenses		(19,453)	(21,362)
Other operating expenses	6	(61,596)	(65,796)
		(287,521)	(346,028)
Profit before interests, taxes, depreciation and amortisation		51,696	31,010
Depreciation of property, plant and equipment	12	(22,341)	(21,826)
Amortisation expense		(2,722)	(2,882)
Profit from operations and other gains	7	26,633	6,302
Finance income	8	3,674	2,351
Finance costs	9	(29,630)	(28,083)
Share of results of associates		33	(35)
Profit/(Loss) before taxation		710	(19,465)
Income tax expense	10	(7,660)	(6,495)
Loss after taxation		(6,950)	(25,960)
Attributable to:			
Owners of the Company		(16,196)	(27,519)
Non-controlling interests		9,246	1,559
		(6,950)	(25,960)
Earnings per share attributable to owners of the Company (in cents):			
Basic	11	(2.13)	(3.62)
Diluted	11	(2.13)	(3.62)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Banyan Tree Holdings Limited and its Subsidiaries

**Consolidated statement of comprehensive income
For the financial year ended 31 December 2016**

	Note	Group 2016 \$'000	2015 \$'000
Loss after taxation		(6,950)	(25,960)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from consolidation of foreign operations and net investment in foreign operations		16,006	734
Net change in fair value adjustment reserve, net of deferred tax		9,540	(2,231)
Net fair value change on available-for-sale financial assets reclassified to profit or loss	4	(22,763)	—
		2,783	(1,497)
Items that will not be reclassified to profit or loss			
Adjustment on property revaluation reserve, net of deferred tax		38,736	4,290
Actuarial gain/(loss) arising from defined benefit plan, net of deferred tax		9	(447)
		38,745	3,843
Other comprehensive income for the year, net of tax		41,528	2,346
Total comprehensive income/(expense) for the year		34,578	(23,614)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		15,726	(22,687)
Non-controlling interests		18,852	(927)
		34,578	(23,614)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Banyan Tree Holdings Limited and its Subsidiaries

Balance sheets As at 31 December 2016

		Group		Company	
	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current assets					
Property, plant and equipment	12	657,746	657,348	1	6
Investment properties	13	70,596	67,612	—	—
Intangible assets	14	33,202	34,965	2,471	2,524
Land use rights	15	2,982	11,411	—	—
Subsidiaries	16	—	—	513,554	501,395
Associates	17	93,884	160	869	869
Long-term investments	18	14,887	106,750	—	—
Deferred tax assets	38	16,072	18,276	—	—
Prepaid island rental	19	22,839	22,995	—	—
Prepayments		3,555	3,447	—	—
Long-term trade receivables	20	29,093	31,117	—	—
Other receivables	21	11,168	4,722	—	—
		956,024	958,803	516,895	504,794
Current assets					
Property development costs	23	251,795	335,823	—	—
Inventories	24	9,398	10,573	—	—
Prepayments and other non-financial assets	25	18,683	20,809	134	160
Trade receivables	26	43,155	66,226	—	—
Other receivables	27	8,931	13,889	70	147
Amounts due from subsidiaries	28	—	—	207,538	198,317
Amounts due from associates	29	203	38	—	—
Amounts due from related parties	30	21,999	18,642	1	—
Investment securities	22	—	2,512	—	—
Cash and short-term deposits	31	108,767	165,663	28,052	69,121
		462,931	634,175	235,795	267,745
Assets of disposal group classified as held for sale	32	189,267	—	—	—
		652,198	634,175	235,795	267,745
Total assets		1,608,222	1,592,978	752,690	772,539

Banyan Tree Holdings Limited and its Subsidiaries

Balance sheets

As at 31 December 2016 (cont'd)

		Group		Company	
	Note	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Current liabilities					
Tax payable		7,039	8,683	—	—
Unearned income		10,589	8,747	—	—
Other non-financial liabilities	33	32,801	41,385	514	462
Interest-bearing loans and borrowings	34	97,981	89,750	41,608	32,608
Notes payable	35	49,031	—	49,031	—
Trade payables		19,368	24,186	—	—
Other payables	36	37,958	41,069	5,199	5,170
Amounts due to subsidiaries	28	—	—	46,699	50,812
Amounts due to associates	29	5	32	—	—
Amounts due to related parties	30	864	1,102	—	—
		255,636	214,954	143,051	89,052
Liabilities of disposal group classified as held for sale	32	25,557	—	—	—
		281,193	214,954	143,051	89,052
Net current assets					
		371,005	419,221	92,744	178,693
Non-current liabilities					
Deferred income	37	8,041	8,654	—	—
Deferred tax liabilities	38	107,116	97,823	—	—
Defined and other long-term employee benefits	39	2,927	3,055	—	—
Deposits received		1,814	1,699	—	—
Other non-financial liabilities		4,100	3,844	—	—
Interest-bearing loans and borrowings	34	125,687	171,144	7,572	30,179
Notes payable	35	343,886	391,772	343,886	391,772
Other payables		612	572	—	—
		594,183	678,563	351,458	421,951
Total liabilities					
		875,376	893,517	494,509	511,003
Net assets					
		732,846	699,461	258,181	261,536
Equity attributable to owners of the Company					
Share capital	40	199,995	199,995	199,995	199,995
Treasury shares	41	(235)	(463)	(235)	(463)
Reserves	41	364,724	349,260	58,421	62,004
		564,484	548,792	258,181	261,536
Non-controlling interests		168,362	150,669	—	—
Total equity					
		732,846	699,461	258,181	261,536

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Banyan Tree Holdings Limited and its Subsidiaries

Statements of changes in equity
For the financial year ended 31 December 2016

2016 Group	Share capital \$'000	Treasury shares \$'000	Share- based payment reserve \$'000	Legal reserve \$'000	Property revalua- tion reserve \$'000	Currency translation reserve \$'000	Other reserves \$'000 Note 41(f)	Accumu- lated profits \$'000	Equity attribu- table to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
At 1 January 2016	199,995	(463)	8,316	9,898	155,462	(31,862)	(9,716)	217,162	548,792	150,669	699,461
Loss after taxation	-	-	-	-	-	-	-	(16,196)	(16,196)	9,246	(6,950)
Other comprehensive income for the year	-	-	-	-	26,553	12,028	(6,668)	9	31,922	9,606	41,528
Total comprehensive income for the year	-	-	-	-	26,553	12,028	(6,668)	(16,187)	15,726	18,852	34,578
Contributions by and distributions to owners											
Treasury shares reissued pursuant to Share-based Incentive Plan	-	228	(197)	-	-	-	(31)	-	-	-	-
Issuance of share grants pursuant to Share-based Incentive Plan	-	-	6	-	-	-	-	-	6	-	6
Expiry of share grants pursuant to Share-based Incentive Plan	-	-	(85)	-	-	-	-	85	-	-	-
Total transactions with owners in their capacity as owners	-	228	(276)	-	-	-	(31)	85	6	-	6

Banyan Tree Holdings Limited and its Subsidiaries

Statements of changes in equity
For the financial year ended 31 December 2016 (cont'd)

2016 Group	Share capital \$'000	Treasury shares \$'000	Share- based payment reserve \$'000	Legal reserve \$'000	Property revalua- tion reserve \$'000	Currency translation reserve \$'000	Other reserves \$'000 Note 41(f)	Accumu- lated profits \$'000	Equity attribu- table to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
<u>Other changes in equity</u>											
Dividends paid to loan stockholders of a subsidiary	-	-	-	-	-	-	-	(40)	(40)	-	(40)
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	(1,159)	(1,159)
Transfer to accumulated profits upon disposal of asset	-	-	-	-	(242)	-	-	242	-	-	-
Transfer to legal reserve	-	-	-	1	-	-	-	(1)	-	-	-
Total other changes in equity	-	-	-	1	(242)	-	-	201	(40)	(1,159)	(1,199)
At 31 December 2016	199,995	(235)	8,040	9,899	181,773	(19,834)	(16,415)	201,261	564,484	168,362	732,846

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Banyan Tree Holdings Limited and its Subsidiaries

**Statements of changes in equity
For the financial year ended 31 December 2016 (cont'd)**

2015 Group	Share capital \$'000	Treasury shares \$'000	Share- based payment reserve \$'000	Legal reserve \$'000	Property revalua- tion reserve \$'000	Currency translation reserve \$'000	Other reserves \$'000 Note 41(f)	Accumu- lated profits \$'000	Equity attribu- table to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
At 1 January 2015	199,995	(947)	8,628	9,825	151,528	(36,327)	(5,757)	245,657	572,602	151,702	724,304
Loss after taxation	-	-	-	-	-	-	-	(27,519)	(27,519)	1,559	(25,960)
Other comprehensive income for the year	-	-	-	-	4,290	4,465	(3,586)	(337)	4,832	(2,486)	2,346
Total comprehensive income for the year	-	-	-	-	4,290	4,465	(3,586)	(27,856)	(22,687)	(927)	(23,614)
Contributions by and distributions to owners											
Dividends paid on ordinary shares	-	-	-	-	-	-	-	(989)	(989)	-	(989)
Treasury shares reissued pursuant to Share-based Incentive Plan	-	484	(365)	-	-	-	(119)	-	-	-	-
Issuance of share grants pursuant to Share-based Incentive Plan	-	-	161	-	-	-	-	-	161	-	161
Expiry of share grants pursuant to Share-based Incentive Plan	-	-	(108)	-	-	-	-	108	-	-	-
Total contributions by and distributions to owners	-	484	(312)	-	-	-	(119)	(881)	(828)	-	(828)

Banyan Tree Holdings Limited and its Subsidiaries

Statements of changes in equity
For the financial year ended 31 December 2016 (cont'd)

2015 Group	Share capital \$'000	Treasury shares \$'000	Share- based payment reserve \$'000	Legal reserve \$'000	Property revalua- tion reserve \$'000	Currency translation reserve \$'000	Other reserves \$'000 Note 41(f)	Accum- lated profits \$'000	Equity attribu- table to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
Changes in ownership interests in subsidiary											
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	(254)	-	(254)	188	(66)
Total changes in ownership interests in subsidiary	-	-	-	-	-	-	(254)	-	(254)	188	(66)
Total transactions with owners in their capacity as owners	-	484	(312)	-	-	-	(373)	(881)	(1,082)	188	(894)
Other changes in equity											
Dividends paid to loan stockholders of a subsidiary	-	-	-	-	-	-	-	(41)	(41)	-	(41)
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	(294)	(294)
Transfer to accumulated profits upon disposal of asset	-	-	-	-	(356)	-	-	356	-	-	-
Transfer to legal reserve	-	-	-	73	-	-	-	(73)	-	-	-
Total other changes in equity	-	-	-	73	(356)	-	-	242	(41)	(294)	(335)
At 31 December 2015	199,995	(463)	8,316	9,898	155,462	(31,862)	(9,716)	217,162	548,792	150,669	699,461

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Banyan Tree Holdings Limited and its Subsidiaries

**Statements of changes in equity
For the financial year ended 31 December 2016 (cont'd)**

Company	Share capital \$'000	Treasury shares \$'000	Share-based payment reserve \$'000	Other reserves \$'000 Note 41(f)	Accumulated profits \$'000	Total equity \$'000
At 1 January 2016	199,995	(463)	8,316	4,741	48,947	261,536
Loss after taxation	–	–	–	–	(3,361)	(3,361)
Total comprehensive income for the year	–	–	–	–	(3,361)	(3,361)
Contributions by and distributions to owners						
Treasury shares reissued pursuant to Share-based Incentive Plan	–	228	(197)	(31)	–	–
Issuance of share grants pursuant to Share-based Incentive Plan	–	–	6	–	–	6
Expiry of share grants pursuant to Share-based Incentive Plan	–	–	(85)	–	85	–
Total transactions with owners in their capacity as owners	–	228	(276)	(31)	85	6
At 31 December 2016	199,995	(235)	8,040	4,710	45,671	258,181
At 1 January 2015	199,995	(947)	8,628	4,860	14,468	227,004
Profit after taxation	–	–	–	–	35,360	35,360
Total comprehensive income for the year	–	–	–	–	35,360	35,360
Contributions by and distributions to owners						
Dividends paid on ordinary shares	–	–	–	–	(989)	(989)
Treasury shares reissued pursuant to Share-based Incentive Plan	–	484	(365)	(119)	–	–
Issuance of share grants pursuant to Share-based Incentive Plan	–	–	161	–	–	161
Expiry of share grants pursuant to Share-based Incentive Plan	–	–	(108)	–	108	–
Total transactions with owners in their capacity as owners	–	484	(312)	(119)	(881)	(828)
At 31 December 2015	199,995	(463)	8,316	4,741	48,947	261,536

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Banyan Tree Holdings Limited and its Subsidiaries

Consolidated cash flow statement
For the financial year ended 31 December 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Profit/(Loss) before taxation		710	(19,465)
Adjustments for:			
Share of results of associates		(33)	35
Depreciation of property, plant and equipment	12	22,341	21,826
Loss on disposal of property, plant and equipment, net	7	170	1,234
Impairment loss on investment in associates	7	—	93
Finance income	8	(3,674)	(2,351)
Finance costs	9	29,630	28,083
Amortisation expense		2,722	2,882
Allowance for doubtful debts	7	2,368	16,294
Allowance for inventory obsolescence	7	62	105
Defined and other long-term employee benefits expense	39	290	425
Share-based payment expenses	5	68	234
Net fair value (gain)/loss on investment properties	13	(741)	181
Net change in the value of available-for-sale financial assets	4	(22,366)	—
Currency realignment		5,510	439
		36,347	69,480
Operating profit before working capital changes		37,057	50,015
Decrease in inventories		1,218	1,062
Increase in property development costs		(22,462)	(92,395)
Decrease/(increase) in trade and other receivables		23,880	(15,090)
Increase in amounts due from related parties		(3,345)	(3,903)
Decrease in trade and other payables		(5,374)	(15,342)
		(6,083)	(125,668)
Cash flows generated from/(used in) operating activities		30,974	(75,653)
Interest received		3,751	2,415
Interest paid		(29,738)	(27,581)
Tax paid		(9,284)	(7,991)
Payment of employee benefits	39	(482)	(419)
Payment of cash settled share grants		(78)	(155)
Payment of lease rental	19	(1,382)	(1,342)
Net cash flows used in operating activities		(6,239)	(110,726)

Banyan Tree Holdings Limited and its Subsidiaries

**Consolidated cash flow statement
For the financial year ended 31 December 2016 (cont'd)**

	Note	2016 \$'000	2015 \$'000
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(15,888)	(23,469)
Proceeds from disposal of property, plant and equipment		33	51
Increase in long-term investments		(3,814)	—
Acquisition of non-controlling interest	16	—	(66)
Deferred cash settlement on acquisition of subsidiaries		—	(6,500)
Subsequent expenditure on investment properties	13	(387)	(462)
Additions to intangible assets		—	(208)
Net cash flows used in investing activities		(20,056)	(30,654)
Cash flows from financing activities			
Proceeds from bank loans		82,018	100,924
Repayment of bank loans		(106,259)	(62,032)
Proceeds from issuance of notes payable		—	100,000
Payment of dividends			
- by subsidiaries to non-controlling interests		(1,159)	(294)
- by subsidiaries to loan stockholders		(40)	(41)
- by Company to shareholders		—	(989)
Net cash flows (used in)/generated from financing activities		(25,440)	137,568
Net decrease in cash and cash equivalents		(51,735)	(3,812)
Net foreign exchange difference		86	1,088
Cash and cash equivalents at beginning of year		165,476	168,200
Cash and cash equivalents at end of year	31	113,827	165,476

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Banyan Tree Holdings Limited ("the Company") is a limited liability company, which is incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office of the Company is located at 211 Upper Bukit Timah Road, Singapore 588182.

The principal activities of the Company are those of investment holding and the provision of project design and management services. The principal activities of the subsidiaries are set out in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$'000), except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for the annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 7: <i>Disclosure Initiative</i>	1 January 2017
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019

Except for FRS 109, FRS 115 and FRS 116, the Directors expect that the adoption of the other standards above will have no material impact to the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-stop model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration under which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

During 2015, the Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group is engaged in development of residential properties and has assessed that for its significant residential developments, performance obligations for the sale of pre-completion units will be satisfied at a point in time rather than over time. The findings from the preliminary assessment is summarised below.

Australia

The recognition of revenue over time may not be appropriate for property developers in Australia because generally for the residential sales in Australia, control is considered to pass on completion and final settlement.

China

The recognition of revenue over time may not be appropriate for property developers in China as it is commonly believed that the condition regarding "an entity has an enforceable right to payment for performance completed to date" is difficult to be met practically in China under the current circumstances.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 115 Revenue from Contracts with Customers (cont'd)

Thailand

Based on the Group internal legal opinion, the recognition of revenue over time may not be appropriate for property developers in Thailand. Even though it may be possible to enforce payments for the work that had been performed to date via legal recourse, it will be difficult to enforce the court verdict on these buyers. This is also further complicated by the fact that the court verdict issued by the Thailand court may not be enforceable in other legal jurisdictions.

Based on the above preliminary assessment, the Group do not expect that the adoption of FRS 115 will have a material impact to the Group operations in these jurisdictions in 2018 (i.e. construction contracts will continue to be recognised under completion method).

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. The Group is currently assessing the impact of FRS 109.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of FRS 116.

2. Summary of significant accounting policies (cont'd)

2.4 Significant accounting estimates and judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of goodwill and trademarks including a sensitivity analysis, are given in Note 14 to the financial statements.

(ii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 and 50 years. The carrying amounts of the Group's property, plant and equipment at 31 December 2016 are \$657,746,000 (2015: \$657,348,000). Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised.

2. Summary of significant accounting policies (cont'd)

2.4 Significant accounting estimates and judgments (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

(iii) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there has been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's loans and receivables at the end of each reporting period are disclosed in Note 47 (h) to the financial statements.

(iv) *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses. The carrying values of recognised tax losses and unrecognised tax losses at 31 December 2016 are \$48,177,000 (2015: \$58,021,000) and \$33,955,000 (2015: \$22,056,000) respectively.

(v) *Revaluation of freehold and investment properties*

The Group carries its freehold and investment properties at fair value, with changes in fair values being recognised in other comprehensive income and profit or loss respectively.

The Group engaged accredited independent property valuers to determine the fair values for its freehold properties and investment properties in Singapore, Thailand, Seychelles, Sri Lanka and Morocco on a regular basis. The fair value is determined using recognised valuation techniques which require the use of estimates such as future cash flows and discount rates applicable to these assets. These estimates are based on local market conditions existing at each valuation date.

The carrying amount, key assumptions and valuation techniques used to determine the fair value of the freehold and investment properties of the Group are stated in Note 12, Note 13 and Note 47 respectively.

2. Summary of significant accounting policies (cont'd)

2.4 Significant accounting estimates and judgments (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

(vi) Impairment of unquoted available-for-sale financial assets

The impairment assessment of unquoted available-for-sale financial assets are determined using the discounted cash flow model. The inputs to this model are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The assumptions applied in determination of the recoverable cost of these unquoted available-for-sale financial assets are described in Note 18.

(b) Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Investment in associates

Management has assessed and is of the view that the Group exercises significant influence over certain associates, as disclosed in Note 17, notwithstanding that the Group holds less than 20% voting power in these companies. The Group is deemed to exercise significant influence by virtue of its representation on the board/governing committees of these entities.

(ii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax payables and net deferred tax liabilities at 31 December 2016 are \$7,039,000 (2015: \$8,683,000) and \$91,044,000 (2015: \$79,547,000) respectively.

(iii) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. Summary of significant accounting policies (cont'd)

2.6 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it 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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

2.7 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities for the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. Summary of significant accounting policies (cont'd)

2.7 ***Basis of consolidation and business combinations (cont'd)***

(b) ***Business combinations and goodwill***

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2. Summary of significant accounting policies (cont'd)

2.8 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

2.9 *Associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains or losses resulting from transactions between the Group and associates are eliminated to the extent of the interest in the associates.

Where the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.