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Pavillon Holdings Ltd.

ANNUAL REPORT 2018

ENHANCING GROWTH

CONTENT

CORPORATE MAP

Pavillon Holdings Ltd

- **Self-Managed Restaurants**
  - **SINGAPORE** Goodwood Park Indoor Stadium
- **Franchise Restaurants**
  - **CHINA** **Shanghai** Yangpu Sunshine Pudong
  - **VIETNAM** Ho Chi Minh City Hanoi
  - **INDONESIA** Jakarta
- **Eatery**
  - **SINGAPORE** Chinatown Point
- **Leasing Business**
  - **CHINA** Beijing Tianjin
- **Property Business**
  - **CHINA** Tianjin

CHAIRMAN, CEO AND MANAGING DIRECTOR'S MESSAGE

1
DR. JOHN CHEN SEOW PHUN
Executive Chairman

2
MR ZHENG FENGWEN
Executive Director and CEO

3
MR LEE TONG SOON
Managing Director

DEAR SHAREHOLDERS

It has been a challenging year as the food and beverage (F&B) industry saw a slower market, both locally and abroad. F&B growth opportunities in Singapore remain limited due to pricey rental along with high manpower costs. The financial leasing business in China also slowed because of weaker consumer demand for cars due to market uncertainties. Despite this, the Group continues to strategize and reposition ourselves for future growth by leveraging on our strength. On behalf of the Board of Directors of Pavillon Holdings Ltd. ("the Group"), we present the annual report of the Group for the financial year ended 31 December 2018 ("FY2018").

FINANCIAL PERFORMANCE

The Group attained a revenue of S$14.4 million, a decrease of S$2.1 million from S$16.5 million in the financial year ended 31 December 2017 ("FY2017"). This was mainly due to decreased revenue from Singapore restaurant operations arising from the slower market for F&B businesses, as well as the closure of the Jurong restaurant. In addition, revenue from operation in China also saw a decrease due to the market uncertainties.

The Food and Beverages division saw a slight decrease in revenue from S$13.1 million to S$12.8 million in FY2018, largely owing to the closure of the Jurong outlet. The financial leasing division also saw a decrease in revenue from S$3.2 million in FY2017 to S$1.5 million in FY2018. Overall, the Group made a loss of S$13.9 million before taxes, leading to a loss of S$14.1 million after taxation. The total assets of the Group stands at S$50.3 million, down from S$58.9 million in FY2017. While cash and cash equivalents saw an increase of S$8.9 million, trade and other receivables saw a decrease of S$17 million. Total liabilities reduced by S$1.1 million to S$7.7 million, bringing our net assets to a total of S$42.5 million, along with a net borrowing of S$40,000 as at 31 December 2018.

FUTURE PROSPECTS

The food and beverage industry in Singapore is expected to remain competitive, if not increasingly so. The challenge to cope with increasing manpower costs will continue with the recent announcement of Budget 2019 that the foreign worker quota in services sector will be cut to 35% by 2021. At the same time, we will need to focus on reskilling the workforce, accelerating the development of digital skills, and adoption of innovative solutions.

While the Group continues to explore viable F&B options locally, we will persist in our overseas ventures so as to capitalise on emerging opportunities. Locally,

we have retired our Braised Rice Stalls concept and started an improved F&B model of operating Braised Rice eateries, which will better cater to the needs of our target group and allow for the expansion of menu choices. In September 2018, we have officially opened an eatery at Chinatown Point. While it is still in its early days, the eatery hold some promise and its potential remains to be seen. Overseas, we have successfully established a franchise in Indonesia.

On the financial leasing end, we are consolidating our operations in view of market uncertainties. While there are operational obstacles, it is expected to provide us a steady source of revenue as the Group diversifies into the logistics and e-commerce services. Our bonded warehouse in Tianjin is expected to be completed by the first quarter of 2020. This new business foretells exciting possibilities as it doubles up as both showrooms and offices for automobile traders. As a centre for parallel import of cars, we aim to offer a range of services from facilitating parallel imported of cars, to financing, to warehousing

The Group continues to strategize and reposition ourselves for future growth by leveraging on our strength

and providing a venue that will allow traders to showcase their brands and offer online-offline sales. The construction is well underway and presents a new direction to secure new opportunities and drive growth beyond Tianjin.

However, there is still uncertainty owing to the trade war between China and the USA. Thankfully, the China government is looking into reducing import tax rates, forging a trade deal with the US which will benefit us as import prices become more competitive. Meanwhile, as we continue to diversify, we will practice prudence and care as we streamline processes and seek other business opportunities in the region. Expenses are expected in light of the outlined expansions. However, when our centre for parallel import of cars is completed, returns are expected to be material.

DIVIDENDS

In order to consolidate funds for further capital investment and business expansion, the Board has resolved not to disburse dividends at the upcoming Annual General Meeting.

CONCLUSION

Success is where preparation and opportunity meet. As we bide our time for better circumstances, we continue to make improvements and forge ahead, and we expect better results in time to come. On behalf of the Board, we would like to take this opportunity to show our heartfelt appreciation to the staff and management team, whose dedication and hard work are essential for success of any businesses undertaken by the Group. To our clients, business associates and shareholders, a big thank-you for your patience and enduring support as we continue to strive for success.

OPERATIONS REVIEW

TURNOVER AND EARNINGS

In the financial year ended 31 December 2018 ("FY2018"), the total revenue of the Group stands at S$14.4 million down by S$2.1 million from S$16.5 million in the financial year ended 31 December 2017 ("FY2017"). This was largely due to slower market conditions resulting in a decrease in revenue from China operations as well as Singapore restaurant operations.

Restaurant operations saw a decrease in revenue from S$13.1 million to S$12.8 million, resulting in a decrease in profit from S$973,000 in FY2017 to S$388,000 in FY2018.

Financial leasing operations saw a decrease in revenue from S$3.1 million to S$1.5 million largely due to slower market conditions.

Properties segment saw an increase of revenue from S$0.2 to S$1.6 million, before eliminations of inter-company transactions of S$2.7 million. A loss of S$2.9 million was incurred due to the ramping up of the logistics business.

Interest income saw a decrease of S$12,000 due to a smaller amount of short-term funds placed in fixed deposit. Other income increased by S$500,000 due to adjustments of the acquired balance share of an associate company and gain from disposal of property, plant and equipment. Amortisation expenses increased by S$200,000 due to the amortisation of leasehold land.

This results in a loss before tax of S$13.9 million for FY2018, up from S$0.8 million in FY2017. This is largely due to the impairment of receivables as well the ramping up of the logistics business.

BALANCE SHEET AND CASH FLOWS

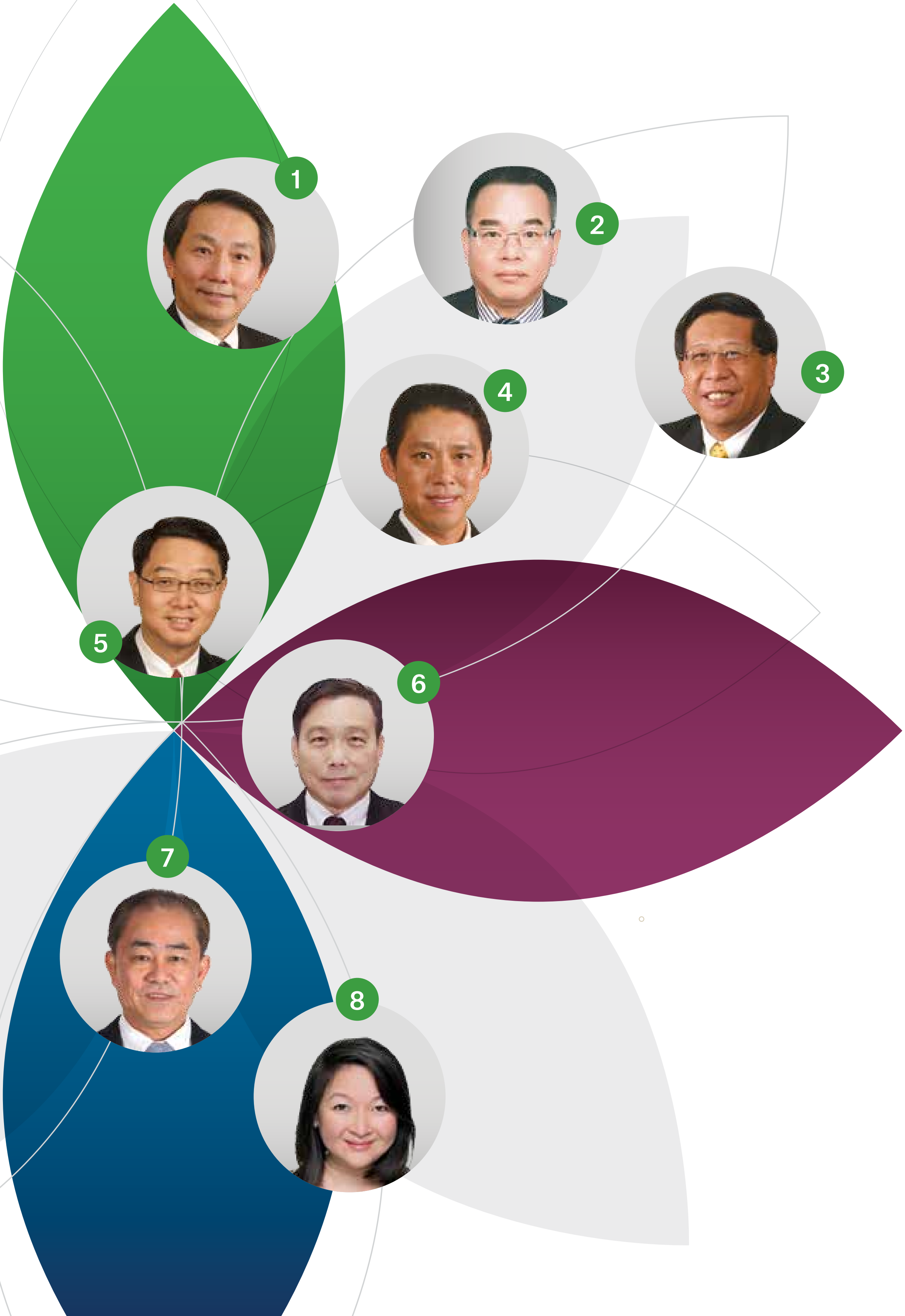
The value of property, plant and equipment saw an increase of S$1.5 million to S$3.0 million while land use rights also saw an increase to S$12.3 million, up from S$9.1 million.

Cash and cash equivalents saw a increase of S$8.9 million to S$21.0 million, while trade and other receivables decreased from S$29.5 million to S$12.6 million, bringing current assets down to S$34.6 million from S$43.1 million in FY2017.

Trade and other payables increased from S$3.6 million to S$6.7 million, with total liabilities standing at S$7.7 million, down from S$8.8 million in FY2017. Net assets for FY2018 stands at S$42.5 million, down from S$50.1 million in the previous year.

Based on a year-on-year comparison, net cash flow from operating activities stands at S$3.2 million, an improvement from the net cash flows used of S$5.5 million in FY2017. Net cash flow from investing activities increased from S$2.4 million to S$9.8 million while net cash flow generated from financing activities decreased from S$2.4 million to S$0.4 million. This concludes cash and cash equivalents at end of the financial year at S$21 million.

BOARD OF DIRECTORS



BOARD OF DIRECTORS

1

DR. JOHN CHEN SEOW PHUN
Executive Chairman

Dr Chen was appointed as an Independent Director of the Company in December 2001 and was re-designated as Executive Chairman on 1 May 2012. He was the Assistant Secretary General of the NTUC from 1991 to 1997 and served as the Deputy Chairman and Managing Director of the NTUC Healthcare Co-op Ltd from 1992 to 1997. Dr Chen was a Member of Parliament from September 1988 to April 2006. From March 1997 to June 1999, he was the Minister of State for Communications. From June 1999 to November 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development. Prior to joining the Government in 1997, Dr. Chen has served as a Board Member of the Economic Development Board, the Housing and Development Board, the Port of Singapore Authority and Singapore Power Ltd. Dr. Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada. He taught at the National University of Singapore from 1983 to 1991.

2

MR ZHENG FENGWEN
Executive Director and CEO

Mr Zheng was appointed as Executive Director and CEO on 27 March 2014. He graduated from Shandong University (China) with a Bachelor's Degree, and obtained an EMBA degree from Fudan University (China). Mr Zheng has more than 20 years of experience in investment management, and once held the following positions: Chairman of Shan Dong Zhong Run Real Estate Ltd. (山东中润房地产有限公司), Chairman of Zhong Run Resource Investment Ltd. (中润资源投资股份有限公司), and Director of British company, Vatukoula Gold Mine Ltd.

3

MR LEE TONG SOON
Managing Director

Mr Lee is one of the founding shareholders of Thai Village Restaurant Pte Ltd (**"TVSR"**) and has been the Managing Director of TVSR since its incorporation in 1995. He has been instrumental in the Group's expansion and has been shaping the development and growth of the Group's operations since 1991. Prior to founding the Group, Mr Lee was an estate officer with the Housing Development Board from 1983 to 1990. He joined McDonald's Restaurants Pte Ltd as a real estate manager from 1990 to 1991 where he was responsible for finding new locations for new McDonald's restaurants. Mr Lee holds a Bachelor Degree in Arts and Social Science from the National University of Singapore.

4

MR KOK NYONG PATT
Executive Director

Mr Kok is one of the founding shareholders of the TVSR and has been a director since its inception in 1995. His areas of responsibilities include business development, business strategy and planning, human resource management and business administration. Prior to joining the Group in 1992, Mr Kok was a petroleum cargo officer with Hong Lam Shipping Pte Ltd from 1986 to 1992.

5

MR HOON TAI MENG
Independent Director

Mr Hoon was appointed an Independent Director of the Company on 1 February 2011. Besides having around 15 years of experience in legal practice, he also has approximately 20 years of experience in financial planning and management, audit and tax functions. He has a Bachelor of Commerce Degree in Accountancy from the Nanyang University and a LLB (Honours) from the University of London. Mr Hoon is a Fellow of the Chartered Institute of Management Accountants (United Kingdom), a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Chartered Accountant (Singapore) and a Barrister-at-Law (Middle Temple, United Kingdom). He is also an Independent Director of Sin Ghee Huat Corporation Ltd.

6

MR FOO DER RONG

Independent Director

Mr Foo was appointed an independent Director of the Company on 1 May 2012. He is currently the executive director of Tian International Pte Ltd and non-executive director of Southern Lion Sdn Bhd. He also an independent director of Matex International Ltd, Noel Gifts International Ltd and SLB Development Ltd. He has a wealth of rich experience and knowledge in business development, corporate restructuring, investment strategies and operations management, in a wide range of industries.

He was formally the managing director/CEO of Intraco Ltd from 2013 to 2015 and the Managing Director/CEO of Hanwell Holdings Limited from 2002 to 2012. Mr Foo holds a Bachelor of commerce from the then Nanyang University. Mr Foo was formely vice chairman and currently a Patron of Teck Ghee CC.

7

MR KO CHUAN AUN

Independent Director

Mr Ko joined the Board of Pavillon Holdings Ltd as an Independent Director on 25 July 2016.

Mr Ko Chuan Aun also holds chairmanships and directorships in various private and public companies. He was appointed as an Independent Director of Super Group Ltd, San Teh Ltd, KSH Holdings Ltd, Koon Holdings Ltd and Lian Beng Group Ltd. He was previously the Chief Executive Officer ("CEO") and Executive director of the then Scorpio East Holdings Ltd, prior to its reverse takeover.

Mr Ko has more than 15 years of working experience with the then Trade Development Board of Singapore ("TDB") (now known as the International Enterprise Singapore or of IE Singapore). His last appointment with the then TDB was Head of China Operations.

In the past 27 years, Mr Ko has been very actively involved in business investment in the People's Republic of China market. In 2001, he was appointed as the Steering Committee Member of the Network China.

Between 2003 to 2005, Mr Ko served as the Chairman of the Tourism Sub-Committee under the Singapore-Sichuan Trade & Investment Committee. Mr Ko holds a Diploma in Export Marketing, which is equivalent to Danish Niels Brock International Business Degree Program.

8

MS JO-ANNE CHANG

Non-Executive and Non-Independent Director

Ms Chang joined the Board of Pavillon Holdings Ltd as a Non-Executive and Non-Independent Director on 1 September 2014. She is currently a Director and Shareholder of Rossbay Private Limited, which owns approximately 10.32% of Pavillon Holdings Ltd. As the CEO of Rossbay, Ms Chang is active in originating and managing investments. Prior to Rossbay, she had held various positions in several companies including Merrill Lynch and Standard Chartered Bank.

Ms Chang holds a Bachelor of Laws (LLB) and a Master of Laws (LLM) from King's College, University of London, and is a Barrister-at-Law at Lincoln's Inn, London. She also holds a Master of Business Administration (MBA) from the New York University Leonard N. Stern School of Business.

KEY EXECUTIVES

MR MAXTEIN OH KOK THAI
General Manager – Restaurant Operations

Mr Oh was appointed as Group General Manager on 1 May 2006 to oversee the restaurant operations including regional business development, human resource & administration as well as sales & marketing. He joined the Group in 1997 as Restaurant Manager and was promoted to Group Operations Manager in 2000 to oversee the operations in Singapore. He was posted to Beijing, China in 2001 as General Manager (Northern China's Operation) for setting up and managing the restaurants in Northern China and franchise operations in China. He was promoted to General Manager for China's Operation in 2004, based in Shanghai to oversee the operations in China. Prior to joining the Group, he has held managerial positions with Conrad International Centennial Singapore, Pondok Gurame Group of Restaurants, Jumbo Group of Restaurants, Yunnan Group of Restaurants and he has also worked with The Westin Stamford and The Westin Plaza. Mr Oh is a graduate from American Hotel and Lodging Educational Institute in Hospitality Management and he holds a certificate in Advanced Certificate in Training And Assessment from Institute of Adult Learning Singapore. He is a Certified Industry Trainer and Assessor as well as a Certified WSQ Trainer and Assessor by Institute of Technical Education Singapore and Singapore Workforce Development Agency.

MS ZHANG PENG
General Manager – Leasing Operations

Ms Zhang has a bachelor's degree in Chinese language and literature from Shandong University.

She once served as the deputy general manager in Sanlian Group Urban Construction Development Co., Ltd and Zhongrun Resource Investment Co., Ltd. She also worked in Sanlian Group Huiquan Tourism Co., Ltd. as the general manager. She is now the general manager of Pavillon Financial Leasing Co., Ltd. and is responsible for the operation and management of the company.

MR GAO HUI
General Manager – IOT

Mr Gao is responsible for overseeing daily operations of the Group, developing tactical programmes, and ensuring strategic growth. Mr Gao brings with him vast experience in modern logistics and supply chain management, and his background in shipping and customs clearance, as well as other operational processes. Prior to joining the company, he held managerial positions in various firms such Deputy General Manager of BFA (Beijing) International Shipping Agency Co., Ltd. and Business Manager of China Import Automobile Trade Co., Ltd.

MR HAU YEE BOON
Executive Chef

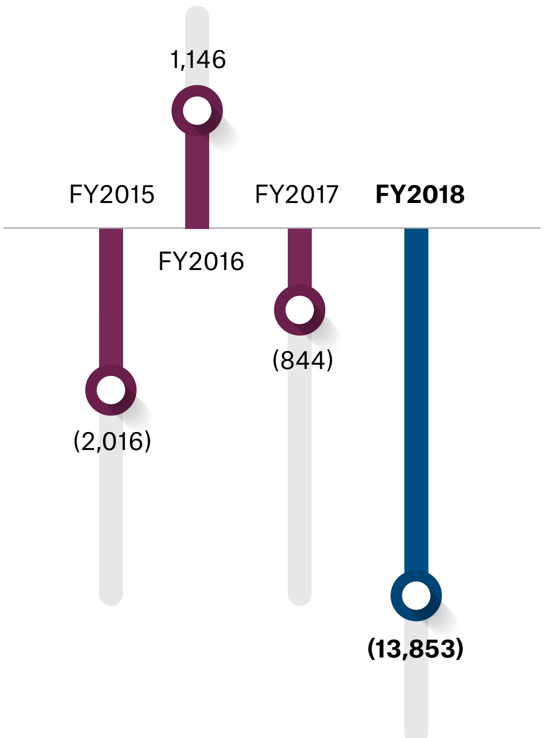
Mr Hau has a deep and extended relationship with the Group, having joined Thai Village Restaurant as one of the critical pioneer chefs in 1991, where he reported to the then Executive Chef, Mr Lee Tong Kuon. In 1999, Mr Hau and the then General Manager of the Group Mr Oh, ventured to China to establish the inaugural China branch. Together, Mr Oh and Mr Hau managed all China restaurant operations, including the setting up of the franchise. In 2012, Mr Lee decided to retire, and Mr Hau took over the baton from Mr Lee to take on the role of Executive Chef. Mr Hau is responsible for the management of the Group's restaurant operations.

MR LOH BENG KIAT, CALVIN
Financial Controller

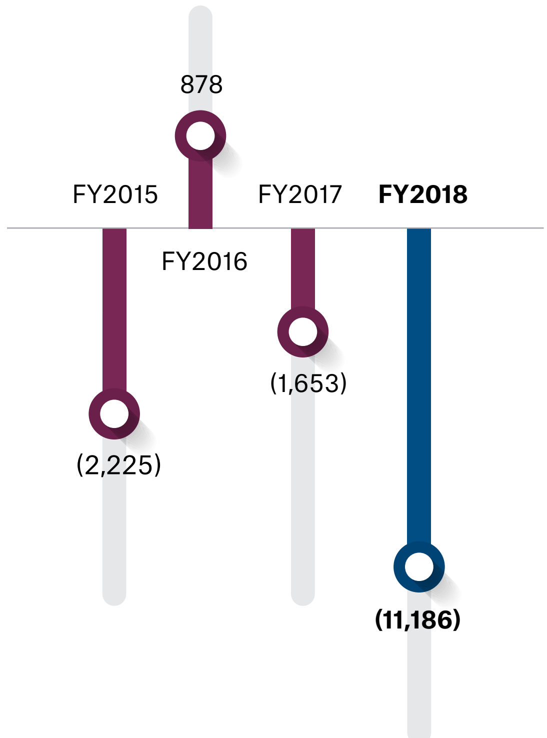
Mr Loh was newly appointed on 15 April 2018. As the Financial Controller, he is responsible for the financial and management reporting functions of the Group. Mr Loh has over a decade of experience having held various finance management roles since 1997, as well as accountant roles before that. Prior to joining the Group, he was the Chief Financial officer of the HLH Group Ltd, a listed company that focuses on real estate and agricultural development, where he successfully managed all financial and capital aspects. He is a Singapore Chartered Accountant.

FINANCIAL HIGHLIGHTS

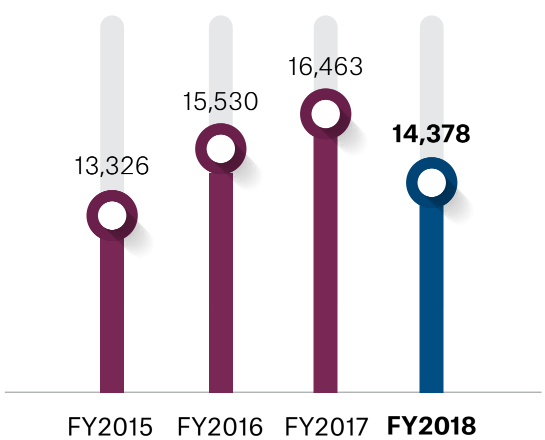
PROFIT/(LOSS) BEFORE TAXATION
(S$'000)



PROFIT/(LOSS) AFTER TAXATION
Attributable to Equity holders of the Company
(S$'000)



TURNOVER
(S$'000)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. John Chen Seow Phun
Executive Chairman

Mr Zheng Fengwen
Executive Director and CEO

Mr Lee Tong Soon
Managing Director

Mr Kok Nyong Patt
Executive Director

Mr Hoon Tai Meng
Independent Director

Mr Foo Der Rong
Independent Director

Mr Ko Chuan Aun
Independent Director

Ms Jo-Anne Chang
Non-Executive and Non-Independent Director

COMPANY SECRETARY

Mr Chew Kok Liang

REGISTERED OFFICE

Block 1002 Tai Seng Avenue
#01-2536 Singapore 534409
Tel: +65 6487 6182
Fax: +65 6487 6183

SHARE REGISTRAR

RHT Corporate Advisory Pte Ltd
9 Raffles Place
#29-01 Republic Plaza Tower 1
Singapore 048619

AUDITORS

Nexia TS Public Accounting Corporation
Director in-charge: Lee Look Ling
(Appointed since financial year ended 31 December 2017)

PRINCIPAL BANKER

United Overseas Bank Limited

THAI VILLAGE RESTAURANT PRESENCE

SELF-MANAGED RESTAURANTS

SINGAPORE (新加坡分店)

Goodwood Park
良木园
22 Scotts Road,
Goodwood Park Hotel
Singapore 228221
Tel: (65) 6440 8251
Fax: (65) 6440 0748

Singapore Indoor Stadium
新加坡室内体育馆
2 Stadium Walk, #01-02/03
Singapore Indoor Stadium
Singapore 397691
Tel: (65) 6440 2292
Fax: (65) 6440 7285

FRANCHISE RESTAURANTS

CHINA (中国加盟店)

Shanghai
上海
国定东路237号 (金储广场北侧)
电话: (86) 21-55221717

浦东潍坊路328号 (嘉瑞酒店内)
电话: (86) 21-68548282

虹桥路2266号 (阳光大酒店内)
电话: (86) 21-62627676

INDONESIA (印度尼西亚加盟店)

Jakarta
雅加达
5th Floor Senayan City, Jl,
Asia Afrika No.RT.1, RW.3,
Gelora, Tanahabang,
Central Jakarta City,
Jakarta 10270,
Indonesia

VIETNAM (越南加盟店)

Ho Chi Minh City
胡志明市
38, Ly Tu Trong Street,
Ben Nghe Ward, District 1
Tel: (84) 8 8256704/5

Hanoi
河内
3B Le Thai To Street,
Hang Trong Ward,
Hoan Kiem District
Tel: (84) 4 3938 1168


Financial
Statements

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors,

(i) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 22 to 103 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(ii) 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 as follows:

Dr. John Chen Seow Phun
Zheng Fengwen
Lee Tong Soon
Kok Nyong Patt
Hoon Tai Meng
Foo Der Rong
Jo-Anne Chang
Ko Chuan Aun

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2018	**At 1.1.2018**	**At 31.12.2018**	**At 1.1.2018**
Company				
Number of ordinary shares				
Dr John Seow Phun	–	–	23,163,525[1]	23,163,525[1]
Zheng Fengwen	–	–	100,000,000[2]	100,000,000[2]
Lee Tong Soon	24,135,526	24,023,926	12,500[3]	12,500[3]
Kok Nyong Patt	25,027,725	25,027,725	–	–
Jo-Anne Chang	–	–	40,000,000[4]	40,000,000[4]

Note :

(1) 62,500 (2017: 62,500) shares are held in the name of Lim Kok Huang, who is the spouse of Dr. John Chen Seow Phun. He is the beneficial owner of 848,300 (2017: 848,300) shares held by DBS Nominees Private Ltd. 22,252,725 (2017: 22,252,725) shares are held in the name of Unigold Asia Limited, which is wholly owned by Dr. John Chen Seow Phun.

(2) 100,000,000 (2017: 100,000,000) shares are held in the name of Sunlead Evergrowing Capital Co. Limited which is 93% owned by Xu Cai Kui, who is the spouse of Zheng Fengwen.

(3) 12,500 (2017: 12,500) shares are held in the name of Lee Chun Hui Crystal, who is the daughter of Lee Tong Soon.

(4) 40,000,000 (2017: 40,000,000) shares are held in the name of Rossbay Private Limited, of which Jo-Anne Chang is a director and shareholder.

Mr Zheng Fengwen, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiary corporations and in the shares held by the Company in the following subsidiary corporations that are not wholly owned by the Group:

	At 31.12.2018	**At 1.1.2018**
Pavillon Financial Leasing Co Ltd		
– Registered and issued share capital	USD 27,065,536	USD 27,065,536
Fengchi IOT Co Ltd		
– Registered and issued share capital	RMB 90,000,000	RMB 63,000,000

The directors' interests in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company or its subsidiary corporations.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiary corporations under option.

AUDIT COMMITTEE

The members of the Audit Committee at the end of the financial year were as follows:

Hoon Tai Meng (Chairman)
Foo Der Rong
Ko Chuan Aun

All members of the Audit Committee were independent and non-executive directors.

The Audit Committee has written terms of reference that are approved by the Board of Directors ("the Board") and clearly set out its responsibilities. The Audit Committee carries out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50 and the Code of Corporate Governance (the "Code"). The key terms of reference of the Audit Committee are as follows:

a. To review the audit plans of the internal auditor and independent auditor of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the internal auditor and independent auditor;

b. To review the half yearly and annual consolidated financial statements and the independent auditor's report on the consolidated financial statements of the Group and the financial position of the Company before their submission to the Board;

c. To review effectiveness of the Group's and the Company's key internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

d. To review the cooperation given by the management to the independent auditor;

e. To review legal and regulatory matters that may have a material impact on the consolidated financial statements, related compliance policies and programmes and any reports received from regulators;

f. To review the cost effectiveness and the independence and objectivity of the independent auditor;

g. To review the nature and extent of non-audit services provided by the independent auditor;

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

AUDIT COMMITTEE (continued)

h. To recommend to the Board the appointment, re-appointment or removal of the independent auditor and approve the remuneration and terms of engagement of the independent auditor;

i. To review interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Manual; and

j. To conduct a review of interested person transaction to ensure that each transaction has been conducted on an arm's length basis.

The Audit Committee has, in accordance with Chapter 9 of the SGX-ST's Listing Manual, reviewed the requirements for approval and disclosure of interested party transactions.

The Audit Committee, having reviewed all non-audit services provided by the independent auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the independent auditor.

The Audit Committee convened two (2) meetings during the financial year with full attendance from all members. The Audit Committee met with independent auditor and internal auditor once in February 2019 without the presence of the management. These meeting enable the independent auditor and internal auditor to raise issues encounter in the course of their work directly to the Audit Committee.

The Audit Committee has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting.

INDEPENDENT AUDITOR

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Lee Tong Soon
Director

Kok Nyong Patt
Director

5 April 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAVILLON HOLDINGS LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Pavillon Holdings Ltd. (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including summary of significant accounting policies, as set out on pages 22 to 103.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial 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 year. 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAVILLON HOLDINGS LTD

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
Valuation of finance lease receivables (Refer to Notes 13 and 33(b) to the financial statements As at 31 December 2018, finance lease receivables amounting to S$10,063,000 were significant to the Group which represented 20% of the Group's total assets. Our audit focus in this area is because the Group's business segment in People's Republic of China has been affected by US-China trade war which has increased the credit risk of the Group. For the financial year ended 31 December 2018, management has recognised the loss allowance amounted to S$4,827,000. Management uses provision matrix to calculate expected credit loss ("ECL") that is based on its historical observed default rates. The impairment assessment of finance lease receivables requires management to make significant judgments and assumptions on the estimated loss allowance of these receivables.	We have discussed with management on the factors affecting the Group's provision matrix to calculate the expected credit loss for finance lease receivables and reviewed the reasonableness of the basis that have been applied. With the involvement of the component auditors, we have reviewed the lessee's historical repayment records and correspondences between the Group and the lessees. We reviewed the adequacy and appropriateness of the disclosures in the financial statements.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
Valuation of other receivables (Refer to Notes 13(a) and 33(b) to the financial statements) The Group has significant and overdue receivable of S$6,092,000 from a non-related party which was fully impaired as at 31 December 2018. During the financial year ended 31 December 2017, the Group signed a repayment agreement with the non-related party to extend the repayment period from 29 September 2017 to 20 November 2018. The main condition for the extension of the repayment period of the receivable is secured by various personal assets from the non-related party. However, in August 2018, management noted there are various parties, taken legal actions against the non-related party to demand for payments or to take possession of the non-related party's personal assets. Consequently, the Group has filed legal proceeding against the non-related party to demand for immediate payments. In view of the uncertain outcome of the legal proceeding, the credit risk of the receivable has been increased, management has recognised loss allowance to impair the full outstanding amount. Our audit focus in this area is because significant management judgements and assumptions were involved in determining the credit risk of the receivable and the loss allowance has resulted a significant loss in the Group's financial results.	We have discussed with management on the recoverability of this receivable and evaluated management's judgements in determining the adequacy of the loss allowance recognised during the financial year ended 31 December 2018 by obtaining a representation letter from the Group's legal counsel to understand the status of the legal proceeding and reviewed the relevant supporting documents. We reviewed the adequacy and appropriateness of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAVILLON HOLDINGS LTD

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors of 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 SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- 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.
- 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 financial year 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 director on the audit resulting in this independent auditor's report is Lee Look Ling.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
5 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 S$'000	2017 S$'000
Revenue	4	14,378	16,463
Other items of income			
Interest income – bank deposits		124	136
Other income	5	728	209
Items of expenses			
Raw materials and changes in inventories	14	(4,648)	(4,684)
Employee compensation	6	(7,322)	(6,814)
Depreciation expense	20	(522)	(507)
Amortisation expense	21, 22	(266)	–
Finance expenses	7	(30)	(161)
Currency exchange loss - net		(21)	(40)
Impairment loss on financial assets	13	(11,828)	–
Other operating expenses	8	(4,446)	(4,925)
Total expenses		(29,083)	(17,131)
Share of loss of associated companies	18	–	(521)
Loss before income tax		(13,853)	(844)
Income tax expense	9(a)	(305)	(589)
Net loss		(14,158)	(1,433)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation losses arising from consolidation	29(b)(ii)	(616)	(469)
Items that will not be reclassified subsequently to profit or loss:			
Currency translation (losses)/gains arising from consolidation	29(b)(ii)	(53)	52
		(669)	(417)
Total comprehensive loss		(14,827)	(1,850)
Loss attributable to:			
Equity holders of the Company		(11,186)	(1,653)
Non-controlling interests		(2,972)	220
		(14,158)	(1,433)
Total comprehensive loss attributable to:			
Equity holders of the Company		(11,802)	(2,122)
Non-controlling interests		(3,025)	272
		(14,827)	(1,850)
Loss per share for loss attributable to equity holders of the Company (cents per share)			
– Basic	10	(2.88)	(0.43)
– Diluted	10	(2.88)	(0.43)

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Group		
	Note	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
ASSETS				
Current assets				
Cash and cash equivalents	12	20,980	12,112	11,325
Trade and other receivables	13	12,636	29,513	21,396
Inventories	14	992	1,508	1,173
		34,608	43,133	33,894
Assets held-for-sale	11	–	834	–
		34,608	43,967	33,894
Non-current assets				
Trade and other receivables	15	320	454	4,624
Investments in associated companies	18	–	3,829	5,670
Property, plant and equipment	20	2,962	1,562	1,676
Intangible assets	21	50	–	–
Land-use rights	22	12,326	9,136	–
		15,658	14,981	11,970
Total assets		50,266	58,948	45,864
LIABILITIES				
Current liabilities				
Trade and other payables	23	6,686	3,660	5,072
Current income tax liabilities	9(b)	444	645	206
Borrowings	24	40	4,090	–
Finance lease liabilities	25	38	–	–
Provisions	26	99	–	95
		7,307	8,395	5,373
Non-current liabilities				
Trade and other payables	23	60	110	100
Deferred tax liabilities	27	80	115	138
Finance lease liabilities	25	165	–	–
Provisions	26	99	180	90
		404	405	328
Total liabilities		7,711	8,800	5,701
NET ASSETS		42,555	50,148	40,163
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	28	39,433	39,433	39,433
Other reserves	29	4,186	2,197	(812)
(Accumulated losses)/retained profits	30	(11,297)	(111)	1,542
		32,322	41,519	40,163
Non-controlling interests	19(i)	10,233	8,629	–
TOTAL EQUITY		42,555	50,148	40,163

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Company		
	Note	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
ASSETS				
Current assets				
Cash and cash equivalents	12	1,119	3,026	4,482
Trade and other receivables	13	3,337	2,155	2,380
		4,456	5,181	6,862
Non-current assets				
Trade and other receivables	15	15	26	47
Investments in associated companies	18	–	3,829	4,319
Investments in subsidiary corporations	19	27,658	29,650	29,682
Property, plant and equipment	20	–	–	1
		27,673	33,505	34,049
Total assets		32,129	38,686	40,911
LIABILITIES				
Current liabilities				
Trade and other payables	23	1,266	791	566
Non-current liabilities				
Trade and other payables	23	60	110	100
Total liabilities		1,326	901	666
NET ASSETS		30,803	37,785	40,245
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	28	39,433	39,433	39,433
(Accumulated losses)/retained profits	30	(8,630)	(1,648)	812
TOTAL EQUITY		30,803	37,785	40,245

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Attributable to the equity holders of the Company						
	Share capital	Foreign currency translation reserve	Capital reserve	(Accumulated losses)/ Retained profits	Total	Non-controlling interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balances as at 1 January 2018	39,433	(1,281)	3,478	(111)	41,519	8,629	50,148
Net loss for the financial year	–	–	–	(11,186)	(11,186)	(2,972)	(14,158)
Other comprehensive loss for the financial year	–	(616)	–	–	(616)	(53)	(669)
Effect of changes in shareholdings in a subsidiary corporation without change of control (Note 19(c))	–	–	2,605	–	2,605	4,629	7,234
Balances as at 31 December 2018	39,433	(1,897)	6,083	(11,297)	32,322	10,233	42,555
Balances as at 1 January 2017	39,433	(812)	–	1,542	40,163	–	40,163
Net loss for the financial year	–	–	–	(1,653)	(1,653)	220	(1,433)
Other comprehensive loss for the financial year	–	(469)	–	–	(469)	52	(417)
Effect of changes in shareholdings in a subsidiary corporation without change of control (Note 19(b))	–	–	3,478	–	3,478	8,357	11,835
Balances as at 31 December 2017	39,433	(1,281)	3,478	(111)	41,519	8,629	50,148

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 S$'000	2017 S$'000
Cash flows from operating activities			
Net loss		(14,158)	(1,433)
Adjustments for:			
– Depreciation of property, plant and equipment	20	522	507
– Amortisation of intangible assets	21	10	–
– Amortisation of land-use rights	22	256	–
– Income tax expense	9(a)	305	589
– Impairment loss on investments in associated companies	8	–	484
– Gain on disposal of property, plant and equipment	5	(116)	(1)
– Interest expense	7	30	161
– Interest income		(124)	(136)
– Share of loss of associated companies	18	–	521
– Fair value loss on remeasurement of investment in associated company	8	142	–
– Reversal of impairment loss on investment in associated company	5	(241)	–
– Gain on bargain purchase	5	(72)	–
– Write off of property, plant and equipment		13	–
– Unrealised currency translation gains		(330)	(310)
		(13,763)	382
Change in working capital, net of effects from acquisition of a subsidiary corporation:			
– Inventories		516	(335)
– Trade and other receivables		17,683	(3,947)
– Trade and other payables		(745)	(1,402)
– Provisions		18	(5)
Cash generated from/(used in) operations		3,709	(5,307)
Income tax paid	9(b)	(527)	(167)
Net cash provided by/(used in) operating activities		3,182	(5,474)
Cash flows from investing activities			
Acquisition of subsidiary corporation	36(b)	4,211	–
Additions to property, plant and equipment		(1,761)	(397)
Additions to intangible assets		(60)	–
Purchase of land-use rights		–	(9,136)
Proceeds from disposal of property, plant and equipment		122	1
Dilution of equity interest in a subsidiary corporation without loss of control	19(b),(c)	7,234	11,835
Interest received		124	136
Net cash provided by investing activities		9,870	2,439

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

	Note	2018 S$'000	2017 S$'000
Cash flows from financing activities			
Withdrawal/(placement) of bank deposits		4,498	(1,467)
Proceeds from borrowings		40	4,090
Repayment of finance lease liabilities		(4)	–
Repayment of borrowings		(4,090)	–
Interest paid		(30)	(161)
Net cash provided by financing activities		414	2,462
Net increase/(decrease) in cash and cash equivalents		13,466	(573)
Cash and cash equivalents			
Beginning of financial year		7,614	8,294
Effects of currency translation on cash and cash equivalents		(100)	(107)
End of financial year	12	20,980	7,614

Reconciliation of liabilities arising from financing activities

	1 January 2018 S$'000	Proceeds from borrowings S$'000	Principal and interest payments S$'000	Non-cash changes: Interest expense S$'000	Non-cash changes: New finance lease S$'000	31 December 2018 S$'000
Borrowings	4,090	40	(4,120)	30	–	40
Finance lease liabilities	–	–	(4)	–	207	203

	1 January 2017 S$'000	Proceeds from borrowings S$'000	Principal and interest payments S$'000	Non-cash changes: Interest expense S$'000	Non-cash changes: New finance lease S$'000	31 December 2017 S$'000
Borrowings	–	4,090	(161)	161	–	4,090

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

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

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

1 CORPORATE INFORMATION

Pavillon Holdings Ltd. (the "Company") is a limited liability company incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange. The registered office and principal place of business of the Company is located at Block 1002 Tai Seng Avenue #01-2536, Singapore 534409.

The principal activities of the Company are those of investment holding, franchising and provision of management services to its subsidiary corporations. There have been no significant changes in the nature of these activities during the financial year.

The principal activities of the subsidiary corporations are as shown in Note 19 to the financial statements.

Related companies in these financial statements refer to the companies within Pavillon Holdings Ltd.'s group of companies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of the financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

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

2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the financial year ended 31 December 2018 are the first set financial statements of the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

(a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Adoption of SFRS(I) 15 – Revenue from Contracts with Customers

The Group has elected to apply the transition provisions under para C5 of SFRS(I) 15 at 1 January 2018. The adoption of SRFS(I) 15 did not result in any adjustments to the previously issued SFRS financial statements. The accounting policies under SFRS (I) 15 are disclosed in Note 2.3 to the financial statements.

(ii) Adoption of SRFS(I) 9 – Financial Instruments

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 Financial Instruments: Recognition and Measurement are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 Financial Instruments: Disclosure to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope SFRS(I) 9.

The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.12 to the financial statements.

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:
- Trade receivables; and
- Loans to related parties and other receivables at amortised costs.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Notes 2.12 and 33(b) to the financial statements respectively.

(b) There were no material adjustments to the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows arising from the transition from SFRS to SFRS(I).

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfied a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) ***Revenue from restaurant operations***

The Group operates a chain of restaurants in the food and beverage business. Revenue arising from the sale of food and beverages is recognised in profit or loss at the point of sale, when the food and beverages are served to the customers. Payment of the transaction price is due immediately when the customer purchases the food.

The Group does not operate any customer loyalty programme.

(b) ***Leasing income***

The Group operates a finance leasing business which is in the business relates to equipment and car leasing in People's Republic of China ("PRC"). Leasing income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. Associated costs are charged to the cost of sales as incurred.

(c) ***Franchise income***

The Group expanded its franchise network to overseas markets (i.e. PRC, Indonesia, Vietnam and Cambodia). Franchise income is recognised at a point in time upon the execution of franchise agreement which the Group granted the franchisee the rights to operate the restaurant. Payment of transaction price is due on or before the franchisee operates the restaurant.

(d) ***Royalty fees***

For royalty fees from franchisees is recognised over time, the Group considered the performance obligation is satisfied when franchisees subsequent sales occur. The transaction price is determined based on a percentage of the franchisees' revenue or a pre-determined amount in accordance with the terms as stated in the franchise agreements.

(e) ***Rental income***

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(f) ***Management fee income***

Revenue from management services is recognised over time in the accounting period in which services are rendered. The customers are only invoiced once a month.

(g) ***Interest income***

Interest income is recognised using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.5 Group accounting

(a) *Subsidiary corporations*

(i) *Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Group accounting (continued)

(a) Subsidiary corporations (continued)

(ii) Acquisitions (continued)

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the (a) consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair values of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated companies" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporations are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Group accounting (continued)

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill if any on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Group accounting (continued)

(c) *Associated companies (continued)*

(iii) *Disposals*

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2.6 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold properties	over respective lease terms of 20 to 30 years
Furniture and fittings	5 - 8 years
Plant and machinery	5 - 10 years
Motor vehicles	5 years
Computers	1 - 5 years
Operating supplies	5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

(b) Depreciation (continued)

Assets under construction included in the property, plant and equipment are not depreciated as these assets are not available for use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment still in use are retained in the consolidated financial statements.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “Other income”.

2.7 Intangible assets

Website development costs

Costs directly attributable to the development of website are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the website and the costs can be measured reliably.

Following initial recognition of the website development costs as intangible assets, it is carried at cost less accumulated amortisation and accumulated impairment losses. Website development costs under development are not amortised until it is available for use. The website development costs have a finite useful life and are amortised using the straight-line basis over their estimated useful lives of six years.

2.8 Land-use rights

Land-use rights acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 50 years, which is the period of the contractual rights.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.10 Investments in subsidiary corporations and associated companies

Investments in subsidiary corporations and associated companies are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.11 Impairment of non-financial assets

Property, plant and equipment
Land-use rights
Intangible assets
Investments in subsidiary corporations and associated companies

Property, plant and equipment, land-use rights, intangible assets and investments in subsidiary corporations and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU') to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial assets

The accounting for financial assets before 1 January 2018 is as follows:

(a) *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

At the end of the financial year, the Group does not hold any of the financial assets except for loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Notes 13 and 15) and "Cash and cash equivalents" (Note 12) on the statement of financial position.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial assets (continued)

The accounting for financial assets before 1 January 2018 is as follows: (continued)

(e) *Impairment*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

The accounting for financial assets from 1 January 2018 is as follows:

(f) *Classification and measurement*

The Group classifies its financial assets in the measurement category of amortised cost

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

<u>At initial recognition</u>

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

<u>At subsequent measurement</u>

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial assets (continued)

The accounting for financial assets from 1 January 2018 is as follows: (continued)

(g) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 33 (b) to the financial statements details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and lease receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(h) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

2.13 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting period, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.16 Leases

(a) *When the Group is the lessee*

The Group leases restaurant, staff quarters and office premises under operating leases from non-related parties.

Lessee – Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) *When the Group is the lessor*

The Group leases motor vehicles and equipment under finance leases and office premise under operating leases to related and non-related parties.

(i) Lessor – Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the statement of financial position and included in "trade receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Leases (continued)

(b) When the Group is the lessor (continued)

(ii) Lessor – Operating leases

Leases of office premise where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.17 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method.

Where necessary, write-down is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations and associated companies except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Income taxes (continued)

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income and expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the tax credit can be utilised.

2.19 Provisions

(a) General

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(b) Asset dismantlement, removal or restoration

Provision for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into the consideration time value.

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs, are adjusted against the cost of the related property, plant and equipment, unless decrease in the liability exceeds the carrying amount of the asset or asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or changes in the liability is recognised in profit or loss immediately.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Employee compensation

(a) *Defined contribution plans*

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

Singapore

The Company and its Singapore subsidiary corporations' defined contribution plans are post-employment benefit plans under which the Company and its Singapore subsidiary corporations' pay fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company and its Singapore subsidiary corporations' have no further payment obligations once the contributions have been paid. The Company and its Singapore subsidiary corporations' contributions are recognised as expense in the period in which the related services are performed.

PRC

The subsidiary corporations that are incorporated and operating in the PRC, are required to provide certain retirement plan contribution to their employees under the PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary corporations' employees.

Contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

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

2.21 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar ("S$"), which is the functional currency of the Company.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Currency translation (continued)

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. Monetary items include primarily financial assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

All other foreign exchange gains or losses impacting profit or loss are presented on the face of the consolidated statement of comprehensive income.

Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash at bank and on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.24 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.25 Non-current assets held-for-sale

Assets held-for-sale are carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense.

Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

3.1 Critical accounting estimates and assumptions

(a) Impairment of finance lease receivables and other receivables

As at 31 December 2018, the Group's finance lease receivables and other receivables amounted to S$10,063,000 and S$1,782,000 respectively, arising mainly from the Group's leasing segment.

Finance lease receivables

The Group applied the simplified approach by using a provision matrix to calculate expected credit loss ("ECL") for finance lease receivables. In measuring the ECL, finance lease receivables are grouped based on shared credit risk characteristic and days past due.

In calculating the ECL rates, the Group considers purely historical loss rates for each category of customers which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date. The historical observed default rates are updated at every reporting date.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

3.1 Critical accounting estimates and assumptions

(a) *Impairment of finance lease receivables and other receivables (continued)*

Other receivables

The Group measures ECL for other receivables using general approach. Under the general approach, the loss allowance is measure at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The assessment of the correlation between historical observed default rates and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances. The Group's historical credit loss experience may also not be representative of customer's actual default in the future.

The information about the ECL on the Group's finance lease receivables and other receivables are disclosed in Note 33(b) to the financial statements.

(b) *Estimated impairment of non-financial assets*

Investments in subsidiary corporations, property, plant and equipment, intangible assets and land-use rights are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and, where applicable CGU, have been determined based on higher of the fair value less costs to sell or value-in use calculations. If the carrying amounts exceed the recoverable amounts, an impairment loss is recognised to profit or loss for the differences.

The carrying amounts of investment in subsidiary corporations, property, plant and equipment, intangible assets and land-use rights are disclosed in Notes 19, 20, 21 and 22 to the financial statements respectively.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

3.1 Critical accounting estimates and assumptions

(b) Estimated impairment of non-financial assets (continued)

Impairment of investments in subsidiary corporations

The recoverable amount of investment in subsidiary corporations have been determined based on fair value less cost to sell. An impairment charge of S$5,673,000 (2017: S$392,000) was recognised for investments in subsidiary corporations in the financial year 31 December 2018 which reduced the carrying amounts of investments in subsidiary corporations from S$33,331,000 to S$27,658,000 (2017: from S$30,042,000 to S$29,650,000). If the valuation had been lower by 10%, the Company would have reduced the carrying value of investment in subsidiary corporations by S$2,766,000 (2017: S$2,965,000).

Impairment of property, plant and equipment

For the financial year ended 31 December 2018, net book value of the Group's property, plant and equipment was S$2,962,000 (2017: S$1,562,000). Management has assessed and is of the opinion that there were no objective evidence or indication that carrying amounts of the Group's property, plant and equipment may be impaired as at reporting date, accordingly impairment assessment is not required.

Impairment of intangible assets

For the financial year ended 31 December 2018, net book value of the Group's intangible assets was S$50,000 (2017: S$Nil). Management has assessed and is of the opinion that there were no objective evidence or indication that carrying amounts of the Group's intangible assets may be impaired as at reporting date, accordingly impairment assessment is not required.

Impairment of land-use rights

For the financial year ended 31 December 2018, net book value of land-use rights was S$12,326,000 (2017: S$9,136,000). Management has assessed and is of the opinion that there were no objective evidence or indication that carrying amounts of the Group's land-use rights may be impaired as at reporting date, accordingly impairment assessment is not required.

3.2 Critical judgements in applying the entity's accounting policies

Determination of lease classification

The Group has entered into lease arrangements with external parties on its motor vehicles and equipment. The Group evaluated the terms and conditions of the arrangements and assessed that the ownership of the assets will be transferred to the lessee at the end of the lease term. The Group determined that all the significant risks and rewards of the ownership of the assets will be transferred substantially to the lessee. As a result, the contracts are classified and measured as finance leases.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

4 REVENUE

Disaggregation of revenue

The Group derives revenue from the transfer of goods and services at a point in time and over time in the following major revenue stream and geographical regions. Revenue is attributed to countries by location of customers.

	Group					
	Singapore	**Vietnam**	**Indonesia**	**Cambodia**	**PRC**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
2018						
Over time						
Royalty fees	–	54	25	33	48	160
Management fee	–	–	–	10	–	10
	–	54	25	43	48	170
Point in time						
Restaurant operations	12,580	–	–	–	–	12,580
Other	–	–	–	–	6	6
	12,580	–	–	–	6	12,756
Leasing income	–	–	–	–	1,494	1,494
Rental income	–	–	–	–	128	128
	12,580	54	25	43	1,676	14,378
2017						
Over time						
Royalty fees	–	55	–	62	54	171
Management fee	–	–	–	62	29	91
	–	55	–	124	83	262
Point in time						
Restaurant operations	12,688	–	–	–	–	12,688
Franchise income	–	–	200	–	–	200
Other	–	–	–	–	3	3
	12,688	–	–	–	3	12,891
Leasing income	–	–	–	–	3,146	3,146
Rental income	–	–	–	–	164	164
	12,688	55	200	124	3,396	16,463

5 OTHER INCOME

	Group 2018 S$'000	Group 2017 S$'000
Government grants		
– Temporary Employment Credit [(1)]	5	15
– Special Employment Credit [(2)]	33	49
– Wage Credit Scheme [(3)]	27	21
– Productivity and Innovation Credit Scheme [(4)]	3	15
	68	100
Gain on disposal of property plant and equipment	116	1
Gain on bargain purchase (Note 36(c))	72	–
Reversal of impairment loss on investments in associated companies (Note 18)	241	–
Other	231	108
	728	209

(1) The Temporary Employment Credit ("TEC") was announced as a Budget 2014 initiative to help employers adjust to the 1 percentage point increase in Medisave contribution rates which took effect in January 2015. With the TEC, employers will receive a one-year offset of 0.5% (2017: 0.5%) of wages for their Singaporean and Singapore Permanent Resident ("PR") employees.

(2) The Special Employment Credit ("SEC") was introduced as a Budget Initiative in 2011 to support employers, and to raise the employability of older low-wage Singaporeans. It was enhanced in 2012 to provide employers with continuing support to hire older Singaporean workers.

(3) The Wage Credit Scheme is to help businesses which may face rising wage costs in a tight labour market. Wage Credit Scheme payouts will allow businesses to free up resources to make investments in productivity and to share the productivity gains with their employees.

(4) The Productivity and Innovation Credit ("PIC") Scheme was introduced in Budget 2010 for 5 years from YA 2011 to YA 2015 to encourage businesses to invest in productivity and innovation. The scheme was extended in Budget 2014 for another three years (YA 2016 to YA 2018).

6 EMPLOYEE COMPENSATION

	Group 2018 S$'000	Group 2017 S$'000
Salaries and bonus	6,221	5,902
Employer's contribution to defined contributions plan	270	291
Other short-term benefits	831	621
	7,322	6,814

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7 FINANCE EXPENSES

	Group	
	2018	**2017**
	S$'000	**S$'000**
Interest expense		
– Borrowing from financing platform in PRC	30	161

8 OTHER OPERATING EXPENSES

	Group	
	2018	**2017**
	S$'000	**S$'000**
Advertisement expenses	78	81
Auditor's remuneration paid/payable		
– Auditor of the Company	72	121
– Other auditors [(a)]	30	40
Bank charges	220	232
Cleaning expenses	141	38
Consumables expenses	80	70
Entertainment	158	45
Fair value loss on remeasurement of investment in associated company (Note 18)	142	–
General expenses	115	174
Impairment loss on investments in associated companies (Note 18)	–	484
Insurance	63	115
Printing and stationery	35	37
Professional fees	115	521
Rental expenses on operating leases	2,237	2,194
Repair and maintenance	115	67
Stamp duty	12	47
Telecommunication	36	33
Travelling and transportation	180	106
Upkeep of motor vehicles	84	70
Utilities	406	351
Other	127	99
Total other operating expenses	4,446	4,925

(a) Includes Shanghai Nexia TS Certified Public Accountants

9 INCOME TAXES

(a) Income tax expense

	Group	
	2018	2017
	S$'000	S$'000
Tax expense attributable to loss is made up of:		
Loss for the financial year:		
– Current income tax (Note 9(b))		
– Singapore	190	84
– PRC	154	521
	344	605
– Deferred income tax (Note 27)	(35)	(15)
	344	590
(Over)/under provision of income tax in prior financial years:		
– Current income tax – Singapore (Note 9(b))	(4)	7
– Deferred income tax (Note 27)	–	(8)
	(4)	(1)
	305	589

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax is as follows:

	Group	
	2018	2017
	S$'000	S$'000
Loss before income tax	(13,853)	(844)
Share of loss of associated companies	–	521
Loss before income tax and share of loss of associated companies	(13,853)	(323)
Tax calculated at tax rate of 17% (2017: 17%)	(2,355)	(55)
Effects of:		
Different tax rates in other countries	(1,048)	104
Expenses not deductible	1,038	182
Tax incentives	(36)	(36)
Deferred tax asset not recognised	2,705	396
Over provision in prior financial years	(4)	(1)
Other	5	(1)
Tax charge	305	589

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

9 INCOME TAXES (continued)

(a) Income tax expense (continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately S$18,938,000 (2017: S$3,027,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation.

(b) Movement in current income tax liabilities:

	Group	
	2018	**2017**
	S$'000	**S$'000**
Beginning of financial year	645	206
Currency translation differences	(14)	(6)
Income tax paid	(527)	(167)
Tax expense (Note 9(a))	344	605
(Over)/under provision in prior financial years (Note 9(a))	(4)	7
End of financial year	444	645

10 LOSS PER SHARE

Basic and diluted loss per ordinary share are calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	**2017**
	S$'000	**S$'000**
Loss attributable to equity holders of the Company	(11,186)	(1,653)
Weighted average number of ordinary shares for basic earnings per share	387,748,700	387,748,700
Basic loss per share (cents per share)	(2.88)	(0.43)
Diluted loss per share (cents per share)	(2.88)	(0.43)

There were no dilutive potential ordinary shares during the financial years ended 31 December 2018 and 2017.

11 ASSETS HELD-FOR-SALE

On 31 July of 2017, the Group had entered into a Sales and Purchase Agreement with a non-related party to dispose of its equity interest in an associated company, Tianjin Binhai New Area Changjiang Cultural Assets Trading Center Co. Ltd ("Changjiang").

In accordance with SFRS(I) 5 Non-Current Assets Held for Sale and Discontinued Operations, the carrying amount of assets held-for-sale was written down to their fair value less cost to sell of S$834,000. Difference between the carrying amount and fair value is recognised to profit or loss as impairment losses for the financial year ended 31 December 2017.

This is fair value which has been measured using observable inputs, being the price stated in the sales and purchase agreement signed during the financial year, therefore is within level 2 of the fair value hierarchy.

During the financial year ended 31 December 2018, the disposal was completed after the Extraordinary General Meeting on the disposal was held and the shareholders had approved the proposed disposal.

	Group	
	2018	**2017**
	S$'000	**S$'000**
Beginning of financial year	834	–
Transfer from investments in associated companies (Note 18)	–	834
Disposal	(834)	–
End of financial year	–	834

12 CASH AND CASH EQUIVALENTS

	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Group			
Cash at bank and on hand	7,411	7,614	8,294
Short-term bank deposits	13,569	4,498	3,031
	20,980	12,112	11,325
Company			
Cash at bank and on hand	119	2,004	1,451
Short-term bank deposits	1,000	1,022	3,031
	1,119	3,026	4,482

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

12 CASH AND CASH EQUIVALENTS (continued)

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group 31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Cash and cash equivalents	20,980	12,112	11,325
Less: Short term bank deposits	–	(4,498)	(3,031)
	20,980	7,614	8,294

Included in the cash and cash equivalents are short-term bank deposits amounting to S$Nil (31 December 2017: S$4,498,000; 1 January 2017: S$3,031,000) which are not freely remissible for use by the Group because they have a maturity period of three month or more.

13 TRADE AND OTHER RECEIVABLES – CURRENT

	Group 31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Finance lease receivables			
– Non-related parties	14,890	12,053	3,823
– Non-controlling shareholders of subsidiary corporations	–	8,149	–
	14,890	20,202	3,823
Less: Loss allowance (Note 33(b))	(4,827)	–	–
Finance lease receivables – net (Note 16)	10,063	20,202	3,823
Financing receivables			
– Non-related parties	–	–	16,538
Trade receivables			
– Non-related parties	122	117	70
Other receivables			
– Non-related parties [(a), (b)]	8,783	7,057	545
– Non-controlling shareholders of subsidiary corporations [(c)]	–	1,636	–
	8,783	7,057	545
Less: Loss allowance (Note 33(b))	(7,001)	–	–
Other receivables – net	1,782	8,693	545
Prepayments	458	133	102
Deposits	191	346	315
Staff loans (Note 17)	20	22	3
	12,636	29,513	21,396

13 TRADE AND OTHER RECEIVABLES – CURRENT (CONTINUED)

	Company		
	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Trade receivables			
– Non-related parties	41	83	50
– Subsidiary corporations	18	–	97
	59	83	147
Other receivables			
– Non-related parties [(b)]	1,022	5	91
– Subsidiary corporations [(d)]	2,214	2,045	2,098
	3,236	2,050	2,189
Prepayments	29	10	42
Staff loans (Note 17)	13	12	2
	3,337	2,155	2,380

Included in other receivables are the following:

(a) Amount due from a non-related party for a loan amounting to S$6,092,000 (31 December 2017: S$5,937,000; 1 January 2017: S$Nil). The loan is secured by various personal assets from the non-related party with interest fixed at 10% per annum and repayable by 20 November 2018.

However, in August 2018, management noted various parties had taken legal actions against the non-related party to demand for payments or take possession of the personal assets. Consequently, the Group has filed legal proceeding against the non-related party to demand for immediate payments.

In view of the uncertain outcome of the legal proceeding, the credit risk of the receivable has been increased, management has provided loss allowance to impair the entire outstanding amount.

(b) Amount due from a non-related party amounting to S$1,000,000 (31 December 2017: S$Nil; 1 January 2017: S$Nil). It is secured by the personal property of the non-related party and is repayable in full by 19 May 2019. Interest is fixed at 1% per month.

(c) Amounts due from non-controlling shareholders of subsidiary corporations are unsecured and repayable on demand. Interest is fixed at 12.3% per annum. On 22 May 2018, the non-controlling shareholders of subsidiary corporations has fully repaid the loan.

(d) Non-trade receivables due from subsidiary corporations which are unsecured, interest-free and repayable on demand.

Staff loans are unsecured, interest-free and repayable on demand.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

14 INVENTORIES

	Group		
	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Processed inventories	968	1,442	845
Raw materials	24	66	328
	992	1,508	1,173

The cost of inventories recognised as an expense presented on the Consolidated Statement of Comprehensive Income amounted to S$4,648,000 (31 December 2017: S$4,684,000).

15 TRADE AND OTHER RECEIVABLES – NON-CURRENT

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Group			
Finance lease receivables (Note 16)	–	–	4,393
Deposits	300	417	167
Staff loans (Note 17)	20	37	64
	320	454	4,624
Company			
Staff loans (Note 17)	15	26	47

Staff loans are unsecured, interest-free and repayable on demand.

The fair values of non-current trade and other receivables are computed based on cash flows discounted at market borrowing rates. The fair values are within level 2 of the fair value hierarchy. The fair values and the market borrowing rates are used as follows:

	Fair value		
	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Group			
Finance lease receivables	–	–	4,092
Deposits	274	414	165
Staff loans	17	32	53
Company			
Staff loans	13	22	39

15 TRADE AND OTHER RECEIVABLES – NON-CURRENT (continued)

	Borrowing rates		
	31 December 2018	31 December 2017	1 January 2017
	%	%	%
Group			
Finance lease receivables	–	–	4.8
Deposits	0.3	0.3	0.3
Staff loans	5.3	5.3	5.4
Company			
Staff loans	5.3	5.3	5.4

16 FINANCE LEASE RECEIVABLES

The Group leases motor vehicles and equipment to non-related parties under finance leases. The various agreements end between 2018 and 2019 and there are no options to extend the leases. However, the lessee can make early repayments of the outstanding principal plus interest to end the contract early.

	Group		
	31 December 2018	31 December 2017	1 January 2017
	S$'000	S$'000	S$'000
Gross receivables due			
– Not later than one year	10,455	23,742	4,029
– Later than one year but within five years	–	–	4,631
	10,455	23,742	8,660
Less: unearned finance income	(392)	(3,540)	(444)
Net investment in finance leases	10,063	20,202	8,216

The net investment in finance leases is analysed below:

	Group		
	31 December 2018	31 December 2017	1 January 2017
	S$'000	S$'000	S$'000
– Not later than one year (Note 13)	10,063	20,202	3,823
– Later than one year but within five years (Note 15)	–	–	4,393
Net investment in finance leases	10,063	20,202	8,216

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

17 STAFF LOANS

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Group			
Receivables due			
– Not later than one year (Note 13)	20	22	3
– Later than one year but within five years (Note 15)	20	37	64
	40	59	67
Company			
Receivables due			
– Not later than one year (Note 13)	13	12	2
– Later than one year but within five years (Note 15)	15	26	47
	28	38	49

Staff loans include a loan amounting to S$26,000 (31 December 2017: S$38,000; 1 January 2017: S$50,000) made to a member of key management personnel of the Group. The loan is unsecured, interest free and repayable on demand.

	Group and Company		
	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
– Not later than one year	12	12	12
– Later than one year but within five years	13	26	38
	25	38	50

18 INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2018	2017
	S$'000	S$'000
Investments at equity		
Beginning of financial year	3,829	5,670
Currency translation differences	–	(2)
Share of loss of associated companies	–	(521)
Impairment losses (Note 8)	–	(484)
Reversal of impairment losses (Note 5)	241	–
Fair value losses on remeasurement of investment in associated company (Note 8)	(142)	–
Fair value of previously held interest (Note 36)	(3,928)	–
	–	4,663
Transfer to assets held-for-sale (Note 11)	–	(834)
End of financial year	–	3,829

	Company	
	2018	2017
	S$'000	S$'000
Investments at cost		
Beginning of financial year	3,829	4,319
Transfer to investment in subsidiary corporation (Note 19)	(3,829)	–
Impairment losses	–	(490)
End of financial year	–	3,829

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

18 INVESTMENTS IN ASSOCIATED COMPANIES

Set out below are the associated companies of the Group as at 31 December 2018 and 2017 and 1 January 2017. The associated companies have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business.

Name of associated companies	Principal activities	Country of incorporation/ Principal place of business	Ownership interest at 31 December 2018	Ownership interest at 31 December 2017	Ownership interest at 1 January 2017
Held by the Company					
State Research Pavillon Financial Leasing Co. Ltd ("SRPFL")[(a)(c)]	Financial leasing of all kinds of machineries, tools and equipment	PRC	- (i)	50%	50%
Held by Tianjin Pavillon Assets Management Co Ltd					
Tianjin Binhai New Area Changjiang Cultural Assets Trading Center Co. Ltd ("Changjiang")[(b)]	Provision of online trading platform for the trade of cultural assets such as gold and silver coins, stamps, artwork, etc.	PRC	–	- (ii)	40%

(a) Audited by Shanghai Nexia TS Certified Public Accountants
(b) Audited by Tianjin Jinhua Certified Public Accountants Ltd. Binhai Branch
(c) Reviewed by Nexia TS Public Accounting Corporation, Singapore for consolidation purposes

(i) State Research Pavillon Financial Leasing Co. Ltd ("SRPFL")

Based on the impairment assessment carried out as at 31 December 2017, the recoverable amount was determined based on fair value less cost to sell has indicated that the recoverable amount for the investment is lower than its carrying amount. Accordingly, the Group and the Company has recognised impairment loss of S$297,000 and S$490,000 respectively.

On 28 October 2018, the Group entered into a share transfer agreement to acquire the remaining 50% equity interest in SRPFL for a total consideration of RMB19,690,800 (equivalent to S$3,928,000). The transfer of shares was completed on 28 December 2018 and the Group's effective controlling interest in SRPFL has increased to 75.98%. The transfer resulted in the Group obtained control over SRPFL and accordingly, the Company's investment in SRPFL was reclassified to investment in subsidiary corporations. The Group had not recognised its share of profit of SRPFL amounted to S$241,000 up to 28 December 2018 as the Group had partially reversed the impairment loss recognised in 2017.

18 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

(ii) *Tianjin Binhai New Area Changjiang Cultural Assets Trading Center Co. Ltd ("Changjiang")*

With reference to Note 11 to the financial statements, the investment in associated company was classified as an Assets held-for-sale on the statement of financial position as at 31 December 2017. The disposal was subsequently completed during the financial year ended 31 December 2018.

There are no contingent liabilities relating to the Group's interest in the associated companies.

Set out below are the summarised financial information for the associated companies.

No financial information for the financial year ended 31 December 2018 were disclosed as the Group has disposed of all of the investments in associated companies.

Summarised statement of financial position

	SRPFL		**Changjiang**	
	31 December 2017	**1 January 2017**	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Current assets	7,658	4,570	–	2,969
Non-current assets	21	3,580	–	2,318
Total assets	7,679	8,150	–	5,287
Current liabilities and total liabilities	–	(8)	–	(1,922)
Net assets	7,679	8,142	–	3,365
Reconciliation of summarised financial information				
Proportion of the Group's ownership	50%	50%	–	40%
Group's share of net assets	3,840	4,071	–	1,346
Other adjustments	286	219	–	34
Group share of investment	4,126	4,290	–	1,380
Less: Impairment losses	(297)	–	–	–
	3,829	4,290	–	1,380

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

18 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

Summarised statement of comprehensive income

	SRPFL 2017 S$'000
Interest income	139
Expenses:	
– Depreciation	(5)
Loss before tax	(326)
Income tax expenses	–
Total comprehensive loss, representing net loss	(326)

The information above reflects the amounts presented in the financial statements of the associated companies (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associated companies and fair value adjustments made at the time of acquisition.

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Company			
Cost			
Beginning of financial year	30,042	29,682	29,682
Addition	100	–*	–
Loans to subsidiary corporations	(360)	360	–
Transfer from investments in associated companies (Note 18)	3,829	–	–
Disposal	–	–	–*
End of financial year	33,611	30,042	29,682
Accumulated impairment losses			
Beginning of financial year	(392)	–	–
Impairment charge	(5,673)	(392)	–
Reversal	112	–	–
End of financial year	(5,953)	(392)	–
	27,658	29,650	29,682

* Less than S$1,000

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (continued)

The impairment test assessment was carried out by management as at 31 December 2018 for the subsidiary corporation – Pavillon Financing Leasing Co. Ltd. (31 December 2017: Pavillon Business Development (Shanghai) Co. Ltd, Pavillon Asia Properties Sdn Bhd and Fengchi Real Estate Sdn Bhd). The recoverable amounts were determined based on fair value less cost to sell which have indicated that the recoverable amounts for the investments are lower than its carrying amounts. Accordingly, the Company has recognised impairment loss of S$5,673,000 (31 December 2017: S$392,000).

(a) Loans to subsidiary corporations

Loans to subsidiary corporations are unsecured and interest-free. There is no definite date of repayment as the Company intends to provide the loans as financing for the operations of the subsidiary corporations on a long term basis. The settlement of these loans is neither planned nor likely to occur in the foreseeable future, accordingly, these loans are considered to be quasi-capital loans and form part of the Company's costs of investments in the subsidiary corporations. During the financial year ended 31 December 2018, the Company has received the repayment of the loan from one of the subsidiary corporation amounted to $228,000. The other loan amount of $20,000 has been capitalised as the share capital of the subsidiary corporation (Note 19 (d).

(b) Dilution of interest in a subsidiary corporation without loss of control – Pavillon Financial Leasing Co Ltd

On 1 July 2017, a non-related party injected S$11,180,000 for the registered and issued share capital of a subsidiary corporation, Pavillon Financial Leasing Co Ltd ("PFLCL"). Following the capital injection exercise, the Company's equity interest in PFLCL was diluted by 22.97% from 100% to 77.03%. The carrying amount of the non-controlling interests in PFLCL on the date of dilution was S$Nil. This resulted in an increase in non-controlling interests by S$7,876,000 and an increase in capital reserve by S$3,304,000.

Subsequently on 1 October 2017, the non-related party further injected S$655,000 for the registered and issued share capital of PFLCL and the Company's equity interest in PFLCL was diluted by 1.05%. After dilution, the Company still controls PFLCL, retaining 75.98% of the equity interests. The carrying amount of the non-controlling interests in PFLCL on the date of dilution was S$7,876,000 (representing 22.97% interest). This resulted in an increase in non-controlling interests by S$481,000 and an increase in capital reserve by S$174,000.

The effect of changes in the ownership interest of PFLCL on the equity attributable to owners of the Company during the financial year is summarised as follows:

	Group 2017 S$'000
Carrying amount of interests in the subsidiary corporation	(8,357)
Consideration received from non-controlling interests	11,835
Excess of the consideration received recognised in capital reserve	3,478

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (continued)

(c) Dilution of interest in a subsidiary corporation without loss of control – Fengchi IOT Co Ltd ("IOT")

On 30 October 2018, the Group entered an agreement with a non-related party for the injection of capital amounting to RMB121,776,000 (equivalent to S$24,294,000) into IOT over 3 tranches. On 10 December 2018, under the first tranche, additional capital amounting to RMB36,533,000 (equivalent to S$7,234,000) have been injected by a non-related party for the registered and issued share capital of IOT. Following the capital injection exercise, the Group's equity interest in IOT was diluted by 18.08% from 75.98% to 57.90%. This resulted in an increase in non-controlling interests by S$4,629,000 and an increase in capital reserve by S$2,605,000.

The effect of changes in the ownership interest of IOT on the equity attributable to owners of the Company during the financial year is summarised as follows:

	Group
	2018
	S$'000
Carrying amount of interests in the subsidiary corporation	(4,629)
Consideration received from non-controlling interests	7,234
Excess of the consideration received recognised in capital reserve	2,605

(d) Injection of capital into subsidiary corporation – Thai Village Express Pte. Ltd.

During the financial year ended 31 December 2018, the Company injected capital amounting to S$100,000 into their subsidiary corporation, Thai Village Express Pte. Ltd. which will be used as their operational working capital.

(e) Reclassification of associated company

On 28 October 2018, the Group, through its subsidiary corporation Pavillon Financial Leasing Co., Ltd. entered into a share transfer agreement to acquire the remaining 50% equity interest in State Research Pavillon Financial Leasing Co., Ltd. ("SRPFL"). The transfer of shares was completed on 28 December 2018 and the Group's interest in SRPFL increased to 75.98%. The transfer resulted in the Group gaining control over SRPFL and accordingly, the Company's investment in SRPFL amounting to $3,829,000 was reclassified to investment in subsidiary corporations (Notes 18 and 36).

(f) Significant restrictions

Cash and cash equivalents of S$18,484,000 (31 December 2017: S$7,598,000, 1 January 2017: $5,696,000) are held in People's Republic of China and are subject to local exchange control regulations. These local exchange regulations provide for restrictions on exporting capital from the country, other than through dividends.

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (continued)

(g) Details of the Group's subsidiary corporations are as follows:

Name of subsidiary corporation	Principal activities	Country of business/ incorporation	Proportion of ordinary directly shares held by the Parent			Proportion of ordinary shares held by the Group			Portion of ordinary shares held by non-controlling interests		
			31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
Held by the Company											
Thai Village Restaurant Pte Ltd.[a]	Operation of restaurants	Singapore	100%	100%	100%	100%	100%	100%	–	–	–
Thai Village Express Pte Ltd [a]	Operation of restaurants and food stalls	Singapore	100%	100%	100%	100%	100%	100%	–	–	–
Pavillon Financial Leasing Co Ltd [b] [c]	Financial leasing of all kind of machineries, tools and equipment	PRC	75.98%	75.98%	100%	75.98%	75.98%	100%	24.02%	24.02%	–
Pavillon Business Development (Shanghai) Co Ltd [b]	Business development, trading, import and export of machineries and investment holdings	PRC	100%	100%	100%	100%	100%	100%	–	–	–
Pavillon Asia Properties Sdn Bhd	Property management	Malaysia	–	100%	–	–	100%	–	–	–	–
Fengchi Real Estate Sdn Bhd [e]	Property management	Malaysia	100%	100%	–	100%	100%	–	–	–	–

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (continued)

(g) Details of the Group's subsidiary corporations are as follows:

Name of subsidiary corporation	Principal activities	Country of business/ incorporation	Proportion of ordinary directly shares held by the Parent			Proportion of ordinary shares held by the Group			Portion of ordinary shares held by non-controlling interests		
			31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
Held through Pavillon Business Development (Shanghai) Co Ltd.											
Tianjin Pavillon Assets Management Co Ltd [(b)]	Asset Management, enterprise management, mergers and acquisitions and financial advisory services	PRC	100%	100%	100%	100%	100%	100%	–	–	–
Held through Pavillon Financial Leasing Co Ltd											
Fengchi IOT Co., Ltd [(b)]	Warehouse and logistic management	PRC	76.21%	100%	–	57.90%	75.98%	–	42.10%	24.02%	–
Held through Fengchi IOT Co., Ltd											
Tianjin Fengyu Corporate Secretarial Co Ltd [(b) (d)]	Provision of corporate secretarial services	PRC	100%	–	–	57.90%	–	–	42.10%	–	–

(a) Audited by Nexia TS Public Accounting Corporation
(b) Audited by Shanghai Nexia TS Certified Public Accountants for consolidation purposes
(c) Reviewed by Nexia TS Public Accounting Corporation, Singapore for consolidation purposes
(d) Incorporated during the financial year
(e) The subsidiary corporation is dormant and does not require an audit. It is not significant to the Group

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (continued)

(h) Carrying value of non-controlling interests

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Pavillon Financial Leasing Co. Ltd and its subsidiary corporations	10,233	8,629	–

Summarised financial information of subsidiary corporations with material non-controlling interests

Comparative figures as at 1 January 2017 were not disclosed as all subsidiary corporations were wholly-owned.

Set out below are the summarised financial information for each subsidiary corporations that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised statements of financial position

	2018 S$'000	2017 S$'000
Pavillon Financial Leasing Co Ltd		
Current		
Assets	7,510	32,336
Liabilities	(1,266)	(6,082)
Total current net assets	6,244	26,254
Non-current		
Assets	22,274	12,944
Liabilities	–	–
Total non-current net assets	22,274	12,944
Net assets	28,518	39,198
Fengchi IOT Co Ltd		
Current		
Assets	13,384	3,687
Liabilities	(4,042)	(48)
Total current net assets	9,342	3,639
Non-current		
Assets	13,883	9,200
Liabilities	–	–
Total non-current net assets	13,883	9,200
Net assets	23,225	12,839

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (continued)

(i) Carrying value of non-controlling interests

Summarised statement of comprehensive income

	2018 S$'000	2017 S$'000
Pavillon Financial Leasing Co Ltd		
Revenue	1,494	3,147
(Loss)/profit before income tax	(10,086)	1,948
Income tax expense	(154)	(504)
Total comprehensive (loss)/income representing net (loss)/profit	(10,240)	1,444
Fengchi IOT Co Ltd		
Revenue	–	3
Loss before income tax	(2,011)	(44)
Income tax expense	–	–
Total comprehensive loss representing net loss	(2,011)	(44)

Summarised statement of cash flows

	2018 S$'000	2017 S$'000
Pavillon Financial Leasing Co Ltd		
Cash flows from operating activities		
Cash generated from/(used in) operations	11,526	(3,740)
Interest paid	(65)	(161)
Income tax paid	(660)	(196)
Net cash provided by/(used in) operating activities	10,801	(4,097)
Net cash used in investing activities	(9,331)	(13,007)
Net cash (used in)/provided by financing activities	(4,090)	16,144
Net decrease in cash and cash equivalents	(2,620)	(960)
Cash and cash equivalents		
Beginning of financial year	3,600	4,638
Effects of currency translation on cash and cash equivalents	(88)	(78)
End of financial year	892	3,600

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (continued)

(i) Carrying value of non-controlling interests (continued)

Summarised statement of cash flows

	2018 S$'000	2017 S$'000
Fengchi IOT Co Ltd		
Cash flows from operating activities		
Cash generated from/(used in) operations	2,005	(14)
Interest paid	–	–
Income tax paid	–	–
Net cash provided by/(used in) operating activities	2,005	(14)
Net cash used in investing activities	(5,170)	(9,288)
Net cash provided by financing activities	12,676	13,006
Net increase in cash and cash equivalents	9,511	3,704
Cash and cash equivalents		
Beginning of financial year	3,670	–
Effects of currency translation on cash and cash equivalents	(90)	(34)
End of financial year	13,091	3,670

20 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties S$'000	Furniture and fittings S$'000	Plant and machinery S$'000	Motor vehicles S$'000	Computers S$'000	Operating supplies S$'000	Assets under construction S$'000	Total S$'000
2018								
Cost								
Beginning of financial year	1,576	2,173	258	1,696	167	26	64	5,960
Currency translation differences	–	(2)	–	(10)	(2)	–	(29)	(43)
Additions	–	59	12	412	10	6	1,469	1,968
Reclassification	–	2	–	–	–	–	(2)	–
Acquisition of a subsidiary corporation (Note 36)	–	6	–	–	1	–	–	7
Disposal/Write off	–	(4)	(21)	(394)	(8)	–	–	(427)
End of financial year	1,576	2,234	249	1,704	168	32	1,502	7,465
Accumulated depreciation								
Beginning of financial year	1,054	1,687	203	1,351	94	9	–	4,398
Currency translation differences	–	(1)	–	(7)	(1)	–	–	(9)
Depreciation charge	51	217	12	194	45	3	–	522
Disposal/Write off	–	–	(7)	(394)	(7)	–	–	(408)
End of financial year	1,105	1,903	208	1,144	131	12	–	4,503
Net book value								
End of financial year	471	331	41	560	37	20	1,502	2,962

Included within additions in the consolidated financial statements are motor vehicles acquired under finance lease amounting to S$207,000 (31 December 2017 and 1 January 2017: S$Nil). The carrying amount of motor vehicles held under finance leases is S$398,000 (31 December 2017 and 1 January 2017: S$Nil) at the reporting date (Note 25).

20 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties S$'000	Furniture and fittings S$'000	Plant and machinery S$'000	Motor vehicles S$'000	Computers S$'000	Operating supplies S$'000	Assets under construction S$'000	Total S$'000
2017								
Cost								
Beginning of financial year	2,812	2,570	387	1,697	131	2	–	7,599
Currency translation differences	–	–	–	(8)	(2)	–	–	(10)
Additions	–	161	16	76	80	–	64	397
Reclassification	–	4	(25)	(4)	–	25	–	–
Disposal/Write off	(1,236)	(562)	(120)	(65)	(42)	(1)	–	(2,026)
End of financial year	1,576	2,173	258	1,696	167	26	64	5,960
Accumulated depreciation								
Beginning of financial year	2,181	2,131	316	1,168	125	2	–	5,923
Currency translation differences	–	–	–	(4)	(2)	–	–	(6)
Depreciation charge	51	171	16	256	13	–	–	507
Reclassification	58	(53)	(9)	(4)	–	8	–	–
Disposal/Write off	(1,236)	(562)	(120)	(65)	(42)	(1)	–	(2,026)
End of financial year	1,054	1,687	203	1,351	94	9	–	4,398
Net book value								
At 31 December 2017	522	486	55	345	73	17	64	1,562
At 1 January 2017	631	439	71	529	6	–	–	1,676

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

20 PROPERTY, PLANT AND EQUIPMENT (continued)

	Computers
Company	**S$'000**
2018	
Cost	
Beginning and end of financial year	16
Accumulated depreciation	
Beginning and end of financial year	16
Net book value	
End of financial year	–
2017	
Cost	
Beginning of financial year	14
Additions	2
End of financial year	16
Accumulated depreciation	
Beginning of financial year	13
Depreciation charge	3
End of financial year	16
Net book value	
At 31 December 2017	–
At 1 January 2017	1

21 INTANGIBLE ASSETS

Group	Website development S$'000
2018	
Cost	
Beginning of financial year	–
Additions	60
End of financial year	60
Accumulated amortisation	
Beginning of financial year	–
Amortisation charge	10
End of financial year	10
Net book value	
End of financial year	50

22 LAND-USE RIGHTS

	Group	
	2018 S$'000	2017 S$'000
Cost		
Beginning of financial year	9,136	–
Currency translation differences	(219)	–
Additions	3,665	9,136
End of financial year	12,582	9,136
Accumulated amortisation		
Amortisation charge/End of financial year	(256)	–
End of financial year	12,326	9,136

On 12 December 2017, the Group had obtained approval of the land-use rights on a plot of land located at Tianjin Port Dongjiang Port Area 1000321 for a period of 50 years. The land is use for the construction of integrated logistic warehouse.

As at 31 December 2017, the title for the land-use rights has not been transferred to the Group. Notwithstanding the fact that the Group has not obtained the relevant title of the land-use rights, the management considered that the Group had obtained the rights to use through contractual agreement with the local government agency.

On 12 January 2018, the Group obtained the legal title of the land-use right and started to amortise the land-use right.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

23 TRADE AND OTHER PAYABLES

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Current			
Trade payables			
- Non-related parties	295	1,006	996
Other payables			
– Non-related parties [(a)]	5,426	1,492	3,036
– Directors [(b)]	189	189	204
– Accruals for operating expenses	736	953	836
– Franchise deposits	40	20	–
	6,686	3,660	5,072
Non-current			
Franchise deposits	60	110	100
Total trade and other payables	6,742	3,770	5,172

	Company		
	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Current			
Trade payables			
– Subsidiary corporations	–	189	–
Other payables			
– Non-related parties	52	15	22
– Subsidiary corporation [(b)]	766	–	–
– Directors [(b)]	189	189	204
– Accruals for operating expenses	219	378	340
– Franchise deposits	40	20	–
	1,266	791	566
Non-current			
Franchise deposits	60	110	100
Total trade and other payables	1,326	901	666

23 TRADE AND OTHER PAYABLES (continued)

Included in other payables are the following:

(a) Amount due to district government in PRC of S$3,665,000 for infrastructure expenditure of the Group's land-use rights (Note 22).

(b) Amount due to directors and a subsidiary corporation are unsecured, interest-free and repayable on demand.

The fair values of non-current trade and other payables are computed based on cash flows discounted at market borrowing rates. The fair values are within level 2 of the fair value hierarchy. The fair values and the market borrowing rates are used as follows:

	Fair value		
	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Group and Company			
Franchise deposits	48	108	99

	Borrowing rates		
	31 December 2018	**31 December 2017**	**1 January 2017**
	%	**%**	**%**
Group and Company			
Franchise deposits	5.3	5.3	5.4

24 BORROWINGS

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Current			
Borrowing from financing platform in PRC	40	4,090	–

Borrowing from internet financing platform in PRC are secured over certain finance lease receivables (Note 16). The interest on the borrowings are fixed at 4.35% (31 December 2017: varies over the range of 5.4% to 9%; 1 January 2017: Nil) per annum.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

25 FINANCE LEASE LIABILITIES

The Group leases certain motor vehicles from a non-related party under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	Group		
	31 December 2018 S$'000	**31 December 2017 S$'000**	**1 January 2017 S$'000**
Minimun lease payment due			
– Not later than 1 year	47	–	–
– Between 1 and 5 years	182	–	–
	229	–	–
Less: Future finance charges	(26)	–	–
Present value of finance lease liabilities	203	–	–

The present value of finance lease liabilities is analysed as follows:

	Group		
	31 December 2018 S$'000	**31 December 2017 S$'000**	**1 January 2017 S$'000**
Not later than 1 year	38	–	–
Between 1 and 5 years	165	–	–
Total	203	–	–

26 PROVISIONS

	Group	
	2018 S$'000	**2017 S$'000**
Beginning of financial year	180	185
Additions	18	
Utilisation	–	(5)
End of financial year	198	180
Current		
Provision for reinstatement cost	99	–
Non-current		
Provision for reinstatement cost	99	180
	198	180

26 PROVISIONS (continued)

Provision for reinstatement cost are recognised for expected costs for dismantling, removal and restoration of property, plant and equipment based on the best estimate of the expenditure with reference to past experience.

27 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the consolidated statement of financial position as follows:

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Deferred income tax liabilities, representing accelerated tax depreciation			
– to be settled within one year	80	115	138

Movement in deferred income tax liabilities account is as follows:

	Group	
	2018	**2017**
	S$'000	**S$'000**
Beginning of financial year	115	138
Tax credited to profit or loss (Note 9(a))	(35)	(23)
End of financial year	80	115

Deferred income tax liabilities of S$Nil (31 December 2017: S$11,000; 1 January 2017: S$5,000) have not been recognised for the withholding and other taxes that will be payable on the earnings of an oversea subsidiary corporation when remitted to the holding company. These unremitted profits are permanently reinvested and amount to S$Nil (31 December 2017: S$144,000; 1 January 2017: S$5,000) at the reporting date.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

28 SHARE CAPITAL

	Group and Company	
	Number of shares	Issued and paid-up share capital
		S$'000
As at 31 December 2018, 31 December 2017 and 1 January 2017	387,748,700	39,433

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

29 OTHER RESERVES

		Group	
	31 December 2018	31 December 2017	1 January 2017
	S$'000	S$'000	S$'000
(a) Composition:			
Capital reserve	6,083	3,478	–
Currency translation reserve	(1,897)	(1,281)	(812)
	4,186	2,197	(812)

(b) Movements:

	Group	
	2018	2017
	S$'000	S$'000
(i) Capital reserve		
Beginning of financial year	3,478	–
Changes in ownership interests in a subsidiary corporation (Note 19(b)(c))	2,605	3,478
End of financial year	6,083	3,478
(ii) Currency translation reserve		
Beginning of financial year	(1,281)	(812)
Currency translation differences of financial statements of foreign subsidiary corporations	(669)	(417)
Add: non-controlling interests	53	(52)
End of financial year	(1,897)	(1,281)

Other reserves are non-distributable.

30 (ACCUMULATED LOSSES)/RETAINED PROFITS

Retained profits of the Group and the Company are distributable, except for accumulated losses of associated company amount to S$Nil (31 December 2017: S$3,000; 1 January 2017: retained profit of S$518,000).

Movements in (accumulated losses)/retained profits of the Company is as follows:

	Company	
	2018	**2017**
	S$'000	**S$'000**
Beginning of financial year	(1,648)	812
Net loss	(6,982)	(2,460)
End of financial year	(8,630)	(1,648)

31 COMMITMENTS

(a) Capital commitments

Capital commitments contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

		Group	
	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Capital commitment in relations to capital injection into investments in subsidiary corporations in PRC	118,958	124,432	127,644

(b) Operating lease commitments – where the Group is a lessee

The Group has various operating lease agreements for the rental of restaurants, staff quarters and office premises. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

		Group	
	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Not later than one year	600	1,980	1,522
Between one and five years	843	2,783	3,031
Later than five years	–	113	127
	1,443	4,876	4,680

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

32 CONTINGENT LIABILITIES

The Company has provided letters of financial support for some of its subsidiary corporations to enable these subsidiary corporations to operate as going concern and to meet their liabilities as and when they fall due. No liabilities are recognised in the statement of financial position of the Company as it is considered unlikely that there will be significant outflows of resources made by the Company as a result of the financial support provided by the Company.

33 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Group's overall strategies, tolerance of risks, and general risk management philosophy are determined by the Board in accordance with prevailing economic and operating conditions. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) *Market risk*

(i) *Currency risk*

The Group operates mainly in Singapore and PRC. Entities in the Group seldom transact in currencies other than their respective functional currencies ("foreign currencies"). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as Singapore Dollar ("SGD") and Renminbi ("RMB").

33 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided by management is as follows:

	SGD	RMB	Other	Total
	S$'000	S$'000	S$'000	S$'000
31 December 2018				
Financial assets				
Cash and cash equivalents	2,474	18,484	22	20,980
Trade and other receivables	1,608	10,869	21	12,498
Inter-company balances	1,816	3,987	–	5,803
	5,898	33,340	43	39,281
Financial liabilities				
Trade and other payables	(1,431)	(5,274)	(37)	(6,742)
Borrowings	–	(40)	–	(40)
Finance lease liabilities	(203)	–	–	(203)
Inter-company balances	(1,816)	(3,987)	–	(5,803)
	(3,450)	(9,301)	(37)	(12,788)
Net financial assets	2,448	24,039	6	26,493
Add: Net financial (assets)/liabilities denominated in respective entities' functional currencies	(2,448)	(22,029)	15	(24,462)
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	–	2,010	21	2,031

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

33 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD S$'000	RMB S$'000	Other S$'000	Total S$'000
31 December 2017				
Financial assets				
Cash and cash equivalents	4,494	7,598	20	12,112
Trade and other receivables	575	28,914	345	29,834
Inter-company balances	209	4,187	228	4,624
	5,278	40,699	593	46,570
Financial liabilities				
Trade and other payables	(1,588)	(2,070)	(112)	(3,770)
Borrowings	–	(4,090)	–	(4,090)
Inter-company balances	(209)	(4,187)	(228)	(4,624)
	(1,797)	(10,347)	(340)	(12,484)
Net financial assets	3,481	30,352	253	34,086
Add: Net financial assets denominated in respective entities' functional currencies	(3,481)	(30,296)	(226)	(34,003)
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	–	56	27	83

33 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD S$'000	RMB S$'000	Other S$'000	Total S$'000
1 January 2017				
Financial assets				
Cash and cash equivalents	5,629	5,696	–	11,325
Trade and other receivables	701	25,201	16	25,918
Inter-company balances	2,194	2,442	–	4,636
	8,524	33,339	16	41,879
Financial liabilities				
Trade and other payables	(2,102)	(3,070)	–	(5,172)
Inter-company balances	(2,194)	(2,442)	–	(4,636)
	(4,296)	(5,512)	–	(9,808)
Net financial assets	4,228	27,827	16	32,071
Add: Net financial assets denominated in respective entities' functional currencies	(4,228)	(27,763)	–	(31,991)
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	–	64	16	80

The Group's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies for the financial years ended 31 December 2018 and 2017 and 1 January 2017.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

33 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided by management is as follows:

	SGD S$'000	RMB S$'000	Other S$'000	Total S$'000
31 December 2018				
Financial assets				
Cash and cash equivalents	1,119	–	–	1,119
Trade and other receivables	1,292	2,010	21	3,323
	2,411	2,010	21	4,442
Financial liabilities				
Trade and other payables	(1,326)	–	–	(1,326)
Net financial assets	1,085	2,010	21	3,116
Add: Net financial assets denominated in the Company's functional currency	(1,085)	–	–	(1,085)
Currency exposure of financial assets net of those denominated in the Company's functional currency	–	2,010	21	2,031

33 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD S$'000	RMB S$'000	Other S$'000	Total S$'000
31 December 2017				
Financial assets				
Cash and cash equivalents	3,026	–	–	3,026
Trade and other receivables	43	2,101	27	2,171
	3,069	2,101	27	5,197
Financial liabilities				
Trade and other payables	(901)	–	–	(901)
Net financial assets	2,168	2,101	27	4,296
Add: Net financial assets denominated in the Company's functional currency	(2,168)	–	–	(2,168)
Currency exposure of financial assets net of those denominated in the Company's functional currency	–	2,101	27	2,128

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

33 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided by management is as follows: (continued)

	SGD	RMB	Other	Total
	S$'000	**S$'000**	**S$'000**	**S$'000**
1 January 2017				
Financial assets				
Cash and cash equivalents	4,482	–	–	4,482
Trade and other receivables	207	2,162	16	2,385
	4,689	2,162	16	6,867
Financial liabilities				
Trade and other payables	(666)	–	–	(666)
Net financial assets	4,023	2,162	16	6,201
Add: Net financial assets denominated in the Company's functional currency	(4,023)	–	–	(4,023)
Currency exposure of financial assets net of those denominated in the Company's functional currency	–	2,162	16	2,178

33 FINANCIAL RISK MANAGEMENT (continued)

(a) *Market risk (continued)*

(i) *Currency risk (continued)*

Sensitivity analysis

The strengthening of RMB against SGD by 2% (31 December 2017: 2%; 1 January 2017: 4%), at the reporting date would increase/(decrease) loss after tax by the amounts shown below. This analysis assumes that all other variables including tax rate being held constant.

	Loss after tax		
	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Company			
RMB against SGD			
– Strengthened	33	35	72
– Weakened	(33)	(35)	(72)

(ii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risks arises primarily from interest earning financial assets. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limited extent to which net interest expenses could be affected by an adverse movement in interest rates.

33 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risks (continued)

The table below sets out carrying amounts as at 31 December 2018, 31 December 2017 and 1 January 2017, by maturity or re-pricing, whichever is earlier, of the financial instruments of the Group that are exposed to interest rate risk:

	Less than 1 year S$'000	Between 1 and 5 years S$'000	Total S$'000
31 December 2018			
Financial assets			
Fixed rate			
Cash at bank and hand	7,411	–	7,411
Trade and other receivables	12,178	320	12,498
	19,589	320	19,909
Floating rate			
Bank deposits	13,569	–	13,569
Financial liabilities			
Fixed rate			
Borrowing	40	–	40
Finance lease liabilities	38	165	203
	78	165	243
31 December 2017			
Financial assets			
Fixed rate			
Cash at bank and hand	8,636	–	8,636
Trade and other receivables	29,380	454	29,834
	38,016	454	38,470
Floating rate			
Bank deposits	3,476	–	3,476
Financial liabilities			
Fixed rate			
Borrowing	4,090	–	4,090
1 January 2017			
Financial assets			
Fixed rate			
Cash at bank and hand	11,325	–	11,325
Trade and other receivables	20,364	4,457	24,821
	31,689	4,457	36,146

33 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risks (continued)

The Group is not exposed to changes in interest rates for fixed rate financial assets and liabilities, and the exposure to interest rate risk from financial assets at variable rate is not significant.

The Company does not have exposure to interest rate risk as it does not hold variable rate financial assets.

(iii) Price risk

The Group and the Company is not exposed to equity price risk as the Group and the Company do not hold any equity financial assets.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are cash and cash equivalents and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining sufficient collateral where appropriate to mitigate credit risk.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by management based on ongoing credit evaluations. The counterparty's payment patterns and credit exposure are continually monitored at the entity level by respective managements.

Sales of restaurant operations is required to be settled in cash or using major credit cards, which has mitigated the credit risk.

The finance lease receivables of the Group comprise 1 debtor (31 December 2017: 3 debtors; 1 January 2017: 1 debtor) that individually represented 89% (31 December 2017: 21% to 34%; 1 January 2017: 51%) of finance lease receivables.

The other receivables of the Group comprise 1 debtor (31 December 2017: 2 debtors; 1 January 2017: Nil) that individually represented 72% (31 December 2017: 19% to 68%; 1 January 2017: Nil%) of other receivables.

The Group does not have concentration risk on trade receivables as the amount as at the reporting date is not significant to the Group.

As the Group does not hold any collateral or other credit enhancement to cover its credit risks associated with its financial assets (other than finance lease receivables), the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

33 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The movement in credit loss allowance are as follows:

	Finance lease receivables S$'000	Other receivables S$'000	Total S$'000
Balance at 1 January 2018	–	–	–
Loss allowance recognised	4,827	7,001	11,828
Balance at 31 December 2018 (Note 13)	4,827	7,001	11,828

The adoption of SFRS(I) 9 did not result in any adjustments to the previously issued SFRS financial statements.

The loss allowance account in respect of finance lease receivables and other receivables is used to record loss allowance. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The Group's and the Company's cash and cash equivalents, trade receivables, deposits and staff loans are subject to immaterial credit loss.

(i) Finance lease receivables

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for finance lease receivables. In measuring the expected credit losses ("ECL"), finance lease receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the ECL rates, the Group considers purely historical loss rates for each category of customers which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date.

Finance lease receivables are written off when there is no reasonable expectation of recovery, such as a lessee failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments for more than a year when they fall due, and writes off the financial asset when there is no reasonable ground to recover the receivables after all enforcement activity has been taken by the Group.

33 FINANCIAL RISK MANAGEMENT (continued)

(b) *Credit risk (continued)*

(i) *Finance lease receivables (continued)*

The Group's credit risk exposure in relation to finance lease receivables under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

Leasing segment	Gross amount S$'000	Loss allowance S$'000	Carrying amount S$'000	Expected loss rate %
Group				
Not past due	1,118	(6)	1,112	0.5%
< 30 days past due	731	(22)	709	3%
30 days to 60 days past due	1,564	(78)	1,486	5%
60 days to 90 days past due	1,181	(94)	1,087	8%
90 days to 365 days past due	6,248	(580)	5,668	9%
> 365 days past due	4,047	(4,047)	–	100%
	14,889	(4,827)	10,062	

(ii) *Other receivables*

The Group uses the general approach to measure the loss allowance for other receivables. Other receivables are individually determined to be impaired when the Group determined that the financial assets has significant increase in credit risk since initial recognition, such as the debtors have financial difficulties and have defaulted on payments during the financial year. Loss allowance for those financial assets with significant increase in credit risk amounted to S$7,001,000 has been recognised during the financial year

In measuring the lifetime ECL, the Group uses a similar approach for assessment of ECL for these receivables to those used for finance lease receivables.

(iii) *Non trade amounts due from subsidiary corporations*

The amount due from subsidiary corporations is for short term funding requirements. The Company uses a similar approach for assessment of ECL for these receivables. Impairment on theses balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is not significant.

(iv) *Credit risk exposure*

The Group's and the Company's short term deposits are placed as fixed rate investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed only with reputable licensed financial institutions with high credit-ratings.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

33 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:
- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments.

The Group's and the Company's credit risk exposure in relation to finance lease receivables and trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out as follows:

	Group	
	31 December 2017	**1 January 2017**
	S$'000	**S$'000**
Past due < 30 days	117	–
Past due 31 to 90 days	–	70
	117	70

The Group believes that the above amounts that are past due but not impaired are still collectible, based on historical payment patterns.

There were no credit loss allowance for other financial assets at amortised costs as at 31 December 2017 and 1 January 2017.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through having an adequate amount of committed credit facilities to enable it to meet its normal operating commitments. As at the reporting date, assets held by the Group and the Company for managing liquidity risk included cash and cash equivalents as disclosed in Note 12 to the financial statements.

The table below analyses financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

33 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Within 1 year	Between 1 and 5 year
Group	**S$'000**	**S$'000**
31 December 2018		
Trade and other payables	6,682	60
Borrowings	41	–
Finance lease liabilities	47	182
	6,770	242
31 December 2017		
Trade and other payables	3,660	110
Borrowings	4,111	–
	7,111	110
1 January 2017		
Trade and other payables	5,172	–
Company		
31 December 2018		
Trade and other payables	1,266	60
31 December 2017		
Trade and other payables	791	110
1 January 2017		
Trade and other payables	666	–

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

33 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk (continued)

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Net debt	(13,991)	(4,252)	(6,153)
Total equity	42,555	50,148	40,163
Total capital	28,564	45,896	34,010
Gearing ratio	N.A.[(1)]	N.A.[(1)]	N.A.[(1)]

	Company		
	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Net debt	207	(2,125)	(3,816)
Total equity	30,803	37,785	40,245
Total capital	31,010	35,660	36,429
Gearing ratio	0.7%	N.A.[(1)]	N.A.[(1)]

(1) The cash position exceeds the total of trade and other payables and borrowings. The Group is in a net cash positions as of 31 December 2018 and 2017 and 1 January 2017.

The Group and the Company are not subjected to externally imposed capital requirements for the financial years ended 31 December 2018 and 2017 and 1 January 2017.

(e) Fair value measurements

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

33 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Group			
Financial assets at amortised cost	33,478	41,946	37,243
Financial liabilities at amortised cost	6,985	7,860	5,172
Company			
Financial assets at amortised cost	4,442	5,197	6,867
Financial liabilities at amortised cost	1,326	901	666

34 RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales of purchases of goods and services

	Group	
	2018 S$'000	2017 S$'000
Subsidiary corporations		
Management fee	1,209	1,248
Associated companies		
Rental expenses	–	(266)
Related parties		
Management fee	10	29
Rental income	128	162

Related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members.

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

34 RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel compensation

	Group	
	2018	**2017**
	S$'000	**S$'000**
Directors of the Company		
Salaries and bonus	1,597	1,899
Employer's contribution to defined contributions plan	48	36
Other benefit	133	321
	1,778	2,256
Other key management personnel		
Salaries and bonus	512	605
Employer's contribution to defined contributions plan	87	65
	599	670

35 SEGMENT INFORMATION

For management purposes, the Group is organised into the following reportable operating segments:

1. Food and beverages operations, which mainly related to operation of restaurant outlets, management fees from restaurants, franchise fee and royalties;

2. Leasing operations, which mainly relates to equipment and car leasing;

3. Properties operations, which mainly relates to the proposed logistics and warehousing management services of the Tianjin Free Trade Zone project; and

4. All other segments, which mainly relate to management fees from related companies within the Group.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Executive committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

35 SEGMENT INFORMATION (continued)

Segment information about the Group's reportable segments is as follows:

	Food and beverages S$'000	Leasing S$'000	Properties S$'000	All other segments S$'000	Eliminations S$'000	Notes	Total S$'000
2018							
Revenue							
Sales to external parties	12,750	1,494	128	6	–		14,378
Inter-segment sales	33	–	1,505	1,199	(2,737)		–
Results							
Segment results							
Interest income	–	65	25	34	–		124
Depreciation of property, plant and equipment	(380)	(2)	(64)	(76)	–		(522)
Amortisation of intangible asset	–	–	(10)	–	–		(10)
Amortisation of land-use rights	–	–	(256)	–	–		(256)
Impairment loss on finance lease receivables	–	(4,827)	–	–	–		(4,827)
Impairment loss on other receivables	–	(5,891)	(1,110)	–	–		(7,001)
Segment profit/(loss)	388	(10,085)	(2,916)	(7,083)	5,843	C	(13,853)
Segment assets	5,930	37,769	27,989	34,356	(55,778)	D	50,266
Segment assets includes:							
Additions to:							
Land-use rights	–	–	3,665	–	–		3,665
Intangible assets	–	–	60	–	–		60
Property, plant and equipment	493	2	–	1,473	–		1,968
Segment liabilities	2,701	1,322	6,118	3,377	(5,807)	E	7,711

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

35 SEGMENT INFORMATION (continued)

	Food and beverages S$'000	Leasing S$'000	Properties S$'000	All other segments S$'000	Eliminations S$'000	Notes	Total S$'000
2017							
Revenue							
Sales to external parties	13,121	3,146	164	32	–		16,463
Inter-segment sales	–	–	–	1,495	(1,495)	A	–
Results							
Segment results							
Interest income	25	68	41	2	–		136
Depreciation of property, plant and equipment	(429)	(2)	–	(76)	–		(507)
Share of loss of associated companies	–	–	–	(521)	–		(521)
Impairment loss on associated companies	–	–	–	(883)	399	B	(484)
Segment profit/(loss)	973	1,948	(44)	(3,499)	(222)	C	(844)
Segment assets	4,770	45,280	9,749	41,661	(42,511)	D	58,948
Segment assets includes:							
Investments in associated companies	–	–	–	3,829	–		3,829
Additions to:							
Land-use rights	–	–	9,136	–	–		9,136
Property, plant and equipment	119	1	65	212	–		397
Segment liabilities	1,656	5,544	388	5,075	(3,864)	E	8,800

35 SEGMENT INFORMATION (continued)

Notes:

A Inter-segment revenues are eliminated on consolidation.

B Impairment losses on investment in subsidiary corporations are eliminated on consolidation.

C The following items are added to/(deducted from) segment (loss)/profit to arrive at "(loss)/profit before income tax" presented in the consolidated statement of comprehensive income:

	2018 S$'000	2017 S$'000
Currency gain on translation of intercompany loan	–	12
Fair value loss on remeasurement of investment in associated company	(142)	–
Gains on bargain purchase	72	–
Impairment loss on investment in associated companies	241	287
Impairment loss on investment in subsidiary corporations	5,672	–
Share of loss from associated companies	–	(521)
	5,843	(222)

D The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2018 S$'000	2017 S$'000
Unallocated corporate assets	–	4,498
Inter-segment assets	(55,778)	(47,009)
	(55,778)	(42,511)

E The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2018 S$'000	2017 S$'000
Income tax payables	–	645
Deferred tax liabilities	–	115
Inter-segment liabilities	(5,807)	(4,624)
	(5,807)	(3,864)

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

35 SEGMENT INFORMATION (continued)

Geographical information:

Revenue of the Group are mainly derived from provision of food and beverage, leasing and properties services in Singapore and PRC.

	Revenue	
	2018	2017
	S$'000	S$'000
Singapore	12,580	12,547
PRC	1,670	3,343
Other countries	128	573
	14,378	16,463

	Non-current assets	
	2018	2017
	S$'000	S$'000
Singapore	1,530	1,114
PRC	13,808	13,413
	15,338	14,527

Non-current assets information presented above consist of property, plant and equipment, intangible assets, land-use rights and investments in associated companies as present on the statement of financial position.

Major customer information:

The Group does not have revenue concentration risk from any one or more customers. Revenue is spread over a large number of customer.

36 BUSINESS COMBINATION

On 28 October 2018, the Group, through its subsidiary corporation Pavillon Financial Leasing Co., Ltd. entered into a share transfer agreement to acquire the remaining 50% equity interest in State Research Pavillon Financial Leasing Co., Ltd. ("SRPFL"). On 28 December 2018, the transfer of shares was completed. The Group's effective controlling interest has increased from 50% to 75.98%, consequently the Group obtained control over SRPFL and accounted for it as a subsidiary corporation.

36 BUSINESS COMBINATION (continued)

Details of the consideration paid, the assets acquired and the liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	2018 S$'000
Cash paid	–
Fair value of previously held interest (Note 18) [(1)]	3,928
Payable amount [(2)]	3,928
Consideration transferred for the business	7,856

(1) The remeasurement to fair value of the Group's existing interest of SRPFL resulted in a fair value loss of S$142,000 has been recognised in other operating expenses (Note 8).

(2) The Group has separately entered into a deed of debt assignment with the seller to offset against the receivable amount due from a related party of the seller.

(b) Effect on cash flows of the Group

	2018 S$'000
Cash paid (as above)	–
Cash and cash equivalents in subsidiary corporation acquired	4,211
Cash inflow on acquisition	4,211

(c) Identifiable assets acquired and liabilities assumed

	At fair value 2018 S$'000
Cash and cash equivalents	4,211
Property, plant and equipment (Note 20)	7
Trade and other receivables	3,766
Total assets	7,984
Trade and other payables, representing total liabilities	(56)
Total identifiable net assets	7,928
Less: Gain on bargain purchase (Note 5)	(72)
Consideration transferred for the business	7,856

NOTES
TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

36 BUSINESS COMBINATION (continued)

(d) Acquisition-related costs

The Group did not incur any acquisition-related costs in respect of the acquisition of SRPFL.

(e) Acquired receivables

The fair value of trade and other receivables is S$3,753,000, which is mainly comprises receivables amount due from a subsidiary corporation of the Group.

(f) Revenue and profit contribution

SRPFL did not contributed revenue and net profit to the Group as the date of completion is close to the date of the reporting period.

Had SRPFL been acquired from 1 January 2018, consolidated revenue and consolidated loss for the financial year ended 31 December 2018 would have been S$14,643,000 and S$13,917,000 respectively.

37 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards and amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted.

Effective for annual periods beginning on or after 1 January 2019

- SFRS(I) 16: Leases
- Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation
- Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures
- Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement
- Annual Improvements to SFRS(I)s 2015-2017 Cycle
- INT SFRS(I) 123 : Uncertainty over Income Tax Treatments Illustrative Examples

Effective for annual periods beginning on or after 1 January 2021

- SFRS(I) 17 Insurance Contracts

Effective date: to be determined*

- Amendments to SFRS(I) 10 and SFRS(I) 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* *The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore ("ASC") in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.*

37 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of S$1,443,000 (Note 31(b)). The Group expects to recognise right-of-use assets and lease liabilities of approximately S$1,362,000 on 1 January 2019. The Group's net current assets will be S$579,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately S$18,000 for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately S$570,000, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately S$600,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

38 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Pavillon Holdings Ltd. on 5 April 2019.

CORPORATE GOVERNANCE REPORT

The Board of Directors of Pavillon Holdings Ltd. (the "**Company**") recognises the importance of and is committed to maintaining high standard of corporate governance within the Company and its subsidiaries (the "Group") to maintain an ethical environment in the Group, which strives to enhance the interests of the shareholders of the Company (the "**Shareholders**").

This report describes the Company's corporate governance framework and practices that the Company had adopted, with specific reference made to the principles and guidelines as set out in the Code of Corporate Governance 2012 (the "**Code**") issued by the Corporate Governance Council and adopted by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

1. BOARD MATTERS

1.1 The Board's conduct of affairs

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

The Board of Directors (the "**Board**") comprises the following members:-

Dr. John Chen Seow Phun	Executive Chairman
Zheng Fengwen	Executive Director and Chief Executive Officer
Lee Tong Soon	Managing Director
Kok Nyong Patt	Executive Director
Hoon Tai Meng	Independent Director
Foo Der Rong	Independent Director
Ko Chuan Aun	Independent Director
Jo-Anne Chang	Non-Executive and Non-Independent Director

A brief profile of each Director is set out on pages 5 to 7 of this Annual Report ("**AR**"). Apart from its statutory duties and responsibilities, the Board oversees management of the Company (the "**Management**") and affairs of the Group and approves the Group's corporate and strategic policies and direction. The Board considers the sustainability issues including environmental and social factors in the formulation of the Group's strategies. The Board is also responsible for implementing policies in relation to financial matters, which include compliance, risk management, and internal controls to safeguard the shareholders' interest and the Company's assets.

In addition, the Board identifies its key stakeholder groups and determines the Group's values and standards including ethical standards to ensure that obligations to its stakeholders are understood and met. The Board also reviews the financial performance of the Group, approves investment proposals, and approves the nomination of Directors to the Board, as well as the appointment of key management personnel.

Matters which are specifically reserved to the Board for decision and approval include, amongst others, any material acquisitions and disposals of assets, corporate or financial restructuring, share issuances and dividends, financial results, corporate strategies and major undertakings (other than in the ordinary course of business).

Certain functions have been delegated to various Board Committees, namely, the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"), which would make recommendations to the Board. Each Board Committee is governed by its terms of reference which clearly sets out the authority and duties; and have been approved by the Board and plays an important role in ensuring good corporate governance in the Company and within the Group.

The Board meets at least once every half-year to discuss and review the strategic policies of the Group, significant business transactions, performance of the business and to approve the release of the half-year and full year results. Ad-hoc meetings are convened as and when warranted by particular circumstances. In addition to physical meetings, the Company's Constitution allows Board meetings to be conducted by way of tele-conference, provided that the requisite quorum of at least two (2) directors is present.

During the financial year from 1 January 2018 to 31 December 2018 ("**FY2018**"), the Board held various meetings and the attendance of each Director at every Board and Board Committee meeting is summarised as follows:-

	Board		**Audit Committee**		**Nominating Committee**		**Remuneration Committee**	
	No. of meetings held	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**
Dr John Chen Seow Phun	2	2	2	2[(1)]	1	1[(1)]	1	1[(1)]
Zheng Fengwen	2	2	2	1[(1)]	1	N/A	1	N/A
Lee Tong Soon	2	2	2	2[(1)]	1	1[(1)]	1	1[(1)]
Kok Nyong Patt	2	2	2	2[(1)]	1	1[(1)]	1	1[(1)]
Hoon Tai Meng	2	2	2	2	1	1	1	1
Foo Der Rong	2	2	2	2	1	1	1	1
Jo-Anne Chang	2	1	2	1[(1)]	1	1[(1)]	1	1[(1)]
Ko Chuan Aun	2	2	2	2	1	1	1	1

(1) Attended the meeting as an invitee.

The Board also communicates frequently through informal meetings and tele-conferences to discuss the Group's strategies and businesses. All the Directors exercise due diligence and independent judgement; and are obliged to act in good faith and consider at all times the interest of the Company.

Newly appointed Director will undergo an orientation briefing to be familiar with the Group's business strategies, organisational structure and operations. From time to time, the Directors also receive further relevant information via email, particularly on applicable new laws, regulations and changing commercial risks which are relevant to the business and operations of the Group. The Directors are also updated on the business of the Group through meetings. The costs of arranging and funding the training of the Directors will be borne by the Company.

CORPORATE GOVERNANCE REPORT

1.2 Board Composition and Guidance

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

Presently, the Board comprises four (4) Executive Directors, three (3) Independent Directors and one (1) Non-Executive and Non-Independent Director. As the Chairman is not an Independent Director, the Board noted that pursuant to Guideline 2.2 of the Code, the Code recommends for Independent Directors to make up at least half of the Board. Currently the Executive Directors comprised half of the Board. Though the current composition is not in compliance with Guideline 2.2, the independence element is not compromised as the Independent and Non-independent Non-executive Directors form half of the Board and participate actively in board's deliberation. Nevertheless, the Board is also seeking suitable independent directors for appointment and ensuring that the composition of the Board is aligned with the development of the business operations.

The Board exercises objective and independent judgement on the Group's corporate affairs. No individual or group of individuals dominates the Board's decision-making process. In addition, the roles of Chairman, Chief Executive Officer and Managing Director are assumed by different persons.

The independence of each Director is reviewed annually by the NC. In its deliberation as to the independence of a Director, the NC adopts the Code's definition of what constitutes an Independent Director in its review and considered whether a Director had business relationship with the Group, its related corporations, its 10% shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgement with a view to the best interest of the Group.

The Independent Directors have confirmed that they do not have any relationship with the Group, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Group. In addition, there was no Independent Director who has served on the Board beyond nine (9) years from the date of his/her first appointment. The Board is of the view that there is a good balance between the Executive and Non-Executive Directors and a strong and independent element on the Board.

The Board regularly examines its size, with a view to determining the impact of the number on effective decision making. The composition of the Board and Board Committees are reviewed on an annual basis by the NC to ensure that the Board and Board Committees have the appropriate mix of expertise and experience and collectively possess the necessary core competence in business, investment, audit, accounting and tax matters for effective functioning and informed decision-making. When a vacancy arises under any circumstance, or where it is considered that the Board and Board Committees would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, will determine the selection criteria and select candidates with the appropriate expertise and experience for the position.

Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in ensuring that the strategies proposed by the executive Management are fully discussed and rigorously examined and take account of the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Non-Executive Directors including the Independent Directors are encouraged to meet without the presence of the Management so as to facilitate a more effective check on Management.

The Board, taking into account the nature of operations of the Company and the recommendation of the NC, considers its Independent Directors to be independent in character and judgement and of sufficient caliber and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The Independent Directors have no financial or contractual interests in the Group other than by way of their fees as set out in the financial statements. The NC and the Board are of the view that its current size meets the needs for quick and effective decision-making and their combined diversity and wealth of experience enable them to contribute positively to the strategic growth and governance of the Group. Key information regarding the Directors' academic and professional qualifications and other appointments are set out on pages 5 to 7 of this AR.

1.3 Chairman and Chief Executive Officer ("CEO")

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

There is a clear separation of the roles and responsibilities of the Executive Chairman, CEO and Managing Director of the Group. The Executive Chairman, Dr John Chen Seow Phun ("**Dr Chen**"), the CEO, Mr Zheng Fengwen ("**Mr Zheng**") and the Managing Director, Mr Lee Tong Soon ("**Mr Lee**"), are not related to each other, nor is there any business relationship between them.

Dr Chen and Mr Zheng oversee the business direction, long term strategic planning and the overall management and operations of the Group. Mr Zheng is also responsible for the Group's financial leasing, property and commercial business in People's Republic of China. Mr Lee is responsible for the Group's F&B business, and together with Dr Chen, exercise control over quality, quantity and timeliness of the flow of information between the Management and the Board; and assisting in ensuring compliance with the Company's guidelines on corporate governance, among others.

The distinct separation of responsibilities between the Executive Chairman, CEO and the Managing Director ensures that there is a balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making at the top of the Company.

The Executive Chairman leads the Board and is responsible for the effective working of the Board including:

- scheduling of meetings (with the assistance of the Company Secretaries) to enable the Board to perform its duties while not interfering with the flow of the Group's operations;
- preparing the meeting agenda (in consultation with the CEO and Managing Director) and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- ensuring that Board meetings are held when necessary;
- promoting a culture of openness and debate at the Board;

CORPORATE GOVERNANCE REPORT

- facilitating contributions from the Non-Executive Directors and encouraging constructive relationships within the Board and Management;
- exercising control over the quality, quantity and timeliness of information flow to the Board, ensuring effective communication with the Company's shareholders;
- ensuring, fostering constructive and effective communication with shareholders;
- facilitating the effective contribution of Non-Executive Directors in particular; and
- encouraging high standards of corporate governance.

As all major decisions made by the Executive Chairman, CEO and Managing Director are reviewed by the respective Board Committees, the Board is of the view that this arrangement does not undermine the accountability and capacity of the Board for independent decision making.

As the Board has demonstrated that it is able to exercise independent decision making, the Board feels that a lead independent director is not required.

2. NOMINATING COMMITTEE

2.1 Board Membership

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

The NC comprises three (3) members, all of whom are Independent Directors, namely Mr Ko Chuan Aun ("**Mr Ko**"), Mr Hoon Tai Meng and Mr Foo Der Rong and is chaired by Mr Ko. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as Director.

The NC is regulated by a set of written terms of reference endorsed by the Board, setting out their duties and responsibilities. According to the terms of reference of the NC, the members of the NC perform the following functions:-

(a) reviewing and making recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;

(b) reviewing the Board structure, size and composition having regards to the scope and nature of the operations and the core competencies of the Directors as a group, and making recommendations to the Board with regards to any adjustments that are deemed necessary;

(c) reviewing, assessing and recommending nominee(s) or candidate(s) for appointment or election to the Board, having regards to his/her qualifications, competency, other principal commitments and whether or not he/she is independent and in the case of a re-nomination, to his/her performance and contribution;

(d) reviewing Board succession plans for Directors, in particular for the Executive Chairman and CEO and the progressive renewal of the Board;

(e) annually, determining whether or not a Director is independent (taking into account the circumstances set out in the Code and other salient factors);

(f) identifying and recommending the Directors who are retiring by rotation and to be put forward for re-election at each annual general meeting ("**AGM**");

(g) conducting rigorous review and determining whether an Independent Director who has served the Board for a period of nine (9) years since his/her date of appointment, can still remain independent;

(h) developing a process for evaluation of the performance of the Board, its Board Committees and proposing objective performance criteria to enhance long-term shareholder value; and

(i) reviewing training and professional development programs for the Board.

The Board and the NC do not encourage the appointment of Alternate Directors. No Alternate Director is currently being appointed to the Board.

The NC reviews and makes recommendations to the Board on all nominations for appointments and re-appointments of Directors and Board Committees members having regard to their independence, qualifications, performance and contributions. The NC reviews and assesses candidates for directorships before making recommendations to the Board. In recommending new Directors to the Board, the NC takes into consideration the skills and experience required to support the Group's business activities, the current composition and size of the Board, and strives to ensure that the Board, as a whole, possesses the core competencies required by the Code. The potential candidate will go through a shortlisting process and thereafter, the NC sets up the interviews with the shortlisted candidates. A new Director can be appointed by way of a Board resolution, after the recommendation by the NC. A Director appointed by the Board will retire at the AGM following his appointment and is eligible for re-election at the AGM. In view of the foregoing, the Board is of the view that there are adequate processes for the appointment and re-appointment of Directors.

The Code recommends that all Directors should be required to submit themselves for re-nomination and re-election at regular intervals. In this regard, the Constitution provides as follows:-

Regulation 107 provides that at the AGM in every year one-third (1/3) of the Directors for the time being (other than the Managing Director), or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3), shall retire from office, Provided Always that all Directors (except the Managing Director) shall retire from office at least once every three (3) years.

With effect from 1 January 2019, Listing Rule 720(5) of the SGX-ST requires all directors of an issuer to submit themselves for re-nomination and re-appointment at least once every three years. In this respect, Mr Lee Tong Soon, the Managing Director of the Company shall retire at the forthcoming AGM pursuant to the Listing Rule 720(5) of the SGX-ST.

Regulation 109 provides that a retiring Director shall be eligible for re-election at the meeting at which he retires.

CORPORATE GOVERNANCE REPORT

The Directors retiring by rotation pursuant to Regulation 107 of the Company's Constitution at the forthcoming AGM are Dr John Chen Seow Phun, Mr Lee Tong Soon and Mr Foo Der Rong. The NC has reviewed the performance and level of contribution of each retiring Directors and the NC recommended the re-election of all three (3) of them at the forthcoming AGM to be held on 25 April 2019. The Board had concurred with the NC and accepted the recommendation of the re-election of the three (3) retiring Directors. The retiring Directors will be offering themselves for re-election.

In making the recommendation, the NC had considered the Directors' overall contribution and performance.

The NC had reviewed the multiple listed company board representations held presently by the Directors and is of the opinion that they do not impede the Directors' performance in carrying out their duties to the Company. Although some of the Board members have multiple listed company board representations, the NC had ascertained that for the period under review, the Directors had devoted sufficient time and attention to the Group's affairs. Further, the Board is also of the view that such multiple listed company board representations of the Independent Directors may benefit the Group, as the Directors are able to bring with them the experience and knowledge obtained from such board representations in other listed companies. Accordingly, it is not necessary at this stage to set a maximum limit on the number of listed company board representations and other principal commitments but would assess each Director on a case by case basis.

Key information regarding the Directors is provided on pages 111 to 120 of the AR.

2.2 Board Performance

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

The NC examines its size to satisfy that it is appropriate for, effective decision making, taking into account the nature and scope of the Company's operations.

For the financial year under review, the NC had evaluated the performance of the Board as a whole and its Board Committees. The assessment process adopted both quantitative and qualitative criteria, such as the outcome of the strategic and long-term objectives set by the Board and the effectiveness of the Board and Board Committees in monitoring Management's performance against the goals that had been set by the Board. The NC had decided that the Directors will not be evaluated individually but factors taken into consideration for the re-nomination are the extent of their attendance, participation and contribution in the proceedings of the meetings.

The Board's and Board Committees' performance evaluation, led by the NC, is conducted by means of a confidential questionnaire designed to assess the state of affairs of corporate governance matters in the Company. The questionnaire is completed by each Director to elicit his/her individual input. The Directors' inputs are collated and reviewed by the NC. Areas where the Board's and Board Committees' performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation.

The NC had ascertained that the Board and Board Committees had contributed effectively and had demonstrated full commitment to their role. No external facilitator had been engaged by the Board during the year.

Key information regarding the directors of the Company are as follows:-

Name of Director	**JOHN CHEN SEOW PHUN**
Age	65
Country of principal residence	Singapore
Date of first appointment as director	13 December 2001
Date of re-designated as Executive Chairman	1 May 2012
Date of last re-election as director	28 April 2016 Due for re-election at the AGM to be held on 25 April 2019.
The Board's comments on the re-election	The Board of Directors of the Company has accepted and approved the NC's recommendation, who has reviewed and considered Dr Chen's contributions and performance as Executive Chairman of the Company.
Job Title	Executive Chairman
Board Committees Served	None
Professional qualifications	Dr Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada.
Shareholding in the Company and its subsidiaries (as at 20 March 2019)	*The Company* 23,163,525 Shares (as set out on page 134 of the AR) Dr Chen is deemed to be interested in 22,252,725 Shares held by Unigold Asia Limited and 62,500 Shares held by his spouse. He is also the beneficial owner of 848,300 Shares held by DBS Nominees (Private) Limited. *Subsidiaries of the Group* Nil

CORPORATE GOVERNANCE REPORT

Principal Commitments including Directorships	*Past Directorships* National University Health System Pte Ltd Pattern Discovery Technologies Pte Ltd *Present Directorships* JCL Business Development Pte Ltd Unigold Asia Limited OKP Holdings Limited Hiap Seng Engineering Ltd Hanwell Holdings Ltd Matex International Limited SAC Capital Private Limited Tat Seng Packaging Group Ltd Hong Lai Huat Group Limited Fu Yu Corporation Limited DATAESP Pte Ltd JLM Foundation Ltd SAC Advisors Pte Ltd Pavillon Financial Leasing Co., Ltd. Pavillon Business Development (Shanghai) Co., Ltd. Fengchi IOT Management Co., Ltd. *Other Principal Commitments* Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

Name of Director	ZHENG FENGWEN
Age	53
Country of principal residence	China
Date of first appointment as director	27 March 2014
Date of last re-election as director	25 April 2018
The Board's comments on the re-election	Not applicable, Mr Zheng is not due for re-election.
Job Title	Executive Director and CEO
Board Committees Served	None
Professional qualifications	Mr Zheng graduated from Shandong University (China) with a Bachelor Degree, and obtained an EMBA degree from Fudan University (China).
Shareholding in the Company and its subsidiaries (as at 20 March 2019)	*The Company* 100,000,000 Shares (as set out on page 134 of the AR) Mr Zheng is deemed to be interested in 100,000,000 Shares held by Sunlead Evergrowing Capital Co., Limited, which is deemed to be interested by his spouse. *Subsidiaries of the Group* Nil
Principal Commitments including Directorships	*Past Directorships* Zhongrun Resources Investment Co., Ltd. Shandong Zhongrun Properties Co. Ltd. Shandong Zhongrun Group Zibo Properties Co., Ltd. Shandong Shengji Investment Co., Ltd. Vatukoula Gold Mines PLC State Research Pavillon Financial Leasing Co., Ltd. Hui Bang Investment Co., Ltd. Pavillon Business Development (Shanghai) Co., Ltd. *Present Directorships* Pavillon Financial Leasing Co., Ltd Sunlead Evergrowing Capital Co. Limited Tianjin Pavillon Assets Management Co., Ltd. *Other Principal Commitments* Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

CORPORATE GOVERNANCE REPORT

Name of Director	LEE TONG SOON
Age	60
Country of principal residence	Singapore
Date of first appointment as director	15 November 1999
Date of last re-election as director	Not applicable subject to Regulation 107 of the Constitution of the Company. Due for re-election at the AGM to be held on 25 April 2019.
The Board's comments on the re-election	The Board of Directors of the Company has accepted and approved the NC's recommendation, who has reviewed and considered Mr Lee's contribution and performance as a Managing Director of the Company.
Job Title	Managing Director
Board Committees Served	None
Professional qualifications	Mr Lee holds a Bachelor Degree in Arts and Social Science from the National University of Singapore.
Shareholding in the Company and its subsidiaries (as at 20 March 2019)	*The Company* 24,135,526 Shares (as set out on page 134 of the AR) Mr Lee is also deemed interested in 12,500 Shares held by his daughter. *Subsidiaries of the Group* Nil
Principal Commitments including Directorships	*Past Directorships* Thai Village (China) Pte. Ltd. Shanghai Thai Village Restaurant Management Co., Ltd Thai Village Restaurant (Shanghai) Co., Ltd Tianjin Pavillon Asset Management Co., Ltd Fengchi Real Estate Sdn. Bhd. *Present Directorships* Thai Village Restaurant Pte Ltd Thai Village Express Pte Ltd Pavillon Financial Leasing Co., Ltd. Pavillon Business Development (Shanghai) Co., Ltd. State Research Pavillon Financial Leasing Co., Ltd. *Other Principal Commitments* Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

Name of Director	**KOK NYONG PATT ("Mr Kok")**
Age	59
Country of principal residence	Singapore
Date of first appointment as director	15 November 1999
Date of last re-election as director	27 April 2017
The Board's comments on the re-election	Not applicable, Mr Kok Nyong Patt is not due for re-election.
Job Title	Executive Director
Board Committees Served	None
Shareholding in the Company and its subsidiaries (as at 20 March 2019)	*The Company* 25,027,725 Shares (as set out on page 134 of the AR) *Subsidiaries of the Group* Nil
Principal Commitments including Directorships	*Past Directorships* Thai Village (China) Pte Ltd Shanghai Thai Village Restaurant Management Co., Ltd Thai Village Restaurant (Shanghai) Co., Ltd Renoz Associates Pte. Ltd. Pavillon Asia Properties Sdn. Bhd. *Present Directorships* Thai Village Restaurant Pte Ltd Thai Village Express Pte Ltd Fengchi Real Estate Sdn. Bhd. New Development Hotel Management Pte. Ltd. *Other Principal Commitments* Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

CORPORATE GOVERNANCE REPORT

Name of Director	HOON TAI MENG ("Mr Hoon")
Age	67
Country of principal residence	Singapore
Date of first appointment as director	1 February 2011
Date of last re-election as director	25 April 2018
The Board's comments on the re-election	Not applicable, Mr Hoon Tai Meng is not due for re-election.
Job Title	Independent Director, Chairman of Audit Committee, and member of Nominating Committee and Remuneration Committee
Board Committees Served	Chairman of Audit Committee Member of Nominating Committee Member of Remuneration Committee
Professional qualifications	Mr Hoon has a Bachelor of Commerce Degree in Accountancy from the Nanyang University and a LLB (Honours) from the University of London. Mr Hoon is a Fellow of the Chartered Institute of Management Accountants (United Kingdom), a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Chartered Accountant (Singapore) and a Barrister-at-law (Middle Temple, United Kingdom).
Shareholding in the Company and its subsidiaries (as at 20 March 2019))	*The Company* Nil *Subsidiaries of the Group* Nil

Principal Commitments including Directorships	*Past Directoships* Ardille Pte. Ltd. ACP Metal Finishing Pte. Ltd. CES-China Holding Pte. Ltd. CES-Fort Pte. Ltd. CES-West Coast Pte Ltd CES-Land Pte Ltd CES-Vietnam Holdings Pte Ltd CES-VH Holdings Pte Ltd CES-NB Pte Ltd Grange Properties Pte. Ltd. PH Properties Pte Ltd Chip Eng Seng Corporation Ltd CES Building & Construction Pte. Ltd. CEL-Alexandra Pte. Ltd. CEL Property Pte. Ltd. CEL-Yishun (Residential) Pte. Ltd. CEL-Yishun (Commercial) Pte. Ltd. CEL Property Investment (Australia) Pte. Ltd. CEL Property Investment Pte. Ltd. CEL Residential Development Pte. Ltd. CEL Property (M) Pte. Ltd. Fernvale Development Pte. Ltd. *Present Directorships* Sin Ghee Huat Corporation Ltd. Cocoaorient Pte Ltd Ee Hoe Hean Club Koufu Group Limited Hock Lian Seng Holdings Ltd *Other Principal Commitments* RHTLaw Taylor Wessing LLP
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

CORPORATE GOVERNANCE REPORT

Name of Director	FOO DER RONG ("Mr Foo")
Age	66
Country of principal residence	Singapore
Date of first appointment as director	1 May 2012
Date of last re-election as director	27 April 2017 Due for re-election at the AGM to be held on 25 April 2019.
The Board's comments on the re-election	The Board of Directors of the Company has accepted and approved the NC's recommendation, who has reviewed and considered Mr Foo's contribution and performance as the Independent Director of the Company.
Job Title	Independent Director, Chairman of Remuneration Committee and member of Audit Committee and Nominating Committee
Board Committees Served	Chairman of Remuneration Committee Member of Audit Committee Member of Nominating Committee
Professional qualifications	Mr Foo holds a Bachelor of Commerce from the then Nanyang University.
Shareholding in the Company and its subsidiaries (as at 20 March 2019)	*The Company* Nil *Subsidiaries of the Group* Nil
Principal Commitments including Directorships	*Past Directorships* INTRACO Limited Tat Hong Intraco Pte. Ltd. Tat Hong Intraco Heavy Equipment Co., Ltd K.A. Building Construction Pte Ltd K.A. Fabric Shutters Pte. Ltd. K.A. FireLite Pte. Ltd. K.A. Fireproofing Pte. Ltd. K.A. Firespray Sdn. Bhd. K.A. Group Holdings Pte. Ltd. *Present Directorships* Southern Lion Sdn Bhd Tian International Pte Ltd Matex International Ltd Noel Gifts International Ltd SLB Development Ltd *Other Principal Commitments* Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

Name of Director	KO CHUAN AUN
Age	62
Country of principal residence	Singapore
Date of first appointment as director	25 July 2016
Date of last re-election as director	27 April 2017
The Board's comments on the re-election	Not applicable, Mr Ko Chuan Aun is not due for re-election.
Job Title	Independent Director, Chairman of Nominating Committee and member of Audit Committee and Remuneration Committee
Board Committees Served	Chairman of Nominating Committee Member of Audit Committee Member of Remuneration Committee
Professional qualifications	Mr Ko holds a Diploma in Export Marketing, which is equivalent to Danish Niels Brock International Business Degree Program.
Shareholding in the Company and its subsidiaries (as at 20 March 2019)	*The Company* Nil *Subsidiaries of the Group* Nil
Principal Commitments including Directorships	*Past Directorships* Starbridge Pte Ltd Star Ridge Holdings Pte Ltd Homely Holdings Pte Ltd Smartview Singapore Pte Ltd TCM Lifestyle Holdings Pte Ltd Homely Hardware Pte Ltd Brothers (Holdings) Limited Star Route Pte Ltd Athena Corporation Pte Ltd Belleware Consmetics Pte Ltd Global Vantage Innovative Group Pte Ltd KOP Limited Super Group Ltd *Present Directorships* HSK Resources Pte Ltd Lian Beng Group Ltd Koon Holdings Limited San Teh Limited Singapore Koh Clan Association Ltd KSH Holdings Ltd *Other Principal Commitments* Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

CORPORATE GOVERNANCE REPORT

Name of Director	JO-ANNE CHANG ("Ms Chang")
Age	45
Country of principal residence	Singapore
Date of first appointment as director	1 September 2014
Date of last re-election as director	25 April 2018
The Board's comments on the re-election	Not applicable, Ms Jo-Anne Chang is not due for re-election.
Job Title	Non-Executive and Non-Independent Director
Board Committees Served	None
Professional qualifications	Ms Chang holds a Bachelor of Laws (LLB) and a Master of Laws (LLM) from King's College, University of London, and is a Barrister-at-Law at Lincoln's Inn, London. Ms Change also holds a Master of Business Administration (MBA) from the New York University Leonard N. Stern School of Business.
Shareholding in the Company and its subsidiaries (as at 20 March 2019)	*The Company* 40,000,000 Shares (as set out on page [x] of the AR) Ms Jo-Anne Chang is deemed to be interested in 40,000,000 Shares held by Rossbay Private Limited *Subsidiaries of the Group* Nil
Principal Commitments including Directorships	*Past Directorships* Nil *Present Directorships* Rossbay Private Limited Pure Accord Sdn. Bhd. Pure Oasis Sdn. Bhd. Attractive Heritage Sdn. Bhd. Gingerflower Boutique Hotel Sdn. Bhd. Dalaston Limited Urban Townhouse Sdn. Bhd. Alford Associates Limited Heeren Palm Suites Sdn. Bhd. Heeren Straits Hotel Sdn. Bhd. Thrive Charm Sdn. Bhd. Chytron Company Limited *Other Principal Commitments* Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

Notes:

The Company had procured the undertaking of the Directors in the formal set out in Appendix 7.7 under Listing Rule 720(1) of the SGX-ST.

The Directors who subject to re-election had responded negative to items (a) to (k) listed in Appendix 7.4.1 (Announcement of Appointment) of the Listing Manual of the SGX-ST ("**Listing Manual**").

2.3 Access to information

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

Directors receive a regular flow of information from Management about the Group and Board papers so that they are equipped to play as full a part as possible in Board meetings. Management provided the Board with management accounts on a half-yearly basis, as well as relevant background information and documents relating to items of business to be discussed at a Board meeting before the scheduled meeting.

All Directors have unrestricted access to the Company's records and information from Management during the financial period to enable them to carry out their duties. Directors also liaise with Management as required, and may consult with other employees and seek additional information on request. If the Board (whether individually and as a group) require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

The Board has separate and independent access to the Company Secretary, who provides the Board with regular updates on the requirements of the Companies Act and all the rules and regulations of the SGX-ST. The Company Secretary and/or his representative(s) attended all Board and Board Committees meetings and prepared minutes of Board and Board Committees. The Company Secretary and/or his representative(s) assist the Chairman to ensure that the Board procedures are followed and reviewed so that the Board functions effectively, and all rules and regulations applicable to the Company, including requirements of the Companies Act and the Listing Manual, are complied with. The appointment and removal of the Company Secretary is subject to the approval of the Board.

3. REMUNERATION MATTERS

3.1 Procedures for Developing Remuneration Policies

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

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate directors and key management personnel.

The RC comprises three (3) members, all of whom are Independent Directors, namely Mr Foo Der Rong, Mr Hoon Tai Meng and Mr Ko Chuan Aun, and is chaired by Mr Foo. Each member of the RC shall abstain from voting on any resolutions in respect of his/her remuneration package.

CORPORATE GOVERNANCE REPORT

The RC is regulated by a set of written terms of reference endorsed by the Board, setting out their duties and responsibilities. Amongst the terms of reference of the RC, the members of the RC perform the following functions:-

(a) reviewing and recommending to the Board, a general framework of remuneration for the Board and key management personnel and the specific remuneration packages and terms of employment (where applicable) for each Director and key management personnel;

(b) reviewing and recommending to the Board, share option scheme, share award plans or any long term incentive schemes which may be set up from time to time, reviewing whether Directors or key management personnel should be eligible for such schemes and evaluating the costs and benefits of such scheme;

(c) ensuring all aspects of remuneration including but not limited to Director's fees, salaries, allowances, bonuses, options, share based incentives and awards, and benefits-in-kind are covered;

(d) determining the specific remuneration package and service contracts/terms of employment for each Director and key management personnel;

(e) considering the eligibility of Directors for participation under long-term incentive schemes;

(f) considering and making recommendations to the Board concerning the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration, and details of the specific remuneration packages of the Directors and key management personnel of the Company to those required by law or by the Code; and

(g) considering the obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of services, to ensure that such contracts of services contain fair and reasonable termination clauses which are not overly onerous.

In discharging its functions, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice shall be borne by the Company.

No Director or member of the RC shall be involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist it in its deliberations. No Director will be involved in determining his/her own remuneration.

3.2 Level and Mix of Remuneration

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

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors.

The Company has entered into service agreements with each of its Executive Directors. According to the respective service agreements of the Executive Directors:-

(a) the term of service is for a period of three (3) years and is subject to review thereafter;

(b) the remuneration includes, amongst others, a fixed salary, fees, a variable performance bonus, which is designed to align the Executive Directors' interests with that of the Shareholders; and

(c) there are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the Executive Director.

The Board concurred with RC and approved the renewal of the service agreement of the Managing Director, Mr Lee and the Executive Director, Mr Kok at the Board meeting held on 21 February 2019 for another three (3) years with effect from 1 April 2019.

The Independent and Non-Executive Directors do not have any service agreements with the Company and they receive Directors' fees, in accordance with their level of contributions, taking into account factors such as effort and time spent, and responsibilities of the Directors. The Company recognizes the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised. Save for Directors' fees, which have to be approved by the Shareholders at every AGM, the Independent and Non-Executive Directors do not receive any remuneration from the Company.

As recommended in the 2012 Code that provision be made in allowing the Company to reclaim incentive components of remuneration from the executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss of the Company, the RC is taking steps to incorporate the claw back provision into their respective service agreements and employment contracts.

The Company currently does not have any employee share option schemes.

3.3 Disclosure on Remuneration

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

The Company sets remuneration packages, which are competitive and sufficient to attract, retain and motivate Directors and key management personnel with adequate experience and expertise to manage the business and operations of the Group.

The remuneration paid to the Directors for services rendered for FY2018 are as follows:-

CORPORATE GOVERNANCE REPORT

Directors

	Salary	Fee	Bonus	Other benefits	Total
	%	%	%	%	%
Directors					
Between S$500,000 and S$749,999					
Kok Nyong Patt	65	9	5	21	100
Between S$250,000 and S$499,999					
Chen Seow Phun, John	77	9	6	8	100
Zheng Fengwen	82	10	6	2	100
Lee Tong Soon	79	9	6	6	100
Below $250,000					
Hoon Tai Meng	–	100	–	–	100
Foo Der Rong	–	100	–	–	100
Ko Chuan Aun	–	100	–	–	100
Jo-Anne Chang	–	100	–	–	100

Key management personnel

The remuneration paid to key management personnel for services rendered for FY2018 are as follows:-

Key Management Personnel					
Below $250,000					
Oh Kok Thai	82	–	7	11	100
Hau Ee Boon	80	–	7	13	100
Loh Beng Kiat	89	–	–	11	100
Zhang Peng	72	–	8	20	100
Gao Hui	72	–	8	20	100

The Board believes that it is in the best interest of the Company and the Group to disclose the Directors' remuneration in bands of S$250,000 rather in full, due to its confidentiality and sensitivity of remuneration packages. The Company also decided not to disclose information on the remuneration of the top five (5) key management personnel in dollars terms because of its confidentiality and the Company's concern over poaching of these key management personnel by competitors.

For the same reasons above, the Company believes it is not in the interests of the Company to disclose the total aggregate remuneration paid to the top five (5) key management personnel (who are not directors or the CEO) during FY2018.

There is no employee of the Group who is immediate family members of any Director or the CEO and whose remuneration exceeded S$50,000 during FY2018.

The RC had recommended Directors' fees of S$198,000 for the financial year ending 31 December 2019 for the Directors, which will be tabled by the Board at the forthcoming AGM for Shareholders' approval.

The Board has not included a separate annual remuneration report in its AR for FY2018 (as suggested by guidance note 9.1 of the Code) as the Board is of the view that the matters which are required to be disclosed in the annual remuneration report have already been sufficiently disclosed in the AR and in the financial statements of the Company.

4. ACCOUNTABILITY AND AUDIT

4.1 Accountability

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

The Company provides information pertaining to the operations, performance and financial position of the Group to all Shareholders through SGXNet and the Company's AR. The Board reviews and approves the results as well as any announcements before its release.

The financial results of the Company will be published via SGXNet on a half yearly basis, while the updates in respect to the Company's financial situation, future direction or other material development that may have a significant impact on its financial position are released on a quarterly basis pursuant to Rule 1313(2) of the Listing Manual. In line with Rule 705(5) of the Listing Manual, the Board provides negative assurance statement in respect of the half year financial results announcements. In addition, all Directors and key management personnel of the Company also signed a letter of undertaking pursuant to Rule 720(1) of the Listing Manual.

The Company may also, on an ad-hoc basis, hold media and analysts briefings and publish press releases of its financial results. In presenting the annual financial statements and half year results announcements to the Shareholders, it is the aim of the Board to provide the Shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. Management currently provides the Board with management accounts of the Group's performance, position and prospects on a half yearly basis and as the Board may require from time to time.

The Board reviews report from Management to ensure compliance with all the Group's policies, operational practices and procedures and relevant legislative and regulatory requirements. The Directors may seek independent professional advice and receive relevant training wherever applicable so as to maintain continuing standards and vigilance.

4.2 Risk Management and Internal Controls

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

The Board recognizes that it is responsible for the overall internal control framework, but accepts that no cost effective internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The AC will:

- satisfy itself that adequate measures are in place to identify and mitigate any material business risks associated with the Group;
- ensure that a review of the adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls and risk management systems, is conducted at least annually. Such review can be carried out by internal auditors/independent auditors;
- ensure that the internal control and risk management systems recommendations made by internal and independent auditors have been implemented by the Management; and
- ensure the Board is in a position to comment on the adequacy and effectiveness of the internal controls and risk management systems of the Group.

Together with the reports from the internal and independent auditors and management representation letters, the AC also carries out assessment of the adequacy and effectiveness of key internal controls during the year. Any material non-compliance or weaknesses internal controls or recommendations from the internal and independent auditors to further improve the internal controls and risk management systems were reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal and independent auditors.

The Board has received assurance from the Executive Chairman, CEO, Managing Director and Financial Controller:-

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

The Directors have received and considered the confirmations in accordance with Rule 705(5) of the Listing Manual from the CEO, the Managing Director, the Financial Controller and senior management of the subsidiaries in relation to the financial information for the year.

Based on the various management controls put in place and the reports from the internal and independent auditors, reviews and confirmations by the Management, the Board with the concurrence of the AC, is of the opinion that the system of internal controls addressing financial, operational, compliance and information technology controls, and risk management systems during the year are adequate and effective to safeguard the assets and ensure the integrity of financial statements. The Management continues to focus on improving the standard of internal controls and corporate governance.

4.3 Audit Committee

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

The AC comprises three (3) members, all are Independent Directors, namely Mr Hoon Tai Meng, Mr Foo Der Rong and Mr Ko Chuan Aun and is chaired by Mr Hoon. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

The Board is of the view that the members of the AC including the AC Chairman are appropriately qualified in that they have recent and relevant accounting or related financial management expertise and experiences to discharge the AC's function.

The AC comprises of members who have sufficient experience in finance, legal and business fields. None of the AC members was a former partner or director of the Company's existing audit firm with a period of 12 months nor has any financial interest in the auditing firm.

The AC assists the Board in discharging their responsibility to safeguard the Group's assets, maintain adequate accounting records, and in developing and maintaining effective systems of risk management and internal control. In addition, the AC reviews and reports to the Board at least annually the adequacy and effectiveness of the Company's internal controls including financial, operational, compliance and information technology controls, and risk management systems.

The AC performs the functions specified by the Companies Act, the Listing Manual and the Code and assists the Board in the execution of its corporate governance responsibilities within its established terms of reference.

The AC has adopted written terms of reference. According to the written terms of reference, the AC has the authority to undertake such reviews and projects as it may consider appropriate in the discharge of its duties. The AC has full access to and the co-operation of the Management. The AC may invite any Director or key management personnel to attend its meetings and has reasonable resources to enable it to perform its functions. The internal and independent auditors have direct and unrestricted access to the Chairman of the AC and the Chairman of the Board.

In FY2018, the AC met at least twice a year and also held informal meetings and discussions with Management from time to time. Details of the members' attendance at AC meetings in FY2018 are provided in Section 1.1 of this corporate governance report.

The AC performed the following functions in FY2018:-

(a) Independent Auditors

In the course of their audit, the independent auditors have reviewed the financial controls in areas which could have a material impact on the financial statements with an aim to ensure that these are adequate for the financial statements attestation purpose. They have reported their observations and made recommendations for improvement to the AC. The AC has also reviewed the report and ensures that Management has taken appropriate actions.

CORPORATE GOVERNANCE REPORT

For FY2018, the AC reviewed together with the auditors:-

(i) the audit plan (including, among others, the nature and scope of the audit before the audit commenced and the risk management systems issues of the Group);

(ii) their evaluation of the financial controls in areas which could have a material impact on the financial statements;

(iii) their auditors' report;

(iv) the assistance given to them by the Company's officers;

(v) the consolidated statement of financial position and income statement of the Company; and

(vi) the interested person transactions of the Group.

The auditors confirmed that the non-audit services provided to the Group in FY2018 is below 50% of audit fees, and the AC is of the opinion that the auditors' independence has not been compromised. The aggregate audit fees paid and payable to the auditors, Messrs Nexia TS Public Accounting Corporation in FY2018 are set out on page 50 of this AR.

In July 2010, the Singapore Exchange Limited ("**SGX**") and Accounting and Corporate Regulatory Authority ("**ACRA**") launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the independent auditors. Accordingly, the AC had evaluated the performance of the independent auditors based on the key indicators of audit quality set out in the Guidance such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

In addition, in October 2015, with the support from SGX and Singapore Institute of Directors, ACRA had introduced the "Audit Quality Indicators ("**AQIs**") Disclosure Framework to assist the ACs in evaluating the re-appointment of independent auditors based on eight (8) quality markers that correlate closely with audit quality. Accordingly, the AC had evaluated the independent auditors based on the eight (8) AQIs at engagement and/or firm-level.

The AC has reviewed the key audit matters disclosed in the independent auditors' report and is of the view that there is no material inconsistency between the audit procedures adopted by the independent auditors and the Management's assumptions and estimates and is satisfied that the key audit matters have been properly dealt with.

The AC shall continue to monitor the scope and results of the independent audit, its cost effectiveness and the independence and objectivity of the independent auditors and give its recommendations to the Board and the Company regarding the appointment, re-appointment or removal of the independent auditors. The Group has appointed different independent auditors for its significant associated companies. The AC is satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group. The Company confirmed that Rule 712, Rule 715 and Rule 716 of the Listing Manual have been complied with. Accordingly, the AC recommended to the Board, the nomination of the independent auditors of the Company for re-appointment at the forthcoming AGM.

The AC has met up with the independent auditors together with the internal auditors without the presence of Management in FY2018.

(b) Review of financial statements

For FY2018, the AC reviewed the half-year and full year financial statements of the Company and the Group, including announcements relating thereto, to the Shareholders and the SGX-ST.

(c) Review of interested person transactions

The AC has reviewed interested person transactions of the Group for FY2018 and reported its findings to the Board, if any. Please refer to page 132 of the AR for further details on the interested person transactions of the Group for FY2018.

The AC has put in place a whistle-blowing policy and procedures to provide employees with well-defined and accessible channels within the Group for reporting suspected fraud, corruption, dishonest practices, or similar matters or raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions.

The aim of the policy is to encourage the reporting of such matters in good faith and with confidence that employees making such reports will be treated fairly and to the extent possible, be protected from repulse. Where appropriate, an independent third party may be appointed to assist in the investigation.

The AC has not received any complaints as at the date of the AR.

In addition to the activities undertaken to fulfill its responsibilities, the AC is kept abreast by the Management, external and independent auditors on changes of accounting standards, stock exchange rules and other codes and regulations which could have an impact on the Group's business and financial statements.

4.4 Internal Audit

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

In FY2018, the Company has outsourced its internal audit function to a professional firm Messrs Mazars LLP. The internal auditor reports directly to the AC on audit matters and to the Chairman and Managing Director on administrative matters. The main objective of the internal audit function is to assist the Group in evaluating and assessing the effectiveness of internal controls and consequently to highlight the areas where control weaknesses exist, if any, and thus improvements could be made. The Company continues to work with the internal auditor to identify other scope of work which will help to further enhance the robustness of the Company's internal controls.

The AC has reviewed the adequacy of the internal audit function annually and ensured that the internal audit function is independent, effective, adequately resourced and has appropriate standing within the Company. The AC has met with the internal auditors, without the presence of Management, at least once a year.

CORPORATE GOVERNANCE REPORT

The internal auditor follows closely the standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Board acknowledges that it is responsible for the overall internal control framework but notes that no system of internal control could provide absolute assurance against all irregularities.

5. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

5.1 Shareholder Rights

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

The Company treats all the Shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights. Furthermore, the Company continually reviews and updates such governance arrangement. Shareholders are informed of changes in the Company's businesses that are likely to materially affect the value of the Company's shares.

The Board is mindful of the obligation to provide timely and fair disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST.

All the Shareholders will receive the AR and/or circular and the notice of the AGM and/or extraordinary general meeting within the notice period prescribed by the regulations. The notice is also advertised in a local newspaper and made available on SGXNet. The Company encourages the Shareholders' participation effectively in and vote at general meetings and all the Shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairman of each of the Board Committees.

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A Relevant Intermediary[1] may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting. The independent auditors are also present to assist the Directors in addressing any relevant queries from the Shareholders.

1 A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

b) a person holding a capital markets services licence to provide custodial services for securities under the Securities And Futures Act (Cap. 289) and who holds shares in that capacity; or

c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5.2 Communication with shareholders

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

5.3 Conduct of Shareholder Meetings

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

In line with the continuous obligations of the Company pursuant to the Listing Manual, the Board's policy is that all the Shareholders should be equally informed of all major developments impacting the Group.

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. Other than announcements made via SGXNet in accordance with the requirements of the Listing Manual, the Shareholders can access more information of the Company and the Corporate Profile of the Company from the Company's website *www.thaivillagerestaurant.com.sg*.

The Company recognizes that effective communication can highlight transparency and enhance accountability to the Shareholders. The Company provides information to the Shareholders via SGXNet announcements and news releases. The Company ensures that price-sensitive information is publicly released, and is announced on an immediate basis where required under the SGX-ST's rules. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that the Shareholders and the public have fair access to the information.

The Company does not practice selective disclosure. Price-sensitive information is first publicly released before the Company meets with any group of investors or analysts. Results and AR are announced and issued within the mandatory period. The Company does not employ any investor relations personnel, however, the Executive Directors and key management personnel are always available by email or telephone to answer questions from the Shareholders and the media as long as the information requested does not conflict with SGX-ST's rules of fair disclosure.

The Company currently does not have a dividend policy. The form, frequency and amount of dividend declared each year will take into consideration the Group's profit growth, cash position, positive cash flows generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

The Company welcomes active Shareholder participation at the general meetings. It believes that a general meeting serves as an opportune forum for the Shareholders to meet the Board and key management personnel and to communicate their views. To facilitate attendance of the Shareholders at the general meetings, the Company has always preferred holding the meetings at the city area at a location which is near to the bus or MRT stations.

Shareholders have the opportunity to participate effectively and to vote in general meetings either in person or by proxy. Resolutions on each distinct issue are tabled separately at general meetings.

CORPORATE GOVERNANCE REPORT

All Directors, including the chairman of the AC, NC and RC are present at the general meetings to address the Shareholders' queries. Independent Auditors will also be present at such meeting to assist the Directors to address any relevant queries from the Shareholders, if necessary.

The Company Secretary prepare minutes of general meetings and these minutes are subsequently reviewed and approved by the Board. These minutes will be available to the Shareholders upon their request.

The Company has implemented the system of voting by poll on all resolutions tabled at its general meetings. Results of each resolution put to poll at the general meetings will be announced with details of percentages in favour and against.

6. DEALINGS IN SECURITIES

The Company has complied with Rule 1207(19) of the Listing Manual in relation to the best practices on dealings in the securities:-

(a) The Company had devised and adopted its own internal compliance code to provide guidance to its officers with regards to dealings by the Company and its officers in its securities;

(b) Officers of the Company are reminded not to deal in the Company's securities on short-term considerations; and

(c) The Company and its officers must not deal in the Company's shares (i) during the periods commencing one (1) month before the announcement of the Company's half-year and full year financial statements, ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

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

7. MATERIAL CONTRACTS

Other than disclosed in the audited financial statements and the service agreements between the CEO, Executive Directors and the Company, there was no material contracts to which the Company or any subsidiary company is a party and which involve the CEO, Directors and controlling shareholders' interests subsisted at the end of the financial year, or have been entered into since the end of the previous year.

8. INTERESTED PERSON TRANSACTIONS

Save as disclosed in the financial statements, there was no interested person transactions with aggregate value of S$100,000 or more for the FY2018.

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	13	0.73	558	0.00
100 - 1,000	152	8.47	87,806	0.02
1,001 - 10,000	626	34.89	2,384,325	0.62
10,001 - 1,000,000	983	54.79	77,423,828	19.97
1,000,001 AND ABOVE	20	1.12	307,852,183	79.39
TOTAL	**1,794**	**100.00**	**387,748,700**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	101,788,750	26.25
2	ROSSBAY PRIVATE LIMITED	40,000,000	10.32
3	SINGAPORE ENTERPRISES PTE LTD	38,700,000	9.98
4	TEO KIANG ANG	28,617,400	7.38
5	KOK NYONG PATT	25,027,725	6.45
6	LEE TONG SOON	24,135,526	6.22
7	UNIGOLD ASIA LIMITED	22,252,725	5.74
8	DBS NOMINEES (PRIVATE) LIMITED	5,646,800	1.46
9	CHAN I-HARN ALVIN (CHEN YIHAN ALVIN)	3,032,000	0.78
10	TEO KOK LEONG	2,852,000	0.74
11	PHILLIP SECURITIES PTE LTD	2,211,250	0.57
12	LEE SZE KIAN	2,097,200	0.54
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,017,750	0.52
14	ABN AMRO CLEARING BANK N.V	1,585,300	0.41
15	LIM TIONG SOON	1,578,900	0.41
16	ANG YU SENG	1,554,500	0.40
17	CHUA YEW CHYE	1,400,000	0.36
18	CHEN LIPING	1,300,000	0.34
19	CHAN TIAN HOE	1,050,000	0.27
20	OCBC SECURITIES PRIVATE LIMITED	1,004,357	0.26
	TOTAL	**307,852,183**	**79.40**

STATISTICS OF SHAREHOLDINGS

SHAREHOLDING INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS AS AT 20 MARCH 2019

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
UOB Kay Hian Private Limited	101,788,750	26.25	–	–
Sunlead Evergrowing Capital Co. Limited (1)	–	–	100,000,000	25.79
Xu Cai Kui (2)	–	–	100,000,000	25.79
Zheng Fengwen (3)	–	–	100,000,000	25.79
Rossbay Private Limited	40,000,000	10.32	–	–
Heng Chin Ngor Doris (4)	–	–	40,000,000	10.32
Jo-Anne Chang (5)	–	–	40,000,000	10.32
Singapore Enterprises Private Limited	38,700,000	9.98	–	–
Teo Kiang Ang	28,617,400	7.38	–	–
Kok Nyong Patt	25,027,725	6.45	–	–
Lee Tong Soon (6)	24,135,526	6.22	12,500	0.01
Unigold Asia Limited	22,252,725	5.74	–	–
John Chen Seow Phun (7)	–	–	23,163,525	5.97

Notes:-

(1) Sunlead Evergrowing Capital Co., Limited is the beneficial owner of 100,000,000 shares held by UOB Kay Hian Private Limited.

(2) Mdm Xu Cai Kui is deemed to be interested in 100,000,000 shares in the capital of the Company which are held by Sunlead Evergrowing Capital Co. Limited pursuant to Section 7 of the Companies Act, Chapter 50 of Singapore by virtue of her being a shareholder of Sunlead Evergrowing Capital Co. Limited.

(3) Mr Zheng Fengwen is deemed to be interested in 100,000,000 shares in the capital of the Company which are held by Sunlead Evergrowing Capital Co., Limited, which is deemed to be interested by his spouse, Mdm Xu Cai Kui.

(4) Ms Heng Chin Ngor Doris is deemed to be interested in 40,000,000 shares in the capital of the Company which are held by Rossbay Private Limited pursuant to Section 7 of the Companies Act, Chapter 50 of Singapore by virtue of her being a director and shareholder of Rossbay Private Limited.

(5) Ms Jo-Anne Chang is deemed to be interested in 40,000,000 shares in the capital of the Company which are held by Rossbay Private Limited pursuant to Section 7 of the Companies Act, Chapter 50 of Singapore by virtue of her being a director and shareholder of Rossbay Private Limited.

(6) Mr Lee Tong Soon is deemed to be interested in 12,500 shares in the capital of the Company which are held by his daughter, Miss Lee Chun Hui, Crystal.

(7) Dr. John Chen Seow Phun is deemed to be interested in 22,252,725 shares in the capital of the Company which are held by Unigold Asia Limited by virtue of him being the sole director and sole shareholder of Unigold Asia Limited, and is deemed to be interested in 62,500 shares in the capital of the Company which are held by his spouse, Madam Lim Kok Huang. He is the beneficial owner of 848,300 shares held by DBS Nominees (Private) Limited.

SHAREHOLDERS' INFORMATION

Class of equity securities	Number of equity securities	Voting Rights
Ordinary Shares	387,748,700	One vote per share (excluding treasury shares and subsidiary holdings)
Treasury Shares	0	Nil
Subsidiary Holdings	0	Nil

RULE 723 OF THE SGX LISTING MANUAL – FREE FLOAT

As at 20 March 2019, approximately 27.88% of issued share capital of the Company was held in the hands of public as defined in the SGX Listing Manual. Accordingly, the Company confirms that Rule 723 of the Listing Manual is complied with.

SUSTAINABILITY REPORT

BOARD STATEMENT

The Board is of the view that sustainability means the running of the business in a way that is not only financially beneficial but also has a positive impact on our stakeholders and environment. Therefore, the board is committed to incorporate the key principles of environment, social and governance in setting out our business strategies and operations.

OUR SUSTAINABILITY VISION

Our sustainability vision is to produce and supply high-quality products and services in a manner that minimises any adverse impact on the environment, while at the same time creates sustainable value for our stakeholders.

AREAS OF FOCUS

However, we also acknowledge this is an important decision for the long-term, and to achieve this, we will be focusing on the following areas:

1) Production and operating process
2) Innovation
3) Environmental protection

With the commitment and determination towards sustainability, we will continue to seek improvement in our existing and future sustainability programs; we will also strive to balance the impact of economic growth, environmental protection and social responsibility in our strategic plan with the aim to achieving sustainable value for all stakeholders.

ABOUT THIS REPORT

This is our group second sustainability report. Our group will continue to report on a yearly basis within our annual report. This report will continue to focus on the following factors that impact our business:

1) economic and operation
2) environmental and
3) social issues

Our objective is to communicate our sustainability strategies, management approaches, and performances with our stakeholders, and to introduce our ongoing activities for our sustainable development.

In this report, we set out the approaches adopted by the group and the measures we have taken thus far in managing the economic, environmental, social and governance aspects of our business operations adopted from Global Reporting Initiative (GRI) guidelines.

At the same time, we will continue from the established performance targets which we have tracked and will report them in our subsequent sustainability reports. The current report is not subject to any external assurance. We may consider seeking external assurance in the future.

REPORTING PERIOD AND SCOPE

This report explains our strategies and approaches in all aspects of sustainability and provides detailed information of our sustainability performance in all our businesses and is applicable to the Group's financial year ended 31 December 2018.

MATERIALITY ASSESSMENT

Economic and operational factors

Retention of customers

It is a known fact that it generally costs more to acquire a new customer than retain an existing one. Not only is it cheaper to retain existing customers than acquiring new ones, but the returns from the business of existing customers are also often higher too. Based on our past experience, loyal customers tend to spend more than new customers due to their familiarity with our business and our products.

Therefore, customer retention is crucial to the sustainability of our group business.

Improvement in productivity efficiencies

Productivity improvement is always part of our long-term and key process for sustaining a business. Improving productivity results in a reduction in business operating cost. Lower cost also enables the business to maintain its a competitive price which could result in improving revenue. Combining the yields from the improvement in productivity and increased demand for our products and services, the result is better profits for the group.

Productivity efficiency could be achieved by eliminating unnecessary wastage of raw material, wastage of manpower and waste of space, etc. Thus, it is necessary to adopt an efficient productivity improvement system that enables business and individuals to continue to improve productivity.

It is also a known fact, during economic turmoil, a cost-effective company will have a better chance of sustaining its businesses and operations.

Strategic partnership

Strategic partnerships are increasingly important to businesses' corporate growth with executives putting more resources to manage partnerships.

In the globalizing economy when information is just keystroke away, an effective strategic partnership work in helping businesses pool knowledge resources, share costs, diversify their business and create opportunities to enhance sales growth and improve business.

Apart from the above, we have also successfully centralised our procurement with reliable and effective suppliers. Having effective suppliers and business partners, we are able to achieve better bargaining power in terms of purchase cost and we are able to save on investing in storage and personnel.

SUSTAINABILITY REPORT

Environmental factors

Reduce, reuse and recycle

The group continue to do our part for the environment and have adopted "waste hierarchy" to manage the process.

Waste hierarchy is the order of priority of actions to be taken to reduce the amount of waste generated and to improve overall waste management processes and programs. The waste hierarchy consists of 3 R's as follows:

- Reduce
- Reuse
- Recycle

This waste hierarchy is the guidance suggested for creating a sustainable life.

The 3R's actions during production processes reduce the need for raw materials, human cost and pollution. They also help to save the energy required to harvest and dispose of wastes. The result has reduced the cost of business. Most importantly, they help to sustain the environment for future generations.

Reduction in carbon emissions

Consistent with the world-wide government's push to go green, we have since started to use more energy efficient cookware and appliances in our central kitchen and offices. As an example, we are changing the lighting system in all our outlets to LED lights which consume lesser electricity to light up. The result is a reduction in our carbon emissions.

Installing POS systems

We have installed POS systems that allow the staff to take orders digitally rather than writing them down on paper to help reduce the use of paper. POS systems allow restaurateurs to efficiently keep track of inventory, which means it's easy to know exactly what items need to be reordered and how much of each item. This prevents over-ordering, which can lead to food waste.

Waste oil treatment

For our food and beverage business, waste oil treatment has always been a key and crucial issue to us. As a responsible company, our waste oil is collected and recycled into other products, thus reducing damage to the environment.

Social factor

Sustainability Affects Morale

Companies that focus on sustainability are often viewed more favorably by the public, which has a positive effect on employees' morale. This, in turn, will pass on to customers when employees interact with them thus leading to better customer services and enhancing the organization. Furthermore, not only sustainability helps to retain employees, it may also help to attract better talents.

In general, many of the best and brightest across every industry are interested in working for companies that put ethics over profit and work to create a better world. This may enrich the talent pool, helping to raise recruiting standards and build better teams.

HR Is Poised to Integrate Sustainability

HR plays an important role in the adoption of more sustainable practices. Since recruitment, onboarding, and training are integral functions of HR, HR professionals can make sure that sustainability is ingrained into new employees' view of the company from the start. Talking about reducing waste throughout onboarding and training can help to set the foundations for more sustainable practices.

HR can also encourage sustainable practices throughout employee lifecycles and daily tasks. By helping to set up software and system that takes care of things like time and attendance tracking, scheduling, succession planning, and goal setting, HR professionals can help to save paper while improving efficiency within the organization.

Besides preaching about sustainability and implementing more sustainable systems, HR can also help to engage employees with sustainability by introducing employee feedback program and sustainability ideas. When employees are really living sustainability, we can feel comfortable knowing that they are doing their part to minimize waste within our company. It is also a known fact that many good initiatives can come from employees.

Compliance with industrial standards

For our food and beverage business, food safety has always been our utmost priority. The group has embarked on the SS 590:2013 a HACCP -based Food management system. It is a robust food safety management standard in Singapore which is closely aligned to the international ISO food safety management system standard (ISO 22000). We are working towards obtaining ISO 22000 as we expand our global footprint.

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

Stakeholder trust and support are essential to our success. We have in place a reporting and briefing system to keep our stakeholder informed so that our stakeholders are well engaged with us.

Stakeholders	Keys Topics	Engagement method
Customers	• Service and food quality • Improvements • Customer support; • Financial performance	• Customer visits or meetings • Industry exhibitions • VIP/loyalty program • Online platform • Social media • Customer service hotline and email
Employees	• Communication and engagement • Career advancement • Staff welfare • Working environment condition • Training	• Social events with employees, internal announcement and emails • Regular management meeting with staff • Regular review with department heads • Peer to peer review
Shareholders	• Return on investment • Operation in compliance with applicable law and regulations	• Half yearly and annual financial results announcement; • Annual and Sustainability report
Investors	• Strategic plans • Operation in compliance with applicable law and regulations	• Regular meeting with investors; • Sustainability report
Suppliers	• Supplier quality performance; • Supplier sustainability in business; • Operation in compliance with applicable law and regulations	• Regular meeting with suppliers; • Key suppliers audit; • Sustainability report
Government and regulators	• Operation in compliance with applicable law and regulations	• Regular compliance update and submission
Communities	• Environmental protection; • Community activities • involvement; • Support to society organisations; • Operation in compliance with applicable law and regulations	• Participation in community activities; • Communication through phones and emails; • Sustainability report

OUR SUSTAINABILITY PROGRESS AND TARGETS

Product, cost-cutting and process innovation

We continue to improve the productivity of our process and at the same time provide high-quality products and services that comply with international and local food safety standards.

We will continue to incorporate sustainability concepts into our products. In order to achieve this, we will continue with our research and development activities. We are developing a new way of processing more products with enhanced qualities and at the same time reducing wastages at our central kitchen. Through this process, we aim to further reduce our carbon footprint during the production process.

To improve data management

Company information data is a valuable asset to a company, this includes but is not limited to customers' data, suppliers' data and company financial data. The group has a data protection policy to properly secure and protect the integrity of company information data. From 2018, the group did not report any major breakdown of the data management system.

Environmental protection

The group continued its journey toward environment protection goal. We have stepped up our efforts in our centralized kitchen to reduce waste of raw materials, manpower, and energy. Some of the work we carried out in 2018, such asreplacing the kitchen equipment and the lighting system with more energy efficient products, has led to the saving of utility usage. As compared to 2017, after we implemented the above, we have the following savings:

Item	Saving in term of percentage
Gas	3.6%
Water	0.6%
Electricity	7.7%

Community investment

As part of ongoing Corporate Social Responsibility initiatives, we continue to play our part to champion a growing diversity of programs and initiatives to give back to society.

Over the years, we have participated in many social activities organised by various academic institutions. We recognise the importance of practical training. We aspire to be able to provide a platform to train employees for the industry we are in. Besides fulfilling our social responsibility, we also create employment opportunities.

GOVERNANCE

Corporate governance

Our company has generally adhered to the framework as outlined in Code of Corporate Governance 2012 for the financial year ended 31 December 2018. The Board acknowledges that with a high standard of corporate governance, it ensures the sustainability of the business and also safeguards the interest of stakeholders. You may refer to the Corporate Governance Report of this Annual Report for details for our corporate governance practices.

NOTICE OF ANNUAL GENERAL MEETING

PAVILLON HOLDINGS LTD.

(Company Registration No. 199905141N)
(Incorporated in Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Pavillon Holdings Ltd. (the "**Company**") will be held at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691 on Thursday, 25 April 2019 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESSES

1. To receive and adopt the Statement by Directors and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon.
(Resolution 1)

2. To approve the payment of Directors' fees of S$198,000 for the financial year ending 31 December 2019, with payment to be made in arrears. (2018: S$378,000)
(Resolution 2)

3. To re-elect Dr John Chen Seow Phun who retire pursuant to Regulation 107 of the Constitution of the Company.
(Resolution 3)
[See Explanatory Note (i)]

4. To re-elect Mr Lee Tong Soon who retire pursuant to Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**")
(Resolution 4)
[See Explanatory Note (ii)]

5. To re-elect Mr Foo Der Rong who retire pursuant to Regulation 107 of the Constitution of the Company.
(Resolution 5)
[See Explanatory Note (iii)]

6. To re-appoint Messrs Nexia TS Public Accountant Corporation as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 6)

7. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

8. **Authority to issue shares pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That the Directors of the Company be authorised and empowered pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and Rule 806 of the Listing Manual of the SGX-ST to issue shares and convertible securities in the Company upon such terms and conditions and for such purposes and to such persons and with such rights or restrictions as the Directors of the Company may in their absolute discretion deem fit. PROVIDED ALWAYS THAT the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent (50%) of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed twenty per cent (20%) of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company and that unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. For the purposes of this resolution, the percentage of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company shall be based on the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company at the time of the passing of this resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities or from exercising employee share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution, provided that the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(b) any subsequent bonus issue, consolidation or subdivision of shares.

(Resolution 7)

[See Explanatory Note (iv)]

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary

Singapore, 10 April 2019

Explanatory Notes:

(i) Dr John Chen Seow Phun will, upon re-election as a Director of the Company, remain as the Executive Chairman and will be considered non-independent. Please refer to Corporate Governance Report on page 111 to page 112 in the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.

(ii) Mr Lee Tong Soon will, upon re-election as a Director of the Company, remain as the Managing Director and will be considered non-independent. Please refer to Corporate Governance Report on page 114 in the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

(iii) Mr Foo Der Rong will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to Corporate Governance Report on page 118 in the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.

(iv) The Ordinary Resolution 7 in item 8 above, if passed, will empower the Directors of the Company from the date of the meeting effective until the conclusion of the next Annual General Meeting of the Company to issue shares and convertible securities in the Company up to a number not exceeding, in total fifty per cent (50%) of the total issued share capital (excluding treasury shares and subsidiary holdings), of which up to 20% may be issued other than on a pro-rata basis, to the existing shareholders of the Company, for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting.

Notes

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at Block 1002 Tai Seng Avenue, #01-2536, Singapore 534409 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

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

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PAVILLON HOLDINGS LTD.

Company Registration No. 199905141N
(Incorporated in the Republic of Singapore)

IMPORTANT:

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

PROXY FORM

(Please see notes overleaf before completing this Form)

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

of ....

being a member/members of Pavillon Holdings Ltd. (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing *him/her/them, the Chairman of the meeting as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691 on Thursday, 25 April 2019 at 3.00 p.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

No.	**Resolutions relating to:**	**No. of votes 'For'***	**No. of votes 'Against'***
1	Adoption of Audited Financial Statements for the financial year ended 31 December 2018		
2	Approval of Directors' fees amounting to S$198,000 for the financial year ending 31 December 2019, with payment to be made in arrears		
3	Re-election of Dr John Chen Seow Phun as a Director		
4	Re-election of Mr Lee Tong Soon as a Director		
5	Re-election of Mr Foo Der Rong as a Director		
6	Re-appointment of Messrs Nexia TS Public Accountant Corporation as Auditors and to authorise the Directors to fix their remuneration		
7	Authority to issue shares		

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

* *Delete where inapplicable*

Dated this .... day of 2019

Total number of shares held

....

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

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Block 1002 Tai Seng Avenue, #01-2536, Singapore 534409 not less than 48 hours before the time appointed for holding the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2019.

General:

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

Pavillon Holdings Ltd.
Company Registration No. 199905141N

Block 1002 Tai Seng Avenue
#01-2536, Singapore 534409
Tel: 65 64876182 • Fax: 65 64876183

SINGAPORE • CHINA • VIETNAM • CAMBODIA • INDONESIA