Members of BreadTalk Group Ltd

www.breadtalk.com

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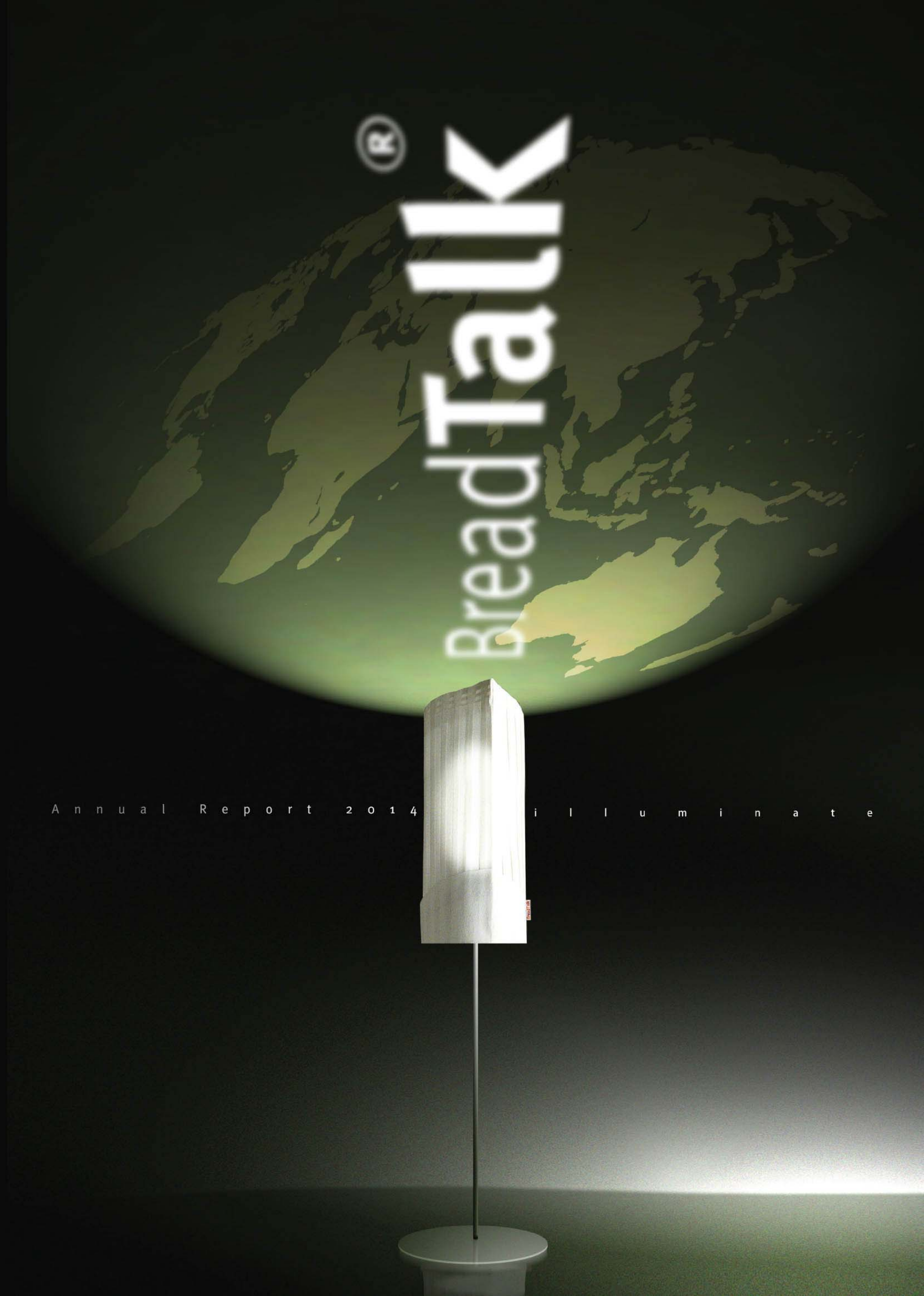
BreadTalk Group Limited › Annual Report 2014



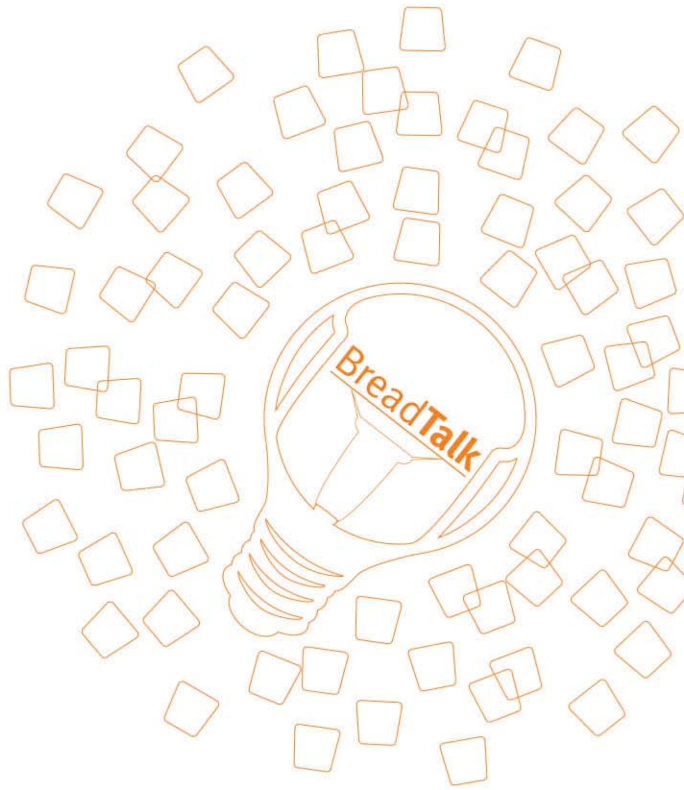
Annual Report 2014

illuminate

I L L U M I N A T E

The BreadTalk Group

has illuminated the food and beverage scene in Asia since its inception in 2000. Having grown from a single house brand to an international portfolio of seven, it has revolutionised how consumers enjoy their daily bread and titillated their palates like never before. With an excellent track record and well-executed store expansions, 2014 also marked a year of numerous local and international award wins, culminating in the World Retail Awards in Paris - capping off the year with a **bright spark!**



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CORPORATE PROFILE

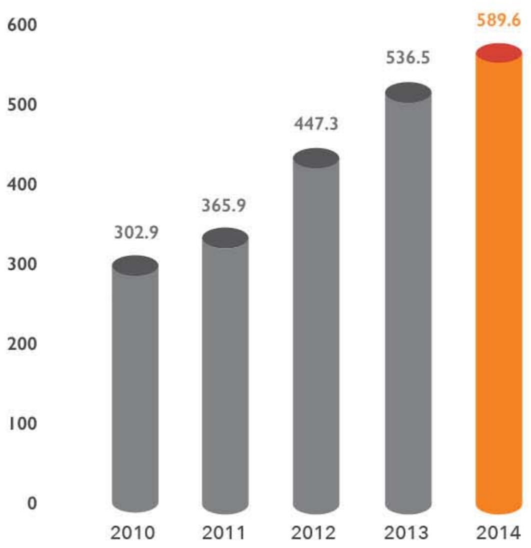
Moving into our 15th year, BreadTalk Group Limited ("BreadTalk" or the "Group") first started as a boutique bakery in 2000 before evolving into Asia's award-winning food and beverage ("F&B") group today, featuring an acclaimed portfolio of bakeries, restaurants and food atria.

Listed on the Singapore Exchange since 2003, the Group has continued to grow in breadth over the years, boasting a network of 17 territories to date, with 914 F&B outlets spread across Singapore, Mainland China, Hong Kong, Indonesia and Thailand, supported by a global staff base of 7,000.

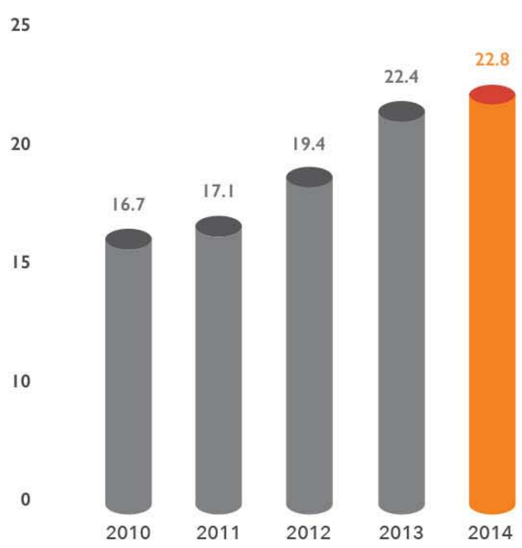
Focusing on continuous innovation, we have built a distinctive F&B brand and continued to delight our customers with a myriad of delectable offerings. Our proprietary brands include BreadTalk, Toast Box, Thye Moh Chan, Bread Society, Food Republic, RamenPlay and The Icing Room. In addition, we also manage Michelin star-rated Din Tai Fung from Taiwan.

FINANCIAL HIGHLIGHTS

Revenue (S$' Million)



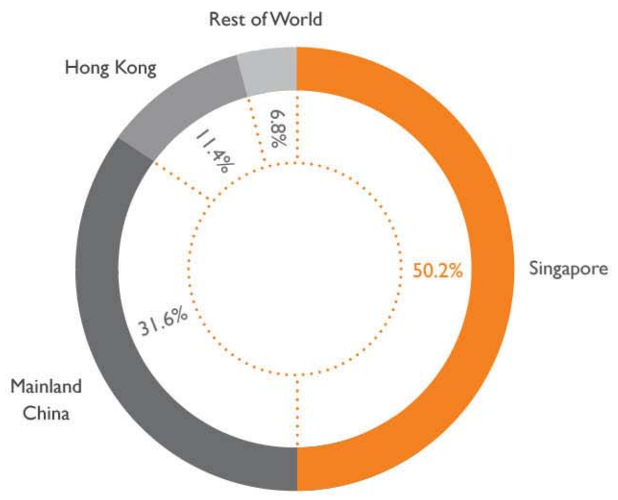
Profit Before Tax (S$' Million)



Revenue Mix by

GEOGRAPHICAL SEGMENT

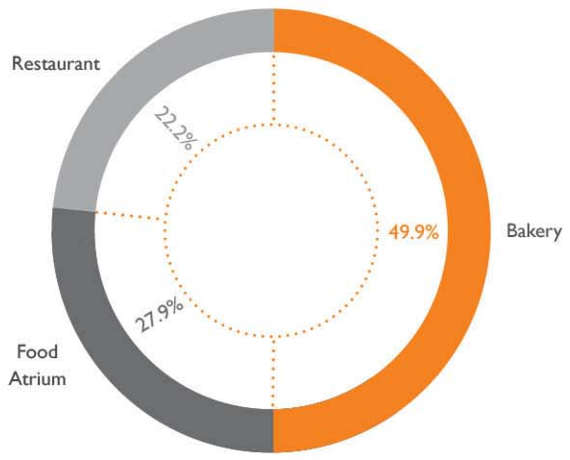
FY2014



Revenue Mix by

BUSINESS SEGMENT

FY2014



FINANCIAL HIGHLIGHTS

BreadTalk Group Limited & Its Subsidiaries - Group Financial Highlights

FINANCIAL RESULTS ($'000)	FY2010	FY2011	FY2012	FY2013	FY2014
REVENUE	302,888	365,904	447,334	536,530	589,644
EARNING BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION	38,162	41,357	49,621	62,261	70,860
OPERATING PROFIT	16,564	16,995	18,624	22,923	24,923
PROFIT BEFORE TAX	16,688	17,127	19,376	22,390	22,813
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11,266	11,592	12,000	13,600	12,194

FINANCIAL POSITIONS ($'000)	FY2010	FY2011	FY2012	FY2013	FY2014
PROPERTY, PLANT AND EQUIPMENT	73,306	88,898	157,408	225,860	220,670
INVESTMENT IN ASSOCIATES/ JOINT VENTURES	446	422	4,025	8,206	11,268
INTANGIBLE ASSETS	9,142	9,214	8,531	7,772	7,691
OTHER NON-CURRENT ASSETS	14,424	15,178	60,703	78,034	107,655
CURRENT ASSETS	106,879	148,593	125,742	148,380	168,701
CURRENT LIABILITIES	(118,254)	(151,484)	(206,066)	(213,202)	(263,043)
NON-CURRENT LIABILITIES	(10,860)	(25,353)	(59,318)	(151,067)	(137,198)
NON-CONTROLLING INTERESTS	(6,521)	(7,498)	(8,475)	(10,030)	(13,242)
SHAREHOLDERS' EQUITY	68,562	77,970	82,550	93,953	102,502

RATIOS	FY2010	FY2011	FY2012	FY2013	FY2014
EBITDA MARGIN (%)	12.6	11.3	11.1	11.6	12.0
NET MARGIN (%)	3.7	3.2	2.7	2.5	2.1
EARNINGS PER SHARE (CENTS) - BASIC (1)	4.01	4.12	4.27	4.83	4.33
EARNINGS PER SHARE (CENTS) - DILUTED (1)	3.99	4.10	4.25	4.82	4.32
NET ASSET PER SHARE (CENTS) (2)	24.37	27.78	29.37	36.94	41.06
NET TANGIBLE ASSET PER SHARE (CENTS) (2)	21.12	24.50	26.34	34.18	38.33
GEARING (TIMES) (3)	0.26	0.47	1.06	1.80	1.93
RETURN ON SHAREHOLDERS' EQUITY (%) (4)	18.6	15.8	15.0	15.4	12.4

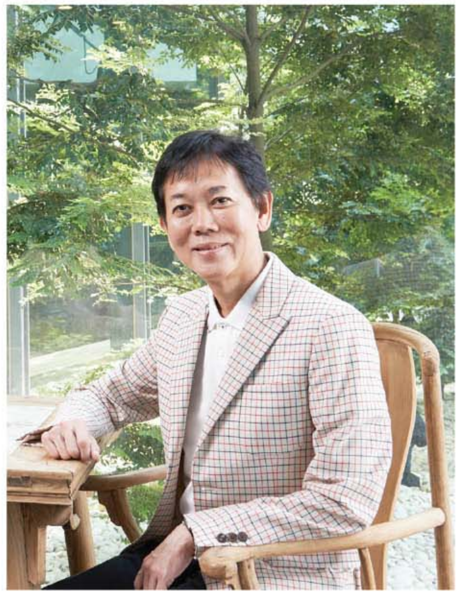
(1) The basic and diluted earnings per ordinary share for FY2014 are computed based on the weighted average number of ordinary shares (excluding treasury shares) in issue during the year 281,686,662 and 282,334,778 respectively.

(2) Net assets per share and net tangible assets per share as at end of FY2014 are computed based on the share capital of 281,890,148 ordinary shares, representing shares issued and fully paid (excluding treasury shares) as at end of the year.

(3) Gearing is computed based on total borrowings divided by shareholders' equity.

(4) Return on shareholders' equity is the profit attributable to equity holders of the Company expressed as a percentage of the average shareholders' equity.

CHAIRMAN'S MESSAGE



Dear Shareholders,

In 2014, we witnessed the continuation of a slowdown in Asia's largest economy – China, which grew 7.4%, its weakest performance in nearly a quarter-century[1]. This had a ripple effect on many economies in the region and impacted general consumer and business sentiment.

Indonesia continued to grapple with economic challenges that saw its growth bottoming out at 5% in 2014[2], while growth for both Hong Kong and Thailand were hampered by political issues. At home, the F&B market remained robust, fuelled by the local penchant for eating out, but industry players faced intense competition from the ever growing number of new entrants as well as operational headwinds that include a tightening labour supply and high overheads.

In spite of this challenging backdrop, our Group maintained modest profits for the year ended 31 December 2014 ("FY2014"). In addition, we are pleased to mark several notable achievements that reinforced our market position as a leading regional F&B company including achieving a number of prestigious awards, penetrating into new cities, and forging key strategic partnerships.

In the year under review, the Group continued with our relentless pursuit of brand reinvention, constantly evolving and innovating to anticipate changing lifestyle trends and consumers' palates. I am proud that our efforts in building a staple of distinctive brands have been rewarded with increasing market recognition and the receipt of several international accolades.

Notably, our home-grown bakery brand, BreadTalk, won the prestigious award of Growth Market Retailer of the Year at the highly-acclaimed World Retail Awards ("WRA") in 2014. Organised by the World Retail Congress, the World Retail Awards, which is in its eighth year, recognises global excellence across key areas of retailing such as advertising, corporate responsibility and innovation. This is indeed a proud achievement for the Group as BreadTalk is the first Singaporean company to have been bestowed this award, as well as the first bakery brand to win in this category.

Moving forward, to maintain our competitive edge, the Group is committed to creating and refreshing our brand concepts with new initiatives and products that will ignite consumers' expectations.

Financial Performance

Despite intense competition and rising labour and rental cost pressures, the Group managed to turn in a credible set of results for FY2014. For the year under review, the Group registered a 9.9% year-on-year growth in revenue to S$589.6 million, while profit after tax and attributable to shareholders ("PATMI") dipped 10.3% to close at S$12.2 million.

The Group's performance was impacted by softer than expected demand across all markets, particularly Mainland China, in the traditionally strong last quarter of the year. In Singapore, margins were also compromised due to intense competition, manpower shortages and rising operating costs.

The Bakery Division recorded a 8.4% increase in sales to S$294.5 million due to improved contributions from all markets. However, PATMI took a 36.8% hit compared to the previous year as a result of higher labour and rental costs, start-up expenses for new stores and store closure-related costs.

Revenue for the Food Atrium division rose 15.2% to S$168.2 million, contributed by growth in Mainland China, Hong Kong and Singapore, offset by subdued performance from Thailand, Malaysia and Taiwan. PATMI grew 12.9% year-on-year largely contributed by Hong Kong and Singapore, while stores in Western Mainland China and Taiwan did not perform within expectations.

Excluding Carl's Jr which underwent a restructuring of operations in March 2014, the Restaurant Division turned in a 12.5% year-on-year revenue growth to S$129.5 million, boosted by Din Tai Fung ("DTF") operations. PATMI was almost flat compared to the preceding year due to continuing operating loss sustained by RamenPlay and store closure-related costs.

Expanding Reach

Since 2000, when the Group launched our first BreadTalk outlet in Singapore, we have made progressive growth over the years. Today, the Group has expanded our business to three divisions - Bakery, Restaurant and Food Atrium - with seven brands spread across 17 territories in Asia and the Middle East.

We added 156 new outlets to our fold during the fiscal year, led by 103 new outlets in Greater China and 22 new outlets in Singapore, bringing the total number of outlets including franchise outlets to 914 as at 31 December 2014.

The Bakery Division added 80 new outlets during the year, increasing the total number of outlets to 817. The Division successfully penetrated into new markets with the opening of BreadTalk brand in Phnom Penh, Cambodia and Lanzhou, Mainland China. During the year, the Bakery Division also celebrated the opening of our 100th Toast Box outlet at Shaw House, located on the prime shopping belt of Orchard Road.

In Thailand, we entered into a strategic partnership with The Minor Food Group Public Company Limited to start up a new joint venture company under the name BTM (Thailand) Ltd. This move is part of our efforts to further develop the BreadTalk brand in the 'Land of Smiles' to maximise overall return from the region.

Our Restaurant Division added three DTF restaurants in Singapore and Thailand where we own the franchise, bringing the total number of outlets to 21 in both countries.

The Group also added five outlets to the Food Atrium Division in Mainland China, Hong Kong and Singapore, bringing the total tally to 63 outlets as at 31 December 2014.

BreadTalk IHQ

The IHQ (International Headquarters) is one of our most significant investments. Covering almost 7,000 square metres of prime land at Paya Lebar, the building houses our main office, central production facilities, Research and Development labs, BreadTalk Training Academy, and retail space. The tenants and F&B outlets at levels 1 and 2 have proven successful in attracting shoppers anchored by our brands and a constant pipeline of exciting events and promotions which make the IHQ a go-to destination.

BreadTalk International Headquarters at Paya Lebar iPark

CHAIRMAN'S MESSAGE

112 Katong

Beijing Tongzhou

Chijmes

TripleOne Somerset

Strategic Investments

The Group has adopted a two-pronged approach for our strategic investments. We look for opportunities that are able to yield attractive returns, while offering our brands superior vantage locations at assets we have a stake in. Apart from having a first-right-of-refusal to the retail space at properties we have an interest in, our investment in real estate also serves as a hedge against inflation and rising rental costs.

To date, we have interests in properties located in Mainland China and Singapore. In Mainland China, our key investment is in the Beijing Tongzhou Integrated Development ("BJTZ") and in Singapore, we have a stake in several prime commercial properties including Chijmes, TripleOne Somerset and 112 Katong.

Beijing Tongzhou

BJTZ is located at the South-Eastern corridor of Beijing's Eastern Gate, less than 20 kilometres from the capital's city centre and the Beijing Capital International Airport.

Earmarked to be Beijing's new business district, the Group has invested a total of S$35.0 million in the project, which upon completion, will feature a mix of retail, office and residential offerings.

TripleOne Somerset

Just steps away from Singapore's prime shopping belt, Orchard Road, TripleOne Somerset was the Group's sole property investment in FY2014. The Group invested S$17.5 million in junior bonds, preference shares and ordinary shares issued by Perennial Somerset Investors Pte Ltd to acquire this commercial building in January 2014.

Featuring 17 storeys of premium retail concepts with a double storey retail podium, the asset with a gross floor area of 766,500 square feet offers a myriad of cutting-edge new-to-market brands alongside niche labels from home-grown and international designers. The building is also well-placed in terms of accessibility being situated next to the Somerset MRT station and along two major road frontages, Somerset Road and Devonshire Road.

Investing in Talent

We are committed to ensuring that our people resources are ready and well-rounded in all that they do. The BreadTalk Group Academy, located at the BreadTalk IHQ, provides a holistic training approach, integrating theory, practical training in the central kitchen and hands-on experience at the outlets.

The Academy plays an integral role in developing a career roadmap and training programme for our staff. It also helps equip our overseas staff with the right knowledge and skill sets to support our international franchise operations.

With a vision to be a top-class training institution, the Academy focuses on three key areas – R&D and technical training for the culinary team; retail and service quality training for store operations staff; and leadership courses for management. It also has a Talent Management division to tailor courses for management and leadership training.

Continuous staff development is recognised as a cornerstone of BreadTalk Group's commitment to service excellence in all our stores worldwide

Looking Ahead

Although the global economy struggles to gain momentum, Asia's economy continues to be robust and outpace that of the Western world. The Group will focus on growing our portfolio of proprietary brands as well as franchise network in new markets such as India, Myanmar, Japan and Australia.

Aside from that, the Group will continue to increase our presence in core markets, particularly in Mainland China, where we continue to expand deeper into the second and third-tier cities to maintain our first-mover advantage.

As retail consumption remains the key driver of our success, our focus for the year ahead lies in growing the breadth and depth of our brand equity as well as enhancing our customers' experiences by being in tune to what customers want.

(1) *Source: Associated Press - Global economy squeezed by worsening slowdown in China, 20 January 2015*

(2) *Source: The Economist (http://country.eiu.com/indonesia)*

Appreciation

Once again, we would like to express our gratitude to all our shareholders for your continued support as we expand our brand portfolio across Singapore and the region.

We also wish to thank our employees for their hard work in fostering the strong fundamentals that we enjoy today. It is with your unwavering faith and support that we are able to triumph over the challenging economic landscape and scale greater heights year-on-year.

Dr George Quek
Chairman

BOARD OF DIRECTORS

From left to right: Dr Tan Khee Giap, Ong Kian Min, Dr George Quek, Katherine Lee and Chan Soo Sen

Dr George Quek Meng Tong Chairman

George, founder of the Group, was appointed to the Board on 6 March 2003 and last re-elected on 22 April 2014. Having led and grown the Company from a homegrown brand to become a dynamic Asian F&B group, George continues to drive our strategic direction and development into the future.

George started his food and beverage business in Taiwan in 1982, successfully growing it into a chain of 21 Southeast Asian food outlets within a decade. Returning to Singapore in 1992, he then founded Topwin Singapore and subsequently Megabite China in 1996, establishing the food court businesses.

In 2000, he started the bakery business with BreadTalk® Pte Ltd and eventually brought it to list on the SGX in 2003. George is a Brand Champion who has positioned the company's brand portfolio into innovative concepts now widely accepted in Asia and throughout the world. His keen interest in the arts, creative talent and acute sense of anticipating consumer demands have delighted consumers time and again with the Group's line up of creative F&B concepts.

George holds a Doctorate in Business Administration (Honorary) from Wisconsin International University, USA. Among other awards, he won the Ernst & Young "Entrepreneur of the Year 2006" (Emerging Entrepreneur Category), the "Entrepreneur of the Year Award 2002" organised by the Association of Small and Medium Enterprises and The Rotary Club of Singapore as well as the "Business Personality of the Year" Award 2013 accorded by Midas Touch Asia in conjunction with Channel News Asia.

Katherine Lee Lih Leng Deputy Chairman

Katherine was appointed to the Board on 6 March 2003 and last re-elected on 23 April 2013. She oversees the Group's research and development responsibility, pioneering new product ideas and brand concepts.

Responsible for concept creation, product development and enhancement of our various brands both locally and globally, Katherine also formulates product training and technical skill upgrade programmes to ensure proper transfer of knowledge and skills to our franchisees in line with our local operations so as to sustain product quality. In addition, Katherine spearheads product costing, which is an integral part of our product strategy.

Katherine has more than 20 years of experience in the F&B industry. She was previously the Finance Director of Topwin Singapore prior to which she was in charge of the Human Resource and Operations of more than 20 food and beverage outlets in Taiwan.

Ong Kian Min Lead Independent Director

Kian Min was appointed to the Board on 30 April 2003 and last re-elected on 25 April 2012. He is the Lead Independent Director, Chairman of the Audit Committee and Nominating Committee, and member of the Remuneration Committee of the Company.

He was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. In his more than 20 years of legal practice, he focused on corporate and commercial law, such as, mergers and acquisitions, joint ventures, and restructuring and corporate finance. In addition to practising as a consultant with Drew & Napier LLC, a leading Singapore law firm, he is a senior adviser of Alpha Advisory Pte. Ltd. (a corporate advisory firm) and founder of Kanesaka Sushi Private Limited, which owns and operates Japanese fine-dining restaurants in the region. He is also non-executive chairman of Hupsteel Ltd and serves as independent non-executive director of several other Singapore- listed companies.

Kian Min was awarded the President's Scholarship and Police Force Scholarship in 1979. He holds a Bachelor of Laws (Honours) external degree from the University of London and a Bachelor of Science (Honours) Degree from the Imperial College of Science and Technology in England. He was an elected Member of Parliament of Singapore from January 1997 to April 2011.

Dr Tan Khee Giap Independent Director

Khee Giap was appointed to the Board on 1 October 2010 and last re-elected on 22 April 2014. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee. Khee Giap is currently Co-Director of Asia Competitiveness Institute and an Associate Professor of Public Policy at the Lee Kuan Yew School of Public Policy at the National University of Singapore. He is also the Chair of Singapore National Committee for Pacific Economic Cooperation. He holds directorships in a few listed companies in Singapore. Khee Giap graduated with a Ph.D from the University of East Anglia in 1987.

He has consulted extensively with various government ministries, statutory boards and government-linked companies of the Singapore government. Khee Giap has served as a member of the Resource Panel of the Government Parliamentary Committee for Transport and Government Parliamentary Committee for Finance and Trade since 2007.

Chan Soo Sen Independent Director

Soo Sen was appointed to the Board on 14 August 2006 and last re-elected on 23 April 2013. He is the Chairman of the Remuneration Committee, as well as member of the Audit Committee and Nominating Committee of the Company.

Soo Sen was a Member of Parliament for Joo Chiat Constituency from 1997 to 2011. He was a Minister of State and had served in several ministries including the Ministry of Community Development, Youth and Sports, Ministry of Education, and Ministry of Trade and Industry. Before entering politics, he was involved in the starting up of the China-Singapore Suzhou Industrial Park as its founding Chief Executive Officer in 1994, laying the foundation and framework for infrastructure and utilities development for the industrial park. He holds a Masters in Management Science from the University of Stanford, USA.

After leaving public service in 2006, Soo Sen joined Keppel Corporation Ltd as Director, Chairman's Office. In 2009, he joined Singbridge International Singapore Pte Ltd, a company fully owned by Temasek Holdings to undertake major international projects, as Executive Vice President. Soo Sen is now advising a few investment companies on their China Projects. He is also an Independent Director in a few listed companies and an adjunct professor at the Nanyang Technological University, Singapore.

KEY MANAGEMENT

Oh Eng Lock Group Chief Executive Officer

Eng Lock was appointed as Group CEO on 1 January 2011. As Group CEO, he oversees the Group's global operations, focusing on strategic planning, investments, business development and regional expansion.

Prior to his appointment as CEO, Eng Lock was Regional Managing Director with Merrill Lynch Asia Pacific Ltd. in Hong Kong, overseeing their North Asia businesses. He has also garnered vast senior executive and management experience at DBS Bank and United Overseas Bank growing their regional franchises in Taiwan, China and the USA. Eng Lock holds a Bachelor of Arts degree from the University of Singapore.

Lawrence Yeo Group Chief Financial Officer

Lawrence was appointed as Group CFO on 10 October 2011. He oversees the Group's global financial matters including corporate finance, treasury, capital management, investments, risk management and investor relations. He has extensive experience in various roles and capacities including Group CFO of two other SGX-listed companies. Lawrence holds an MBA from the University of Strathclyde and a Bachelor of Accountancy degree from the National University of Singapore. He is also a FCPA of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

Frankie
Quek Swee Heng
CEO
ASEAN Region

Goh Tong Pak
PRESIDENT
Chairman's Office
Special Projects

Jenson
Ong Chin Hock
CEO
Food Atrium Division

Tan Aik Peng
MANAGING DIRECTOR
Bakery Division

Cheng William
CEO
Restaurant Division

BRAND ACCOLADES

Our constant pursuit of brand recognition both locally and internationally reflects our commitment to maximise the equity of our brands and to deliver quality products and services. As a testament to our effective brand management, the Group clinched several key awards in 2014, particularly for our Bakery brands.

The Group's flagship brand, BreadTalk, became the first Singapore brand and first bakery to walk away with the "Growth Market Retailer of the Year" award at the prestigious World Retail Awards held in Paris, organised by the World Retail Congress. The WRA is the epitome of retail Oscars celebrating global retail luminaries such as H&M, Uniqlo, Starbucks and Net-a-Porter. BreadTalk's success at retail expansion, strong branding and exciting maketing campaigns in China led us to success – indeed a feather in the cap for 2014.

In 2014, the Group's ranking in Brand Finance's "Top 100 Singapore Brands", jumped 17 spots from 63 in 2013 to 46. Brand Finance Plc is a leading international brand valuation consultancy and its published brand rankings are the only published ranking of ISO-compliant brand values in the world. Their rankings are based on quantitative market data, detailed financial information and expert judgement to provide reliable Brand Ratings and Brand Values. The brand value of BreadTalk Group is listed at US$112 million, a growing testament to our steadfast and consistent efforts to build our brand equity.

For the Influential Brands Award organised by Brand Alliance, two of our brands, BreadTalk and Din Tai Fung, were voted the "Top 1 Brand" for the Pastry and Restaurant categories respectively, while Toast Box and Food Republic were voted "Top Brand" for the Asian Café and Food Court categories respectively. This award programme is driven by consumer insights around a segment's brand references and major factors which may influence their buying behaviours and brand preferences. The winning brands were voted by Generation X (age 34 – 54) consumers in Singapore who evidently are supporters of our brands.

In addition, BreadTalk, Toast Box, The Icing Room and Bread Society, were awarded the "Singapore Service Class" (S-Class) status by SPRING Singapore. This certification reflects our efforts in consistently delighting customers, delivering unparalleled customer experiences and creating business value through customer service.

BRAND ACCOLADES

BreadTalk

Winner
World Retail Awards
Growth Market Retailer Of
The Year
2014

BreadTalk Group Limited

Ranked by Brand Finance as one of the Top 100 Singapore Brands,
2010, 2011, 2012, 2013 & 2014

BreadTalk

Influential Brands
Top 1 Brand (Pastry)
2014

Din Tai Fung

Influential Brands
Top 1 Brand (Asian Restaurant)
2013 & 2014

Toast Box

Influential Brands
Top Brand (Asian Café)
2013 & 2014

Food Republic

Influential Brands
Top Brand (Food Court)
2014

BreadTalk, Toast Box, The Icing Room & Bread Society

Singapore Service Class
(S-Class) Status
SPRING Singapore
2014

BreadTalk

Most Transparent Company Award
(SIAS)
2004, 2005, 2007, 2008 & 2014

BreadTalk

Successful Design Award
Shanghai Industrial Design
Association
2013 & 2014

George Quek
BreadTalk Group Limited

Business Personality of the Year
Midas Touch Asia
2013

BreadTalk

Five Star Diamond Brand Award
World Brand Laboratory Award
2006, 2012 & 2013

BreadTalk

SME1 Asia Awards
Avant Garde Award
Honoured for outstanding creative
Innovation
APF Group, Singapore
2012

BreadTalk Group Limited (China)

Food Integrity and Quality Trust
Award
China Association for Quality
Inspection
2012

BreadTalk (China)

Shanghai Premium Foods
Shanghai Sugar Association, China
2012

BreadTalk Group Limited

Sales/Turnover Growth
Excellence Award
Hospitality/ Food & Beverage
2009 & 2010

BreadTalk

Finalist
Emerging Market
Retailer of the Year
World Retail Awards
2009

BreadTalk

Singapore Prestige Brand Award
Association of Small and Medium
Enterprises (ASME) and Lianhe
Zaobao
2002, 2003, 2004, 2005, 2006 &
2011

Toast Box

Singapore Prestige Award
Association of Small and Medium
Enterprises (ASME) and Lianhe
Zaobao
2009

Food Republic

Singapore Prestige Brand Award
Association of Small and Medium
Enterprises (ASME) and Lianhe
Zaobao
2008

George Quek

Entrepreneur of the Year
Emerging Entrepreneur Category
Ernst & Young, Singapore
2006

BreadTalk

Finalist
Franchisor of the Year Award
Franchising and Licensing
Association of Singapore (FLA)
2005

BreadTalk

Design for Asia Award
Hong Kong Design Centre
2004

George Quek

Entrepreneur of the Year
ASME and The Rotary Club
2002

BreadTalk

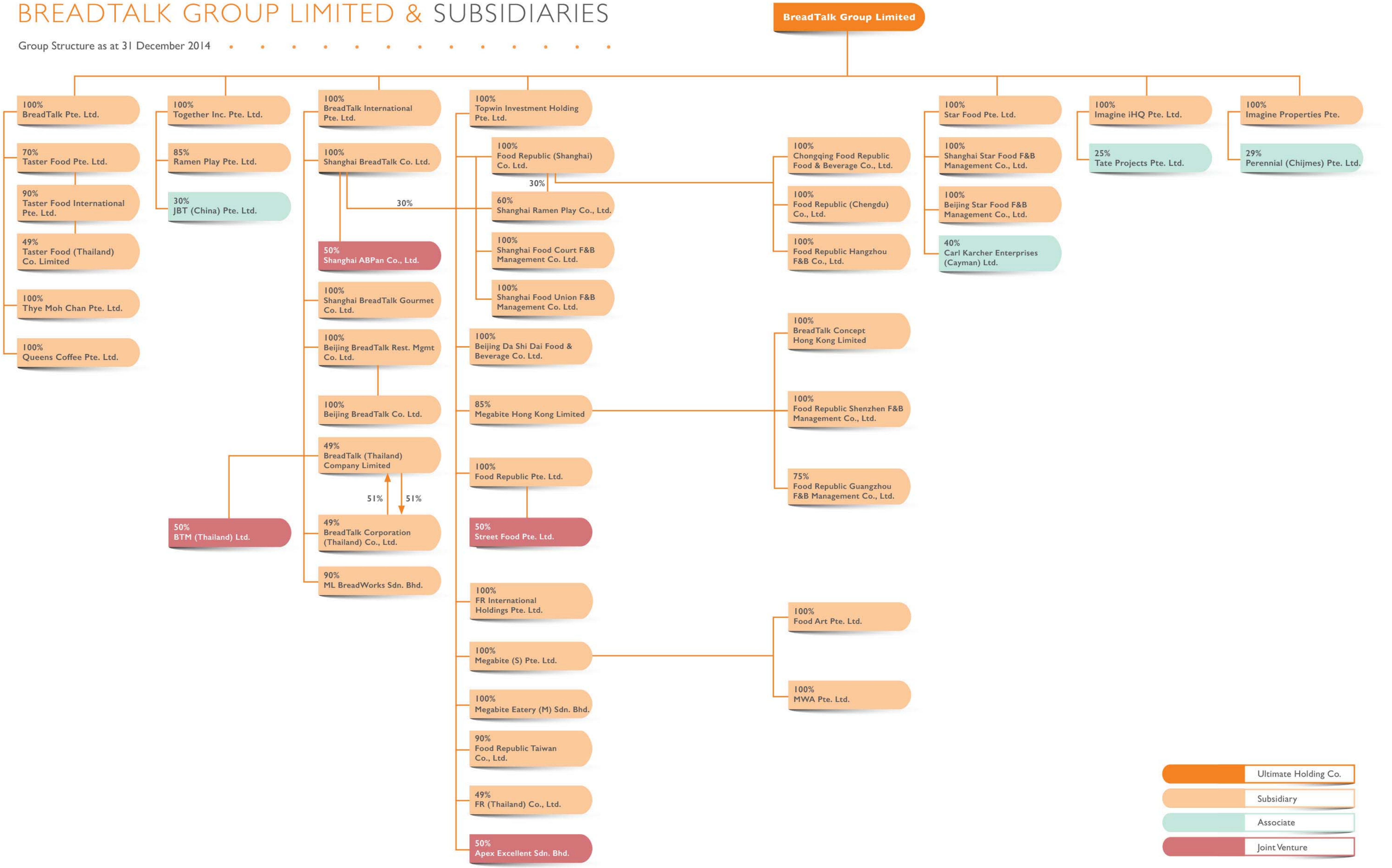
Enterprise 50 Start Up Award,
Accenture and The Business Times
2002

BreadTalk

Singapore Superbrands
2002 & 2003

BREADTALK GROUP LIMITED & SUBSIDIARIES

Group Structure as at 31 December 2014



GEOGRAPHICAL REACH

Spread across 17 territories in Asia and the Middle East, the BreadTalk Group's creative concepts engage and excite consumers.

Over 900 Outlets Across 17 Territories With 7,000 Staff

BUSINESS REVIEW

BAKERY

Financial Performance

BreadTalk Transit, grab-and-go convenience located next to the MTR Olympic Station in Kowloon, Hong Kong

	Revenue (S$'m)	Revenue Contribution (%)	EBITDA margin (%)
FY2013	271.7	50.6	9.0
FY2014	294.5	49.9	7.9

In FY2014, revenue for the Bakery Division increased 8.4% to S$294.5 million due to improved contributions from all markets. However, EBITDA posted a marginal 4.5% decline to S$23.3 million from S$24.4 million in FY2013, as a result of higher rental and labour cost in Singapore, and the cost impact arising from the closure of under-performing outlets in Singapore and Mainland China. EBITDA margin also declined by a marginal 1.1 percentage point to 7.9%. Notwithstanding this, the Bakery Division continued to be the Group's key contributor, accounting for 49.9% of total revenue in FY2014.

Expanded footprint in Mainland China with the opening of the first BreadTalk outlet in Lanzhou

Highlights in FY2014

Outlets

The Bakery Division added 80 new outlets in FY2014, and penetrated into new geographies such as Qatar, Saudi Arabia and Cambodia via our franchise partners.

Opening ceremony at the first BreadTalk outlet in Cambodia, Tuol Kork District

Cambodia's Grand Gala Launch brought together local luminaries excited at the arrival of BreadTalk lifestyle store

The Group opened our first bakery outlet in Cambodia in October 2014 in Tuol Kork District - an upmarket residential area with many surrounding businesses and the first outdoor shopping development in the nation's capital city, Phnom Penh.

The star-studded Grand Opening event launched a runway show of couture pieces inspired by BreadTalk's signature bun creations! In January 2015, we opened our second outlet at Maline Apartments and will continue to grow our presence in Cambodia to reach out to more fans of BreadTalk.

As part of our continuing efforts to bolster our footprint in Mainland China, we have also expanded into Lanzhou, the largest city of the Gansu Province in Northwest China and we are proud to say that our success in the most populous nation in the world has led us to be named the Growth Market Retailer of the Year at the highly-acclaimed World Retail Award held in Paris last year (refer to page 13).

Opening of Toast Box's 100th outlet at Shaw House, Singapore

A selection of nostalgic goodies such as Lava Egg Tarts were launched at Toast Box's first takeaway concept at Shaw House

New Initiatives

The Group is constantly evolving and innovating to keep pace with changing trends and consumer tastes. 2014 was no exception with the launch of a new store concept at the opening of our 100th Toast Box outlet globally.

Located at the basement of Shaw House along Singapore's prime shopping belt, Toast Box presented a first-of-its-kind takeaway bakery corner with a nostalgic selection of about 30 bakery items, including old-time favourites such as Po Luo Char Siew Bun, Salted Egg Bun and Lava Egg Tarts, complementing its sit-down café.

BUSINESS REVIEW

BAKERY

In addition, the Group also introduced a wider selection of merchandise during the year at our Toast Box outlets – a pre-packed 2-in-1 instant Kopi-O, allowing customers to enjoy our signature coffee in the comforts of their own home. To facilitate the ease of payment, Toast Box also introduced the new 'Kopi Card', offering customers increased convenience via a cashless payment option.

In partnership with NETS, Toast Box introduced the Kopi Card that offers the convenience of travel and dining while embracing a cashless payment option

Our Coffee Technicians at the Roasting Lab supervises each roast of our proprietary blend from start to finish

To maintain the consistency and quality of our Toast Box coffee across all outlets, a central Roasting Lab was set-up at the BreadTalk IHQ. At the Roasting Lab, all our coffee beans are first sustainably sourced, before undergoing a roasting process and supplied to our Toast Box outlets island-wide to ensure a distinctive and consistent flavour in our signature offering.

Toast Box's Research and Development Lab at BreadTalk IHQ ensures the right acidity and flavour of our beans

BreadTalk introduced a Natural Yeast Bread series for health conscious customers

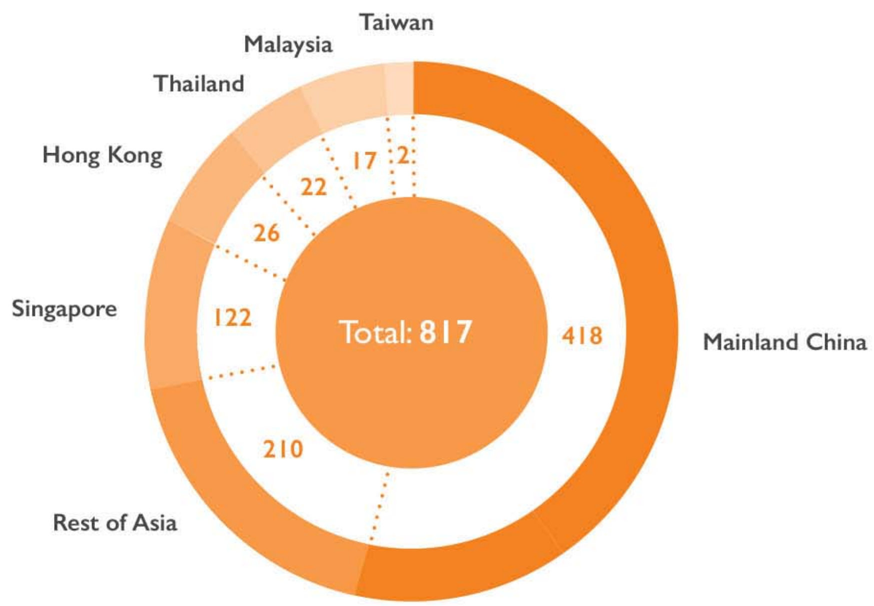
BreadTalk has also been investing in product development to introduce healthier choices to our customers. Notably, we introduced a Natural Yeast Bread series with healthy fruits and nuts, as well as new cakes and bakery products to meet the discerning taste buds of increasingly health conscious customers. Endorsed by the Health Promotion Board, some of these products that are well received by our customers include, the Chia Seed Toast and Pumpkin Toast which have no transfat and are low in cholesterol, as well as the Soya Toast which is transfat-free.

In 2014, BreadTalk entered into a partnership with Disney to present an exclusive bakery collection of Spiderman-themed products in Singapore and China. Featuring an array of innovative Spiderman pastries ranging from doughnuts, cakes, buns and cupcakes over a limited three-month period, each pastry also came specially packed in exclusive Spiderman-themed toppers for our young customers to enjoy.

BreadTalk collaborated with Disney to present an exclusive collection of Spiderman-themed products in Singapore and China

Distribution of outlets by

GEOGRAPHY



BUSINESS REVIEW

RESTAURANT

Financial Performance

The new Din Tai Fung at Seletar Mall, Singapore

	Revenue (S$'m)	Revenue Contribution (%)	EBITDA margin (%)
FY2013	122.2	22.8	14.2
FY2014	130.7	22.2	15.3

Excluding Carl's Jr. which underwent a restructuring of operation in March 2014, revenue from the Restaurant Division rose 12.5% to S$129.5 million, mainly contributed by Din Tai Fung operations. EBITDA increased 15.0% to S$20.0 million from S$17.4 million in FY2013, while EBITDA margin gained 1.1 percentage point to 15.3%. This was mainly attributable to the strong revenue growth and better costs control during the year.

Highlights in FY2014

Outlets

The Restaurant Division, comprising Din Tai Fung, RamenPlay and Sanpoutei Ramen concluded the year with a total of 34 outlets in the region. During the year, the Group added three Din Tai Fung restaurants to its fold, two in Singapore located at Manulife Centre and The Seletar Mall, and one in Thailand located at the Central Embassy, bringing the total number of outlets in Singapore and Thailand to 19 and two respectively.

Two Sanpoutei outlets were also added in FY2014, located in Holland Village and Shaw House.

The second Din Tai Fung outlet in Thailand, located at the Central Embassy Mall

Din Tai Fung

Din Tai Fung remained the star performing brand for our Restaurant business. Other than its emphasis on quality food and customer service, the brand also constantly introduces new initiatives to stay relevant as well as create brand affiliation to provide a more holistic experience that engages the whole family.

To reach out to the young Gen X parents and to nurture the next generation of young consumers, the brand introduced a series of Children's Day engagement activities during the year which included a Junior Chef Workshop & High Tea. In 2014, Din Tai Fung won the hearts of Gen X consumers who voted for the brand in the Influential Brands Award as the "Top 1 Brand" for the Restaurant category.

For strong top-of-mind recall, Ding Tai Fung strengthened its brand awareness on out-of-home channels such as advertising on buses, MRT trains and at bus-stops island-wide. We were also one of the main sponsors for the local movie "The Lion Men: Ultimate Showdown", which further enlivened Din Tai Fung onto the big screen and increased its appeal amongst consumers.

Savour premium truffle xiao long bao at Din Tai Fung

To titillate consumers' taste sensory, the restaurant is also constantly innovating to introduce new dishes to extend its menu selection. This undergoes a stringent process, with thorough research and development, numerous rounds of tastings and selection procedures before the dish is included in the menu. In conjunction with the opening of Din Tai Fung's second outlet in Thailand, the restaurant added 18 new dishes to its menu, which also include vegan dishes to cater to a wider group of consumers.

The brand is committed to giving back to the community and creating a "better future" for the next generation. During the year, Din Tai Fung hosted a charity culinary workshop, the "Art of Making Xiao Long Bao" and fundraising drive for beneficiaries of the Children's Cancer Foundation

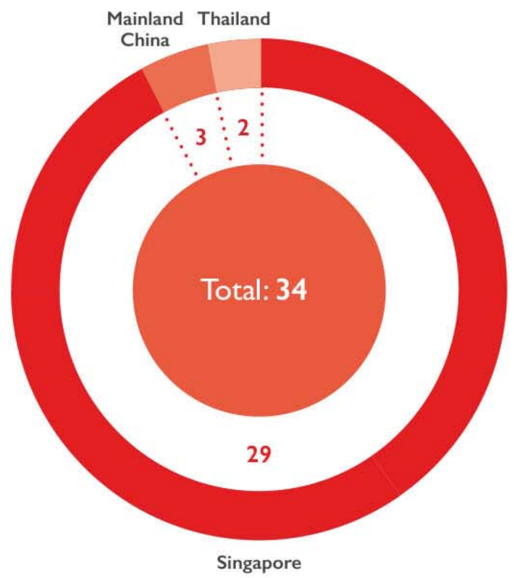
Other Brands

During the year, the Group further enhanced our ramen offerings with the introduction of premium ramen brand, Sanpoutei Ramen, together with our Japanese joint venture partner, Sanpou Singapore Investment Pte. Ltd. Sanpoutei Ramen, originated from Niigata, Japan and uses premium ingredients imported from Japan in its dishes, such as the renowned Hoshihikan rice used in its rice dishes. The restaurant currently has two outlets located in Holland Village and Shaw House.

The Group restructured our Mainland China Carl's Jr. operations in March 2014, where we converted our business into a joint venture-franchise model with us taking a 40% stake and US franchisor holding the remaining 60%. Following the restructuring, our US partner now takes the lead in spearheading the expansion of the business in Mainland China whilst our team supports and complements their strategy with our knowledge of the local F&B scene. Carl's Jr. currently has four outlets in Shanghai and Nanjing.

Distribution of outlets by

GEOGRAPHY



BUSINESS REVIEW

FOOD ATRIUM

Financial Performance

The latest Food Republic serves up delectable local offerings at Shaw House, Singapore

	Revenue (S$'m)	Revenue Contribution (%)	EBITDA margin (%)
FY2013	146.1	26.6	14.6
FY2014	168.2	27.9	14.3

Accounting for 27.9% of the Group's revenue in FY2014, the Food Atrium Division registered a 15.2% increase in revenue to S$168.2 million. The growth was led strongly by Mainland China, Hong Kong and Singapore operations, with a more subdued performance from Taiwan, Thailand and Malaysia. Correspondingly, EBITDA grew 12.9% to S$24.0 million. During the year, our North Mainland China operations staged a turnaround, even as we ramped up our Shenzhen outlet, while West Mainland China operations remained in gestation. Though the Hong Kong operations enjoyed a higher profit margin in FY2014, overall EBITDA margin declined slightly to 14.3% in FY2014 from 14.6% in FY2013, primarily due to additional rental expenses from new outlets opened during the year that have yet to make meaningful earnings contribution.

Highlights in FY2014

Outlets

The Group revolutionised the food court scene in Singapore with the opening of our flagship Food Republic atrium at Wisma Atria in 2005. Since then, our mission to "Present the best street food with a thematic ambience" has taken our business across the Asia Pacific region. In 2014, Food Republic was voted the "Top 1 Brand" under the Food Court category for the Influential Brands Award organised by Brand Alliance.

The Division currently manages three key brands – Food Republic, the flagship brand catering to the mass affluent market segment. Food Opera, the premium offering which exudes a more elegant ambience; as well as Megabite, a more cafeteria-styled food court positioned to target the masses in areas such as business parks and campuses.

The Food Atrium business currently spans six countries and 15 cities across Asia, including Mainland China, Hong Kong, Malaysia, Singapore, Taiwan and Thailand.

As at 31 December 2014, the Division operates a total of 63 outlets, having net added five during the year in Singapore, Hong Kong, Shenzhen and Tianjin.

Notably, the strategic location of our new Food Republic in Hong Kong, which is in the city's bustling shopping area – Causeway Bay, offers a good catchment of human traffic while showcasing our unique combination of local and Asian fares. Being one of our smallest outlets, it also allows us to maximise our returns with higher asset turns and better operational efficiency. Our new Shenzhen outlet, which operates under the Megabite brand at Huawei Technologies Shenzhen campus provides us with the opportunity to further expand into a whole new business segment.

In Mainland China, we also expanded into a new city, Wuxi, bringing our presence in the country to 12 cities.

Enjoy a sumptous selection of Asian cuisine at Food Replublic

Food Republic's latest foray in Mainland China, Wuxi

The new Food Republic in Hong Kong, strategically located in the city's bustling shopping area - Causeway Bay

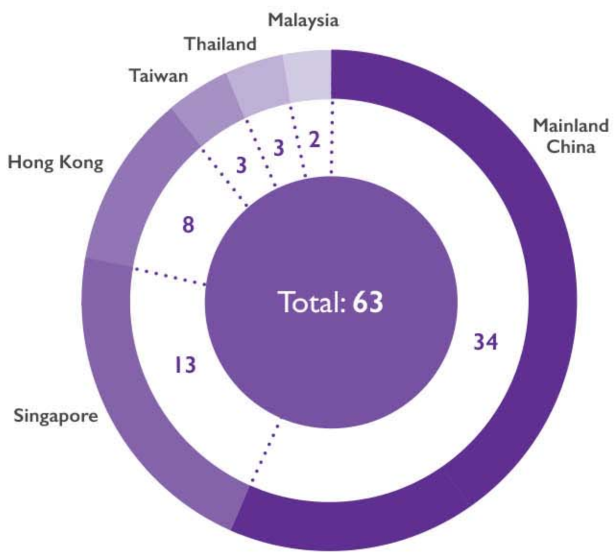
Key initiatives and outlook

We continue to strengthen our efforts in marketing our Food Atrium business model as an attractive platform for food operators and budding entrepreneurs. Food Republic acts as a springboard for them to multiply their success regionally by enabling them to focus purely on serving good quality food while we take care of the infrastructure and operational aspects of their business. Over the years, our network of regional food operators has allowed us to present unique offerings and tenant line-ups that make Food Republic an attractive brand to mall developers.

Going forward, the Division targets to operate up to 100 outlets in the next three to four years. We remain committed to have our food operator partners grow with us, whether locally or in the overseas markets. Mainland China and ASEAN will still be our focal points for growth as we continue to penetrate new cities in these locations. We will also selectively look to other locations outside of our core operating geographical markets, either via direct investments or joint ventures.

Distribution of outlets by

GEOGRAPHY



CORPORATE INFORMATION

Directors

Dr George Quek Meng Tong

Katherine Lee Lih Leng

Ong Kian Min

Chan Soo Sen

Dr Tan Khee Giap

Company Secretary

Cho Form Po

Registered Office

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#09-01 BreadTalk IHQ
Singapore 534013
Tel: 6285 6116
Fax: 6285 1661

Bankers

Australia and New Zealand Banking Group Limited

DBS Bank Ltd

Oversea-Chinese Banking Corporation Limited

United Overseas Bank Limited

Share Registrar

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

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583

Partner in charge: Ang Chuen Beng
(since financial year ended 31 December 2011)

CORPORATE GOVERNANCE

This report sets out BreadTalk Group Limited's corporate governance processes and structures that were in place throughout the financial year ended 31 December 2014, with specific reference made to the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the "**Code**").

The Board of Directors (the "**Board**") is pleased to confirm that for the financial year ended 31 December 2014, the Company has generally adhered to the framework as outlined in the Code which came into effect for the Company in respect of its financial year commencing 1 January 2013, and the amendments to the listing manual which came into effect on 29 September 2011 as announced by SGX-ST to strengthen corporate governance practices and foster greater corporate governance disclosure, where it is applicable and practical to the Company. Where there are deviations from the Code, the reasons for which deviation are explained accordingly.

A. BOARD MATTERS

The Board's Conduct of its 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 primary function of the Board is to protect and enhance long-term value and returns for its Shareholders. Besides carrying out its statutory responsibilities, the Board's roles include:

Guideline 1.1 of the Code: The Board's role

1. Providing entrepreneurial leadership, setting strategic directions and overall corporate policies of the Group;
2. Supervising, monitoring and reviewing the performance of the management team;
3. Ensuring the adequacy of internal controls, risk management and periodic reviews of the Group's financial performance and compliance;
4. Setting the Company's values and standards (including ethical standards) to meet its obligations to shareholders and other stakeholders, ensuring that the necessary human resources are in place;
5. Approving the annual budget, major investments and divestment proposals;
6. Assuming responsibility for good corporate governance practices; and
7. Approving corporate or financial restructuring, share issuance, dividends and other returns to Shareholders, Interested Person Transactions of a material nature and release of the Group's results for the first three (3) quarters and full year results.

To assist in the execution of its responsibilities, the Board has established three (3) Board committees, namely the Audit Committee (the "**AC**"), Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**"), to which the Board has delegated decisions on certain Board matters.

Guideline 1.3 of the Code: Disclosure on delegation of authority by the Board to Board Committees

The Board met four (4) times during the financial year to discuss the key activities and business strategies of the Group. All Directors were furnished with relevant information beforehand in order to enable them to obtain further explanation where necessary, and were adequately briefed prior to the respective meetings. Minutes of the meetings were also available to the respective Board members. Ad-hoc and non-scheduled meetings were convened by Board members to deliberate on urgent and substantive matters.

Guideline 1.4 of the Code: Board to meet regularly

The Company's Articles of Association provides for telephone, videoconferencing, audio-visual or other electronic means of communication to facilitate meetings of the Board.

CORPORATE GOVERNANCE

Details of the Directors' attendance at Board and Board Committee meetings held during the financial year ended 31 December 2014 are summarised as follows:

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Name of Director	Board	AC	NC	RC
Number of Meetings Held	4	4	1	2
ATTENDANCE				
Dr George Quek Meng Tong	4	N.A.	N.A.	N.A.
Ms Katherine Lee Lih Leng	4	N.A.	N.A.	N.A.
Mr Ong Kian Min	4	4	1	2
Mr Chan Soo Sen	3	3	1	2
Dr Tan Khee Giap	4	3	1	2

Matters that are specifically reserved to the Board for approval include:

Guideline 1.5 of the Code: Matters requiring Board approval

(a) matters involving a conflict of interest for a substantial Shareholder or Director;
(b) material acquisitions and disposal of assets;
(c) corporate or financial restructuring;
(d) share issuances, dividends and other returns to Shareholders;
(e) matters which require Board approval as specified in the Company's Interested Person Transactions policy; and
(f) substantial expenditures exceeding a prescribed limit.

The Company provides a comprehensive orientation programme to familiarise new directors with the Company's businesses and governance practices, as well as the Group's history, core values, strategic direction and industry-specific knowledge so as to assimilate them into their new roles.

Guideline 1.6 of the Code: Directors to receive appropriate training

Directors also have the opportunity to visit the Group's operational facilities and meet with the management team to gain a better understanding of the Group's business operations. Each director is provided with an annually updated manual containing Board and Company policies relating to the disclosure of interests in securities and conflicts of interests in transactions involving the Company, prohibitions on dealings in the Company's securities, as well as restrictions on the disclosure of price sensitive information.

Board members are encouraged to regularly attend seminars and receive training to improve themselves in the discharge of their duties as directors at the Company's expense. In addition, the Company works closely with professionals to provide directors with updates on risk management and key changes to relevant regulatory laws, requirements and accounting standards.

All Directors are appointed to the Board by way of a formal letter of appointment indicating the amount of time commitment required and the scope of duties and obligations.

Guideline 1.7 of the Code: Formal letter of appointment

Board Composition and Guidance

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

The Board comprises five (5) members with a majority of independent Directors – three (3) Independent Non-executive Directors and two (2) Executive Directors. They are as follows:

Guideline 2.1 and 2.2 of the Code: Independence of the Board

Dr George Quek Meng Tong (Chairman)
Ms Katherine Lee Lih Leng (Deputy Chairman)
Mr Ong Kian Min (Lead Independent Non-executive Director)
Mr Chan Soo Sen (Independent Non-executive Director)
Dr Tan Khee Giap (Independent Non-executive Director)

The Board has three (3) Independent Directors whose independence is reviewed by the NC annually. The NC considers an "independent" Director as one who has no relationship with the Company, its related Corporations, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent judgement of the conduct of the Group's affairs, and is not a 10% Shareholder, or a partner (with 10% or more stake) or an executive officer, or a director of any for profit business organisation to which the Company or any of its subsidiaries have made or received significant payments (aggregated in excess of S$200,000 per year) in the current or immediate past financial year. Moreover, the Chairman of the NC is not associated, directly or indirectly, with a 10% Shareholder, in current or immediate past financial year to enhance an independent view to the best interests of the Company.

Guideline 2.3 of the Code: Independent Directors

As a result of the NC's review for financial year ended 31 December 2014, the NC is of the view that the Independent Directors are independent of the Company's management as contemplated by the Code.

The Board, in view of the nature and scope of business operations, considers that though small, the present Board size and composition facilitates efficient and effective decision-making with a strong independent element.

Guideline 2.5 of the Code: Appropriate Board size

Each Director has been appointed on the strength of his calibre, experience, grasp of corporate strategy and potential to contribute to the Company and its businesses. As each director brings valuable insights from different perspectives vital to the strategic interests of the Company, the Board considers that the Directors possess the necessary competencies to provide Management with a diverse and objective perspective on issues so as to lead and govern the Company effectively.

Guideline 2.6 of the Code: Board to comprise Directors with core competencies

Once a year, a formal session is arranged for the Non-executive Directors (the "**NEDs**") to meet without the presence of Management or executive Directors to discuss any matters that must be raised privately, for example, the review of the performance of Management. The session is chaired by Mr Ong Kian Min, the Lead Independent Non-executive Director, who is also the chairman of the AC and NC. The Lead Independent Non-executive Director has provided feedback to the Chairman after such meeting.

Guidelines 2.7, 2.8 and 3.4 of the Code: Role of NEDs and regular meetings of NEDs

The Chairman and Chief Executive Officer

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

The Company adopts a dual leadership structure whereby the positions of chairman and chief executive officer are separated. There is a clear division of responsibilities between the Company's Chairman and the Group's Chief Executive Officer, which provides a balance of power and authority.

Guideline 3.1 of the Code: The Chairman and chief executive officer should be separate persons

As the Chairman, Dr George Quek Meng Tong is responsible for ensuring Board effectiveness and conduct, as well as the strategic development of the Group in addition to duties and responsibilities which he may, from time to time, be required to assume. The Group's Chief Executive Officer, Mr Oh Eng Lock, has overall responsibility of the Group's operations, organisational effectiveness and implementation of Board policies and strategic decisions.

Guideline 3.2 of the Code: The Chairman's role

Notwithstanding the above, the Non-executive and Independent Directors fulfil a pivotal role in corporate accountability. Their presence is particularly important as they provide unbiased and independent views, advice and judgement to take care of the interests, not only of the Company but also of the Shareholders, employees, customers, suppliers and the many communities with which the Company conducts business with. The Board had on 14 August 2006 appointed Mr Ong Kian Min as the Lead Independent Non-executive Director to act as an additional channel available to Shareholders.

Guideline 3.3 of the Code: Appointment of Lead Independent Director

Board Membership and Board Performance

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

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 comprises the three (3) Independent Non-executive Directors who have been tasked with the authority and responsibility to devise an appropriate process to review and evaluate the performance of the Board as a whole, as well as for each individual Director on the Board. The chairman of the NC is the Lead Independent Non-executive Director, who is not a 10% Shareholder or directly associated with a 10% Shareholder.

Guideline 4.1 of the Code: Composition of the NC

The composition of the NC is as follows:
Mr Ong Kian Min – Chairman
Mr Chan Soo Sen – Member
Dr Tan Khee Giap – Member

The primary responsibilities of the NC under the guidelines of the written Terms of Reference are:

Guidelines 4.2 to 4.7 of the Code: Duties of the NC

1. To make 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, as well as ensuring there are procedures in place for the selection and appointment of NEDs.

2. To regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary.

3. To be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominees have the requisite qualifications and whether or not they are independent.

4. To make plans for succession, in particular for the Chairman, the Group's Chief Executive Officer and other key management personnel.

5. To determine, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the NC would disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent.

6. To recommend Directors who are retiring by rotation to be put forward for re-election.

7. To determine whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly where he has multiple board representations and other principal commitments.

8. To be responsible for developing an evaluation mechanism for the performance of the Board, its board committees and Directors; and assessing the effectiveness of the Board as a whole, its board committees and for assessing the contribution of each individual Director to the effectiveness of the Board and disclosing annually, this assessment process.

9. To review the training and professional development programmes for the Board.

All the Directors are required to submit themselves for re-nomination and re-appointment at least once every three (3) years and at least one-third (1/3) of the Board shall retire from office by rotation and be subject to re-election at every annual general meeting ("**AGM**") of the Company.

Ms Katherine Lee Lih Leng and Mr Ong Kian Min shall be retired by rotation at the AGM of the Company to be held on 22 April 2015 (the "2015 AGM"), pursuant to Article 104 of the Articles of Association of the Company, and will both be seeking re-election at the 2015 AGM.

The Board believes that each director has to personally determine the demands of his or her multiple directorships, principal commitments and obligations and assess how much time is available to serve on the Board of the Company. Accordingly, the Board has not set a maximum number of board representations which any director may hold.

Mr Ong Kian Min has served on the Board for a continuous period of more than nine (9) years. Mr Ong Kian Min demonstrated independent mindedness and conduct at Board and Board Committee meetings. After a rigorous review on his contributions and independence by the NC, the NC is satisfied that Mr Ong Kian Min has remained independent in character and judgement in discharging his duties as a Director of the Company.

For the year under review, the NC has, with the Board's approval, decided on how the Board's performance will be evaluated as a whole through proposed objective performance criteria including Board composition, size and expertise, Board information and timeliness, as well as Board commitment and accountability. In assessing the contribution by the Chairman and each individual director's contribution and performance to the effectiveness of the Board and its board committees, the NC will take into consideration factors such as attendance, preparedness, participation and candour. In addition, an external facilitator will be used by the NC if necessary.

Guidelines 5.1 to 5.3 of the Code: Assessing the effectiveness of the Board

The NC has met once during the financial year under review on 25 February 2014. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director. Details of the Board members' qualifications and experience including the year of initial appointment are presented in this Annual Report under the heading "Board of Directors".

Access to Information

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

The Board receives complete and adequate information on an on-going basis. The Management provides the Chairman and Deputy Chairman with monthly management accounts and the rest of the Board members with quarterly management accounts. The agenda for Board meetings is prepared in consultation with the Chairman and it will be circulated at least one (1) week in advance to Board members of each meeting.

Guideline 6.2 of the Code: Provision of information to the Board

Furthermore, the Board members have separate and independent access to the Company Secretary and senior executives, and there is no restriction of access to the senior Management team of the Company or the Group at all times in carrying out its duties.

Guidelines 6.1 and 6.3 of the Code: Access to the Management and role of the Company Secretary

The Company Secretary or his agent attends all formal Board meetings to respond to the queries of any Director and ensures that Board procedures are followed and that all applicable rules and regulations are complied with.

The appointment and removal of the company secretary is a matter for the Board to decide.

Guideline 6.4 of the Code: Appointment and removal of company secretary

Where decisions to be taken by the Board require specialised knowledge or expert opinion, the Board takes independent professional advice as and when it is necessary to enable it or the Independent Directors to discharge the responsibilities effectively.

Guideline 6.5 of the Code: Access to independent professional advice

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC, established for the purpose of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Directors, comprises the three (3) Independent Non-executive Directors. The chairman of the RC is an Independent Non-executive Director.

Guideline 7.1 of the Code: The RC is to consist entirely of NEDs and the majority, including the RC chairman, must be independent

The RC comprises the following:

Mr Chan Soo Sen – Chairman
Dr Tan Khee Giap – Member
Mr Ong Kian Min – Member

The overriding principle is that no Director should be involved in deciding his own remuneration. The RC has adopted written terms of reference that defines its membership, roles, functions and administration.

During the financial year under review, the RC had held two (2) meetings on 13 January 2014 and 25 February 2014. The primary responsibilities of the RC are as follows:

Guideline 7.2 of the Code: The RC's responsibilities

1. To review and recommend to the Board in consultation with the Chairman of the Board, a framework for remuneration and to determine the specific remuneration packages and terms of employment for each of the executive Directors and senior executives or divisional Directors (those reporting directly to the Chairman or the Group's Chief Executive Officer) and those employees related to the Executive Directors and controlling Shareholders of the Group.
2. To review and recommend to the Board in consultation with the Chairman of the Board, any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.
3. To administer the BreadTalk Group Limited Employees' Share Option Scheme (the "**Scheme**") and shall have all the powers as set out in the Rules of the Scheme.
4. To administer the BreadTalk Group Limited Restricted Share Grant Plan (the "**RSG Plan**") and shall have all the powers as set out in the Rules of the RSG Plan.
5. To carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.
6. As part of its review, the RC shall ensure that:
   (i) all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered.
   (ii) the remuneration packages should be comparable within the industry and comparable companies, and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual executive Directors' and senior executives' or divisional Directors' performance.
   (iii) the remuneration package of employees related to Executive Directors and controlling shareholders are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

The RC will seek independent expert advice inside and/or outside the Company on the remuneration of executive directors and senior executives or divisional directors (those reporting directly to the Chairman or the Group's Chief Executive Officer), and those employees related to the executive directors and controlling shareholders of the Group, if necessary. The Company has not engaged any remuneration consultants.

Guideline 7.3 of the Code: Access to expert advice

The RC will review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service and ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Guideline 7.4 of the Code: Termination clauses

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 success fully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

The Company advocates a performance based remuneration system for executive Directors and key management personnel that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus and participation in an employee share award or scheme based on the Company's performance, linking it to the individual's performance.

Guidelines 8.1 to 8.4 of the Code: RC to recommend remuneration of Directors and review remuneration of key executives

In determining such remuneration packages, the RC will ensure that they are adequate by considering, in consultation with the Chairman or the Group's Chief Executive Officer amongst other things, the respective individuals' responsibilities, skills, expertise and contribution to the Company's performance, and whether they are competitive and sufficient to ensure that the Company is able to attract and retain the best available executive talent, without being excessively generous.

At an Extraordinary General Meeting held on 28 April 2008, the shareholders of the Company had approved the adoption of the RSG Plan. Under the RSG Plan and any other share based schemes of the Company, the aggregate number of shares to be issued shall not exceed 15% of the total issued share capital, excluding treasury shares of the Company and will be in force for a maximum period of ten (10) years commencing 28 April 2008.

The award of shares under RSG Plan can be either performance based awards or time based awards. For performance based awards, entitled participants will be allotted fully paid shares upon satisfactory achievement of pre-determined performance targets. As for time based awards, entitled participants will be allotted fully paid shares upon satisfactory completion of time based service conditions, that is, after the participant has served the Company or as the case may be, the relevant associated company, for a specified duration, as may be determined by the RC.

The adoption of RSG Plan is consistent with the continuing efforts of the existing Scheme in rewarding, retaining and motivating employees to achieve superior performance standards while affording the Company greater flexibility to align the interests of employees with those of the shareholders. To date, the Company has issued 3,433,910 shares under its RSG Plan.

The RC has adopted a framework which consists of a base fee to remunerate Non-executive Directors based on their appointments and roles in the respective Board committees, as well as the fees paid in comparable companies. Fees for the Non-executive Directors will be tabled at the forthcoming 2015 AGM for Shareholders' approval.

Disclosure on Remuneration

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

A breakdown showing the level and mix of each Director's and key Management Personnel's remuneration for the year ended 31 December 2014 is set out below:

Guidelines 9.1 to 9.6 of the Code: Remuneration of Directors, key management personnel and related employees

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Name of Director	Salary(1)	Bonus / Profit-Sharing	Share-based Compensation	Benefits-In-Kind	Directors' Fees(2)	Total
S$500,000 to below S$750,000	%	%	%	%	%	%
Dr George Quek Meng Tong	90	7	-	3	-	100
S$250,000 to below S$500,000	%	%	%	%	%	%
Katherine Lee Lih Leng	94	6	-	-	-	100
Below S$100,000	%	%	%	%	%	%
Ong Kian Min	-	-	-	-	100	100
Chan Soo Sen	-	-	-	-	100	100
Dr Tan Khee Giap	-	-	-	-	100	100

Name of Key Executives (who are not Directors)	Designation	Salary(1)	Bonus / Profit-Sharing	Share-based Compensation	Benefits-In-Kind	Total
S$750,000 to below S$1,000,000		%	%	%	%	%
Oh Eng Lock	Group CEO	48	3	49	-	100
S$250,000 to below S$500,000		%	%	%	%	%
Lawrence Yeo Kia Yeow	Group CFO	93	7	-	-	100
Goh Tong Pak	President (Chairman's Office)	91	7	2	-	100
Frankie Quek Swee Heng(3)	CEO, ASEAN	93	7	-	-	100
Jenson Ong Chin Hock	CEO, Food Atrium Division	93	7	-	-	100
Cheng William	CEO, Restaurant Division	71	25	5	-	100

Notes:

(1) Salary is inclusive of fixed allowance and CPF contribution.
(2) Directors' fees will be paid after approval is obtained from Shareholders at the forthcoming 2015 AGM.
(3) Mr Frankie Quek Swee Heng is the brother of Dr George Quek Meng Tong and was appointed as CEO, Asean Region on15 October 2012.

The total remuneration of each Director has not been disclosed in dollar terms given the sensitivity of remuneration matters and to maintain the confidentiality of the remuneration packages of these Directors.

The total remuneration of the top five key executives (who are not directors or the CEO) is S$1,710,000.

Save as disclosed, no other employee whose remuneration exceeded S$50,000 during the year is an immediate family member of any of the members of the Board.

C. ACCOUNTABILITY AND AUDIT

Accountability

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

The Board has a responsibility to present a fair assessment of the Group's position, including the prospects of the Group in all announcements (including financial performance reports) made to the public via SGXNET and the annual report to shareholders, as required by the SGX-ST.

Guideline 10.1 of the Code: Board's responsibility to the public

The Board has also taken steps to ensure compliance with legislative and regulatory requirements. In line with the requirements under the rules of the SGX ST, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Group CEO and Group CFO have provided assurance to the Board on the integrity of the Group's financial statements.

Guidelines 10.2 and 10.3 of the Code: Management's responsibility to the Board

To enable effective monitoring and decision-making by the Board, Management provides the Board with a continual flow of relevant information on a timely basis as well as quarterly management accounts of the Group. Particularly, prior to the release of quarterly and full year results to the public, Management will present the Group's financial performance together with explanatory details of its operations to the AC, which will review and recommend the same to the Board for approval and authorisation for the release of the results.

Risk Management and Internal Controls

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

The Group has established a risk identification and management framework. With the afore said framework, the Group identifies key risks and undertakes appropriate measures to control and mitigate these risks. The ownership of these risks lie with the respective department and business unit heads with stewardship residing with the Board. Action plans to manage the risks are continually being monitored and refined by Management and the Board.

Guideline 11.4 of the Code: Board overseeing the Company's risk management framework and policies.

The Internal Auditors carryout internal audit on the system of internal controls at least annually and reports the findings to the AC. The Group's External Auditors, Ernst & Young LLP have also carried out, in the course of their statutory audit, a review of the Group's material internal controls. Material non-compliance and internal control weaknesses and recommendations for improvements noted during their audit were reported to the AC. The AC has reviewed the effectiveness of the actions taken by the management on the recommendations made by the Internal and External Auditors in this respect.

Guideline 11.2 of the Code: Board to review adequacy of the financial, operational and compliance controls and risk management policies.

The Board has also received assurance from the Group's CEO and the Group's Chief Financial Officer that (i) the financial records have been properly maintained and the financial statements provide a true and fair view of the Company's operations and finances; and (ii) the Company risk management and internal control systems in place are effective.

Guideline 11.3 of the Code: Board to comment on the adequacy of internal controls

Based on the internal control established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, various Board committees and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and risk management system, were adequate and effective for the financial year ended 31 December 2014.

Audit Committee

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

The role of the AC is to assist the Board in the execution of its corporate governance responsibilities within the Board's established references and requirements. The financial statements, accounting policies and system of internal accounting controls are responsibilities that fall under the ambit of the AC. The AC has its set of written terms of reference defining its scope of authority and further details of its major functions are set out below and also in the Report of the Directors.

Guidelines 12.1, 12.2 and 12.9 of the Code: Board to establish AC and composition of AC

The AC comprises three (3) members who are all Independent Non-executive Directors. The chairman of the AC is an Independent Non-executive Director.

The members of the AC are:

Mr Ong Kian Min – Chairman
Mr Chan Soo Sen – Member
Dr Tan Khee Giap – Member

The members of the AC including the AC Chairman have recent and relevant expertise or experience in accounting and financial management, and are qualified to discharge the AC's responsibilities. The AC members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements. None of the members of the AC is a former partner or director of the Company's present auditors.

In performing its functions, the AC confirms that it has explicit authority to investigate any matter within its terms of reference, has full access to and co-operation from the Management, and has been given full discretion to invite any Director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

Guideline 12.3 of the Code: The AC's authority

The main functions of the AC are as follows:

Guideline 12.4 of the Code: Duties of the AC

1. Reviewing the audit plan of the Company's external auditors and adequacy of the system of internal accounting control;
2. Discussing and reviewing the external auditors' reports;
3. Reviewing significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's or Group's financial performance;
4. Reviewing and recommending the nomination of the external auditors for appointment or re -appointment;
5. Reviewing the Interested Person Transactions;
6. Reviewing the scope and results of the internal audit procedures; and
7. Reviewing the remuneration packages of the employees who are related to the Directors or substantial Shareholders.

The AC held four (4) meetings during the financial year under review. It has reviewed the financial statements of the Group for the purpose of the first three (3) quarters and annual results release before they were submitted to the Board for approval. It has also met with the Company's internal and external auditors (without the presence of Management) to review their audit plans and results, and has separate and independent access to the auditors. The AC had reviewed the non-audit services provided by the external auditors, and is of the opinion that the provision of such services does not affect their independence. The aggregate amount of fees paid to the external auditors and a breakdown of fees paid in total for audit and non-audit services are set out on page 92 of this Annual Report.

Guidelines 12.5 and 12.6 of the Code: Meeting with auditors and review of their independence

The Group has complied with Rules 712 and Rules 715 or 716 of the Listing Manual issued by SGX-ST in relation to its auditors. As required by Rule 716 of the Listing Manual, the AC and the Board of the Company have satisfied themselves that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

Where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any Singapore law, rule or regulation which has a material impact on the Company's operating results, the AC will commission and review the findings of internal investigations into the matters. Endorsed by the AC, the Company has in place a whistle-blowing framework ("Policy") which provides an avenue for

Guidelines 12.7 and 12.8 of the Code: Whistle-blowing arrangements employees of, as well as other external parties who have business relations with, the Group to access the AC chairman to raise concerns about improprieties and independent investigation of such matters by the AC. Details of the Policy are set out below.

The Policy

The Group maintains an independent, confidential channel through which both employees and external parties who have business relations with the Group and include, amongst others, customers, suppliers and contractors may, in good faith and without reprisal, raise concerns about suspected acts of misconduct or non-compliance to the AC, which oversees the Policy. The Group's ethos of sound corporate governance underlies the Group's whistle-blowing policy that aims to encourage the disclosure of inappropriate conduct, which in turn allows the Group to investigate and resolve them as required. The Policy undergoes annual review to ensure continual effectiveness, and may only be amended upon approval by the AC. Relevant information on this policy has been conveyed to all employees.

Reportable Conduct

Generally, the Policy covers questionable financial reporting or accounting practices, illegal or criminal acts and failures to comply with regulatory or legal obligations. Examples of reportable misconduct or non-compliance include, among others:

1. Use of funds for any illegal, improper or unethical purpose;
2. Tampering with, or destroying, any accounting or audit-related records in any medium or format except as otherwise permitted or required by the Group's records retention policy;
3. Fraud or deliberate errors in the preparation, evaluation, review or audit of the Group's financial statements, and/or recording and maintaining of financial records (such as overstating expense reports, preparing erroneous invoices, misstating inventory records or describing an expenditure as being made for one purpose when it was in fact for another);
4. Deficiencies in or non-compliance with the internal controls for example, circumventing review and approval processes;
5. Unsafe work practices; and/or
6. Concealing or attempting to conceal information related to any of the above.

However, the Policy is not intended to address issues such as personal grievances or feedback to improve policies or procedures, which are addressed through separate, existing measures. Non-reportable matters under this Policy include, among others:

1. Work scheduling, required hours of work, compensation of work and staff transfer;
2. Enforcement of existing Human Resource Policies and requirements; and/or
3. Theft and/or fraud by customers.

Functions and Procedure

While the AC is responsible for overseeing the Policy, it may where necessary delegate certain duties to appropriate parties, such as work involving administration or investigation. The AC chairman shall receive and conduct a preliminary review of complaints before escalating valid reports to the AC. A Complaints Register is maintained to record all complaints and remedial action taken, if any. The Complaints Register is also available for inspection upon request, subject to approval by the chairman of the AC.

Parties who wish to report suspected acts of misconduct or non-compliance may submit reports directly to the AC chairman by way of email at whistleblow@breadtalk.com. A confidential email account has been set up for this purpose. The report must contain: the specific concern, reasons for this concern, and the background/history of the concern, including relevant dates. The AC will review the complaint and may investigate it further and take appropriate action, unless it decides that no further action is required.

While the Group encourages whistleblowers to disclose their identities when submitting complaints, the Group shall endeavor to keep all identities confidential. However, this is subject to, among others, legal or regulatory requirements, court orders or directions for disclosure.

Internal Audit

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

The Group set up a new internal audit department in November 2013 and has also outsourced certain internal audit works to Foo Kon Tan Advisory Services Pte Ltd.

Guidelines 13.1 to 13.5 of the Code: IA to report to AC chairman

The Internal Auditors are guided by the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Internal Auditors report directly to the Chairman of the AC. The AC reviews the scope of the internal audit function, internal audit findings and the internal audit plan.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

Notice of the 2015 AGM has been given to the Shareholders at least fourteen (14) days prior to the meeting date. The Company ensures that the Shareholders have the opportunity to participate effectively in and vote at the general meeting and the information on the rules, including voting procedures that govern general meeting have been provided to the Shareholders. The Company has informed the Shareholders on the changes in the Company or business which would likely materially affect the price or value of the Company's shares via SGXNET, the Company's website, press releases and other appropriate channels.

Guidelines 14.1 to 14.3 of the Code: Company to treat all shareholders fairly and equitably

Communication with Shareholders and Conduct of Shareholder Meetings

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.*

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.*

Guidelines 15.1 to 15.4of the Code: Regular, effective and fair communications with shareholders

The Board has adopted a policy of openness and transparency in the conduct of the Company's affairs while preserving the commercial interests of the Company. Financial results and other price sensitive information are disseminated to Shareholders via SGXNET, press releases, the Company's website, and through media and analyst briefings.

The Company also maintains a close relationship with the Shareholders of the Company. The Shareholders of the Company can submit their feedback and raise any question to the Company's investor relations contact as provided in the Company's website.

CORPORATE GOVERNANCE

The Board strives to ensure that all material information is disclosed to the shareholders on an adequate and timely basis. The Board informs and communicates with shareholders through annual reports, announcement released through SGXNET, press releases, advertisements of notice of general meetings in local newspapers.

Guideline 16.3 of the Code: Chairman and external auditors present at general meetings

Notices of general meetings are despatched to shareholders, together with the annual report or circulars within the time notice period as prescribed by the regulations. At general meetings, shareholders are given opportunities to voice their views and direct their questions to directors or management regarding the Company. The chairman of the Board, members of the AC, NC and/or RC are present and available to address questions at general meetings. The External Auditors are also present to assist the Board.

In preparation for the annual general meeting, shareholders are encouraged to refer to the SGX's the investor guides, namely 'An Investor's Guide To Reading Annual Reports' and 'An Investor's Guide To Preparing For Annual General Meetings'. The guides, in both English and Chinese, are available at the SGX website via this link :

http://www.sgx.com/wps/wcm/connect/sgx_en/home/individual_investor/investor_guide

The Company has in place an investor relations programme to keep investors informed of material developments in the Company's business and affairs beyond that which is prescribed, but without prejudicing the business interests of the Company.

Guideline 16.1 to 16.2 and 16.4 of the Code: Shareholders should be allowed to vote in absentia, avoid bundling of resolutions and limit on proxies.

The Company's Articles of Association do not restrict the number of proxies a shareholder can appoint to attend and vote on his/her behalf at all general meetings. There are separate resolutions at the general meetings for each distinct issue. The Board and Management are on hand at general meetings to address questions by shareholders.

Guideline 16.5 of the Code: Minutes of general meetings

Minutes of general meetings are prepared and made available to shareholders upon their requests by the Company Secretary.

Dealing in Securities

The Company has adopted and implemented an Insider Trading (Prevention) Policy (the "**Policy**"). The Policy is to ensure that the Company's Directors, officers, employees of the Group as well as consultants or contractors to the Group (collectively the "**Covered Persons**") and immediate family members of the Covered Persons are aware of their legal obligations in relation to the dealing of securities in the Company. Covered Persons who are in possession of unpublished material price sensitive information and use such information for their own material gain in relation to those securities are committing an offence. The Company, while having provided the window periods for dealing in the Company's securities, has its own internal compliance code in providing guidance to its officers with regard to dealing in the Company's securities including reminders that the law on insider trading is applicable at all the times.

Before the close of each window period, every officer in the Company is reminded not to deal in the Company's securities on a short-term basis. According, the Company had complied with Rule 1207 (19) of the Listing Manual.

On 28 May 2009, a Disciplinary Committee (the "DC") was formed to conduct inquiry on possible breaches of the Policy. The role of the DC is to report its finding to the Board and make recommendation as to the penalty if applicable. The Board will decide based on the DC's recommendation.
The DC comprises three (3) members, a majority of whom are Independent Non-executive Directors.

The chairman of the DC is an Independent Non-executive Director.

The DC consists of:

Mr Ong Kian Min – Chairman
Dr George Quek Meng Tong – Member
Mr Chan Soo Sen – Member

Interested Person Transactions

When a potential conflict arises, the Directors concerned do not participate in discussions and refrains from exercising any influence over other members of the Board.

The AC has reviewed the Interested Person Transactions ("IPTs") entered into during the financial year by the Group and the aggregate value of IPTs entered during the financial year ended 31 December 2014 is as follows:

Name of Interested Person	Aggregate value (S$'000) of all IPTs during the financial year under review	Aggregate value of all IPTs conducted during the financial year under review under the shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S$100,000)
(1) P.I.L. Consortium Pte Ltd - Delivery Services and Inward Freight	1,872	Not applicable – the Group does not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual
(2) Kung fu Kitchen - Food court rental income/ miscellaneous charges	230	
(3) Sky One Art Investment Pte Ltd - Purchases of artwork	493	

Material Contracts

Except as disclosed in Interested Person Transactions above, there is no material contract or loan entered into by the Company or any of its subsidiaries involving interests of any Director or controlling shareholder during the financial year ended 31 December 2014.

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DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of BreadTalk Group Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

DIRECTORS

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

Dr George Quek Meng Tong (Chairman)
Katherine Lee Lih Leng (Deputy Chairman)
Ong Kian Min
Chan Soo Sen
Dr Tan Khee Giap

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:

	Direct interest			Deemed interest		
Name of Director	**As at 1 January 2014**	**As at 31 December 2014**	**As at 21 January 2015**	**As at 1 January 2014**	**As at 31 December 2014**	**As at 21 January 2015**
The Company *(Ordinary shares)*						
Dr George Quek Meng Tong	95,673,470	95,687,660	95,687,660	–	–	–
Katherine Lee Lih Leng	52,400,830	52,415,020	52,415,020	–	–	–
Ong Kian Min	120,000	120,000	120,000	–	–	–
Tan Khee Giap	–	–	–	20,000	20,000	20,000
(Conditional award of restricted shares)						
Dr George Quek Meng Tong	14,190	14,190	–	–	–	–
Katherine Lee Lih Leng	14,190	14,190	–	–	–	–

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

By virtue of Section 7 of the Companies Act, Chapter 50, Dr George Quek Meng Tong and Katherine Lee Lih Leng are deemed to be interested in the shares held by the Company in its subsidiaries.

Except as disclosed in this report, no other director who held office at the end of the financial year had interest in shares or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment or the end of the financial year or on 21 January 2015.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Share Option and Share Plans

The Company has a Share Option Scheme and a Restricted Share Grant Plan which are administered by the Remuneration Committee comprising three Directors namely Messrs Chan Soo Sen (Chairman), Ong Kian Min (Member) and Dr Tan Khee Giap (Member). Details of the Share Option Scheme and the Restricted Share Grant Plan are as follows:

(a) ***The BreadTalk Group Limited Employees' Share Option Scheme***

The BreadTalk Group Limited Employees' Share Option Scheme ("ESOS") was approved at an Extraordinary General Meeting held on 30 April 2003. The following persons are eligible to participate in the ESOS at the absolute discretion of the Remuneration Committee:

(i) *Employees and Directors*

Employees, executive directors and non-executive directors of the Group who are not on probation and have attained the age of 21 years on or before the Offering Date.

(ii) *Controlling Shareholders and their Associates*

Controlling Shareholders or their Associates whose participation and actual number of shares issued to them must be approved by independent shareholders in general meeting.

Share Option and Share Plans (cont'd)

(a) ***The BreadTalk Group Limited Employees' Share Option Scheme (cont'd)***

Size of ESOS

The total number of new shares over which options may be granted pursuant to the ESOS shall not exceed fifteen per cent (15%) of the issued share capital of the Company on the date preceding the grant of an option.

The aggregate number of Shares available to eligible Controlling Shareholders and their Associates under the ESOS shall not exceed twenty five per cent (25%) of the Shares available under the ESOS. In addition, the number of Shares available to each Controlling Shareholder or his Associate shall not exceed ten per cent (10%) of the Shares available under the ESOS.

Grant of ESOS

Options may be granted from time to time during the year when the ESOS is in force, except that options shall be granted on or after the second market day on which an announcement of any matter involving unpublished price sensitive information is released.

Acceptance of ESOS

The grant of an option shall be accepted not more than 30 days from the offering date of that option and accompanied by payment to the Company of a nominal consideration of $1 or such other amount as required by the Remuneration Committee.

Since the commencement of the ESOS up to the end of the financial year, there were no options granted to any person. Any options granted under the ESOS do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

(b) ***The BreadTalk Restricted Share Grant Plan***

The BreadTalk Restricted Share Grant Plan ("RSG Plan") was approved at an Extraordinary General Meeting held on 28 April 2008.

The RSG Plan is centred on the accomplishment of specific pre-determined performance objectives and service conditions, which is the prerequisite for the contingent award of fully paid Shares ("Award"). The reward structure allows the Company to target specific performance objectives and incentivise the Participants to put in their best efforts to achieve these targets.

Share Option and Share Plans (cont'd)

(b) ***The BreadTalk Restricted Share Grant Plan (cont'd)***

Eligibility

The following persons shall be eligible to participate in the RSG Plan subject to the absolute discretion of the Remuneration Committee:

(i) *Employees*

Employees who are confirmed in their employment with the Company or any subsidiary, or employees of associated companies who hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group; and

(ii) *Directors*

Executive and non-executive directors of the Company and its subsidiaries, provided always that any of the aforesaid persons:

- have attained the age of twenty-one (21) years on or before the Award Date; and
- are not undischarged bankrupts.

Controlling Shareholders and their Associates within the above categories are eligible to participate in the RSG Plan. Participation in the RSG Plan by Controlling Shareholders or their Associates must be approved by the independent shareholders. A separate resolution shall be passed for each such Participant and to approve the number of Shares to be awarded to the Participant and the terms of such Award.

There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented or to be implemented by the Company or another company within the Group.

Size of RSG Plan

The aggregate number of Shares available to eligible Controlling Shareholders and their Associates under the RSG Plan shall not exceed twenty five per cent (25%) of the Shares available under the RSG Plan. In addition, the number of Shares available to each Controlling Shareholder or his Associate shall not exceed ten per cent (10%) of the Shares available under the RSG Plan.

The aggregate number of Shares to be awarded pursuant to the RSG Plan when added to the number of Shares issued and issuable in respect of such other Shares issued and/or issuable under such other share-based incentive schemes of the Company, including but not limited to the ESOS, shall not exceed fifteen per cent (15%) of the total issued share capital excluding treasury shares of the Company on the day preceding the relevant Award Date.

Share Option and Share Plans (cont'd)

(b) ***The BreadTalk Restricted Share Grant Plan (cont'd)***

Grant of RSG Plan

The grant of Awards under the RSG Plan may be made from time to time during the year when the RSG Plan is in force.

While Awards may be granted at any time in the year, it is anticipated that Awards under the RSG Plan would be made once a year, after the Company's annual general meeting. It will be administered by the Remuneration Committee.

Share Awards and Vesting

The final number of restricted shares awarded will depend on the achievement of pre-determined targets over a one year period. On meeting the performance conditions for the performance period, one-third of the restricted shares will vest. The balance will vest equally over the subsequent two years with fulfilment of service requirements.

The details of the restricted shares awarded under the RSG Plan since its commencement up to 31 December 2014 are as follows:

Name of Participant	Conditional restricted shares granted during the year	Aggregate conditional restricted shares awarded since commence-ment of the Plan (a)	Aggregate conditional restricted shares lapsed since commence-ment of the Plan (b)	Aggregate conditional restricted shares vested and released during the year	Aggregate conditional restricted shares vested and released since commence-ment of the Plan (c)	Aggregate conditional restricted shares outstanding at end of the year (a)-(b)-(c)
Directors of the Company						
Dr George Quek Meng Tong (1)	–	179,200	–	14,190	179,200	–
Katherine Lee Lih Leng (1)	–	154,000	–	14,190	154,000	–
Associate of a Controlling Shareholder						
Frankie Quek Swee Heng (2)	58,000	183,000	–	74,070	111,800	71,200

Share Option and Share Plans (cont'd)

Name of Participant	Conditional restricted shares granted during the year	Aggregate conditional restricted shares awarded since commencement of the Plan (a)	Aggregate conditional restricted shares lapsed since commencement of the Plan (b)	Aggregate conditional restricted shares vested and released during the year	Aggregate conditional restricted shares vested and released since commencement of the Plan (c)	Aggregate conditional restricted shares outstanding at end of the year (a)-(b)-(c)
Participants who received 5% or more of the total grants available						
Oh Eng Lock [3]	65,000	1,607,430	–	563,654	1,478,740	128,690
Cheng William	20,000	321,200	–	43,500	265,560	55,640
Jenson Ong Chin Hock	22,000	88,600	–	18,250	53,400	35,200
Lawrence Yeo Kia Yeow	40,000	131,000	–	30,340	50,740	80,260
Other participants	109,000	1,547,400	161,640	103,340	1,140,470	245,290
	314,000	4,211,830	161,640	861,534	3,433,910	616,280

(1) Also a controlling shareholder of the Company
(2) Associate of Dr George Quek Meng Tong, a controlling shareholder of the Company
(3) This includes a total of 781,666 shares and 488,764 shares that were released via the issuance of treasury shares in relation to a sign-on bonus as well as award of service equity granted to Mr. Oh Eng Lock.

With the Remuneration Committee's approval on the achievement of the performance targets for the performance period from FY2011 to FY2013, a total of 399,830 restricted shares were released via the issuance of treasury shares.

Audit Committee

The Audit Committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

Auditor

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

On behalf of the board of directors:

Dr George Quek Meng Tong
Director

Katherine Lee Lih Leng
Director

Singapore
30 March 2015

STATEMENT BY DIRECTORS

We, Dr George Quek Meng Tong and Katherine Lee Lih Leng, being two of the directors of BreadTalk Group Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, 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.

On behalf of the board of directors:

Dr George Quek Meng Tong
Director

Katherine Lee Lih Leng
Director

Singapore
30 March 2015

Independent auditor's report to the members of BreadTalk Group Limited

Report on the financial statements

We have audited the accompanying consolidated financial statements of BreadTalk Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 157, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Independent auditor's report to the members of BreadTalk Group Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore
30 March 2015

	Notes	2014 $'000	2013 $'000
Revenue	3	589,644	536,530
Cost of sales		(279,018)	(251,973)
Gross profit		310,626	284,557
Other operating income	4	18,300	11,899
Interest income	5	2,058	1,316
Distribution and selling expenses		(233,005)	(209,937)
Administrative expenses		(70,998)	(63,596)
Interest expense	5	(3,728)	(2,675)
Profit before tax and share of results of associates and joint ventures		23,253	21,564
Share of results of associates		(1,085)	231
Share of results of joint ventures		645	595
Profit before taxation	6	22,813	22,390
Income tax expense	8	(6,760)	(6,251)
Profit for the year		16,053	16,139
Profit attributable to:			
Owners of the Company		12,194	13,600
Non-controlling interests		3,859	2,539
		16,053	16,139
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net fair value loss on available-for-sale financial assets		(111)	(103)
Foreign currency translation		1,643	1,421
Other comprehensive income for the year, net of tax		1,532	1,318
Total comprehensive income for the year		17,585	17,457
Total comprehensive income attributable to:			
Owners of the Company		13,726	14,918
Non-controlling interests		3,859	2,539
		17,585	17,457
Earnings per share (cents)			
Basic	9	4.33	4.83
Diluted	9	4.32	4.82

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

	Notes	Group		Company	
		2014	**2013**	**2014**	**2013**
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	10	220,670	225,860	75,560	74,115
Investment property	11	23,153	–	–	–
Intangible assets	12	7,691	7,772	–	–
Investment securities	13	77,182	59,799	–	–
Investment in subsidiaries	14	–	–	24,170	23,657
Investment in associates	15	3,033	4,568	–	–
Investment in joint ventures	16	8,235	3,638	–	–
Other receivables	18	2,350	3,277	–	–
Fixed deposit	20	–	10,671	–	–
Deferred tax assets	8	4,970	4,287	–	67
		347,284	319,872	99,730	97,839
Current assets					
Inventories	17	10,629	10,004	–	–
Trade and other receivables	18	54,494	49,145	1,854	968
Prepayments		5,783	6,395	120	86
Tax recoverable		8	6	–	–
Due from related corporations	19	1,885	959	26,412	16,753
Amounts due from minority shareholders of subsidiaries (non-trade)	24	518	395	–	–
Cash and cash equivalents	20	95,452	79,420	3,047	9,214
Assets of disposal group classified as held for sale	21	–	2,056	–	–
		168,769	148,380	31,433	27,021
Current liabilities					
Trade and other payables	22	97,675	102,589	1,430	2,669
Other liabilities	23	65,226	59,531	3,280	5,793
Provision	23	11,681	10,223	22	22
Due to related corporations	19	5,162	3,901	32,103	27,457
Loan from a minority shareholder of a subsidiary	24	200	200	–	–
Short-term loans	25	32,367	9,746	–	–
Current portion of long-term loans	26	43,965	20,554	4,032	3,135
Tax payable		6,825	6,458	–	–
		263,101	213,202	40,867	39,076

	Notes	Group		Company	
		2014	**2013**	**2014**	**2013**
		$'000	$'000	$'000	$'000
Net current liabilities		(94,332)	(64,822)	(9,434)	(12,055)
Non-current liabilities					
Other liabilities	23	12,626	10,297	–	–
Loan from a minority shareholder of a subsidiary	24	476	–	–	–
Long-term loans	26	121,487	138,216	47,158	49,048
Deferred tax liabilities	8	2,619	2,554	167	–
		137,208	151,067	47,325	49,048
Net assets		115,744	103,983	42,971	36,736
Equity attributable to owners of the Company					
Share capital	27	33,303	33,303	33,303	33,303
Treasury shares	27	(3)	(187)	(3)	(187)
Accumulated profits	28	64,515	57,499	9,008	3,159
Other reserves	28	4,687	3,338	663	461
		102,502	93,953	42,971	36,736
Non-controlling interests		13,242	10,030	–	–
Total Equity		115,744	103,983	42,971	36,736

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

2014 Group	Share capital $'000 (Note 27)	Treasury shares $'000 (Note 27)	Accu-mulated profits $'000 (Note 28)	Statutory reserve fund $'000 (Note 28)	Trans-lation reserve $'000 (Note 28)	Fair value adjust-ment reserve $'000 (Note 28)	Share based compen-sation reserve $'000 (Note 28)	Premium paid on acquisition of non-controlling interests $'000 (Note 28)	Capital reserve $'000 (Note 28)	Total $'000	Non-con-trolling interests $'000	Total equity $'000
	Attributable to owners of the Company											
At 1 January 2014	33,303	(187)	57,499	2,757	666	111	286	(657)	175	93,953	10,030	103,983
Profit for the year	–	–	12,194	–	–	–	–	–	–	12,194	3,859	16,053
Other comprehensive income												
Net fair value loss on available-for-sale financial assets	–	–	–	–	–	(111)	–	–	–	(111)	–	(111)
Foreign currency translation	–	–	–	–	1,643	–	–	–	–	1,643	–	1,643
Other comprehensive income for the year, net of tax	–	–	–	–	1,643	(111)	–	–	–	1,532	–	1,532
Total comprehensive income for the year	–	–	12,194	–	1,643	(111)	–	–	–	13,726	3,859	17,585
Contributions by and distributions to owners												
Share-based payments	–	650 [1]	–	–	–	–	305	–	–	955	–	955
Dividends paid (Note 36)	–	–	(5,071)	–	–	–	–	–	–	(5,071)	(155)	(5,226)
Dividends payable	–	–	–	–	–	–	–	–	–	–	(984)	(984)
Treasury shares transferred on vesting of restricted share grant	–	103	–	–	–	–	(235)	–	132	–	–	–
Purchase of treasury shares	–	(569)	–	–	–	–	–	–	–	(569)	–	(569)
Total contributions by and distributions to owners	–	184	(5,071)	–	–	–	70	–	132	(4,685)	(1,139)	(5,824)
Changes in ownership interests in a subsidiary												
Acquisition of non-controlling interests without a change in control	–	–	–	–	–	–	–	(492)	–	(492)	492	–
Total transactions with owners in their capacity as owners	–	184	(5,071)	–	–	–	70	(492)	132	(5,177)	(647)	(5,824)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

2014 Group	Share capital $'000 (Note 27)	Treasury shares $'000 (Note 27)	Accu-mulated profits $'000 (Note 28)	Statutory reserve fund $'000 (Note 28)	Trans-lation reserve $'000 (Note 28)	Fair value adjust-ment reserve $'000 (Note 28)	Share based compen-sation reserve $'000 (Note 28)	Premium paid on acquisition of non-controlling interests $'000 (Note 28)	Capital reserve $'000 (Note 28)	Total $'000	Non-con-trolling interests $'000	Total equity $'000
Others												
Transfer of statutory reserves	–	–	(107)	107	–	–	–	–	–	–	–	–
At 31 December 2014	33,303	(3)	64,515	2,864	2,309	–	356	(1,149)	307	102,502	13,242	115,744

2013 Group	Share capital $'000 (Note 27)	Treasury shares $'000 (Note 27)	Accu-mulated profits $'000 (Note 28)	Statutory reserve fund $'000 (Note 28)	Trans-lation reserve $'000 (Note 28)	Fair value adjust-ment reserve $'000 (Note 28)	Share based compen-sation reserve $'000 (Note 28)	Premium paid on acquisition of non-controlling interests $'000 (Note 28)	Capital reserve $'000 (Note 28)	Total $'000	Non-con-trolling interests $'000	Total equity $'000
	Attributable to owners of the Company											
At 1 January 2013	33,303	(406)	47,559	2,757	(755)	214	379	(657)	156	82,550	8,475	91,025
Profit for the year	–	–	13,600	–	–	–	–	–	–	13,600	2,539	16,139
Other comprehensive income												
Net fair value loss on available-for-sale financial assets	–	–	–	–	–	(103)	–	–	–	(103)	–	(103)
Foreign currency translation	–	–	–	–	1,421	–				1,421	–	1,421
Other comprehensive income for the year, net of tax	–	–	–	–	1,421	(103)	–	–	–	1,318	–	1,318
Total comprehensive income for the year	–	–	13,600	–	1,421	(103)	–	–	–	14,918	2,539	17,457
Contributions by and distributions to owners												
Share-based payments	–	–	–	–	–	–	145	–	–	145	–	145
Dividends paid (Note 36)	–	–	(3,660)	–	–	–	–	–	–	(3,660)	–	(3,660)
Dividends payable	–	–	–	–	–	–	–	–	–	–	(984)	(984)
Treasury shares transferred on vesting of restricted share grant	–	219	–	–	–	–	(238)	–	19	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–	–	–	–	–
Total transactions with owners in their capacity as owners	–	219	(3,660)	–	–	–	(93)	–	19	(3,515)	(984)	(4,499)
At 31 December 2013	33,303	(187)	57,499	2,757	666	111	286	(657)	175	93,953	10,030	103,983

	Share capital $'000 (Note 27)	Treasury shares $'000 (Note 27)	Accumulated profits $'000 (Note 28)	Share based compen-sation reserve $'000 (Note 28)	Capital reserve $'000 (Note 28)	Total equity $'000
2013 Company						
1 January 2013	33,303	(406)	(5,127)	379	156	28,305
Profit for the year	–	–	11,946	–	–	11,946
Total comprehensive income for the year	–	–	11,946	–	–	11,946
Contributions by and distributions to owners						
Share-based payments	–	–	–	145	–	145
Treasury shares transferred on vesting of restricted share grant	–	219	–	(238)	19	–
Purchase of treasury shares	–	–	–	–	–	–
Dividends paid (Note 36)	–	–	(3,660)	–	–	(3,660)
Total transactions with owners in their capacity as owners	–	219	(3,660)	(93)	19	(3,515)
At 31 December 2013	33,303	(187)	3,159	286	175	36,736
2014 Company						
1 January 2014	33,303	(187)	3,159	286	175	36,736
Profit for the year	–	–	10,920	–	–	10,920
Total comprehensive income for the year	–	–	10,920	–	–	10,920
Contributions by and distributions to owners						
Share-based payments	–	650 (1)	–	305	–	955
Treasury shares transferred on vesting of restricted share grant	–	103	–	(235)	132	–
Purchase of treasury shares	–	(569)	–	–	–	(569)
Dividends paid (Note 36)	–	–	(5,071)	–	–	(5,071)
Total transactions with owners in their capacity as owners	–	184	(5,071)	70	132	(4,685)
At 31 December 2014	33,303	(3)	9,008	356	307	42,971

(1) Refers to 488,764 treasury shares released to Mr. Oh Eng Lock, the Group Chief Executive Officer, as an award of service quality.

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

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Profit before taxation		22,813	22,390
Adjustments for:			
Amortisation of intangible assets	12	442	489
Depreciation of property, plant and equipment	10	45,495	38,849
Gain on disposal of intangible assets		–	(11)
Gain on disposal of property, plant and equipment		(1,001)	(111)
Gain on a disposal of a joint venture		(27)	–
Write back of provision for reinstatement cost		(92)	(394)
Impairment loss on investment securities	13	75	–
Impairment loss on property, plant and equipment	10	–	824
Impairment of trade receivables		137	197
Impairment of other receivables		–	26
Impairment of amount due from joint venture		52	607
Other receivables written off		111	–
Interest expense		3,728	2,675
Interest income		(2,058)	(1,316)
Property, plant and equipment written off		3,135	743
Share based payment expenses		955	146
Share of results of associates		1,085	(231)
Share of results of joint ventures		(645)	(595)
Write-off of inventories		12	–
Dividend income from unquoted investment equity		(411)	–
Unrealised exchange loss / (gain), net		437	(1,115)
Operating cash flows before working capital changes		74,243	63,173
Increase in:			
Inventories		(637)	(992)
Trade and other receivables		(3,323)	(8,319)
Prepayments		612	(71)
Amount due from joint ventures (trade)		(139)	278
Increase in:			
Trade and other payables		(600)	10,400
Other liabilities		9,734	14,019
Amount due to a joint venture (trade)		364	496
Cash flows generated from operations		80,254	78,984
Tax paid		(6,929)	(7,545)
Net cash flows from operating activities		73,325	71,439

	Notes	2014 $'000	2013 $'000
Cash flows from investing activities			
Interest income received		578	2,070
Purchase of property, plant and equipment	A	(47,482)	(106,441)
Additions to intangible assets		(337)	(219)
Purchase of investment property		(23,153)	–
Cash paid for reinstatement expenses		(792)	(375)
Proceeds from disposal of property, plant and equipment		4,549	271
Proceeds from disposal of assets of disposal group classified as held for sale		2,056	–
Proceeds from disposal of a joint venture		27	–
Amount due from joint ventures (non-trade)		(138)	(138)
Amount due to joint ventures (non-trade)		(11)	–
Loan to a joint venture		–	(55)
Amount due to an associate (non-trade)		904	1,193
Investment in a joint venture		(5,044)	–
Investment in associates		–	(2,910)
Purchase of investment securities		(17,569)	(14,020)
Loan to an investee		(4,485)	–
Repayment of loan to an investee		3,788	–
Dividends received from an associate		450	–
Dividends received from a joint venture		334	208
Dividends received from unquoted investment equity		411	–
Cash under asset held for sale	21	–	(4)
Net cash flows used in investing activities		(85,914)	(120,420)
Cash flows from financing activities			
Interest paid		(3,728)	(2,675)
Dividends paid to shareholders of the Company		(5,071)	(3,660)
Dividends paid to minority shareholders of a subsidiary		(1,139)	(984)
Purchase of treasury shares		(569)	–
Proceeds from long-term loans		40,739	73,831
Repayment of long-term loans		(18,691)	(32,314)
Proceeds from short-term loans		30,758	34,159
Repayment of short-term loans		(24,259)	(3,223)
Loan due to a minority shareholder		476	–
Repayment of amount due to landlord		–	(14)
Net cash flows from financing activities		18,516	65,120
Net increase/(decrease) in cash and cash equivalents		5,927	16,139
Effect of exchange rate changes on cash and cash equivalents		(984)	(964)
Cash and cash equivalents at the beginning of the year		79,420	64,245
Reclassification of long term fixed deposit due within 12 months		11,089	–
Cash and cash equivalents at the end of the year	20	95,452	79,420

Note A. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of approximately $43,629,000 (2013: $107,751,000). The additions were by way of cash payments of $30,705,000 (2013: $90,392,000), increase in provision for reinstatement costs of $2,169,000 (2013: $2,926,000), in amount payable to other creditors of $9,334,000 (2013: $11,302,000 and accruals of $1,421,000 (2013: $3,131,000).

Cash outflow for the year also include payments in respect of property, plant and equipment acquired in the previous years of $16,777,000 (2013: $16,049,000).

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

1. General

1.1 *Corporate information*

BreadTalk Group Limited (the "Company") is a limited liability company incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at Breadtalk IHQ, 30 Tai Seng Street, #09-01 Singapore 534013.

The principal activity of the Company is that of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

Related corporations comprise companies within the BreadTalk Group Limited group of companies, and include associates and joint ventures.

2. Summary of significant accounting policies

2.1 *Basis of preparation and fundamental accounting assumption*

As at 31 December 2014, the Group's and Company's current liabilities exceeded their current assets by $94,332,000 (2013: $64,822,000) and $9,434,000 (2013: $12,055,000) respectively. The ability of the Group to continue as a going concern is dependent on the Group's ability to generate positive cash flows. In the opinion of the directors, the Group is able to continue as a going concern despite its net current liabilities position as the directors are of the view that the Group will be able to continue to generate net cash inflows from its operating activities for a period of 12 months from the date these financial statements were approved and to enable it to meet its financial obligations as and when they fall due. In addition, the Group has sufficient unutilised banking facilities available for future use should the need arise.

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

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

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

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

2.2 ***Changes in accounting policies***

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 ***Standards issued but not yet effective***

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 Share Based Payment	1 July 2014
(b) Amendments to FRS 103 Business Combinations	1 July 2014
(c) Amendments to FRS 108 Operating Segments	1 July 2014
(d) Amendments to FRS 16 Property, Plant and Equipment and FRS 38 Intangible Assets	1 July 2014
(e) Amendments to FRS 24 Related Party Disclosures	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 Business Combinations	1 July 2014
(b) Amendments to FRS 113 Fair Value Measurement	1 July 2014
(c) Amendments to FRS 40 Investment Property	1 July 2014
Amendments to FRS 27 Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Improvements to FRSs (November 2014)	
(a) FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
(b) FRS 107 Financial Instruments: Disclosures	1 January 2016
(c) FRS 19 Employee Benefits	1 January 2016
(d) FRS 34 Interim Financial Reporting	1 January 2016
Amendments to FRS 110 & FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 1: Disclosure Initiative	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 115 Revenue from Contracts with Customers	1 January 2017
FRS 109 Financial Instruments	1 January 2018

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

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

With the exception of FRS 115, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

2.4 ***Significant accounting estimates and judgements***

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements made in applying accounting policies

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

(a) <u>Impairment of available-for-sale investments and held-to-maturity investments</u>

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

The Group assesses whether there is an indication that held-to-maturity investments may be impaired. In the assessment, the Group evaluates, among other factors, the cash flow projections and value of the related secured property.

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

2.4 ***Significant accounting estimates and judgements (cont'd)***

(b) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable and deferred tax liabilities at 31 December 2014 were approximately $6,825,000 (2013: $6,458,000) and $2,619,000 (2013: $2,554,000) respectively. The carrying amount of the Group's tax recoverable and deferred tax assets at 31 December 2014 was $8,000 (2013: $6,000) and $4,970,000 (2013: $4,287,000) respectively.

A subsidiary, BreadTalk Pte Ltd obtained the Development and Expansion Incentive ("DEI") which entitles the qualifying income of the company earned up to the financial year ended 31 December 2018 to be subject to the concessionary tax rate of 10%. Judgement is involved when determining the amount of qualifying income for the year.

Key sources of estimation uncertainty

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

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 31 December 2014 was $5,846,000 (2013: $5,846,000). More details are given in Note 12.

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

2.4 ***Significant accounting estimates and judgements (cont'd)***

(b) Valuation and estimated useful life of brand value arising from acquisition of a subsidiary, Topwin Investment Holding Pte Ltd ("Topwin")

Brand value arising from the acquisition of Topwin was separately identified and recognised by management using the "relief from royalty method". The premise of this valuation method is the assumption that the Group would be compelled to pay the rightful owner of the brand name if the Group did not have the legal right to utilise the brand name. The ownership of the brand therefore relieves the Group from making such royalty payments. This requires an estimation of the royalty payments including initial fees and continuing royalty payments based on a percentage of projected revenue. The basis used to determine the revenue projections is the revenue for each food court of Topwin achieved in the financial year ended 31 December 2004 projected into the future. The useful life of the brand value is estimated by the directors to be 15 years as this is the length of time that they expect the benefits of the brand to flow to the Group. Amortisation of the brand amounted to $213,000 (2013: $214,000) for the financial year ended 31 December 2014 and the carrying amount of the brand value at 31 December 2014 was $1,066,000 (2013: $1,279,000). More details are given in Note 12.

(c) Provision for reinstatement cost

The Group recognises provision for reinstatement cost when the Group entered into a lease agreement for the premises. In determining the amount of the provision for reinstatement cost, estimates are made in relation to the expected cost to reinstate the premises back to its original form after the expiration of the lease terms. The carrying amount of the provision for reinstatement cost as at 31 December 2014 was $11,681,000 (2013: $10,223,000). If the estimated provision had been 5% higher/lower than management's estimate, the carrying amount of the provision would have been $584,000 (2013: $511,000) higher/lower.

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

2.5 ***Foreign currency***

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

(a) *Transactions and balances*

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

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

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

2.6 ***Basis of consolidation and business combinations***

(a) Basis of consolidation

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

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

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

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

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

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

(b) Business combinations and goodwill

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

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

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

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

(b) Business combinations and goodwill (cont'd)

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

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

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

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

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

2.7 ***Transactions with non-controlling interests***

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

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

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

2.8 ***Subsidiaries***

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.9 ***Joint arrangements***

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

(a) *Joint operations*

The Group recognises in relation to its interest in a joint operation,

(a) its assets, including its share of any assets held jointly;

(b) its liabilities, including its share of any liabilities incurred jointly;

(c) its revenue from the sale of its share of the output arising from the joint operation;

(d) its share of the revenue from the sale of the output by the joint operation; and

(e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

(b) *Joint ventures*

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.10.

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

2.10 ***Associates and joint ventures***

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

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

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

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

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

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

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

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

2.11 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.21. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold property	–	20 – 57 years
Leasehold land	–	57 years
Machinery and equipment	–	5 - 20 years
Electrical works	–	5 - 6 years
Furniture and fittings	–	5 - 6 years
Office equipment	–	3 - 6 years
Renovation	–	2 - 6 years
Motor vehicles	–	5 - 6 years

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

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

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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

2.12 ***Investment properties***

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs. The cost of investment properties are recognised as assets if, and only if, it is probable that future economic benefits associated with the property will flow to the Group and the cost of the property can be measured reliably.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of investment properties begin when they are available for use and are computed on a straight-line basis over the estimated useful life of the asset. The useful life of the investment property is 47 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.13 ***Intangible assets***

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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

2.13 ***Intangible assets (cont'd)***

(a) *Trade mark*

Costs relating to trade mark are capitalised and amortised on a straight-line basis over its estimated finite useful life of 5 years.

(b) *Franchise rights*

Costs relating to master franchise fees paid are capitalised and amortised on a straight-line basis over the lease/franchise period ranging from 4 to 20 years.

Costs relating to territory reservation fees are capitalised and amortised on a straight line basis over the useful life of 6 years.

(c) *Location premium*

Consideration paid to previous tenants to vacate premises in order to secure the lease arrangement are amortised on a straight-line basis over the new lease agreement period of 4 years.

(d) *Brand value*

Brand value was acquired through a business combination. The useful life of the brand is assessed to be finite and estimated to be 15 years because this is the length of time that the management expects the economic benefits of the brand to flow to the Group.

Brand value is amortised on a straight-line basis over its estimated economic useful life.

2.14 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

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

2.15 ***Financial instruments***

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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

2.15 ***Financial Instruments (cont'd)***

(a) *Financial assets (cont'd)*

(iii) *Available-for-sale financial assets (cont'd)*

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

2.16 ***Impairment of financial assets***

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

2.16 ***Impairment of financial assets (cont'd)***

(c) *Available-for-sale financial assets*

In the case of equity instruments classified as available-for sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss.

Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

2.17 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and at bank and unpledged short-term fixed deposits.

2.18 ***Inventories***

Inventories comprise raw materials, consumables, semi-finished goods, finished goods and base inventories.

Inventories are valued at the lower of cost and net realisable value. Costs comprise purchase costs accounted for on a weighted average cost basis. In the case of semi-finished goods, costs also include an appropriate share of production overheads based on normal operating capacity.

Base inventory, comprising mainly cutlery and dining utensils, are written down to 50% of the original cost and all further replacement costs incurred in maintaining the base inventory is expensed.

Where necessary, allowance 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 estimated costs of completion and the estimated costs necessary to make the sale.

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

2.19 ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 ***Financial guarantee***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.21 ***Borrowing costs***

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset.

Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 ***Leases***

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

2.22 ***Leases (cont'd)***

(a) *As lessee (cont'd)*

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25(g). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 ***Employee benefits***

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related services are performed.

<u>Singapore</u>

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. The Group makes monthly contributions based on stipulated contribution rates.

<u>People's Republic of China ("PRC")</u>

Subsidiaries incorporated and operating in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' PRC employees.

<u>Hong Kong</u>

Subsidiaries incorporated and operating in Hong Kong pay contributions to publicly or privately administered pension insurance plans on a mandatory basis. The subsidiaries have no further payment obligations once the contributions have been paid. The contributions are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

2.23 ***Employee benefits (cont'd)***

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognized as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

(c) *The BreadTalk Restricted Share Grant Plan ("RSG Plan")*

Employees receive remuneration under the RSG Plan in the form of fully-paid shares ("Awards") of the Company as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the Awards at the date on which the Awards are granted. The cumulative expense recognized at each reporting date until the vesting date reflects the Company's best estimate of the number of Awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In the Company's separate financial statements, the fair value of the Awards granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity.

2.24 ***Non-current assets held for sale***

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2.25 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Bakery sales, restaurant sales and sales to franchisee*

Revenue from the sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Franchise income*

Initial franchise income is recognised upon the grant of rights, completion of the designated phases of the franchise setup and transfer of know-how to the franchisee in accordance with the terms stated in the franchise agreement. Recurring franchise income is recognised on a periodic basis as a percentage of the franchisees' revenue in accordance with terms as stated in the franchise agreement.

(c) *Food court revenue*

Fixed rental income from the sub-lease of food courts is recognised as income in profit or loss on a straight line basis over the lease term. The variable portion of the rental income which is computed based on a percentage of the food court tenants' gross sales is recognised when such sales are earned.

Revenue from the sale of food and beverage is recognised upon delivery and acceptance by customers, net of sale discounts.

(d) *Management fee*

Management fee is recognised on an accrual basis.

(e) *Interest income*

Interest income is recognised as interest accrues (using the effective interest method) unless collectability is in doubt.

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

2.25 ***Revenue (cont'd)***

(f) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

(g) *Rental income*

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.26 ***Government grants***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.27 ***Taxes***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date, in the countries where the Group operates and generates taxable income.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

2.27 ***Taxes (cont'd)***

(b) *Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.27 ***Taxes (cont'd)***

(b) *Deferred tax (cont'd)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised in profit or loss. Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about the facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

2.28 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 ***Share capital and share issue expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.30 ***Treasury shares***

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.31 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

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

2.32 ***Transfers between levels of the fair value hierarchy***

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

3. Revenue

	Group	
	2014	**2013**
	$'000	$'000
Bakery sales	252,297	230,021
Restaurant sales	130,735	122,203
Sales to franchisee	27,824	28,624
Franchise income	13,913	12,675
Food court income	164,875	143,007
	589,644	536,530

4. Other operating income

	Group	
	2014	**2013**
	$'000	$'000
Management fee income	7,491	6,954
Income from mall operation	769	223
Government grant (1)	1,367	1,683
Grant income from Special Employment Credit (2)	327	147
Wage credit scheme (3)	790	–
PIC Bonus (4)	90	–
Income from expired food court stored value cards	54	64
Sponsorship income	555	585
Sundry sales	–	143
Rental income	2,014	418
Gain on disposal of a joint venture	27	–
Gain on disposal of intangible assets (Note 12)	–	11
Gain on disposal of property, plant and equipment	1,001	111
Foreign exchange gain	851	148
Write back of provision for reinstatement cost	92	394
Compensation received from vendor	726	–
Waiver of debt by vendor	170	–
Dividend received from unquoted equity instruments	411	–
Miscellaneous income	1,565	1,018
	18,300	11,899

4. Other operating income (cont'd)

(1) Government grant in relation to business expansion activities undertaken by certain subsidiaries in the PRC.

(2) The Special Employment Credit ("SEC") was introduced as a budget initiative in the financial year 2011 and was further enhanced in financial year 2012 to cover a wider range of employees and enabling more employers to benefit from the Scheme. The enhanced Scheme is for 5 years and will expire on 31 December 2016.

Under this Scheme, for each Singaporean employee who is aged 50 and above and who earns up to $3,000 per month, the Company will receive an 8% Special Employment Credit based on that employee's salary. The Scheme has 2 payouts in March and September. The Group received $327,000 (2013: $147,000) during the year.

(3) The Wage Credit Scheme ("WCS") was introduced as a budget initiative in the financial year 2014 to help businesses which may face rising wage costs in a tight labour market. The Government will co-fund 40% of wage increases to Singaporean employees earning a gross monthly wage of $4,000 for the financial year 2014 to 2015 and 20% co-funding in the financial years of 2016 and 2017.

(4) Introduces in the Singapore Budget 2013, the PIC Bonus ("PIC") scheme helps business defray rising operating costs such as wages and rentals and encourages businesses to undertake improvements in productivity and innovation.

PIC gives a dollar-for-dollar matching cash bonus for the financial year 2012 to 2014, subject to an overall cap of $15,000 for all 3 financial years combined.

5. Interest income and interest expense

	Group	
	2014	**2013**
	$'000	$'000
Interest income from:		
- loans and receivables	927	758
- held-to-maturity financial assets	1,131	558
	2,058	1,316
Interest expense on:		
- Term loans	(3,728)	(2,675)

6. Profit before taxation

This is determined after charging the following:

	Group	
	2014	**2013**
	$'000	$'000
Audit fees to:		
- auditors of the Company	294	281
- other auditors	199	166
Non-audit fees to:		
- auditors of the Company	30	27
- other auditors	56	4
Amortisation of intangible assets (Note 12)	442	489
Impairment of loans and receivables		
- trade receivables (Note 18)	137	197
- other receivables (Note 18)	–	26
- amount due from joint venture (Note 19)	52	607
Directors' fees	168	168
Depreciation of property, plant and equipment (Note 10)	45,495	38,849
Employee benefits (Note 7)	161,867	142,638
Operating lease expenses		
- fixed portion	116,613	101,795
- variable portion	12,808	13,007
Property, plant and equipment written off	3,135	743
Impairment loss on property, plant and equipment (Note 10)	–	824
Write-off of inventories (Note 17)	12	–
Impairment loss on quoted equity instruments	75	–
Other receivables write off	111	–

7. Employee benefits

	Group	
	2014	**2013**
	$'000	$'000
Staff costs (including directors)		
Salaries and bonuses	115,653	104,971
Central Provident Fund and other pension contributions	13,931	14,103
Sales incentives and commission	3,428	2,908
Share-based payment (RSG Plan)	1,093	217
Other personnel benefits	27,762	20,439
	161,867	142,638

RSG Plan

Under the RSG Plan, directors and employees receive remuneration in the form of fully-paid shares of the Company as consideration for services rendered. Restricted shares are granted conditionally and the final number of restricted shares awarded will depend on the achievement of pre-determined targets over a one year period. On meeting the performance conditions for the performance period, one-third of the restricted shares will vest. The balance will vest equally over the subsequent two years with the fulfilment of service requirements.

The fair value of the restricted shares granted is estimated based on the market price of the shares on grant date less the present value of expected future dividends during the vesting period.

During the year, 314,000 (2013: 253,000) restricted shares were granted. The number of restricted shares outstanding at year end is 616,280 (2013: 710,050) shares.

8. Income tax expense

Major components of income tax expense were:

	Group	
	2014	**2013**
	$'000	$'000
Current tax		
- Current year	6,585	7,152
- Over provision in prior year	(82)	(114)
Deferred tax		
- Origination and reversal of temporary differences	(665)	(988)
- Under/(over) provision in prior year	188	(215)
Withholding tax	734	416
Taxation expense	6,760	6,251

8. Income tax expense (cont'd)

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the year ended 31 December is as follows:

	Group	
	2014	**2013**
	$'000	$'000
Profit before taxation	22,813	22,390
Tax at the domestic rates applicable to profits in the countries where the Group operates (1)	4,128	4,015
Tax effect of:		
Expenses not deductible for tax purposes	2,583	1,797
Depreciation not deductible for tax purposes	1,649	1,453
Income not subject to taxation	(811)	(583)
Share of results of associates and joint ventures	259	337
Tax savings arising from development and expansion incentive (2)	(181)	–
(Over)/under provision in prior years		
- Current tax	(82)	(114)
- Deferred tax	188	(215)
Withholding tax expense	734	416
Effect of partial tax exemption and tax relief	(168)	(140)
Deferred tax assets not recognised	631	582
Benefits from previously unrecognised temporary differences	(1,170)	(541)
Tax savings from enhanced deductions (3)	(922)	(759)
Tax losses which cannot be carried forward	–	(3)
Others	(78)	6
Taxation expense	6,760	6,251

(1) This is prepared by aggregating separate reconciliations for each national jurisdiction.

(2) In February 2004, the Economic Development Board granted the Development and Expansion Incentive under the International Headquarters (IHQ-DEI) Award to a subsidiary. Subject to certain conditions, the subsidiary enjoys a concessionary tax rate of 10% on its qualifying income for a period of 5 years commencing 1 January 2003 and was subsequently extended for 5 more years and expired as of 31 December 2012. On 19 December 2014, the subsidiary was granted an extension of the DEI for another 5 years commencing 1 January 2013.

(3) In Budget 2010, the Minister for Finance of Singapore introduced a new broad-based tax scheme to encourage businesses to invest in productivity and innovation. The scheme enhances existing tax measures that encourage productivity and innovative activities and consolidates them into a single scheme, known as the Productivity and Innovation scheme ("PIC"). The PIC is available for Year of Assessment ("YA") 2011 to YA 2015.

8. Income tax expense (cont'd)

Deferred income tax as at 31 December relates to the following:

	Group				Company	
	Balance sheet		Profit or loss		Balance sheet	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities:						
Differences in depreciation for tax purposes	(2,232)	(2,174)	(58)	(428)	(167)	–
Dividend income	–	–	–	168	–	–
Other items	(387)	(380)	(6)	220	–	–
	(2,619)	(2,554)			(167)	–
Deferred tax assets:						
Provisions	1,619	1,508	36	163	–	–
Differences in depreciation for tax purposes	429	922	(533)	72	–	(15)
Unutilised capital allowances	1,886	473	1,389	416	–	56
Unutilised tax losses	476	851	(375)	499	–	–
Other items	560	533	25	93	–	26
	4,970	4,287			–	67
Deferred income tax			477	(1,203)		

Unrecognised tax losses, capital allowances and other temporary differences

As at 31 December 2014, the Group has tax losses of approximately $29,412,000 (2013: $30,138,000), unutilised capital allowances of approximately $320,000 (2013: $1,201,000) and other temporary differences of approximately $2,368,000 (2013: $1,827,000) that are available for offset against future taxable profits, for which no deferred tax assets are recognised on these amounts due to uncertainty of their utilisation. The comparative figures have been adjusted based on the latest tax submissions and finalisation of certain years of tax assessments. The utilisation of the tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. As at 31 December 2014, $19,263,000 (2013: $15,285,000) of the unrecognised tax losses will expire between 1 and 5 years.

8. Income tax expense (cont'd)

Unrecognised temporary differences relating to investments in subsidiaries

At the balance sheet date, no deferred tax liability (2013: $Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of these subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $26,605,000 (2013: $24,218,000). The deferred tax liability is estimated to be $1,330,000 (2013: $1,211,000).

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 36).

9. Earnings per share

Basic earnings per share are calculated by dividing the Group's profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing the Group's profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

These profit and share data are presented in the table below:

	Group	
	2014	**2013**
	$'000	$'000
Profit for the year attributable to owners of the Company	12,194	13,600
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation *	281,890	281,362
Effects of dilution:		
- Restricted shares granted conditionally under the "BreadTalk Restricted Share Grant Plan"	616	877
Weighted average number of ordinary shares for diluted earnings per share computation *	282,506	282,239

- The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

10. Property, plant and equipment (cont'd)

	Leasehold property	**Leasehold land**	**Machinery and equipment**	**Electrical works**	**Furniture and fittings**	**Office equipment**
Group	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
As at 1.1.2013	3,493	7,503	36,170	32,581	34,652	8,329
Additions	4,228	12,531	15,149	15,415	11,618	2,780
Reclassifications(2)	45,224	–	933	3,139	2,315	(196)
Write offs	–	–	(3,502)	(2,147)	(1,876)	(401)
Disposals	–	–	(700)	(298)	(193)	(84)
Attributable to assets held for sale(3)	–	–	(1,555)	–	(174)	(219)
Translation difference	228	85	612	207	295	116
As at 31.12.2013 and 1.1.2014	53,173	20,119	47,107	48,897	46,637	10,325
Additions	2,603	1,053	6,647	7,143	7,231	1,271
Reclassifications(2)	–	–	435	159	365	42
Write offs	–	–	(2,216)	(2,641)	(2,335)	(240)
Disposals	–	–	(1,381)	(276)	(298)	(407)
Translation difference	145	104	697	665	1,056	157
As at 31.12.2014	55,921	21,276	51,289	53,947	52,656	11,148
Accumulated depreciation and impairment losses						
As at 1.1.2013	1,137	17	20,138	16,017	18,176	5,153
Charge for the year	652	233	6,140	6,918	6,838	1,569
Reclassifications	–	–	197	1,028	33	(138)
Write offs	–	–	(3,320)	(2,001)	(1,777)	(386)
Disposals	–	–	(633)	(290)	(116)	(80)
Impairment loss for the year	–	–	552	100	37	28
Attributable to assets held for sale(3)	–	–	(1,145)	–	(106)	(176)
Translation difference	82	2	280	160	247	93
As at 31.12.2013 and 1.1.2014	1,871	252	22,209	21,932	23,332	6,063
Charge for the year	1,049	392	6,750	7,982	7,480	1,844
Reclassifications	–	–	–	41	–	(41)
Write offs	–	–	(1,664)	(2,184)	(1,794)	(165)
Disposals	–	–	(766)	(83)	(196)	(213)
Translation difference	60	7	382	393	627	104
As at 31.12.2014	2,980	651	26,911	28,081	29,449	7,592
Net carrying amount						
As at 31.12.2013	51,302	19,867	24,898	26,965	23,305	4,262
As at 31.12.2014	52,941	20,625	24,378	25,866	23,207	3,556

10. Property, plant and equipment (cont'd)

Group	Renovation [1] $'000	Motor vehicles $'000	Construction -in-progress $'000	Total $'000
Cost				
As at 1.1.2013	78,027	1,446	54,032	256,233
Additions	33,727	457	11,846	107,751
Reclassifications[2]	5,342	–	(56,757)	–
Write offs	(3,445)	(136)	–	(11,507)
Disposals	(321)	(52)	–	(1,648)
Attributable to assets held for sale[3]	(1,882)	–	(127)	(3,957)
Translation difference	2,613	32	384	4,572
As at 31.12.2013 and 1.1.2014	114,061	1,747	9,378	351,444
Additions	14,922	908	1,851	43,629
Reclassifications[2]	7,172	–	(8,173)	–
Write offs	(4,188)	–	–	(11,620)
Disposals	(2,345)	(383)	–	(5,090)
Translation difference	2,483	42	42	5,391
As at 31.12.2014	132,105	2,314	3,098	383,754
Accumulated depreciation and impairment losses				
As at 1.1.2013	37,368	819	–	98,825
Charge for the year	16,285	214	–	38,849
Reclassifications	(1,120)	–	–	–
Write offs	(3,158)	(122)	–	(10,764)
Disposals	(317)	(52)	–	(1,488)
Impairment loss for the year	107	–	–	824
Attributable to assets held for sale[3]	(1,379)	–	–	(2,806)
Translation difference	1,262	18	–	2,144
As at 31.12.2013 and 1.1.2014	49,048	877	–	125,584
Charge for the year	19,672	326	–	45,495
Reclassifications	–	–	–	–
Write offs	(2,678)	–	–	(8,485)
Disposals	(842)	(294)	–	(2,394)
Translation difference	1,291	20	–	2,884
As at 31.12.2014	66,491	929	–	163,084
Net carrying amount				
As at 31.12.2013	65,013	870	9,378	225,860
As at 31.12.2014	65,614	1,385	3,098	220,670

10. Property, plant and equipment (cont'd)

(1) Additions to renovation during the year include provision for reinstatement costs of $2,169,000 (2013: $2,926,000).

(2) Reclassifications mainly relate to the reclassification of construction in progress to the respective property, plant and equipment category upon completion of construction.

(3) Assets held for sale are detailed in Note 21 to the financial statements.

Assets written off

Property, plant and equipment written off during the year arose mainly due to the refurbishment/closure of certain bakery outlets and food courts. The amount written off represents the total carrying value of the property, plant and equipment attributable to the bakery outlets and food courts at the date of refurbishment/closure.

There is no residual value for the assets written off.

Assets pledged as security

The Group has the following assets pledged to secure the Group's bank loans (Note 26).

	Group and Company 2014 $'000	2013 $'000
Leasehold land	18,246	17,514
Leasehold property	50,667	48,955
	68,913	66,469

Impairment of assets

In 2013, impairment loss of $824,000 was recognised in "Administrative expenses" in profit or loss during the year comprised impairment loss on property, plant and equipment of restaurants and certain food stalls which have been persistently incurring losses, and of restaurants closed during the year.

Capitalisation of borrowing costs

The Group's leasehold property includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of leasehold property. The borrowing costs capitalised as cost of property, plant and equipment in 2013 year amounted to $145,000.

10. Property, plant and equipment (cont'd)

	Leasehold property	Leasehold land	Machinery & equipment	Electrical works	Furniture and fittings
	$'000	$'000	$'000	$'000	$'000
Company					
Cost					
As at 1.1.2013	–	5,147	–	22	20
Additions	4,228	12,531	297	1,970	703
Reclassifications	45,224	–	–	–	–
Write offs	–	–	–	(3)	–
As at 31.12.2013 and 1.1.2014	49,452	17,678	297	1,989	723
Additions	2,602	1,053	43	126	441
As at 31.12.2014	52,054	18,731	340	2,115	1,164
Accumulated depreciation					
As at 1.1.2013	–	–	–	22	17
Charge for the year	497	164	29	172	62
Write offs	–	–	–	(3)	–
As at 31.12.2013 and 1.1.2014	497	164	29	191	79
Charge for the year	890	321	66	412	215
As at 31.12.2014	1,387	485	95	603	294
Net carrying amount					
As at 31.12.2013	48,955	17,514	268	1,798	644
As at 31.12.2014	50,667	18,246	245	1,512	870

10. Property, plant and equipment (cont'd)

	Office property	Renovation	Construction-in-progress	Totals
	$'000	$'000	$'000	$'000
Company				
Cost				
As at 1.1.2013	313	–	39,004	44,506
Additions	925	4,486	6,220	31,360
Reclassifications	–	–	(45,224)	–
Write offs	–	–	–	(3)
As at 31.12.2013 and 1.1.2014	1,238	4,486	–	75,863
Additions	339	75	–	4,679
As at 31.12.2014	1,577	4,561	–	80,542
Accumulated depreciation				
As at 1.1.2013	181	–	–	220
Charge for the year	171	436	–	1,531
Write offs	–	–	–	(3)
As at 31.12.2013 and 1.1.2014	352	436	–	1,748
Charge for the year	419	911	–	3,234
As at 31.12.2014	771	1,347	–	4,982
Net carrying amount				
As at 31.12.2013	886	4,050	–	74,115
As at 31.12.2014	806	3,214	–	75,560

11. Investment property

	Investment property $'000
Group	
Cost	
As at 1.1.2013, 31.12.2013 and 1.1.2014	–
Additions	23,153
As at 31.12.2014	23,153
Accumulated depreciation	
As at 1.1.2013, 31.12.2013 and 1.1.2014	–
Charge for the year	–
As at 31.12.2014	–
Net carrying amount	
As at 31.12.2013	–
As at 31.12.2014	23,153

To explain no depreciation

The Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Acquisition of property

On 31 July 2014, the Group entered into several sales and purchase agreements to acquire an office space in Shanghai, The People's Republic of China, and has since completed the transaction and taken over the premises on 10 October 2014. The property is mortgaged to secure bank loans of $10,780,000 (2013: Nil) (Note 25).

The investment property held by the Group as at 31 December is as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
18 units office space located in Xuhui district, Shanghai, The Peoples' Republic of China	Vacant	Leasehold	47 years

12. Intangible assets

	Group					
	Goodwill $'000	Brand value $'000	Trade mark $'000	Franchise rights $'000	Location premium $'000	Total $'000
Cost						
As at 1.1.2013	6,173	3,209	932	2,216	505	13,035
Additions	–	–	91	128	–	219
Disposal	–	–	–	(878)	–	(878)
Translation difference	–	–	1	29	–	30
As at 31.12.2013 and 1.1.2014	6,173	3,209	1,024	1,495	505	12,406
Additions	–	–	286	51	–	337
Write off	–	–	–	(50)	–	(50)
Translation difference	–	–	17	22	–	39
As at 31.12.2014	6,173	3,209	1,327	1,518	505	12,732
Accumulated amortisation and impairment losses						
As at 1.1.2013	327	1,716	792	1,164	505	4,504
Amortisation	–	214	50	225	–	489
Disposal	–	–	–	(362)	–	(362)
Translation difference	–	–	–	3	–	3
As at 31.12.2013 and 1.1.2014	327	1,930	842	1,030	505	4,634
Amortisation	–	213	72	157	–	442
Write off	–	–	–	(50)	–	(50)
Translation difference	–	–	2	13	–	15
As at 31.12.2014	327	2,143	916	1,150	505	5,041
Net carrying amount						
As at 31.12.2013	5,846	1,279	182	465	–	7,772
As at 31.12.2014	5,846	1,066	411	368	–	7,691

Brand value, trade mark, franchise rights and location premium are determined to have finite useful lives and are amortised on a straight-line basis over their respective estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. Brand value, trade mark and franchise rights have remaining useful lives of 5 years (2013: 6 years), 1 to 5 years (2013: 1 to 5 years) and 1 to 6 years (2013: 1 to 6 years) as at 31 December 2014 respectively.

Amortisation expense is included in "Administrative expenses" in profit of loss.

In 2013, the Group disposed of franchise rights with a net carrying amount of $516,000 in conjunction with its investment in an associate Carl Karcher Enterprise (Cayman) Ltd.

12. Intangible assets (cont'd)

Impairment testing of goodwill

Goodwill arising from the acquisition of Topwin Investment Holding Pte Ltd and its subsidiaries in 2005 was allocated to 2 cash-generating units ("CGU"), which represent the 2 geographical segments (i.e. Shanghai and Beijing segments) in which the acquired food courts are located. The food courts located in the same geographical segment are managed by the same management team.

Goodwill on the acquisition of MWA Pte Ltd in December 2007 was primarily attributable to the food court operations at Wisma Atria, Singapore.

The carrying amounts of goodwill allocated to each CGU are as follows:

	Carrying amount as at 31.12.14	Carrying amount as at 31.12.13	Pre-tax discount rate 2014	Pre-tax discount rate 2013
	$'000	$'000		
Shanghai segment	3,569	3,569	13.8%	13.0%
Beijing segment	1,009	1,009	13.8%	13.0%
Food court operation at Wisma Atria, Singapore	1,268	1,268	9.7%	10.0%
	5,846	5,846		

The recoverable amount is determined based on a value in use calculation using the cash flow projections based on financial budgets approved by management covering a three-year period. The discount rates applied to the cash flow projections are derived from cost of capital plus a reasonable risk premium at the date of assessment of the respective cash generating units.

Key assumptions used in the value in use calculations
The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on budget approved by management.

Growth rates – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its cash-generating units and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment–specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

12. Intangible assets (cont'd)

Sensitivity to changes in assumptions
With regards to the assessment of value in use for the CGUs, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materiality exceed its recoverable amount.

13. Investment securities

	Group 2014	Group 2013
	$'000	$'000
Available-for-sale financial assets		
- Equity instruments (quoted), at fair value	239	425
- Equity instruments (unquoted), at cost	34,515	34,150
- Redeemable preference shares (unquoted), at cost	5,067	*
	39,821	34,575
Held-to-maturity investments		
- 8% SGD junior bonds due on 29 January 2016 (unquoted)	7,224	7,224
- 3% SGD junior bonds due on 31 December 2016 (unquoted)	18,000	18,000
- 5% SGD junior bonds due on 31 March 2018 (unquoted)	12,137	–
	37,361	25,224
	77,182	59,799

* less than $1,000

8% SGD junior bonds and redeemable preference shares

The junior bonds are secured by a mortgage over the Katong Mall property, assignment of rental proceeds of the property and debentures of Pre 1 Investments Pte Ltd. The payments of the principal and interest on the junior bonds are subordinated to the payments of principal and interest on the bank borrowings obtained for the purchase of the Katong Mall.

The junior bonds mature in 2015 and will bear interest, payable semi-annually in arrears, at 8% per annum from 29 January 2012 to but excluding the maturity date of the junior bonds, subject to the extinguishment of unpaid interest.

In 2014, the junior bonds holders agreed to extend the maturity by 1 year ending on 29 January 2016.

13. Investment securities (cont'd)

3% SGD junior bonds

On 10 February 2012, IPPL had completed the subscription of $18,000,000 in principal amount of junior bonds and was issued 72 ordinary shares of $1.00 per ordinary share in the share capital of Perennial (Chijmes) Pte Ltd ("PCPL"). IPPL's investment in ordinary shares of PCPL is classified as an investment in associate (Note 15).

The junior bonds are expected to mature in 2016 and will bear interest semi-annually in arrears, at minimum 3% per annum from 1 January 2013.

In 2013, it was agreed among the shareholders of PCPL to waive the coupon payment on the junior bonds for the period June 2013 to December 2014.

5% SGD junior bonds

On 31 March 2014, IPPL had completed the subscription of $12,137,000 in principal amount of junior bonds and was issued 121,370 redeemable preference shares of $41.75 per share (aggregate issue price of $5,067,000) and 121,370 ordinary shares of $0.15 per ordinary share ($18,000) in the share capital of Perennial Somerset Investors Pte Ltd ("PSIPL").

The junior bonds are expected to mature in 2018 and will bear interest semi-annually in arrears, at minimum 5% per annum from 31 March 2014.

Equity instruments (unquoted)

On 15 April 2013, the Company together with a consortium of investors, entered into a joint venture agreement to invest in Perennial Tongzhou Holdings Pte Ltd ("PTHD") for the subscription of ordinary shares of PTHD. The Company's subscription of 14,520 ordinary shares for a cash consideration of $14,520,000 represents a 5.86% equity interest in PTHD. As at 31 December 2014, the Company has paid approximately 97% of the subscription amount of $14,020,000.

On 30 September 2012, IPPL together with a consortium of investors, entered into a joint venture agreement to invest in Perennial Tongzhou Development Pte Ltd ("PTD") for the subscription of ordinary shares of PTD. IPPL's subscription of 20,130 ordinary shares for a cash consideration of $20,130,000 represents a 5.72% equity interest in PTD.

Investments pledged as security

The Group's investments in unquoted equity instruments of $25,215,000 (2013: $20,130,000) and junior bonds of $37,361,000 (2013: $25,224,000) have been pledged as security for bank loans (Note 25).

Impairment losses

During the financial year, the Group recognised impairment loss of $75,000 (2013: Nil) for quoted equity instruments as there was significant decline in the fair value of the investments below their costs.

On 12 March 2014, the shareholders of PTD agreed to an additional capital injection in PTD, of which IPPL's proportionate share of the capital call was $347,000. 347,000 shares was allocated to IPPL on 14 March 2014.

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14. Investment in subsidiaries

	Company	
	2014	**2013**
	$'000	$'000
Unquoted equity shares at cost	28,864	28,489
Share based compensation reserve	606	468
Impairment losses:		
- Unquoted shares (note d)	(5,300)	(5,300)
	24,170	23,657

a. Composition of the Group

The Groups has the following investment in subsidiaries:

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2014	2013
			%	%
Held by the Company				
BreadTalk Pte Ltd (1)	Singapore	Bakers and manufacturers of and dealers in bread, flour and biscuits	100	100
Together Inc. Pte Ltd (3)	Singapore	Investment holding	100	100
BreadTalk International Pte Ltd (3)	Singapore	Investment holding	100	100
Topwin Investment Holding Pte Ltd (3)	Singapore	Investment holding	100	100
Star Food Pte Ltd (3)	Singapore	Investment holding	100	100
Imagine IHQ Pte Ltd (3)	Singapore	Investment holding	100	100
Imagine Properties Pte Ltd (1)	Singapore	Investment holding	100	100

14. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2014 %	2013 %
Held through BreadTalk Pte Ltd				
Taster Food Pte Ltd (1)	Singapore	Operators of food and drinks outlets, eating houses and restaurants	70	70
Thye Moh Chan Pte. Ltd. (3)	Singapore	Wholesale of confectionery and bakery products	100	100
Queens Coffee Pte Ltd (3)	Singapore	Processing, sale and distribution of premium coffee beans and tea dust; and distribution of related processing equipment	100	100
Held through Taster Food Pte Ltd				
Taster Food International Pte Ltd (3) (11) (13)	Singapore	Investment holding	90	90
Held through Taster Food International Pte Ltd				
Taster Food (Thailand) Co. Limited (8)(11) (14)	Thailand	Operators of restaurants	49	49
Held through Together Inc. Pte Ltd				
Ramen Play Pte Ltd (3)	Singapore	Operators of restaurants	85	85

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14. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2014 %	2013 %
Held through BreadTalk International Pte Ltd				
Shanghai BreadTalk Co., Ltd (2)	People's Republic of China	Bakers and manufacturers of and dealers in bread, flour and biscuits	100	100
Shanghai BreadTalk Gourmet Co., Ltd (2)	People's Republic of China	Management of food and beverage, manufacture and retail of bakery, confectionery products	100	100
Beijing BreadTalk Restaurant Management Co., Ltd (2)	People's Republic of China	Management of food and beverage, manufacture and retail of bakery, confectionery products	100	100
BreadTalk (Thailand) Company Limited (10) (Note (e))	Thailand	Management of food and beverage, manufacture and retail of bakery, confectionery products	49 (15)	49(11)
BreadTalk Corporation (Thailand) Co., Ltd., (10) (Note (e))	Thailand	Investment Holding	49 (16)	–
ML Breadworks Sdn Bhd (4)	Malaysia	Bakers and manufacturers of and dealers in bread, flour and biscuits	90	90
Held through Shanghai BreadTalk Co. Ltd.				
Shanghai Ramen Play Co., Ltd (5) (17)	People's Republic of China	Operators of restaurants	30	30

14. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2014 %	Proportion of ownership interest 2013 %
Held through Beijing BreadTalk Restaurant Management Co. Ltd				
Beijing BreadTalk Co.,Ltd (2)	People's Republic of China	Manufacture and sale of bakery and confectionery products	100	100
Held through BreadTalk (Thailand) Co. Ltd				
BreadTalk Corporation (Thailand) Co., Ltd., (10) (Note (e))	Thailand	Investment Holding	50.9 (16)	–
Held through BreadTalk Corporation (Thailand) Co. Ltd				
BreadTalk (Thailand) Company Limited (10) (Note (e))	Thailand	Management of food and beverage, manufacture and retail of bakery, confectionery products	51 (15)	49 (11)
Held through Topwin Investment Holding Pte Ltd				
Food Republic (Shanghai) Co., Ltd (2)	People's Republic of China	Food court operator	100	100
Beijing Da Shi Dai Food and Beverage Co., Ltd (2)	People's Republic of China	Food court operator	100	100
Megabite Hong Kong Limited (6)	Hong Kong	Investment holding and Food court operator	85	85
Food Republic Pte Ltd (1)	Singapore	Food court operator	100	100
FR International Holdings Pte Ltd . (3) (Note (f))	Singapore	Investment Holding	100	–

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14. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2014 %	Proportion of ownership interest 2013 %
Held through Topwin Investment Holding Pte Ltd				
Megabite (S) Pte Ltd (3)	Singapore	Investment holding	100	100
Megabite Eatery (M) Sdn Bhd (4)	Malaysia	Operator of food and beverage outlets	100	100
Food Republic Taiwan Co., Ltd (9)	Taiwan	Food court operator	90	90
FR (Thailand) Co., Ltd (10) (11)	Thailand	Food court operator	49	49
Held through Food Republic (Shanghai) Co. Ltd.				
Chongqing Food Republic Food & Beverage Management Co., Ltd (5)	People's Republic of China	Food court operator	100	100
Food Republic (Chengdu) Co., Ltd (5)	People's Republic of China	Food court operator	100	100
Food Republic Hangzhou F&B Co.,Ltd (5)	People's Republic of China	Food court operator	100	100
Shanghai Ramen Play Co., Ltd (5)(17)	People's Republic of China	Operators of restaurants	30	30
Shanghai Food Court F&B Management Ltd. Co (5) (Note (f))	People's Republic of China	Operator of food and beverage outlets	100	–
Shanghai Food Union F&B Management Ltd. Co. (5) (Note (f))	People's Republic of China	Operator of food and beverage outlets	100	–

14. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2014 %	2013 %
Held through Megabite Hong Kong Limited				
BreadTalk Concept Hong Kong Limited (6)	Hong Kong	Management of food and beverage, manufacture and retail of bakery, confectionery products	100	100
Food Republic Shenzhen F&B Management Co.,Ltd (7)	People's Republic of China	Food court operator	100	100
Food Republic Guangzhou F&B Management Co., Ltd (7)	People's Republic of China	Food court operator	75	75
Held through Megabite (S) Pte Ltd				
MWA Pte Ltd (12)	Singapore	Dormant	100	100
Food Art Pte Ltd (3)	Singapore	Dormant	100	100
Held through Star Food Pte Ltd				
Shanghai Star Food F&B Management Co., Ltd (5)	People's Republic of China	Investment holding	100	100
Beijing Star Food F&B Management Co., Ltd (5)	People's Republic of China	Dormant	100	100

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14. Investment in subsidiaries (cont'd)

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by member firms of Ernst & Young Global in the respective countries
(3) Audited by TY Teoh International, Singapore
(4) Audited by TY Teoh International, Malaysia
(5) .Audited by Shanghai Xin Gao Xin Certified Public Accountants Co., Ltd, People's Republic of China
(6) Audited by S.F. Kwok & Co. Certified Public Accountants, Hong Kong
(7) Audited by Guang Dong Zhihe Certified Public Accountants, People's Republic of China
(8) Audited by Phattarakit Aupliting Office Co.,Ltd, Thailand
(9) Audited by KPMG, Taiwan
(10) Audited by Tree Sun Co., Ltd, Thailand
(11) Considered a subsidiary of the Company as the Company has voting control at general meetings and Board meetings
(12) MWA Pte Ltd is the process of striking off and unaudited financial statements have been used for the preparation of the consolidated financial statements as it is not significant to the Group.
(13) The Group holds 63% ownership interest in Taster Food International Pte Ltd in 2014 and 2013 and accounted for it as a subsidiary
(14) The Group holds 31% ownership interest in Taster Food (Thailand) Co., Ltd in 2014 and 2013 and accounted for it as a subsidiary
(15) The Group holds 100% ownership interest in BreadTalk (Thailand) Co., Ltd in 2014 through BreadTalk International Pte Ltd and BreadTalk Corporation (Thailand) Co. Ltd. (2013: 49%) and accounted for it as a subsidiary
(16) The Group holds 99.9% ownership interest in BreadTalk Corporation (Thailand) Co., Ltd in 2014 through BreadTalk International Pte Ltd and BreadTalk (Thailand) Co. Ltd. (2013: NIL%) and accounted for it as a subsidiary
(17) The Group holds 60% ownership interest in Shanghai Ramen Play Co., Ltd through Shanghai BreadTalk Co. Ltd. and Food Republic (Shanghai) Co. Ltd. and accounted for it as a subsidiary

(b) Interests in subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
31 December 2014:					
Taster Food Pte Ltd	Singapore	30%	4,469	14,686	984
31 December 2013:					
Taster Food Pte Ltd	Singapore	30%	3,432	11,201	984

There are no significant restrictions on the Group's ability to use or access assets and settle liabilities of the subsidiary with material non-controlling interests.

14. Investment in subsidiaries (cont'd)

(c) ***Summarised financial information about subsidiaries with material NCI***

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Taster Food Pte Ltd	
	As at 31 December 2014	**As at 31 December 2013**
	$'000	$'000
Current		
Assets	51,164	38,582
Liabilities	(23,097)	(23,225)
Net current assets	28,067	15,357
Non-current		
Assets	18,723	20,375
Liabilities	(1,665)	(1,261)
Net non-current assets	17,058	19,114
Net assets	45,125	34,471

Summarised statement of comprehensive income

	Taster Food Pte Ltd	
	2014	**2013**
	$'000	$'000
Revenue	105,687	92,663
Profit before taxation	16,840	12,610
Income tax expense	(3,214)	(2,147)
Profit after tax – continuing operations	13,626	10,463
Other comprehensive income	–	–
Total comprehensive income	13,626	10,463

14. Investment in subsidiaries (cont'd)

(c) ***Summarised financial information about subsidiaries with material NCI (cont'd)***

Other summarised information

	Taster Food Pte Ltd	
	2014	**2013**
	$'000	$'000
Net cash flows from operations	20,495	17,642
Acquisition of significant property, plant and equipment	(4,118)	(12,765)

(d) ***Impairment testing of investment in subsidiaries***

In 2013, management performed an impairment test for the investment in Star Food Pte Ltd as the subsidiary had been making losses. An impairment loss of $200,000 was recognised for the year ended 31 December 2013.

(e) ***Acquisition of non-controlling interests***

On 1 July 2014, BreadTalk Corporation (Thailand) Co., Ltd.,("BTC"), a 99.9% owned subsidiary of the Company, acquired an additional 51.0% equity interest in BreadTalk Thailand Co., Ltd ("BTTH") from its non-controlling interests for a cash consideration of $39. As a result of this acquisition, BTTH became a wholly owned subsidiary. The carrying value of net liabilities of BTTH as at 30 June 2014 was $824,000 and the deficit in carrying value of the additional interest acquired was $492,000. The cumulative amount of $492,000 of the consideration and the deficit in the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

The following summarises the effect to the change in the Group's ownership interest in BTTH on the equity attributable to owners of the Company:

	$'000
Consideration paid for acquisition of non-controlling interests	*
Increase in equity attributable to non-controlling interests	492
Decrease in equity attributable to owners of the Company	492

* less than $1,000

14. Investment in subsidiaries (cont'd)

(f) ***Incorporation of new subsidiaries***

BreadTalk Corporation (Thailand) Co., Ltd.,("BTC")

BTC was incorporated on 6 February 2014 with a share capital of Baht 100,000. BTC was acquired by BreadTalk International Pte Ltd and BreadTalk (Thailand) Company Limited on July 2014 and become a 99.9% subsidiary.

Shanghai Food Court F&B Management Ltd. Co ("SHFC")

SHFC was incorporated as a wholly-owned subsidiary of Food Republic (Shanghai) Co., Ltd on 31 March 2014 with a share capital of RMB100,000.

Shanghai Food Union F&B Management Ltd. Co. ("SHFU")

SHFU was incorporated as a wholly-owned subsidiary of Food Republic (Shanghai) Co., Ltd on 22 May 2014 with a share capital of RMB100,000.

FR International Holdings Pte Ltd ("FRI")

FRI was incorporated as a wholly-owned subsidiary of Topwin Investment Pte Ltd on 25 November 2014 with a share capital of $2.

15. Investment in associates

The Group's material investments in associates are summarised below:

	Group	
	2014	**2013**
	$'000	$'000
Carl Karcher Enterprises (Cayman) Ltd	1,617	2,870
Other associates	1,416	1,698
At end of year	3,033	4,568

15. Investment in associates (cont'd)

Details of the associates are as follows:

Name	**Country of incorporation**	**Principal activities**	**Proportion of ownership interest**	
			2014	**2013**
			%	%
Held through subsidiaries				
Perennial (Chijmes) Pte Ltd ("PCPL") (1)	Singapore	Investment holding	29	29
JBT (China) Pte Ltd ("JBTC") (2)	Singapore	Investment holding	30	30
Tate Projects Pte. Ltd. (3)	Singapore	General building contractor	25	25
Carl Karcher Enterprises (Cayman) Ltd ("CKEC") (4)	Cayman islands	Investment holding	40	40
Held by PCPL				
Pre 8 Investments Pte Ltd (1)	Singapore	Operators of commercial malls	100	100
Held by JBTC				
JBT (Shanghai) Co., Ltd (5)	People's Republic of China	Operators of restaurants	100	100
Held by CKEC				
Carl Karcher Enterprises (HK) Limited (4)	Hong Kong	Investment holding	100	100
CKE (Shanghai) F&B Management Limited (4)	People's Republic of China	Operators of restaurants	100	100

(1) Audited by KPMG LLP, Singapore
(2) Audited by Deloitte LLP, Singapore
(3) Audited by Leethen & Associates, Singapore
(4) Audited by KPMG, Huazhen, People's Replublic of China
(5) Audited by Shanghai Xin Gao Xin Certified Public Accountants Co., Ltd, People's Republic of China

15. Investment in associates (cont'd)

The activities of the associates are strategic to the Group's activities. The Group has not recognised losses relating to PCPL where its share of losses exceeds the Group's interest in the associate. The Group's cumulative share of unrecognised losses as at 31 December 2014 was $2,371,000 (2013: $1,180,000) and for the year was $1,914,000 (2013: $353,000). The Group has no obligation in respect of these losses.

Dividends of $450,000 (2013: NIL) were received from an associate that is not individually material to the Group. All associates are not restricted by regulatory requirements on the distribution of dividends.

Aggregate information about the Group's investments in associates that are not individually material are as follows:

	Group	
	2014	**2013**
	$'000	$'000
Profit or loss after tax from continuing operations	168	409
Other comprehensive income	–	8
Total comprehensive income	168	417

The summarised financial information in respect of CKEC, based on its FRS financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	CKEC	
	2014	**2013**
	$'000	$'000
Current assets	2,583	6,484
Non-current assets	2,061	105
Total assets	4,644	6,589
Current liabilities	(1,224)	(146)
Non-current liabilities	(32)	(9)
Total liabilities	(1,256)	(155)
Net assets	3,388	6,432
Proportion of the Group's ownership	40%	40%
Group's share of net assets	1,355	2,573
Exchange differences	278	17
Other adjustments	(16)	280
Carrying amount of the investment	1,617	2,870

15. Investment in associates (cont'd)

Summarised statement of comprehensive income

	CKEC	
	2014	**2013**
	$'000	$'000
Revenue	5,134	–
Profit or loss after tax from continuing operations	(3,164)	(482)
Other comprehensive income	(17)	1
Total comprehensive income	3,181	(481)

16. Investment in joint ventures

The Group's material investments in joint ventures are summarised below:

	Group	
	2014	**2013**
	$'000	$'000
BTM (Thailand) Co., Ltd	3,047	-
Shanghai ABPan Co., Ltd	3,702	2,773
Other joint ventures	1,147	773
Exchange difference	339	92
At end of year	8,235	3,638

Details of the joint ventures are as follows:

Name	**Country of incorporation**	**Principal activities**	**Proportion of ownership interest 2014**	**2013**
			%	%
Held through subsidiaries				
Shanghai Hong Bu Rang Food & Beverage Management Co., Ltd (1)	People's Republic of China	Dormant	–	50
Apex Excellent Sdn Bhd (2)	Malaysia	Food court operator	50	50
Street Food Pte Ltd (3)	Singapore	Dormant	50	50
Shanghai ABPan Co., Ltd (4) ("SHAB")	People's Republic of China	Manufacture and sale of frozen dough	50	50
BTM (Thailand) Co., Ltd (5)	Thailand	Management of food and beverage, manufacture and retail of bakery, confectionery products	50	–

16. Investment in joint ventures (cont'd)

(1) Audited by Shanghai Xin Gao Xin Certified Public Accountants Co., Ltd, People's Republic of China
(2) Audited by TY Teoh International, Malaysia
(3) Audited by TY Teoh International, Singapore
(4) Audited by Ernst & Young Hua Ming LLP, People's Republic of China
(5) Audited by Pricewaterhousecoopers ABAS Ltd, Thailand

(a) ***Divestment in Shanghai Hong Bu Rang Food & Beverage Management Co., Ltd ("SHBR")***

The Group sold off its interest in SHBR during the financial year for a cash consideration of $27,000 and correspondingly recognised a gain on disposal of joint venture of $27,000.

(b) ***New joint venture***

On 4 August 2014, a wholly owned subsidiary, BreadTalk (Thailand) Company Limited ("BTTH") was allotted 2,032,614 shares in the capital of BTM (Thailand) Co., Ltd ("BTM") at an investment cost of $4,008,000 (THB101,631,000). The consideration was satisfied by the sale of the business and assets of BreadTalk outlets of BTTH. Accordingly, the Group recorded a disposal of the property, plant and equipment with a net carrying amount of $2,268,000 and recognised the Group's 50% portion of the net gain in profit or loss of $865,000 on the disposal of property, plant and equipment.

(c) ***Additional interest in the joint venture Shanghai ABPan Co., Ltd ("SHAB")***

During the year, SHAB increased its share capital to $6,571,000. Proportionate to its shareholdings of 50% in SHAB, a wholly owned subsidiary, Shanghai BreadTalk Co. Ltd injected additional share capital of $1,036,000.

The activities of the joint ventures are strategic to the Group's activities. The Group jointly controls the joint ventures with other partners under contractual agreement that requires unanimous consent fo all major decisions over the relevant activities.

Dividends of $334,000 (2013: $208,000) were received from SHAB. All joint ventures are not restricted by regulatory requirements on the distribution of dividends.

Aggregate information about the Group's investments in joint ventures that are not individually material are as follows:

	Group	
	2014	**2013**
	$'000	$'000
Profit or loss after tax from continuing operations	217	265
Other comprehensive income	–	–
Total comprehensive income	217	265

16. Investment in joint ventures (cont'd)

The summarised financial information in respect of SHAB and BTM, based on its FRS financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	SHAB		BTM	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Cash and cash equivalents	3,169	2,062	3,197	–
Trade receivables	-	-	515	
Other current assets	4,328	3,164	102	
Current assets	7,497	5,226	3,814	–
Non-current assets	2,400	2,415	4,966	–
Total assets	9,897	7,641	8,780	–
Current liabilities	(1,690)	(2,095)	(536)	–
Non-current liabilities	–	–	–	–
Total liabilities	(1,690)	(2,095)	(536)	–
Net assets	8,207	5,546	8,244	
Proportion of the Group's ownership	50%	50%	50%	–
Group's share of net assets	4,104	2,773	4,122	–
Other adjustments	(47)	–	(1,075)	–
Exchange difference	(355)	–	–	–
Carrying amount of the investment	3,702	2,773	3,047	–

Summarised statement of comprehensive income

	SHAB		BTM	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Revenue	11,641	9,950	2,078	–
Operating expenses	(10,579)	(9,068)	(2,021)	–
Interest expense	(4)	(3)	-	–
Profit before tax	1,058	879	57	–
Income tax expense	(259)	(220)	-	–
Profit after tax	799	659	57	–
Other comprehensive income	-	-	-	–
Total comprehensive income	799	659	57	–

17. Inventories

	Group 2014 $'000	Group 2013 $'000
Balance sheet:		
Raw materials and consumables, at cost	9,647	9,012
Semi-finished goods	490	571
Finished goods	461	366
Base inventories (1)	31	55
Total inventories at lower of cost and net realisable value	10,629	10,004

(1) This is stated after writing down 50% of the original cost of base inventories.

	Group 2014 $'000	Group 2013 $'000
Profit or loss:		
Inventories recognised as an expense in cost of sales	147,670	137,190
Inclusive of the following charge:		
- Write-off of inventories	12	–

18. Trade and other receivables

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables	9,443	9,944	–	–
Other receivables	9,984	9,461	1,694	734
Interest receivable	1,160	606	–	–
Deposits	33,907	29,134	160	234
	54,494	49,145	1,854	968
Other receivables (non-current)	2,350	3,277	–	–
Financial assets	56,844	52,422	1,854	968
Current	54,494	49,145	1,854	968
Non-current	2,350	3,277	–	–
	56,844	52,422	1,854	968

18. Trade and other receivables (cont'd)

Other receivables (current) include initial fee receivable of $4,770,000 (2013: $5,992,000) from food atrium stall tenants. The initial fee receivable is a contribution from tenants mainly for renovation costs of the leased food atrium stalls.

Other receivables (non-current) include the following:

(a) In FY2013, a subsidiary, BreadTalk Pte Ltd ("BTPL") entered into an agreement to subscribe for non-convertible notes of $550,000 in a private limited company incorporated in Singapore. The non-convertible notes carry a fixed interest of 1.93% per annum. The notes and related accrued interest is payable in September 2016.

(b) In FY2013 BTPL also entered into an agreement to subscribe for convertible notes of 900,000 at a total issue price of $900,000 in a private limited company incorporated in Singapore. The convertible notes carry a fixed interest of 1.93% per annum. The notes mature and accrued interest is payable in September 2016. The notes provide BTPL the rights to convert outstanding amounts of the notes and interest by the allotment of such number of shares in the company at the conversion rate of $1 to 1 share such that BTPL shall own 60% of the enlarged issued capital of the company.

Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 60 days terms (2013: 15 to 60 days). They are recognised at their original invoice amounts which represents their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December are as follows:-

	Group 2014 $'000	Group 2013 $'000
United States Dollar	599	852

18. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $2,974,000 (2013: $1,862,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2014	**2013**
	$'000	$'000
Trade receivables past due:		
Lesser than 30 days	2,044	653
30 to 60 days	116	551
61 to 90 days	78	296
91 to 120 days	143	253
More than 120 days	593	109
	2,974	1,862

Receivables that are impaired / partially impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2014	**2013**
	$'000	$'000
Trade receivables – nominal amounts	334	197
Less: Allowance for impairment	(334)	(197)
	–	–
Movement in allowance accounts:		
At 1 January	197	152
Charge during the year	137	197
Written off during the year	–	(152)
At 31 December	334	197

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Other receivables

Other receivables (current) are non-interest bearing and are generally on 0 to 60 days terms (2013: 0 to 60 days).

18. Trade and other receivables (cont'd)

Other receivables that are past due but not impaired

The Group has other receivables amounting to $906,000 (2013: $2,300,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2014	**2013**
	$'000	$'000
Other receivables past due:		
Lesser than 30 days	574	1,041
30 to 60 days	184	586
61 to 90 days	18	19
91 to 120 days	5	31
More than 120 days	125	623
	906	2,300

Other receivables that are impaired / partially impaired

The Group's other receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2014	**2013**
	$'000	$'000
Other receivables – nominal amounts	5	45
Less: Allowance for impairment	(5)	(45)
	–	–
Movement in allowance accounts:		
At 1 January	45	34
Charge during the year	–	26
Written off during the year	(40)	(14)
Translation difference	–	(1)
At 31 December	5	45

Other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

19. Due from/to related corporations

	Company	
	2014	**2013**
	$'000	$'000
Non-current		
Amounts due from:		
Loan to subsidiary	1,200	1,200
Less: Impairment losses	(1,200)	(1,200)
	–	–

The loan to subsidiary is quasi-capital in nature, non-interest bearing and has no fixed terms of repayment.

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Current				
Amounts due from:				
Subsidiaries (non-trade)	–	–	26,412	16,753
Associate (non-trade)	4	–	–	–
Joint ventures (trade)	143	4	–	–
Joint ventures (non-trade)	1,738	955	–	–
	1,885	959	26,412	16,753
Amounts due to:				
Subsidiaries (non-trade)	–	–	32,103	27,457
Associate (non-trade)	2,101	1,193	–	–
Joint ventures (trade)	2,707	2,343	–	–
Joint ventures (non-trade)	354	365	–	–
	5,162	3,901	32,103	27,457

The amounts due from/to related corporations (current) are to be settled in cash, unsecured, non-interest bearing and generally on 30 to 60 days term except for:

(i) loans to subsidiaries of $15,777,000 (2013: $8,782,000) which are repayable on demand;

(ii) loan to a joint venture of $697,000 (2013: Nil) which is repayable on demand;

(ii) loan from a subsidiary of $10,091,000 (2013: $10,275,000) which bears an effective interest rate of 0.85% (2013: NIL) per annum and is repayable on demand;

(iii) loan from a subsidiary of $20,325,000 (2013: $15,584,000) which bears an effective interest rate of 1.5% (2013: 1.5%) per annum and is repayable on demand.

19. Due from/to related corporations (cont'd)

Receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	2014	**2013**
	$'000	$'000
Amount due from joint venture (non-trade) – nominal amounts	659	607
Less: Allowance for impairment	(659)	(607)
	–	–
Movement in allowance accounts:		
At 1 January	607	–
Charge during the year	52	607
At 31 December	659	607

Receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Receivables that are past due but not impaired

	Group	
	2014	**2013**
	$'000	$'000
Amounts due from joint ventures (non-trade)		
Lesser than 30 days	8	47
30 to 60 days	7	–
61 to 90 days	8	–
91 to 120 days	7	–
More than 120 days	43	777
Total as at 31 December	73	824

	Company	
	2014	**2013**
	$'000	$'000
Amounts due from subsidiaries (non-trade)		
Lesser than 30 days	1,099	279
30 to 60 days	1,279	225
61 to 90 days	1,048	–
91 to 120 days	1,300	–
More than 120 days	2,156	5,901
Total as at 31 December	6,882	6,405

20. Cash and cash equivalents, and fixed deposit

(a) ***Cash and cash equivalents***

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Fixed deposits (current)	11,089	6	–	–
Cash on hand and at bank	84,363	79,414	3,047	9,214
	95,452	79,420	3,047	9,214

Fixed deposits of the Group have a maturity period of between 1 to 9 months (2013: 1 month) with effective interest rates of 0.05% to 4.46% (2013: 0.05% to 0.4%) per annum.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
United States Dollar	271	271	–	32

(b) ***Fixed deposit (no-current)***

The fixed deposit in 2013 had a maturity period of 2 years with an effective interest rate of 4.46% per annum.

21. Assets of disposal group classified as held for sale

In 2013, in conjunction with the Group's investment in Carl Karcher Enterprises (Cayman) Ltd ("CKEC") (Note 15), a wholly-owned subsidiary, Shanghai Star Food F&B Management Co., Ltd signed an Asset Purchase Agreement with CKE (Shanghai) F&B Management Limited (a wholly-owned subsidiary of CKEC) to sell certain of its assets. The consideration for the assets is subject to adjustment based on the variation of the book value of the assets at the dates of transfer which is expected to occur in the next twelve months.

As at 31 December 2013, the related assets have been presented in the balance sheet as "Assets of disposal group classified as held for sale" and the carrying amount for these assets is $2,056,000.The asset transfer was completed during the year.

21. Assets of disposal group classified as held for sale (cont'd)

Balance sheet disclosures:

The assets classified as held for sale as at 31 December are as follows:

	Group	
	2014	**2013**
	$'000	$'000
Assets:		
Property, plant and equipment	–	1,151
Inventories	–	481
Other receivables	–	420
Cash and short-term deposits	–	4
Assets of disposal group classified as held for sale	–	2,056

22. Trade and other payables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Financial liabilities				
Trade payables	24,985	26,100	–	–
Other payables				
- Other creditors	16,141	19,886	141	412
- Payable for purchase of property, plant and equipment	9,334	13,646	–	1,188
- Sales collection on behalf of tenants	19,365	18,957	–	–
Deposits	24,671	21,624	1,052	732
Dividend payable	984	984	–	–
	95,480	101,197	1,193	2,332
Non-financial liabilities				
GST payable	2,195	1,392	237	337
	97,675	102,589	1,430	2,669

The deposits refer to deposits from food court tenants and franchisees and stored value card deposits. Dividend is payable to minority shareholders of a subsidiary.

22. Trade and other payables (cont'd)

Trade payables/other payables

These amounts are non-interest bearing. Trade payables are normally settled on 0 to 60 days terms (2013: 0 to 60 days terms) while other payables have an average term of 0 to 90 days term (2013: 0 to 90 days terms), except for retention sums which have repayment terms of up to 1 year.

Trade payables denominated in foreign currencies as at 31 December are as follows:

	Group	
	2014	**2013**
	$'000	$'000
United States Dollar	127	234
Others	–	54

23. Other liabilities and provision

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Other liabilities:				
Current:				
Accrued operating expenses	33,580	28,318	1,478	2,428
Accrued property, plant and equipment	1,421	3,131	1,226	2,789
Financial guarantees	–	–	576	576
Financial liabilities	35,001	31,449	3,280	5,793
Deferred revenue (current)	28,196	24,952	–	–
Deferred rent (current)	2,029	3,130	–	–
	30,225	28,082	–	–
Deferred rent (non-current)	12,626	10,297	–	–
Non-financial liabilities	42,851	38,379	–	–
Current	65,226	59,531	3,280	5,793
Non-current	12,626	10,297	–	–
	77,852	69,828	3,280	5,793

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23. Other liabilities and provision (cont'd)

Provision for reinstatement costs

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
At 1 January	10,223	7,977	22	–
Additions	2,169	2,926	–	22
Utilisation	(792)	(375)	–	–
Provision no longer required	(92)	(394)	–	–
Exchange differences	173	89	–	–
Total as at 31 December	11,681	10,223	22	22

Provision for reinstatement costs is recognised when the Group entered into a lease agreement for the premises. It includes the estimated cost of demolishing and removing all the leasehold improvements made by the Group to the premises. The premises shall be reinstated to the condition set up in the lease agreements upon the expiration of the lease agreements. During the year, the Group incurred reinstatement costs for certain closed outlets and an excess provision of $92,000 (2013: $394,000) was reversed.

24. Due from/(to) minority shareholders of subsidiaries

The amounts due from and loan from minority shareholders of subsidiaries are to be settled in cash, unsecured, non-interest bearing and repayable on demand.

25. Short-term loans

	Group	
	2014	**2013**
	$'000	$'000
Bank loans		
- Singapore Dollar	11,640	2,640
- Hong Kong Dollar	-	491
- Chinese Yuan	10,780	–
- Malaysia Ringgit	265	115
- New Taiwan Dollar	4,962	3,638
- Thailand Baht	4,720	2,862
	32,367	9,746

25. Short-term loans (cont'd)

The effective interests on these short-term loans range from 1.63% to 4.79% (2013: 1.63% to 4.79%) per annum. The interest rates of these floating rate loans are repriced from time to time at the discretion of the respective banks.

The bank loans are revolving term loans of 1 to 12 months months (2013: 1 to 12 months).

Short term loans of $Nil (2013: $491,000) are secured by continuing guarantees by the Company and certain subsidiaries of the Group. All other short term loans are secured by continuing guarantees by the Company.

Short term loan of $10,780,000 (2013: $NIL) is secured by a charge over the subsidiary's investment property and continuing guarantee by the Company (Note 11).

26. Long-term loans

		Group		Company	
Term loans	**Maturity**	**2014**	**2013**	**2014**	**2013**
	$'000		$'000 $'000		$'000
Singapore Dollar	2015 - 2019	42,118	40,900	–	–
Singapore Dollar	Note 1	47,614	48,381	47,614	48,431
Singapore Dollar	2020 (Note 2)	3,576	3,802	3,576	3,752
Singapore Dollar	2019 (Note 3)	3,334	–	–	–
Singapore Dollar	2019 (Note 4)	13,068	13,068	–	–
Singapore Dollar	2016 - 2019 (Note 5)	43,778	32,167	–	–
Hong Kong Dollar	2017	1,014	2,435	–	–
Chinese Yuan	2015 – 2016	1,769	2,542	–	–
Malaysia Ringgit	2015 – 2017	1,309	1,044	–	–
New Taiwan Dollar	2016	3,758	7,100	–	–
Thailand Baht	2014 – 2018	4,114	7,331	–	–
		165,452	158,770	51,190	52,183
Current portion		43,965	20,554	4,032	3,135
Non-current portion		121,487	138,216	47,158	49,048
		165,452	158,770	51,190	52,183

26. Long-term loans (cont'd)

Note 1 – the term loans are secured by a charge over the Company's leasehold land and property. The loans mature in 2028. They include the following financial covenants which require the Group to maintain:

- a gearing ratio not exceeding 4.0 times

Note 2 – the term loan is secured by a charge over the Company's leasehold land and property. The loans mature in 2020. They include the following financial covenants which require the Group to maintain:

- a gearing ratio not exceeding 4.0 times

Note 3 – the term loans are secured by a charge over a subsidiary's machineries and equipment. The loans mature in 2019.

Note 4 – the loan is secured by a charge over the Company's leasehold land and property and continuing guarantee by the Company. It includes a financial covenant which requires the Group to maintain:

- a net worth exceeding the loan covenants granted; and
- a gearing ratio not exceeding 4.0 times.

Note 5 – the loan is secured by certain investment securities by a subsidiary. It includes a financial covenant which requires the Group to maintain:

- a net worth exceeding the loan covenants granted
- a gearing ratio not exceeding 4.0 times; and
- EBITDA exceeding the loan covenants granted

All other term loans are secured by continuing guarantees by the Company.

All the loans are floating rate loans with effective interest rates ranging from 1.5% to 6.88% (2013: 1.25% to 6.88%) per annum. The interest rates of these floating rate loans are repriced from time to time at the discretion of the respective banks.

27. Share capital and treasury shares

(a) ***Share capital***

	Group and Company 2014 Number of shares	2014 $'000	2013 Number of shares	2013 $'000
Issued and fully paid ordinary shares				
At beginning and end of the year	281,893,238	33,303	281,893,238	33,303

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

(b) ***Treasury shares***

	Group and Company 2014 Number of shares	2014 $'000	2013 Number of shares	2013 $'000
At beginning of the year	381,624	(187)	829,614	(406)
Acquired during the financial year	483,000	(569)	–	–
Treasury shares transferred on vesting of restricted share grant	(861,534) [1]	753	(447,990)	219
At end of the year	3,090	(3)	381,624	(187)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 483,000 (2013: Nil) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $569,000 (2013: $Nil) and this was presented as a component within shareholders' equity.

The Company reissued 861,534 (2013: 447,990) treasury shares pursuant to its restricted share grant at a weighted average share price of approximately $0.87 (2013: $0.49) each.

[1] Includes 488,767 treasury shares released to Mr Ong Eng Lock, the Gropu Chief Executive Officer, as an award of service quality.

28. Accumulated profits and other reserves

Accumulated profits

Included in the Group's accumulated profits is an amount of $1,432,000 (2013: $1,432,000) which is not distributable by way of dividends. The amount arose from the waiver of inter-company debt in the subsidiary, Beijing BreadTalk Restaurant Management Co., Ltd, which was recognised as capital reserve in accordance with local accounting convention.

Other reserves

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Statutory reserve fund	(a)	2,864	2,757	–	–
Translation reserve	(b)	2,309	666	–	–
Fair value adjustment reserve	(c)	–	111	–	–
Share-based compensation reserve		356	286	356	286
Capital reserve	(d)	307	175	307	175
Premium on acquisition of non-controlling interests	(e)	(1,149)	(657)	–	–
		4,687	3,338	663	461

(a) ***Statutory reserve fund***

In accordance with the Foreign Enterprise Law applicable to subsidiaries in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to the approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

(b) ***Translation reserve***

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

28. Accumulated profits and other reserves (cont'd)

(c) ***Fair value adjustment reserve***

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

	Group	
	2014	**2013**
	$'000	$'000
Net loss on available-for-sale financial assets:		
- Net loss on fair value changes during the financial year	(111)	103

(d) ***Capital reserve***

Capital reserve mainly arises from the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

(e) ***Premium on acquisition of non-controlling interests***

	Group	
	2014	**2013**
	$'000	$'000
At 1 January	657	657
Decrease in equity attributable to non-controlling interests (Note 14)	492	–
At 31 December	1,149	657

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29. Commitments and contingencies

(a) ***Commitments***

Expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Commitment in respect of property, plant and equipment	369	4,529	–	237
Commitment in respect of investment securities	500	500	–	–

(b) ***Contracted operating lease commitments***

The Group has various operating lease agreements for equipment, office, central kitchen, food court and retail outlet premises. These non-cancellable leases have remaining non-cancellable lease terms of between less than 1 year and 9 years. Most leases contain renewable options. Some of the leases contain escalation clauses and provide for contingent rentals based on percentages of sales derived from assets held under operating leases. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2014	**2013**
	$'000	$'000
Not later than one year	125,833	90,633
Later than one year but not later than five years	261,606	210,440
Later than five years	35,111	27,189
	422,550	328,262

29. Commitments and contingencies (cont'd)

(c) ***Operating lease***

The Group has entered into non-cancellable operating leases to sublease its food court and retail outlet premises. The Company has non-cancellable operating leases for its leasehold property. Future sublease rental receivable as at 31 December is as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Not later than one year	72,107	56,966	5,868	3,144
Later than one year but not later than five years	43,005	51,321	5,288	5,100
Over five years	–	–	–	83
	115,112	108,287	11,156	8,327

(d) ***Corporate guarantees***

As at 31 December 2014, the Company has given corporate guarantees to financial institutions in connection with banking facilities provided to its subsidiaries of which $148,305,000 (2013: $130,860,000) of the banking facilities have been utilised as at year end.

(e) ***Undertakings***

3% SGD junior bonds
In conjunction with the investment in junior bonds by the subsidiary, Imagine Properties Pte Ltd ("IPPL") (Note 13), the Company, together with the other investors of the junior bonds, had executed a Sponsors' Undertaking on 30 January 2012 whereby IPPL undertakes to pay all cost overruns in connection to the additions' and alterations' works to be undertaken on Chijmes. As at 31 December 2014, there were no contingent liabilities resulting from the aforesaid undertaking.

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30. Related party disclosures

(a) ***Sale and purchase of goods and services***

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the year on terms agreed between the parties:

	Group	
	2014	**2013**
	$'000	$'000
Income		
Management fee income from a joint venture	782	792
Franchise fee income from a joint venture	125	–
Rental and miscellaneous income from a joint venture	125	–
Rental and miscellaneous income from a party related to a director of the Company	230	314
Sales of goods to a joint venture and an associate	688	721
Purchase of goods from a joint venture	11,641	9,950
Expenses		
Rental expense to a joint venture	93	324
Logistics service fee paid/payable to a company related to a director of the Company	1,872	1,958
Royalty fees to minority shareholders	3,346	2,795
Purchase of goods from a party related to a director of the Company	–	85
Design fee paid/payable to minority shareholders of subsidiaries	47	–
Repair and maintenance fees to an associate	367	–
Miscellaneous expense	–	99
Others		
Franchise fee to non-controlling interests	52	128
Purchase of furniture and fittings from a company related to a director of the Company	492	769
Purchase of furniture and fittings from minority shareholders of subsidiaries	232	–
Purchase of plant and equipment from an associate	10,885	11,065
Sale of plant and equipment to a joint venture	2,268	–

30. Related party disclosures (cont'd)

	Company	
	2014	**2013**
	$'000	$'000
Income		
Management fee income from a subsidiary	13,407	11,821
Dividend income from subsidiaries	13,711	12,075
Training fee income from subsidiaries	269	212
Rental income from subsidiaries	4,707	2,443
Expense		
Purchase of goods from subsidiaries	–	10
Interest expense payable to a subsidiary	367	243
Miscellaneous expense payable to a subsidiary	113	71
Miscellaneous expense payable to an associate	7	10
Others		
Purchase of plant and equipment from an associate	19	4,672

(b) ***Compensation of key management personnel***

	Group	
	2014	**2013**
	$'000	$'000
Salaries and bonus	6,061	7,082
Central Provident Fund contributions and other pension contributions	338	329
Share-based payment (RSG Plan)	500	215
Directors' fees	168	168
Other personnel expenses	1,225	1,106
Total compensation paid to key management personnel	8,292	8,900
Comprise amounts paid to:		
Directors of the Company	1,166	1,560
Directors of a subsidiary	784	1,546
Other key management personnel	6,342	5,794
	8,292	8,900

31. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk, liquidity risk and market price risk. 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 Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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

The Group's and Company's principal financial instruments comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's and Company's operations. The Group and Company has various other financial assets and liabilities such as trade and other receivables, trade and other payables and related company balances, which arise directly from its operations.

(a) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rates risk arises primarily from its investment portfolio in fixed deposits and its debt obligations. The Group does not use derivative financial instruments to hedge its investment portfolio. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign exchange exposure.

Surplus funds are placed with reputable banks.

Sensitivity analysis for interest rate risk

	Group	
	Effect on profit before tax	
	100 basis points increase	**100 basis points decrease**
	$'000	$'000
2014		
- Singapore dollar interest rates	(1,651)	1,651
- Chinese Yuan interest rates	(19)	19
- Hong Kong dollar interest rates	(10)	10
- New Taiwan dollar interest rates	(87)	87
- Malaysia Ringgit interest rates	(16)	16
- Thailand Baht interest rates	(88)	88

31. Financial risk management objectives and policies (cont'd)

(a) ***Interest rate risk (cont'd)***

	Group Effect on profit before tax 100 basis points increase $'000	 100 basis points decrease $'000
2013		
- Singapore dollar interest rates	(1,410)	1,410
- Chinese Yuan interest rates	81	(81)
- Hong Kong dollar interest rates	(29)	29
- New Taiwan dollar interest rates	(107)	107
- Malaysia Ringgit interest rates	(12)	12
- Thailand Baht interest rates	(102)	102

(b) ***Foreign currency risk***

The Group has transactional currency exposures arising from sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, Chinese Yuan (CNY) and Hong Kong Dollar (HKD). The foreign currencies in which these transactions are denominated are mainly United States dollars (USD), HKD, CNY and SGD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, in Malaysia, the PRC, Hong Kong and Thailand. The Group's net investments in these countries are not hedged as currency positions in Malaysia Ringgit, CNY, HKD and Thailand Baht are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, HKD, CNY and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

31. Financial risk management objectives and policies (cont'd)

(b) ***Foreign currency risk (cont'd)***

		Group Effect on profit before tax 2014 $'000	 2013 $'000
Against SGD:			
USD	- strengthened 6% (2013: 6%)	130	56
	- weakened 6% (2013: 6%)	(130)	(56)
CNY	- strengthened 5% (2013: 5%)	440	363
	- weakened 5% (2013: 5%)	(440)	(363)
Against CNY:			
SGD	- strengthened 5% (2013: 5%)	(38)	(21)
	- weakened 5% (2013: 5%)	38	21
HKD	- strengthened 5% (2013: 5%)	(46)	(52)
	- weakened 5% (2013: 5%)	46	52
Against HKD			
SGD	- strengthened 5% (2013: 5%)	(203)	(124)
	- weakened 5% (2013: 5%)	203	124
Against Thailand Baht			
SGD	- strengthened 5% (2013: 5%)	78	–
	- weakened 5% (2013: 5%)	(78)	–
Against New Taiwan Dollar			
SGD	- strengthened 5% (2013: 5%)	83	–
	- weakened 5% (2013: 5%)	(83)	–

31. Financial risk management objectives and policies (cont'd)

(c) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the balance sheets; and

– an amount of $148,305,000 (2013: $130,860,000) relating to corporate guarantees provided by the Company to financial institutions on its subsidiaries' borrowings and other banking facilities.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables, other receivables and deposits on an on-going basis. The credit risk concentration profile of the Group's trade receivables, other receivables and deposits at the balance sheet date is as follows:

	Group			
	2014		**2013**	
	$'000	% of total	$'000	% of total
By country:				
Singapore	22,320	39%	20,509	39%
People's Republic of China	22,686	39%	20,190	39%
Hong Kong	7,230	13%	5,349	10%
Malaysia	619	1%	504	1%
Indonesia	533	1%	667	1%
The Philippines	492	1%	1,223	2%
Thailand	1,341	2%	1,717	3%
Taiwan	2,022	3%	1,863	4%
Others	298	1%	400	1%
	57,541	100%	52,422	100%

31. Financial risk management objectives and policies (cont'd)

Excessive risk concentration

Concentration arise when a number of outer parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 18 and 19 above.

(d) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group.

Short-term funding may be obtained from short-term loans where necessary.

31. Financial risk management objectives and policies (cont'd)

(d) *Liquidity risk (cont'd)*

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the balance sheet date based on contractual undiscounted payments:

	2014				2013			
Group	**1 year or less** $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000	**1 year or less** $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000
Financial assets :								
Investment securities	–	80,945	–	80,945	–	60,427	–	60,427
Trade and other receivables	54,494	2,420	–	56,914	49,145	3,281	–	52,426
Amounts due from related corporations	1,885	–	–	1,885	959	–	–	959
Amounts due from minority shareholders of subsidiaries	518	–	–	518	395	–	–	395
Cash and fixed deposits	95,452	–	–	95,452	79,420	11,504	–	90,924
Total undiscounted financial assets	152,349	83,365	–	235,714	129,919	75,212	–	205,131
Financial liabilities :								
Trade and other payables	95,480	–	–	95,480	101,197	–	–	101,197
Other liabilities	35,001	–	–	35,001	31,449	–	–	31,449
Amounts due to related corporations	5,162	–	–	5,162	3,901	–	–	3,901
Loans and borrowings	45,895	135,660	30,839	212,394	30,430	110,405	40,059	180,894
Total undiscounted financial liabilities	181,538	135,660	30,839	348,037	166,977	110,405	40,059	317,441
Total net undiscounted financial liabilities	(29,189)	(52,295)	(30,839)	(112,323)	(37,058)	(35,193)	(40,059)	(112,310)

31. Financial risk management objectives and policies (cont'd)

(d) *Liquidity risk (cont'd)*

	2014				2013			
Company	**1 year or less** $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000	**1 year or less** $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000
Financial assets :								
Other receivables	1,854	–	–	1,854	968	–	–	968
Amounts due from related corporations	26,412	–	–	26,412	16,753	–	–	16,753
Cash on hand and at bank	3,047	–	–	3,047	9,214	–	–	9,214
Total net undiscounted financial assets	31,313	–	–	31,313	26,935	–	–	26,935
Financial liabilities :								
Other payables	1,193	–	–	1,193	2,332	–	–	2,332
Other liabilities	3,280	–	–	3,280	5,793	–	–	5,793
Amounts due to related corporations	32,494	–	–	32,494	27,691	–	–	27,691
Loans and borrowings	4,094	21,727	30,361	56,182	3,178	14,841	39,636	57,655
Total net undiscounted financial liabilities	41,061	21,727	30,361	93,149	38,994	14,841	39,636	93,471
Total net undiscounted financial liabilities	(9,748)	(21,727)	(30,361)	(61,836)	(12,059)	(14,841)	(39,636)	(66,536)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	2014			2013		
Company	**1 year or less** $'000	**1 to 5 years** $'000	**Total** $'000	**1 year or less** $'000	**1 to 5 years** $'000	**Total** $'000
Financial guarantees	87,044	61,261	148,305	41,692	89,168	130,860

31. Financial risk management objectives and policies (cont'd)

(e) *Market price risk*

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instrument. This instrument is quoted on the SGX-ST in Singapore and is classified as available-for-sale financial asset. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the balance sheet date, if the share price had been 15% (2013: 15%) higher/lower with all other variables held constant, the effect on the Group's profit before tax would be $36,000 (2013: $64,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

32. Financial instruments

The carrying amount by category of financial assets and liabilities are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Loans and receivables				
Trade and other receivables (Note 18)	56,844	52,422	1,854	968
Amounts due from related corporations	1,885	959	26,412	16,753
Amounts due from minority shareholders of subsidiaries (non-trade)	518	395	–	–
Cash and fixed deposits	95,452	90,091	3,047	9,214
Total	154,699	143,867	31,313	26,935
Available-for-sale financial assets				
Investment securities (Note 13)	39,821	34,575	–	–
Held-to-maturity investments				
Investment securities (Note 13)	37,361	25,224	–	–
Financial liabilities carried at amortised cost				
Trade and other payables (Note 22)	95,480	101,197	1,193	2,332
Other liabilities (Note 23)	35,001	31,449	3,280	5,793
Amounts due to related corporations	5,162	3,901	32,103	27,457
Short term loans	32,367	9,746	–	–
Long term loans (Note 26)	165,452	158,770	51,190	52,183
Loan from a minority shareholder of a subsidiary	676	200	–	–
Total	334,138	305,263	87,766	87,765

33. Fair value of assets and liabilities

Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(a) ***Assets and liabilities measured at fair value***

The following table shows an analysis of each class of assets and liabilities measured at fair value by level at the end of the reporting period:

	Group Quoted prices in active markets for identical instruments (Level 1)	
	2014	**2013**
	$'000	$'000
Recurring fair value measurements		
Financial assets:		
Available-for-sale financial assets (Note 13)		
- Equity instruments (quoted)	239	425
At 31 December	239	425

Level 1 fair value

Equity securities (quoted) (Note 13): Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

33. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities not carried at fair value but for which fair value is disclosed***

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at 31 December 2014 but for which fair value is disclosed:

	Group 2014 $'000 Fair value measurements at the end of the reporting period		
	Significant observable inputs other than quoted prices (Level 2)	**Significant unobservable inputs** (Level 3)	**Carrying amount**
Assets			
Investment in junior bonds (Note 13)	–	38,520	37,361
Other receivables (non-current)	–	2,186	2,350
Investment property	23,199	–	23,135
Liabilities			
Loan from a minority shareholder of a subsidiary	–	444	476

	Group 2013 $'000 Fair value measurements at the end of the reporting period	
	Significant unobservable inputs (Level 3)	**Carrying amount**
Assets		
Investment in junior bonds (Note 13)	25,852	25,244
Other receivables (non-current)	2,907	3,277
Fixed deposit (non-current)	10,232	10,671

33. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities not carried at fair value but for which fair value is disclosed (cont'd)***

Determination of fair value

Investment in junior bonds, other receivables (non-current), fixed deposits and loan from minority shareholder of a subsidiary

Fair value is estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing or leasing arrangements at the balance sheet date.

Investment property

The valuation of commercial instrument property is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

(c) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value***

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Carrying amount		Fair value	
	2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Group				
Financial assets:				
Equity instruments (unquoted), at cost	39,582	34,150	*	*
Investment in junior bonds (Note 13)	37,361	25,244	38,520	25,852
Other receivables	2,350	3,277	2,186	2,907
Fixed deposit	–	10,671	–	10,232
Financial liabilities:				
Loan from a minority shareholder of a subsidiary	476	–	444	–

* Investment in equity instruments (unquoted) at cost

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in companies that are not quoted on any market. The Group does not intend to dispose of these investments in the foreseeable future.

34. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2014 and 2013.

As disclosed in Note 28, subsidiaries of the Group operating in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the respective subsidiaries for the financial year ended 31 December 2014 and 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 60% and 80%. The Group includes within net debt, loans and borrowings, trade and other payables, amounts due to related corporations, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company less the fair value adjustment reserve and restricted statutory reserve fund.

	Group	
	2014	**2013**
	$'000	$'000
Loans and borrowings (1)	198,495	168,716
Trade and other payables	97,675	102,589
Amounts due to related corporations	5,162	3,901
Less: Cash and cash equivalents	(95,452)	(79,420)
Net debt	205,880	195,786
Equity attributable to the owners of the Company	102,502	93,953
Less: - Fair value adjustment reserve	–	(111)
- Statutory reserve fund	(2,864)	(2,757)
Total capital	99,638	91,085
Capital and net debt	305,518	286,871
Gearing ratio	67%	68%

(1) including bank loans and loans from minority shareholders of subsidiaries

35. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(a) The bakery segment is in the business of manufacturing and retailing of all kinds of food, bakery and confectionary products including franchising.

(b) The food court segment is involved in the management and operation of food courts and food and drinks outlets.

(c) The restaurant segment is in the business of operating food and drinks outlets, eating houses and restaurants.

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

Management 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.

Transactions between operating segments are generally based on terms determined on commercial basis.

35. Segment information (cont'd)

2014	Bakery operations [1] $'000	Restaurant operations $'000	Food court operations $'000	Investment $'000	Others [2] $'000	Elimination $'000	Group $'000
Revenue							
External sales	294,128	130,735	164,781	–	–	–	589,644
Inter-segment sales (Note A)	406	4	3,428	–	–	(3,838)	–
Total revenue	294,534	130,739	168,209	–	–	(3,838)	589,644
Results							
Profit from operations	7,225	12,718	5,527	338	(885)	–	24,923
Interest income	798	346	521	1,133	12	(752)	2,058
Interest expense	(911)	(168)	(844)	(1,285)	(1,256)	736	(3,728)
Share of associates' results	–	(1,252)	–	–	167	–	(1,085)
Share of joint ventures' results	442	–	203	–	–	–	645
Segment profit/(loss)	7,554	11,644	5,407	186	(1,962)	(16)	22,813
Tax expense							(6,760)
Profit for the year							16,053
Assets and liabilities							
Segment assets (Note A)	196,148	81,300	127,036	102,256	107,945	(103,610)	511,075
Tax recoverable							8
Deferred tax assets							4,970
Total assets							516,053
Segment liabilities (Note A)	160,014	61,304	116,122	77,857	79,226	(103,658)	390,865
Tax payable							6,825
Deferred tax liabilities							2,619
Total liabilities							400,309
Other information							
Investment in associates	–	–	–	–	3,033	–	3,033
Investment in joint ventures	7,188	–	820	–	227	–	8,235
Additions to non-current assets (Note B)	19,619	6,942	12,725	23,153	4,680	–	67,119
Depreciation and amortisation	15,747	8,321	18,626	–	3,243	–	45,937
Other non-cash (income)/ expenses (Note C)	(89)	1,434	926	–	954	–	3,225

35. Segment information (cont'd)

2013	Bakery operations [1] $'000	Restaurant operations $'000	Food court operations $'000	Investment $'000	Others [2] $'000	Elimination $'000	Group $'000
Revenue							
External sales	271,320	122,203	143,007	–	–	–	536,530
Inter-segment sales (Note A)	375	2	3,045	–	–	(3,422)	–
Total revenue	271,695	122,205	146,052	–	–	(3,422)	536,530
Results							
Profit from operations	11,145	9,019	4,873	(22)	(2,092)	–	22,923
Interest income	615	280	331	558	45	(513)	1,316
Interest expense	(487)	(52)	(884)	(992)	(773)	513	(2,675)
Share of associates' results	–	(193)	–	–	424	–	231
Share of joint ventures' results	329	–	266	–	–	–	595
Segment profit/(loss)	11,602	9,054	4,586	(456)	(2,396)	–	22,390
Tax expense							(6,251)
Profit for the year							16,139
Assets and liabilities							
Segment assets (Note A)	152,040	76,681	147,344	60,177	99,675	(71,958)	463,959
Tax recoverable							6
Deferred tax assets							4,287
Total assets							468,252
Segment liabilities (Note A)	111,901	38,795	133,654	59,057	86,578	(74,728)	355,257
Tax payable							6,458
Deferred tax liabilities							2,554
Total liabilities							364,269
Other information							
Investment in associates	–	2,869	–	–	1,699	–	4,568
Investment in joint ventures	2,773	–	638	–	227	–	3,638
Additions to non-current assets (Note B)	30,564	17,711	28,299	–	31,396	–	107,970
Depreciation and amortisation	12,791	8,313	16,696	–	1,538	–	39,338
Other non-cash (income)/ expenses (Note C)	143	406	1,070	–	183	–	1,802

35. Segment information (cont'd)

Notes:

(A) Inter-segment sales, assets and liabilities are eliminated on consolidation.

(B) Additions to non-current assets consist of additions to property, plant and equipment, investment property and intangible assets.

(C) Other non-cash (income)/expenses consist of:

- impairment/(write-back of impairment) of property, plant and equipment, intangible assets, investment in associate, receivables, amount due from associates and joint ventures, and provision for reinstatement cost;
- write off of property, plant and equipment, bad debts and inventories;
- (gain)/loss on disposals of property, plant and equipment and intangible assets;
- share based payment expenses; and
- unrealised foreign exchange (gain)/loss.

Geographical information

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

	External sales		Non-current assets (3)	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Singapore	296,212	270,569	144,438	145,680
Mainland China	186,201	172,652	76,382	53,102
Hong Kong	67,130	53,141	13,878	12,188
Rest of the world	40,101	40,168	16,816	22,662
Total	589,644	536,530	251,514	233,632

(1) Bakery operations comprise operation of bakery retail outlets as well as that operated through franchising.
(2) The business segment "Others" comprises the corporate services, treasury functions, investment holding activities and dormant associated company.
(3) Non-current assets information presented above consist of property, plant and equipment, investment property and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

36. Dividends

	Group and Company	
	2014	**2013**
	$'000	$'000
Dividends paid during the year:		
Dividends on ordinary shares		
• Final exempt (one-tier) ordinary dividend for 2013 of 1.3 cents per share (2013: dividend for 2012 of 0.8 cent per share)	3,662	2,252
• Interim exempt (one-tier) dividend for 2014 of 0.5 cent per share (2013: 0.5 cent per share)	1,409	1,408
	5,071	3,660
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
• First and final exempt (one-tier) ordinary dividend for 2014 of 1.0 cent per share (2013: 1.3 cent per share)	2,800	3,700
	2,800	3,700

37. Events subsequent to the balance sheet date

Investment in commercial and retail property trust in Singapore

On 29 January 2015, the subsidiary, Imagine Properties Pte Ltd, executed a letter of participation to subscribe for $20,072,000 in principal amount of junior bonds and ordinary shares of Perennial 8 Shenton Investors Pte Ltd in relation to the investment in a commercial and retail property trust in Singapore.

Capital call

On 10 February 2015, the shareholders of CKEC unanimously agreed to increase the company's share capital by USD 6,000,000. Proportionate to its shareholdings of 40% in CKEC, a wholly owned subsidiary, Star Food Pte Ltd is committed to inject additional capital of USD2,400,000 upon call.

38. Authorisation of financial statements

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 30 March 2015.

STATISTICS OF SHAREHOLDINGS

As at 19 March 2015

Issued and fully Paid-up Capital	:	33,303,000
Number of Ordinary Shares in Issue (excluding treasury share)	:	281,890,148
Number of Treasury Shares held	:	3,090
Class of Shares	:	Ordinary
Voting Right	:	One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	8	0.37	221	N.M
100 - 1,000	287	13.36	227,144	0.08
1,001 - 10,000	1,335	62.12	6,819,647	2.42
10,001 - 1,000,000	501	23.31	26,257,582	9.31
1,000,001 and above	18	0.84	248,585,554	88.19
Total	**2,149**	**100.00**	**281,890,148**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	CITIBANK NOMINEES SINGAPORE PTE LTD	37,851,477	13.43
2.	KATHERINE LEE LIH LENG	32,542,245	11.54
3.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	31,032,200	11.01
4.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	29,076,714	10.31
5.	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	26,030,000	9.23
6.	HONG LEONG FINANCE NOMINEES PTE LTD	18,520,600	6.57
7.	RAFFLES NOMINEES (PTE) LIMITED	17,190,300	6.10
8.	GEORGE QUEK MENG TONG	13,634,885	4.84
9.	HL BANK NOMINEES (SINGAPORE) PTE LTD	9,180,000	3.26
10.	PHILLIP SECURITIES PTE LTD	7,169,300	2.54
11.	DBS NOMINEES (PRIVATE) LIMITED	6,776,800	2.40
12.	SBS NOMINEES PRIVATE LIMITED	5,000,000	1.77
13.	DBSN SERVICES PTE. LTD.	4,186,383	1.49
14.	HSBC (SINGAPORE) NOMINEES PTE LTD	3,324,750	1.18
15.	PARAMOUNT ASSETS INVESTMENTS PTE LTD	2,552,000	0.91
16.	BANK OF SINGAPORE NOMINEES PTE. LTD.	1,630,000	0.58
17.	UOB KAY HIAN PRIVATE LIMITED	1,488,700	0.53
18.	LIOW SIEW PIENG	1,399,200	0.50
19.	MAYBANK KIM ENG SECURITIES PTE. LTD.	875,180	0.31
20.	LEE PINEAPPLE COMPANY PTE LTD	800,000	0.28
	Total:	**250,260,734**	**88.78**

Based on information available to the Company as at 19 March 2015 approximately 30.05% of the Company's shares are held in the hands of public. Accordingly, the Compay has complied with the Rule 723 of the Listing Mannual of SGX-ST.

Substantial Shareholders

(as recorded in the Register of Substantial Shareholders as at 19 March 2015)

Substantial Shareholders	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%
George Quek Meng Tong[(1)]	95,687,660	33.95%	52,415,020	18.59%
Katherine Lee Lih Leng[(1)]	52,415,020	18.59%	95,687,660	33.95%
Primacy Investment Limited	31,037,900	11.01%	-	-
Paradice Investment Management LLC	-	-	14,116,924	5.01%

(1) Katherine Lee Lih Leng is the spouse of George Quek Meng Tong. Saved as disclosed above, there are no family relationship among our Directors and Substantial Shareholders.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of BreadTalk Group Limited ("the Company") will be held at 30 Tai Seng Street, #09-01 BreadTalk IHQ, Singapore 534013 on Wednesday, 22 April 2015 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon.

   (Resolution 1)

2. To declare a final dividend of 1.0 cent per share tax exempt (one-tier) for the year ended 31 December 2014 (2013: 1.3 cents).

   (Resolution 2)

3. To re-elect the following Directors retiring pursuant to Article 104 of the Company's Articles of Association:
   Ms Katherine Lee Lih Leng **(Resolution 3)**
   Mr Ong Kian Min **(Resolution 4)**

   Mr Ong Kian Min will, upon re-election as an Independent Director of the Company, remain as the Lead Independent Non-executive Director, Chairman of the Audit and Nominating Committees and a member of the Remuneration Committee. Mr Ong will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To approve the payment of Directors' fees of S$172,950 for the year ended 31 December 2014 (2013: S$168,000).

   (Resolution 5)

5. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

   (Resolution 6)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

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

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

   provided that:

   (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

   (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

   (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

   (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

   [See Explanatory Note (i)] **(Resolution 7)**

8. **Authority to issue shares under the BreadTalk Group Limited Employees' Share Option Scheme**

   That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the prevailing BreadTalk Group Limited Employees' Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme, the BreadTalk Group Restricted Share Grant Plan and any other share based schemes (if applicable) shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 8)**

9. **Authority to issue shares under the BreadTalk Group Limited Restricted Share Grant Plan**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards in accordance with the provisions of the BreadTalk Group Limited Restricted Share Grant Plan ("the Plan") and to allot and/or issue from time to time such number of fully-paid shares as may be required to be allotted and/or issued pursuant to the vesting of the awards under the Plan, provided always that the aggregate number of new ordinary shares to be allotted and/or issued pursuant to the Plan, the Scheme and any other share based schemes (if applicable), which the Company may have in place, shall not exceed fifteen per centum (15%) of the total issued shares excluding treasury shares in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 9)**

10. **Authority to grant awards to Participants pursuant to the Rules of, and issue shares under, the Plan**

That, contingent upon the passing of Resolution 9, in order to reward, retain and motivate employees who had met specific performance objectives set by the Company, the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the Plan to the following participants of the Plan ("the Participants") and to issue shares in the Company to the Participants of awards granted by the Company under the Plan, provided always that the aggregate number of shares available to Controlling Shareholders and their associates under the Plan shall not exceed twenty five per centum (25%) of all the shares available under the Plan and that the number of shares available to each Controlling Shareholder or his associate shall not exceed ten per centum (10%) of all the shares available under the Plan. Such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

Name of Participant	**No. of shares to be awarded**
Associate of Controlling Shareholders	
Mr Frankie Quek Swee Heng	58,000

[See Explanatory Note (iv)] **(Resolution 10**)

11. **Renewal of Share Purchase Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in paragraph 3.4 of the Appendix to the Annual Report to Shareholder dated 7 April 2015, in accordance with the terms of the Share Purchase Mandate set out in the Appendix, and this mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (v)] **(Resolution 11)**

By Order of the Board

Cho Form Po
Company Secretary
Singapore
Date: 7 April 2015

Explanatory Notes:

(i) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) 15% of the total number of issued shares excluding treasury shares in the capital of the Company from time to time, and the aggregate number of ordinary shares which may be issued pursuant to the Scheme, the Plan and any other share based schemes (if applicable) is limited to 15% of the total issued share capital of the Company excluding treasury shares from time to time. Resolution 8 is independent from Resolution 9 and the passing of Resolution 8 is not contingent on the passing of Resolution 9.

(iii) The Ordinary Resolution 9 in item 9 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, to offer and grant awards under the Plan in accordance with the provisions of the Plan and to issue from time to time such number of fully-paid shares as may be required to be issued pursuant to the vesting of the awards under the Plan subject to the maximum number of shares prescribed under the terms and conditions of the Plan. The aggregate number of ordinary shares which may be issued pursuant to the Scheme, the Plan and any other share based schemes (if applicable) is limited to 15% of the total issued share capital of the Company excluding treasury shares from time to time. Resolution 9 is independent from Resolution 8 and the passing of Resolution 9 is not contingent on the passing of Resolution 8.

(iv) The Ordinary Resolution 10 in item 10 above, if passed, will empower the Directors of the Company to issue shares in the Company to the associate of Controlling Shareholders, granted by the Company under the Plan. Resolution 10 is contingent on the passing of Resolution 9. Shareholders who are eligible to participate in the Plan shall abstain from voting on Resolution 10.

As at the Latest Practicable Date prior to the printing of this Notice of Annual General Meeting (i.e. 19 March 2015), the number of shares granted in respect of the Plan since its commencement date are as follows:

Name	**Aggregate Number of Restricted Shares Granted**	**Aggregate Number of Restricted Shares Vested**
Dr George Quek Meng Tong	179,200	179,200
Katherine Lee Lih Leng	154,000	154,000
Frankie Quek Swee Heng	183,000	111,800
Other Participants*	3,695,630	2,988,910
TOTAL	**4,211,830**	**3,433,910**

* None of the Other Participants is either a controlling shareholder of the Company or an associate of a controlling shareholder of the Company.

The Directors confirm that, as at the Latest Practicable Date (i.e. 19 March 2015):

(a) the aggregate number of shares issued under the Plan do not exceed 15% of the total issued shares (excluding treasury shares) in the capital of the Company;

(b) the aggregate number of shares granted to controlling shareholders and their associates does not exceed 25% of the shares available under the Plan; and

(c) number of shares granted to each controlling shareholder or his or her associate respectively does not exceed 10% of the shares available under the Plan.

The rationale for Resolution 10

Mr Frankie Quek Swee Heng (**Frankie Quek)**, CEO, Asean Region, holds an aggregate of 0.02% of the Company's shareholding (direct and deemed interests). He is involved in the formulation and implementation of the expansion plans of the Group in the Asean Region. With his business acumen and extensive knowledge of the local food and beverage industry, he is assisting the Chairman, Dr George Quek Meng Tong, in overseeing the growth and expansion as well as daily operations of the Group, focusing on the Group's expansion into the Asean Region. Frankie Quek has been based in Shanghai since 2005 where he has been overseeing the growing bakery and food court operations in Shanghai and Beijing. His expertise has further led to the successful expansion of the BreadTalk brand name to many Asean Cities through a franchise model system managed by the in house franchise team. The Company therefore believes that he has the potential and ability to contribute to the further success of the Group.

By allowing him to participate in the Plan, the Company will have an additional tool to craft a more balanced and innovative remuneration package that will link his total remuneration to the performance of the Group. Frankie Quek will also be able to share in any future appreciation of the Company's share price that is commensurate with the Company's future growth through an increase in his shareholdings to a more significant level.

The Directors are of the view that the remuneration package of Frankie Quek is fair given his contributions to the Group. The extension of the Plan to Frankie Quek is consistent with the Company's objectives to motivate its employees to achieve and maintain a high level of performance and contribution which is vital to the success of the Company.

As the Plan serves as recognition of the past contributions of those eligible to participate in the Plan, as well as to secure future contributions for the Company and the Group from them, the Directors consider it important that Frankie Quek should be included in the Plan. The Directors consider it crucial for the Company to provide sufficient incentives which will instill a sense of commitment to the Group.

The participation of and grant of Awards to Frankie Quek under the Plan has been approved in principle by shareholders when they approved the Plan at the Extraordinary General Meeting held on 28 April 2008. Resolution 10 seeks for the above stated reasons, shareholders approval for the Directors decision to grant 58,000 shares to Frankie Quek in accordance with the Plan.

(v) The Ordinary Resolution 11 proposed in item 11 above, if passed, will empower the Directors of the Company effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in Paragraph 3.4 to the Appendix. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2014 are set out in greater detail in the Appendix.

NOTICE OF ANNUAL GENERAL MEETING

Notes

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 30 Tai Seng Street, #09-01 Breadtalk IHQ, Singapore 534013 not less than 48 hours before the time appointed for holding the Meeting.

Personal data privacy:

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

BREADTALK GROUP LIMITED
Company Registration No. 200302045G
(Incorporated In Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. For investors who have used their CPF monies to buy BreadTalk Group Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ...

of ....

being a member/members of BREADTALK GROUP LIMITED (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Wednesday, 22 April 2015 at 9.30 a.m. at 30 Tai Seng Street, #09-01 BreadTalk IHQ, Singapore 534013 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2014.		
2	Payment of proposed final dividend.		
3	Re-election of Ms Katherine Lee Lih Leng as a Director.		
4	Re-election of Mr Ong Kian Min as a Director.		
5	Approval of Directors' fees amounting to S$172,950/- for the year ended 31 December 2014.		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors.		
7	Authority to issue new shares.		
8	Authority to issue shares under the BreadTalk Group Limited Employees' Share Option Scheme.		
9	Authority to issue shares under the BreadTalk Group Limited Restricted Share Grant Plan (the "Plan").		
10	Share award under the Plan to Mr Frankie Quek Swee Heng.		
11	Renewal of Share Purchase Mandate.		

Dated this____________________day of____________________2015

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

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

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 7 April 2015.

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 130A of the Companies Act, Chapter 50 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 entitled to attend and vote at a meeting of the Company is entitled to appoint proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy. If no proportion or number of shares is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 30 Tai Seng Street, #09-01 BreadTalk IHQ, Singapore 534013 not less than 48 hours before the time appointed for the holding of the Meeting.
5. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised or in such manner as appropriate under applicable laws. Where the original instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the original power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the original instrument of proxy and must be left at the Registered Office, not less than 48 hours before the time appointed for the holding of the Meeting or the adjourned Meeting at which it is to be used failing which the instrument may be treated as invalid.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore. The Company shall be entitled to treat an original certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative.

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 shall 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 48 hours before the time appointed for holding of the Meeting, as certified by The Central Depository (Pte) Limited to the Company.