

Pavillon Holdings Ltd.

ANNUAL
REPORT
2017

EXPANDING OUR REACH

SINGAPORE ● CHINA ● VIETNAM ● CAMBODIA



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MANAGING DIRECTOR'S MESSAGE**
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PROXY FORM

CORPORATE MAP

Pavillon Holdings Ltd



CHAIRMAN, CEO AND MANAGING DIRECTOR'S MESSAGE

DEAR SHAREHOLDERS

It has been another challenging year, as the food and beverage (F&B) industry in Singapore remains one of the most competitive sectors in the nation. F&B growth opportunities in Singapore are limited due to pricey rental along with the high manpower costs. Despite this, the Group remains resilient as we bide our time and better position ourselves for greater future successes.

On behalf of the Board of Directors of Pavillon Holdings Ltd. ("the Group"), we present the annual report of the Group for the financial year ended 31 December 2017 ("FY2017").

FINANCIAL PERFORMANCE

The Group attained a revenue of S\$16.5 million, an increase of S\$0.9 million from S\$15.5 million in the financial year ended 31 December 2016 ("FY2016"). This was mainly due to an increase in leasing revenue and management and rental income.

While the Food and Beverages division saw a slight decrease in revenue from S\$14.3 million to

S\$13.1 million this year, largely owing to the closure of the Jurong outlet of Thai Village Restaurant, the Leasing division marked an increase in revenue from S\$1.3 million to S\$3.2 million this year.

Overall, the Group made a loss of S\$0.8 million before taxes, amounting to an after non-controlling interests and taxation loss of S\$1.7 million, mainly due to the share of losses of associated companies arising largely from cessation of the cultural assets trading exchange business (Changjiang) as well as an increase in expenses of professional fees.

The total assets of the Group stands at S\$58.9 million, up from S\$45.9 million in FY2016. This is a result of an increase of S\$3.0 million in non-current assets and S\$10.0 million in current assets. With a S\$3.1 million increase of total liabilities at S\$8.8 million, our net assets stand strong at S\$50.1 million as at 31 December 2017.

FUTURE PROSPECTS

The food and beverage industry in Singapore is expected to remain as competitive, if not increasingly so. As such, while the Group continues exploring options locally, we will also look abroad increasingly so as to capitalise on emerging opportunities.

1 DR. JOHN CHEN SEOW PHUN
Executive Chairman

2 MR ZHENG FENGWEN
Executive Director and CEO

3 MR LEE TONG SOON
Managing Director



One fine example is our upcoming franchise in Indonesia. It is slated to open by June 2018, and presents exciting prospects for us as the Group establishes itself in the fast developing country. This also boosts our presence to be in a total of 5 countries, alongside China, Vietnam, and Cambodia. Furthermore, we have taken on WeChat Pay and Alipay in our outlets to better cater to the fast increasing China tourists.

In addition, our Braised Rice Stalls, a new concept the Group has begun embarking on, is promising. It is a compelling addition to our operations, with two branches: one in Ion Orchard, which opened in October 2017, and a branch in Plaza Singapura, which opened in January 2018. In light of the current results, we have identified a better business model and is looking to operate eateries instead of stalls to better cater to the needs of our target group, as well as expand the menu offered.

On the leasing end, the success we see has enormous potential to grow into something greater. As the operations gain traction, it is expected to anchor as a steady source of income and continually bring in revenue. We are currently looking to expand and grow our businesses beyond Tianjin.

Construction for the bonded warehouse in Tianjin is slated to complete by the first quarter of 2019. The Group anticipates exciting possibilities as it doubles up as both showrooms and offices for automobile traders that will offer a range of services from parallel-import cars centre, to financing, to warehousing and a venue that will allow traders to showcase their brands and offer online-offline sales. It represents the Group's embarking onto diversifications into the logistics and e-commerce services and presents a new direction to secure opportunities and drive growth.

In light of the upcoming expansion, expenses are expected. However, with the completion of

The total assets of the Group stands at S\$58.9 million, up from S\$45.9 million in FY2016.

This is a result of an increase of S\$3.0 million in non-current assets and S\$10.0 in current assets.

our plans in the pipeline, substantial returns are expected from 2019 and beyond. Meanwhile, as we sustain efforts into diversifying strategically, we will continue to maximize the capabilities of our existing operations. One such example is the improved productivity arising from the Singapore Standard 590 we embarked on for our key personnel and staff. In the upcoming year, we will continue to optimize our productivity and boost our efficiency.

DIVIDENDS

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

CONCLUSION

Albert Einstein once said, "In the middle of difficulty lies opportunity." It is essential that we continue to make improvements and forge ahead, and our results will show success in time to come.

On behalf of the Board, we would like to take this opportunity to show our heartfelt appreciation to the staff and management team, whose dedication and hard work have continually moved the company forward. To our clients, business associates and shareholders, a big thank-you for your patience and unwavering support as we continue to strive for success.

DR. JOHN CHEN,
Executive Chairman

MR ZHENG FENGWEN,
Executive Director and CEO

MR LEE TONG SOON,
Managing Director

OPERATIONS REVIEW



TURNOVER AND EARNINGS

In the financial year ended 31 December 2017 ("FY2017"), the total revenue of the Group increased by S\$0.9 million to S\$16.5 million, up from S\$15.6 million in the financial year ended 31 December 2016 ("FY2016"). This increase was mainly due to an increase in leasing income of S\$1.9 million to S\$3.1 million, as well as an increase in management and rental income. The increase, however, was offset by the decrease in food & beverages revenue, which arose mainly as a result of the closure of the Jurong outlet of the Thai Village Restaurant.

Largely because of the closure, cost of raw materials used in restaurants decreased by approximately S\$0.9 million. Similarly, personnel costs decreased by approximately S\$0.4 million to S\$6.8 million and depreciation expenses decreased by approximately S\$0.2 million to S\$0.5 million. Due to the closure, overall food and beverage revenue also saw a decrease of S\$1.1 million.

Other income decreased from S\$1.9 million in FY2016 to S\$0.2 million this year. Other income consists mainly of freight charges, Special Employment Credit and the Productivity and Innovation Credit Scheme payout received from the government. The S\$1.7 million decrease in other income is mainly due to a prior year gain on disposal



of subsidiaries, accompanied with writing back of reinstatement costs recognised in the previous year.

An increase of S\$0.2 million in finance costs resulted from a short-term loan obtained for leasing operations. Other expenses also increased by approximately S\$1.4 million to S\$4.9 million. This is mainly due to impairment loss of approximately S\$0.5 million, an increase in rental expenses of approximately S\$0.4 million and an increase in the cost of professional fees of approximately S\$0.4 million, arising from the halted property purchase plans in Malaysia. Tax expenses also increased by approximately S\$0.3 million to S\$0.6 million, mainly due to higher profit generated by leasing operations.

Gross profit increased by S\$1.8 million as compared to previous year, largely due to the increase in leasing income. However, the loss after non-controlling interests and taxation for the year amounts to S\$1.7 million, and is mainly due to: Share of losses of associated companies, which stands at S\$0.5 million, mainly arising from the cessation of the cultural assets trading exchange business (Changjiang) as well as the aforementioned increase in professional fees.

BALANCE SHEET AND CASH FLOW

The value of property, plant and equipment saw a slight decrease of S\$0.1 million. Investment in associated companies also saw a slight decrease to S\$3.8 million. The Group also obtained the land use rights of a piece of land worth S\$9.1 million within the Dongjiang bonded port area in Tianjin.

Non-current trade and other receivables decreased by S\$4.2 million, while current trade and other receivables increased by S\$8.1 million.

Fixed deposits saw an increase of S\$1.5 million while cash and bank balances saw a marginal decrease to S\$7.6 million. This brings the net assets of the Group to S\$50.1 million, a marked increase from S\$40.1 million in FY2016.

Based on a year-on-year comparison, net cash flow used in operating activities decreased by S\$12.8 million while net cash flow used in investing activities turned into net cash flow generated of S\$2.4 million. Net cash flow generated from financing activities comes in at S\$2.5 million. This concludes cash and cash equivalents at end of the financial year at S\$7.6 million.

SINGAPORE

Food and beverage operations in Singapore which include restaurant and franchise business saw a profit before taxation of S\$1.0 million, mainly due to decrease in management fee charged by the corporate office for the year. Franchise revenue in the region stood largely consistent, coming in at S\$0.6 million. The Group will continue to explore opportunities as we fine tune our business models and streamline operations to become more efficient.

For all other segments of Singapore, loss before taxation of approximately S\$2.8 million arises mainly from corporate overheads.

PEOPLE'S REPUBLIC OF CHINA

Due to a development in leasing transactions, the leasing operations in the People's Republic of China saw an increase in revenue of S\$1.9 million, continuing the pattern set in motion last year. This was accompanied accordingly by an increase of S\$1.2 million in profit before taxes. For all other segments of China, the share of losses for the Year amounts to S\$0.4 million, arising from Changjiang, and S\$0.1 million, proceeding from the State Research Pavilion Financial Leasing.

As the Group begins its foray into the property and logistics segment, the construction of our bonded warehouse in Tianjin is set to be completed in the first quarter of 2019. While expenses are to be expected in the nearer future, this development presents exciting opportunities for greater success as the Group expands its businesses from financing to logistics, providing a venue that will allow motor traders to store their products, showcase their brands and conduct online-offline transactions. The bonded warehouse is expected to benefit the Group come 2019 and beyond.

THE REST OF THE WORLD

While the Group already enjoys considerable F&B presence in Singapore, China, Vietnam and Cambodia, plans are underway to take us further. We are exploring Indonesia for favorable circumstances that will allow us to develop and grow. Plans in Indonesia are afoot to start with a franchise restaurant commencing operations by June 2018. We will also continue to explore new food and beverage concepts and seek opportunities to grow.

BOARD OF DIRECTORS



1

Dr. JOHN CHEN SEOW PHUN

Executive Chairman

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

2

MR ZHENG FENGWEN

Executive Director and CEO

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

3

MR LEE TONG SOON

Managing Director

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

4

MR KOK NYONG PATT

Executive Director

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

5

MR HOON TAI MENG

Independent Director

Mr Hoon was appointed an Independent Director of the Company on 1 February 2011. He is currently an Executive Director of Chip Eng Seng Corporation Ltd and formerly a partner with M/s KhattarWong. Besides having around 15 years of experience in legal practice, he also has approximately 20 years of experience in financial planning and management, audit and tax functions. He has a Bachelor of Commerce Degree in Accountancy from the Nanyang

BOARD OF DIRECTORS

University and a LLB (Honours) from the University of London. Mr Hoon is a Fellow of the Chartered Institute of Management Accountants (United Kingdom), a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Chartered Accountant (Singapore) and a Barrister-at-Law (Middle Temple, United Kingdom). He is also an Independent Director of Sin Ghee Huat Corporation Ltd.

6

MR FOO DER RONG

Independent Director

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

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

7

MR KO CHUAN AUN

Independent Director

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

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

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

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

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

8

MS JO-ANNE CHANG

Non-Executive and Non-Independent Director

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

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

KEY EXECUTIVES

MS ZHANG PENG

General Manager – Leasing Operations

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

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

MR ZHOU JUN

General Manager – Logistics and Properties Operations

Mr Zhou was appointed as General Manager of Logistics and Properties operations in 2017 and has a bachelor's degree in Marketing from Nankai University. He once served as the client manager in Tianjin Binhai New Area branch of Bohai Bank from 2006 to 2010 and deputy general manager in Tianjin Binhai New Area branch of China Merchants Bank from 2010 to 2012. He also worked in CBD branch of Ping An Bank as the vice president from 2012 to 2017.

MR MAXTEIN OH KOK THAI

General Manager – Restaurant Operations

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

MS VENETIA YONG CHIN CHING

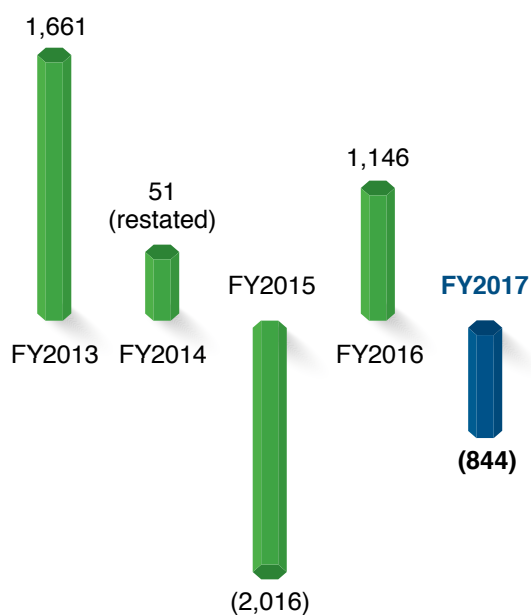
Financial Controller

Ms Yong was appointed on 1 October 2007. As the Financial Controller, she is responsible for the financial and management reporting functions of the Group. She has many years of accounting and management experience. Prior to joining the Group in September 2006, she has held various finance and accounting positions within the Thakral Group of Companies and Acer Group of Companies and has also worked in audit. Ms Yong is a Chartered Accountant (Singapore).

FINANCIAL HIGHLIGHTS

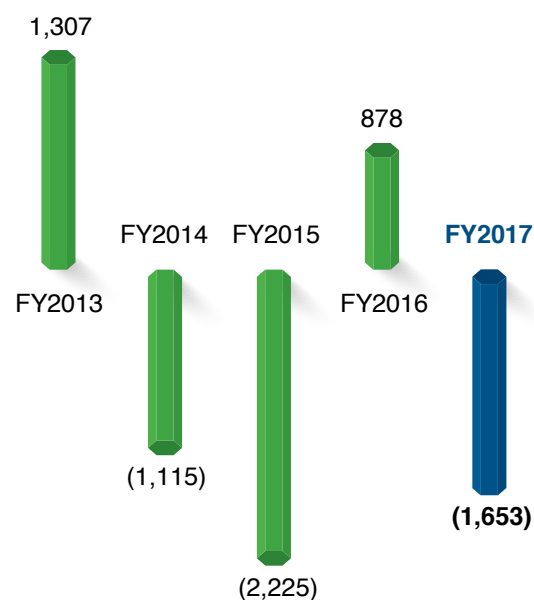
PROFIT/(LOSS) BEFORE TAXATION

(S\$'000)



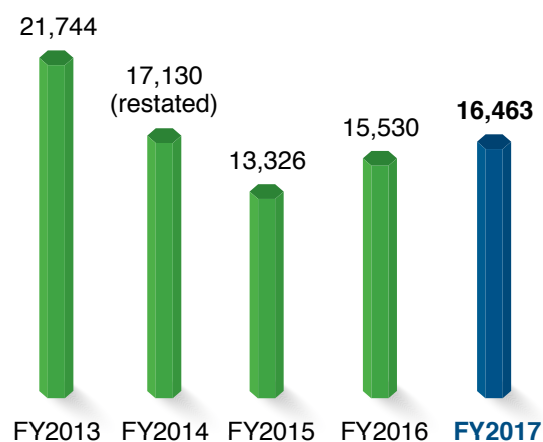
PROFIT/(LOSS) AFTER TAXATION

(S\$'000)



TURNOVER

(S\$'000)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. John Chen Seow Phun
Executive Chairman

Mr Zheng Fengwen
Executive Director and CEO

Mr Lee Tong Soon
Managing Director

Mr Kok Nyong Patt
Executive Director

Mr Hoon Tai Meng
Independent Director

Mr Foo Der Rong
Independent Director

Mr Ko Chuan Aun
Independent Director

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

COMPANY SECRETARY

Mr Chew Kok Liang

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITORS

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

PRINCIPAL BANKER

United Overseas Bank Limited

THAI VILLAGE RESTAURANT PRESENCE

SELF-MANAGED RESTAURANTS

SINGAPORE (新加坡分店)

Goodwood Park

良木园

22 Scotts Road,
Goodwood Park Hotel
Singapore 228221

Tel: (65) 6440 8251

Fax: (65) 6440 0748

Singapore Indoor Stadium

新加坡室内体育馆

2 Stadium Walk, #01-02/03
Singapore Indoor Stadium
Singapore 397691

Tel: (65) 6440 2292

Fax: (65) 6440 7285

FRANCHISE RESTAURANTS

CHINA (中国加盟店)

Shanghai

上海

国定东路237号 (金储广场北侧)

电话: (86) 21-55221717

虹桥路2266号 (阳光大酒店内)

电话: (86) 21-62627676

VIETNAM (越南加盟店)

Ho Chi Minh City

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38, Ly Tu Trong Street,
Ben Nghe Ward, District 1

Tel: (84) 8 8256704/5

Hanoi

河内

3B Le Thai To Street,
Hang Trong Ward,
Hoan Kiem District

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CAMBODIA (柬埔寨加盟店)

Phnom Penh

金边

#290 Mao Tse Toung Boulevard,
Phnom Penh

Tel: (855) 23 211 122





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DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

In the opinion of the directors,

- (i) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 24 to 93 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2017	At 1.1.2017	At 31.12.2017	At 1.1.2017
Company				
<u>Number of ordinary shares</u>				
Dr John Seow Phun	–	–	23,163,525 ⁽¹⁾	23,163,525 ⁽¹⁾
Zheng Fengwen	–	–	100,000,000 ⁽²⁾	100,000,000 ⁽²⁾
Lee Tong Soon	24,023,926	24,023,926	12,500 ⁽³⁾	12,500 ⁽³⁾
Kok Nyong Patt	25,027,725	25,027,725	–	–
Jo-Anne Chang	–	–	40,000,000 ⁽⁴⁾	40,000,000 ⁽⁴⁾

Note :

- (1) 62,500 (2016: 62,500) shares are held in the name of Lim Kok Huang, who is the spouse of Dr. John Chen Seow Phun. He is the beneficial owner of 848,300 (2016: 848,300) shares held by DBS Nominees Private Ltd. 22,252,725 (2016: 22,252,725) shares are held in the name of Unigold Asia Limited, which is wholly owned by Dr. John Chen Seow Phun.
- (2) 100,000,000 (2016: 100,000,000) shares are held in the name of Sunlead Evergrowing Capital Co. Limited which is 93% owned by Xu Cai Kui, who is the spouse of Zheng Fengwen.
- (3) 12,500 (2016: 12,500) shares are held in the name of Lim Teck Eng deceased on 13 January 2018, who was the spouse of Lee Tong Soon.
- (4) 40,000,000 (2016: 40,000,000) shares are held in the name of Rossbay Private Limited, of which Jo-Anne Chang is a director and shareholder.

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

	At 31 .12.2017	At 1.1.2017
Pavillon Financial Leasing Co Ltd		
– Registered and issued share capital	USD 27,065,536	USD 20,565,536
Fengchi IOT Co Ltd		
– Registered and issued share capital	RMB 63,000,000	–

The directors' interests in the ordinary shares of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

SHARE OPTIONS

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

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

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

AUDIT COMMITTEE

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

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

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

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

- a. To review the audit plans of the internal auditor and independent auditor of the Group and the Company, and reviewed the internal auditor’s evaluation of the adequacy of the Company’s system of internal accounting controls and the assistance given by the Group and the Company’s management to the internal auditor and independent auditor;
- b. To review the half yearly and annual consolidated financial statements and the independent auditor’s report on the consolidated financial statements of the Group and the financial position of the Company before their submission to the Board;
- c. To review effectiveness of the Group and the Company’s key internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- d. To review the cooperation given by the management to the independent auditor;
- e. To review legal and regulatory matters that may have a material impact on the consolidated financial statements, related compliance policies and programmes and any reports received from regulators;
- f. To review the cost effectiveness and the independence and objectivity of the independent auditor;
- g. To review the nature and extent of non-audit services provided by the independent auditor;

AUDIT COMMITTEE (cont'd)

- h. To recommend to the Board the appointment, re-appointment or removal of the independent auditor and approve the remuneration and terms of engagement of the independent auditor;
- i. To review interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Manual; and
- j. To conduct a review of interested person transaction to ensure that each transaction has been conducted on an arm's length basis.

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

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

The Audit Committee convened two (2) meetings during the financial year with full attendance from all members. The Audit Committee met with independent auditor and internal auditor once in February 2018 without the presence of the management. These meeting enable the independent auditor and internal auditor to raise issues encounter in the course of their work directly to the Audit Committee.

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

INDEPENDENT AUDITOR

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

On behalf of the directors

Lee Tong Soon
Director

Kok Nyong Patt
Director

2 April 2018

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Pavillon Holdings Ltd. (the “Company”) and its subsidiary corporations (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including summary of significant accounting policies, as set out on pages 24 to 93.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the “Act”) and Financial Reporting Standards in Singapore (“FRSs”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the matter
Recoverability of finance lease receivables (Refer to Notes 13 and 31(b) to the financial statements) As at 31 December 2017, finance lease receivables amounting to S\$20,202,000 were significant to the Group which represented 34% of the Group's total assets. Our audit focus in this area is because the collectability of these receivables is key elements of the Group's working capital management, which is managed on an ongoing basis by management. In addition, the impairment assessment of finance lease receivables requires management to make significant judgments and assumptions on the credit risk of these receivables.	We considered and assessed the Group's processes and key controls relating to the monitoring of finance lease receivables. With the involvement of the component auditors, we obtained, on a sample basis, finance lease receivables confirmations and reviewed for repayment history and correspondence between the Group and the lessees. We also reviewed collectability by verifying subsequent receipts from the lessees after financial year. Where there is objective evidence which suggest that these receivables are irrecoverable, we discussed with management on the recoverability of these receivables, evaluated management's assumptions and estimates used in determining the impairment amount, if any, through specific review of these receivables. We also reviewed the adequacy and appropriateness of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the matter
Recoverability of other receivables (Refer to Notes 13 and 31(b) to the financial statements) As at 31 December 2017, other receivables amounting to S\$8,693,000 represented 14% of the Group's total assets. Concentration of credit risk on other receivables is high as there was an overdue amount of S\$5,937,000 from a non-related party. Following the negotiation between management and the non-related party, management has concluded that no impairment for the overdue receivable due to extension of repayment term in accordance with the signed Repayment Agreement. That the main condition for the extension of the repayment period of the receivable is secured by various personal assets from the non-related party. We focused on this area as significant management judgments and assumptions were involved in determine the recoverability of other receivables.	We evaluated management's judgments and assumptions in determining the recoverability of other receivables by assessing the feasibility of management's recovery plan on overdue receivable. We reviewed supporting documents to determine the ownership and existence of the assets secured from the non-related party. We also reviewed the adequacy and appropriateness of the disclosures in the financial statements.
Impairment of investments in associated companies (Refer to Notes 3.1(b) and 18 to the financial statements) As at 31 December 2017, the carrying amount of investment in associated companies amounting to S\$3,829,000 represented approximately 6% of the Group's total assets. Impairment of investments in associated companies is tested when indication of impairment exist. Impairment loss is recognised when the carrying amounts of the associated companies exceeded their recoverable amounts. The Group recognised an impairment loss of S\$484,000. We focused on impairment assessment performed by management because of the significant judgments and assumptions involved in determining the recoverable amounts.	We assessed the going-concern assumptions of the associated companies' business operation as part of our consideration when assessing the recoverability of the carrying amount of investment in associated companies. We reviewed management's judgments and assumptions used in the impairment assessment. We also reviewed the adequacy and appropriateness of the disclosures in the financial statements.

Other Matter

The financial statements of the Group for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016, were audited by another independent auditor who expressed an unmodified opinion on those statements on 31 March 2017.

Other Information

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

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

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

Responsibility of Management and Directors of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement director on the audit resulting in this independent auditor's report is Lee Look Ling.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

2 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	2017 S\$'000	2016 S\$'000
Revenue	4	16,463	15,530
Other items of income			
Bank interest income		136	303
Other income	5	209	1,870
Items of expenses			
Raw materials and changes in inventories	14	(4,684)	(5,622)
Employee compensation	6	(6,814)	(7,205)
Depreciation expense	20	(507)	(660)
Finance expenses	7	(161)	–
Currency exchange loss -net		(40)	(29)
Other operating expenses	8	(4,925)	(3,559)
Total expenses		(17,131)	(17,075)
Share of (loss)/profit of associated companies	18	(521)	518
(Loss)/profit before income tax		(844)	1,146
Income tax expense	9(a)	(589)	(268)
Net (loss)/profit		<u>(1,433)</u>	<u>878</u>
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation losses arising from consolidation	27(b)(ii)	(417)	(1,091)
Total comprehensive loss		<u>(1,850)</u>	<u>(213)</u>
(Loss)/profit attributable to:			
Equity holders of the Company		(1,653)	878
Non-controlling interests		220	–
		<u>(1,433)</u>	<u>878</u>
Total comprehensive (loss)/profit attributable to:			
Equity holders of the Company		(2,122)	(213)
Non-controlling interests		272	–
		<u>(1,850)</u>	<u>(213)</u>
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (cents per share)			
– Basic	10	(0.43)	0.23
– Diluted	10	(0.43)	0.23

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group		Company	
	Note	2017	2016	2017	2016
		S\$'000	S\$'000	S\$'000	S\$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	12,112	11,325	3,026	4,482
Trade and other receivables	13	29,513	21,396	2,155	2,380
Inventories	14	1,508	1,173	—	—
		43,133	33,894	5,181	6,862
Assets held-for-sale	11	834	—	—	—
		43,967	33,894	5,181	6,862
Non-current assets					
Trade and other receivables	15	454	4,624	26	47
Investments in associated companies	18	3,829	5,670	3,829	4,319
Investments in subsidiary corporations	19	—	—	29,650	29,682
Property, plant and equipment	20	1,562	1,676	—	1
Land-use rights	21	9,136	—	—	—
		14,981	11,970	33,505	34,049
Total assets		58,948	45,864	38,686	40,911
LIABILITIES					
Current liabilities					
Trade and other payables	22	3,660	5,072	791	566
Current income tax liabilities	9(b)	645	206	—	—
Borrowings	23	4,090	—	—	—
Provisions	24	—	95	—	—
		8,395	5,373	791	566
Non-current liabilities					
Deferred tax liabilities	25	115	138	—	—
Trade and other payables	22	110	100	110	100
Provisions	24	180	90	—	—
		405	328	110	100
Total liabilities		8,800	5,701	901	666
NET ASSETS		50,148	40,163	37,785	40,245
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	26	39,433	39,433	39,433	39,433
Other reserves	27	2,197	(812)	—	—
(Accumulated losses)/retained profits	28	(111)	1,542	(1,648)	812
		41,519	40,163	37,785	40,245
Non-controlling interests	19(f)	8,629	—	—	—
TOTAL EQUITY		50,148	40,163	37,785	40,245

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Attributable to the equity holders of the Company					Non- controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000 (Note 26)	Foreign currency translation reserve S\$'000	Capital reserve S\$'000	(Accumulated losses)/ Retained profits S\$'000	Total S\$'000		
Balances as at 1 January 2017	39,433	(812)	–	1,542	40,163	–	40,163
Net loss for the financial year	–	–	–	(1,653)	(1,653)	220	(1,433)
Other comprehensive loss for the financial year	–	(469)	–	–	(469)	52	(417)
Effect of changes in shareholdings in subsidiary corporation without a change of control (Note 19(b))	–	–	3,478	–	3,478	8,357	11,835
Balances as at 31 December 2017	39,433	(1,281)	3,478	(111)	41,519	8,629	50,148
Balances as at 1 January 2016	39,433	279	487	135	40,334	42	40,376
Net profit for the financial year	–	–	–	878	878	–	878
Other comprehensive loss for the financial year	–	(1,091)	–	–	(1,091)	–	(1,091)
Disposal of subsidiary corporations (Note 19(c))	–	–	(487)	529	42	(42)	–
Balances as at 31 December 2016	39,433	(812)	–	1,542	40,163	–	40,163

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 S\$'000	2016 S\$'000
Cash flows from operating activities			
Net (loss)/profit		(1,433)	878
Adjustments for:			
– Depreciation of property, plant and equipment	20	507	660
– Income tax expense	9(a)	589	268
– Impairment loss on investments in associated companies	8	484	–
– Gain on disposal of property, plant and equipment	5	(1)	–
– Interest expense	7	161	–
– Interest income		(136)	(303)
– Share of loss/(profit) of associated companies	18	521	(518)
– Gain on disposal of subsidiary corporations	5	–	(1,483)
– Unrealised currency translation difference		(310)	(993)
		382	(1,491)
Change in working capital, net of effects from disposal of subsidiary corporations:			
– Inventories		(335)	119
– Trade and other receivables		(3,947)	(19,922)
– Trade and other payables		(1,402)	3,074
– Provisions		(5)	–
Cash used in operations		(5,307)	(18,220)
Income tax paid	9(b)	(167)	(52)
Net cash used in operating activities		(5,474)	(18,272)
Cash flows from investing activities			
Additions to property, plant and equipment	20	(397)	(31)
Purchase of land-use rights	21	(9,136)	–
Disposal of property, plant and equipment		1	–
Disposal of subsidiary corporations, net of cash disposed of	19(c)	–	1,157
Dilution of equity interest in a subsidiary corporation without loss of control	19(b)	11,835	–
Investments in associated companies	18	–	(5,152)
Interest received		136	315
Net cash provided by/(used in) investing activities		2,439	(3,711)
Cash flows from financing activities			
(Placement)/withdrawal of bank deposits		(1,467)	20,665
Proceeds from borrowings		4,090	–
Interest paid		(161)	–
Net cash provided by financing activities		2,462	20,665
Net decrease in cash and cash equivalents		(573)	(1,318)
Cash and cash equivalents			
Beginning of financial year		8,294	9,695
Effects of currency translation on cash and cash equivalents		(107)	(83)
End of financial year	12	7,614	8,294

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

Reconciliation of liabilities arising from financing activities

	Borrowings S\$'000
As at 1 January 2017	
Changes from financing cash flows	–
– Proceeds of borrowing from financing platform PRC*	4,090
– Interest paid	(161)
Total changes from financing cash flows	3,929
Liability-related other change	
Interest expense	161
As at 31 December 2017	<u>4,090</u>

* Denote: People's Republic of China

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

1. CORPORATE INFORMATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

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

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

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

The Group has included the additional required disclosures in consolidated statement of cash flows to the financial statements.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue are presented, net of good and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

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

Revenue from restaurant operations is recognised upon the billing of food and beverage (inclusive of 10% service charge) to customers. Revenue represents the invoiced value of food and beverage, net of discounts and sales levy but inclusive of 10% service charge.

(b) ***Leasing income***

Leasing income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. Associated costs are charged to the cost of sales as incurred.

(c) ***Franchise and royalty fees***

Initial franchise income is recognised upon the grant of rights. Royalty fees from franchisees are recognised on a periodic basis as a percentage of the franchisees' revenue or a pre-determined amount in accordance with terms as stated in the franchise agreements.

(d) ***Rental income***

Rental income from operating leases is recognised on a straight-line basis over the lease term.

(e) ***Management fee income***

Management fee income is recognised when services are rendered.

(f) ***Interest income***

Interest income is recognised using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Government grants

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

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

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

2.4 Group accounting

(a) *Subsidiary corporations*

(i) *Consolidation*

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

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

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

(ii) *Acquisitions*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Group accounting (cont'd)

(a) *Subsidiary corporations (cont'd)*

(ii) *Acquisitions (cont'd)*

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

Acquisition-related costs are expensed as incurred.

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

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

The excess of the (a) consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair values of the identifiable net assets acquired is recorded as goodwill.

(iii) *Disposals*

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Group accounting (cont'd)

(b) *Transactions with non-controlling interests*

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

(c) *Associated companies*

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

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

(i) *Acquisitions*

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

(ii) *Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Group accounting (cont'd)

(c) Associated companies (cont'd)

(iii) Disposals

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

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

2.5 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

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

(ii) Components of costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Property, plant and equipment (cont'd)

(b) Depreciation

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

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

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

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

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

(c) Subsequent expenditure

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

(d) Disposal

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

2.6 Land-use rights

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Borrowing costs

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

2.8 Investments in subsidiary corporations and associated companies

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

2.9 Impairment of non-financial assets

Property, plant and equipment

Land-use rights

Investments in subsidiary corporations and associated companies

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial assets

(a) *Classification*

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

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

Loans and receivables

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

(b) *Recognition and derecognition*

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

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

(c) *Initial measurement*

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

(d) *Subsequent measurement*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial assets (cont'd)

(e) *Impairment*

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

Loans and receivables

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

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

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

2.11 Offsetting of financial instruments

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

2.12 Borrowings

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Trade and other payables

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

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

2.14 Fair value estimation of financial assets and liabilities

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

2.15 Leases

(a) *When the Group is the lessee*

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

Lessee – Operating lease

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

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

(b) *When the Group is the lessor*

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

(i) Lessor – Finance leases

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Leases (cont'd)

(b) *When the Group is the lessor (cont'd)*

(i) *Lessor – Finance leases (cont'd)*

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

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

(ii) *Lessor – Operating leases*

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

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

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

2.16 Inventories

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Income taxes

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

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

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

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

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

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

2.18 Provisions

(a) General

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Provisions (cont'd)

(b) *Asset dismantlement, removal or restoration*

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

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

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

2.19 Employee compensation

(a) *Defined contribution plans*

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

Singapore

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

People's Republic of China ("PRC")

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Employee compensation (cont'd)

(b) *Employee leave entitlement*

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

2.20 Currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

All other foreign exchange gains or losses impacting profit or loss are presented in the income statement within "Other expenses— net".

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Currency translation (cont'd)

(c) Translation of Group entities' financial statements

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

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

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

2.21 Segment reporting

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

2.22 Cash and cash equivalents

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

2.23 Share capital

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 Non-current assets held-for-sale

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

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

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

3.1 Critical accounting estimates and assumptions

(a) *Impairment of loans and receivables*

Management reviews its trade and other receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. At the reporting date, management has assessed that no allowance for impairment is required for the trade and other receivables. The carrying amounts of trade and other receivables at the end of each financial year are disclosed in Notes 13 and 15 to the financial statements respectively.

If the net present values of estimated cash flows had been higher/lower by 10% from management's estimates for all past due loans and receivables, the allowance for impairment of the Group for the financial year ended 31 December 2017 would have been higher by S\$12,000 (2016: S\$7,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (cont'd)

3.1 Critical accounting estimates and assumptions (cont'd)

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

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

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

The carrying amounts of investment in associated companies, investment in subsidiary corporations, property, plant and equipment and land-use rights are disclosed in Notes 18, 19, 20 and 21 to the financial statements respectively.

Impairment of investments in associated companies

The recoverable amount of investments in associated companies have been determined based on fair value less cost to sell. An impairment charge of S\$484,000 (2016: Nil) was recognised for investments in associated companies in the financial year ended 31 December 2017 which reduced the carrying amounts of investments in associated companies from S\$5,147,000 to S\$4,663,000 (2016: S\$Nil). If the valuation of investment in associated companies is to lower by 10%, the carrying amount of investments in associated companies would have reduced the carrying value by S\$466,000 (2016: S\$ 567,000).

Impairment of investments in subsidiary corporations

The recoverable amount of investment in subsidiary corporations have been determined based on fair value less cost to sell. An impairment charge of S\$281,000 (2016: S\$Nil) was recognised for investments in subsidiary corporations in the financial year 31 December 2017. Which reduced the carrying amounts of investments in subsidiary corporations from S\$29,931,000 to S\$29,650,000 (2016: S\$Nil). If the valuation had been lower by 10%, the Company would have reduced the carrying value of investment in subsidiary corporations by S\$2,965,000 (2016: S\$2,993,000).

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (cont'd)

3.1 Critical accounting estimates and assumptions (cont'd)

(b) *Estimated impairment of non-financial assets (cont'd)*

Impairment of property, plant and equipment

For the financial year ended 2017, net book value of property, plant and equipment was S\$1,562,000 (2016: S\$1,676,000). Management has assessed and is of the opinion that there were no objective evidence or indication that carrying amounts of the Group's property, plant and equipment may be impaired as at reporting date, accordingly impairment assessment is not required.

Impairment of land-use rights

For the financial year ended 2017, net book value of land-use rights was S\$9,136,000 (2016: S\$Nil). Management has assessed and is of the opinion that there were no objective evidence or indication that carrying amounts of the Group's land-use rights may be impaired as at reporting date, accordingly impairment assessment is not required.

3.2 Critical judgements in applying the entity's accounting policies

Determination of lease classification

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

4 REVENUE

	Group	
	2017	2016
	S\$'000	S\$'000
Restaurant operations	12,547	14,106
Leasing income	3,146	1,269
Franchising and royalty fees	574	155
Rental income	164	—
Management fee income	29	—
Other	3	—
	<u>16,463</u>	<u>15,530</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

5 OTHER INCOME

	Group	
	2017	2016
	S\$'000	S\$'000
Government grants	100	188
– Temporary Employment Credit ⁽¹⁾	15	21
– Special Employment Credit ⁽²⁾	49	58
– Wage Credit Scheme ⁽³⁾	21	60
– Productivity and Innovation Credit Scheme ⁽⁴⁾	15	49
Gain on disposal of property plant and equipment	1	–
Gain on disposal of subsidiary corporations (Note 19(c))	–	1,483
Other	108	199
	<u>209</u>	<u>1,870</u>

⁽¹⁾ The Temporary Employment Credit (“TEC”) was announced as a Budget 2014 initiative to help employers adjust to the 1 percentage point increase in Medisave contribution rates which took effect in January 2015. With the TEC, employers will receive a one-year offset of 0.5% (2016: 1%) of wages for their Singaporean and Singapore Permanent Resident (“PR”) employees.

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

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

⁽⁴⁾ The Productivity and Innovation Credit (“PIC”) Scheme was introduced in Budget 2010 for 5 years from YA 2011 to YA 2015 to encourage businesses to invest in productivity and innovation. The scheme was extended in Budget 2014 for another three years (YA2016 to YA2018).

6 EMPLOYEE COMPENSATION

	Group	
	2017	2016
	S\$'000	S\$'000
Salaries and bonus	5,902	6,205
Employer’s contribution to defined contributions plan	291	300
Other short-term benefits	621	700
	<u>6,814</u>	<u>7,205</u>

7 FINANCE EXPENSES

	Group	
	2017	2016
	S\$'000	S\$'000
Interest expense		
– Borrowing from financing platform in PRC	161	–

8 OTHER OPERATING EXPENSES

	Group	
	2017	2016
	S\$'000	S\$'000
Advertisement expenses	81	68
Auditor's remuneration paid/payable		
– Auditor of the Company	121	180
– Other auditors ^(a)	40	6
Bank charges	232	264
Cleaning expenses	38	37
Consumables expenses	70	90
Entertainment	45	40
General expenses	174	60
Impairment loss on investments in associated companies (Note 18)	484	–
Insurance	115	69
Printing and stationery	37	35
Professional fees	521	155
Rental expenses on operating leases	2,194	1,789
Repair and maintenance	67	55
Stamp duty	47	11
Telecommunication	33	34
Travelling and transportation	106	96
Upkeep of motor vehicles	70	60
Utilities	351	397
Other	99	113
Total other operating expenses	4,925	3,559

(a) Includes Shanghai Nexia TS Certified Public Accountants

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

9 INCOME TAXES

(a) *Income tax expense*

	Group	
	2017	2016
	S\$'000	S\$'000
Tax expense attributable to (loss)/profit is made up of:		
(Loss)/profit for the financial year:		
– Current income tax – Singapore (Note 9(b))	605	200
– Deferred income tax (Note 25)	(15)	10
	<u>590</u>	<u>210</u>
(Over)/Under provision of income tax in prior financial years:		
– Current income tax – Singapore (Note 9(b))	7	58
– Deferred income tax (Note 25)	(8)	–
	<u>(1)</u>	<u>58</u>
	<u>589</u>	<u>268</u>

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

	Group	
	2017	2016
	S\$'000	S\$'000
(Loss)/Profit before tax	(844)	1,146
Share of loss/(profit) of associated companies	521	(518)
(Loss)/Profit before income tax and share of loss/(profit) of associated companies	<u>(323)</u>	<u>628</u>
Tax calculated at tax rate of 17% (2016: 17%)	(55)	107
Effects of:		
– Different tax rates in other countries	104	62
– Income not subjected to tax	–	(135)
– Expenses not deductible	182	163
– Tax incentives	(36)	–
– Deferred tax asset not recognised	396	14
– (Over)/Under provision of income tax in prior financial year	(1)	58
– Other	(1)	(1)
Tax charge	<u>589</u>	<u>268</u>

9 INCOME TAXES (cont'd)

(a) *Income tax expense (cont'd)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately S\$4,462,000 (2016: S\$2,131,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation.

(b) *Movement in current income tax liabilities:*

	Group	
	2017	2016
	S\$'000	S\$'000
Beginning of financial year	206	—
Currency translation differences	(6)	—
Income tax paid	(167)	(52)
Tax expense (Note 9(a))	605	200
Under provision in prior financial years (Note 9(a))	7	58
End of financial year	645	206

10 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per ordinary share are calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2017	2016
	S\$'000	S\$'000
(Loss)/profit attributable to equity holders of the Company	(1,653)	878
Weighted average number of ordinary shares for basic earnings per share	387,748,700	387,748,700
Basic (loss)/earnings per share (cents per share)	(0.43)	0.23
Diluted (loss)/earnings per share (cents per share)	(0.43)	0.23

There were no dilutive potential ordinary shares during the financial years ended 31 December 2016 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11 ASSETS HELD-FOR-SALE

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

On 9 February 2018, Extraordinary General Meeting on the disposal was held and the shareholders had approved the proposed disposal.

The investment in associated company is classified as an assets held-for-sale on the statement of financial position. The disposal is expected to be completed within the next twelve months.

	Group	
	2017 S\$'000	2016 S\$'000
Beginning of financial year	—	—
Transfer from investments in associated companies (Note 18)	834	—
End of financial year	834	—

In accordance with FRS 105 Non-Current Assets Held for Sales and Discontinued Operation, the carrying amount of assets held-for-sale was written down to their fair value less cost to sell of S\$834,000. Difference between the carrying amount and fair value is recognised to profit or loss as impairment losses.

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

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Cash at bank and on hand	7,614	8,294	2,004	1,451
Short-term bank deposits	4,498	3,031	1,022	3,031
	12,112	11,325	3,026	4,482

12 CASH AND CASH EQUIVALENTS (cont'd)

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

	Group	
	2017	2016
	S\$'000	S\$'000
Cash and cash equivalents	12,112	11,325
Less: Short term bank deposits	(4,498)	(3,031)
	<u>7,614</u>	<u>8,294</u>

Included in the cash and cash equivalents are short-term bank deposits amounting to S\$4,498,000 (2016: S\$3,031,000) which are not freely remissible for use by the Group because they have a maturity period of 6 months (2016: 6 to 9 months) and earn interest ranging from 0.95% to 2.2% (2016: 0.95% to 1.7%) per annum.

13 TRADE AND OTHER RECEIVABLES – CURRENT

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Finance lease receivables (Note 16)				
– Non-related parties	12,053	3,823	–	–
– Non-controlling shareholders of subsidiary corporations	8,149	–	–	–
	<u>20,202</u>	<u>3,823</u>	<u>–</u>	<u>–</u>
Financing receivables				
– Non-related parties	–	16,538	–	–
Trade receivables				
– Non-related parties	117	70	83	50
– Subsidiary corporations	–	–	–	97
	<u>117</u>	<u>70</u>	<u>83</u>	<u>147</u>
Other receivables				
– Non-related parties ^(a)	7,057	545	5	91
– Non-controlling shareholders of subsidiary corporations ^(b)	1,636	–	–	–
– Subsidiary corporations ^(c)	–	–	2,045	2,098
	<u>8,693</u>	<u>545</u>	<u>2,050</u>	<u>2,189</u>
Prepayments	133	102	10	42
Deposits	346	315	–	–
Staff loans (Note 17)	22	3	12	2
	<u>29,513</u>	<u>21,396</u>	<u>2,155</u>	<u>2,380</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

13 TRADE AND OTHER RECEIVABLES – CURRENT (cont'd)

Financing receivables earn interest varying periods of between 3 months to 6 months, depending on the contracted agreement between the Group and the external parties, and earn interest ranging from 10% to 13%. These receivables are secured by collateral.

Included in other receivables are the following:

- (a) Non-trade receivables due from non-related party included a loan amount of S\$5,937,000. The loan is secured by various personal assets from the debtor with interest fixed at 10% per annum repayable term.
- (b) Amounts due from non-controlling shareholders of subsidiary corporations are unsecured and repayable on demand. Interest is fixed at 12.3% per annum.
- (c) Non-trade receivables due from subsidiary corporations and staff loans are unsecured, interest-free and repayable on demand.

14 INVENTORIES

	Group	
	2017	2016
	S\$'000	S\$'000
Processed inventories	1,442	845
Raw materials	66	328
	<u>1,508</u>	<u>1,173</u>

The cost of inventories recognised as an expense and included in “cost of sales” presented on the Consolidated Statement of Comprehensive Income amounted to S\$4,684,000 (2016: S\$5,622,000).

15 TRADE AND OTHER RECEIVABLES – NON-CURRENT

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Finance lease receivables (Note 16)	–	4,393	–	–
Deposits	417	167	–	–
Staff loans (Note 17)	37	64	26	47
	<u>454</u>	<u>4,624</u>	<u>26</u>	<u>47</u>

Finance lease receivables earn interest for varying periods of between 7 months to 20 months, depending on the contracted agreement between the Group and the lessee, and earn interest ranging from 12% to 21% per annum. These leases have no terms of renewal, purchase options and escalation clauses.

15 TRADE AND OTHER RECEIVABLES – NON-CURRENT (cont'd)

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

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

	Fair value				Borrowing rates			
	Group		Company		Group		Company	
	2017	2016	2017	2016	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000	%	%	%	%
Finance lease receivables	–	4,092	–	–	–	4.8	–	–
Deposits	414	165	–	–	0.3	0.3	–	–
Staff loans	32	53	22	39	5.3	5.4	5.3	5.4

16 FINANCE LEASE RECEIVABLES

The Group leases motor vehicles and equipment to non-related parties under finance leases. The various agreements terminate between 2017 and 2018, there is no option to extend the leases. The lessee can make early repayment to repay the principal plus interest to end the contract early.

	Group	
	2017	2016
	S\$'000	S\$'000
Gross receivables due		
– Not later than one year	23,742	4,029
– Later than one year but within five years	–	4,631
	23,742	8,660
Less: unearned finance income	(3,540)	(444)
Net investment in finance leases	20,202	8,216

The net investment in finance leases is analysed below:

	Group	
	2017	2016
	S\$'000	S\$'000
– Not later than one year (Note 13)	20,202	3,823
– Later than one year but within five years (Note 15)	–	4,393
Net investment in finance leases	20,202	8,216

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For the financial year ended 31 December 2017

17 STAFF LOANS

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Receivables due				
– Not later than one year (Note 13)	22	3	12	2
– Later than one year but within five years (Note 15)	37	64	26	47
	59	67	38	49

Staff loans include the loan made to a member of key management personnel of the Group. The loan is unsecured, interest free and repayable on demand.

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
– Not later than one year	12	12	12	12
– Later than one year but within five years	26	38	26	38
	38	50	38	50

18 INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2017	2016
	S\$'000	S\$'000
<u>Investments at equity</u>		
Beginning of financial year	5,670	–
Currency translation differences	(2)	–
Additions	–	5,152
Share of (loss)/profit of associated companies	(521)	518
Impairment losses	(484)	–
	4,663	5,670
Transfer to assets held-for-sale (Note 11)	(834)	–
End of financial year	3,829	5,670

18 INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)

	Company	
	2017	2016
	S\$'000	S\$'000
<u>Investments at cost</u>		
Beginning of financial year	4,319	–
Additions	–	4,319
Impairment losses	(490)	–
End of financial year	3,829	4,319

Set out below are the associated companies of the Group as at 31 December 2017 and 2016. The associated companies have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business.

Name of associated companies	Principal activities	Country of incorporation/ Principal place of business	Ownership interests at 31.12.2017	Ownership interests at 31.12.2016
<u>Held by the Company</u>				
State Research Pavillon Financial Leasing Co. Ltd (“SRPFL”) ^{(a)(c)}	Financial leasing of all kinds of machineries, tools and equipment	People’s Republic of China	50%	50%
<u>Held by Tianjin Pavillon Assets Management Co Ltd</u>				
Tianjin Binhai New Area Changjiang Cultural Assets Trading Center Co. Ltd (“Changjiang”) ^{(b)(c)}	Provision of online trading platform for the trade of cultural assets such as gold and silver coins, stamps, artwork, etc.	People’s Republic of China	– (ii)	40%

^(a) Audited by BDO China Shu Lan Pan Certified Public Accountants LLP

^(b) Audited by Tianjin Jinhua Certified Public Accountants Ltd. Binhai Branch

^(c) Reviewed by Nexia TS Public Accounting Corporation, Singapore for consolidation purposes

^(d) In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its significant associated companies would not compromise the standard and effectiveness of the audit of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

18 INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)

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

The impairment test carried out as at 31 December 2017, the recoverable amount was determined based on fair value less cost to sell has indicated that the recoverable amount for the investment is lower than its carrying amounts. Accordingly, the Group and the Company has recognised impairment loss of S\$297,000 and S\$490,000 (2016: S\$Nil) respectively.

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

With reference to Note 11 to the financial statements, the investment in associated company is classified as an Assets held-for-sale on the statement of financial position. The disposal is expected to be completed within the next twelve months.

In accordance with FRS 105 Non-Current Assets Held for Sales and Discontinued Operation, the carrying amount of assets held-for-sale was written down to their fair value less cost to sell of S\$834,000. Difference between carrying amount and fair value is recognised to profit or loss as impairment losses amount to S\$187,000 (2016: S\$Nil).

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

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

Summarised statement of financial position

	SRPFL		Changjiang	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Current assets –cash and cash equivalents	7,658	4,570	–	2,969
Non-current assets	21	3,580	–	2,318
Total assets	7,679	8,150	–	5,287
Current liabilities and total liabilities	–	(8)	–	(1,922)
Net assets	7,679	8,142	–	3,365

Reconciliation of summarised financial information

Proportion of the Group's ownership	50%	50%	–	40%
Group's share of net assets	3,840	4,071	–	1,346
Other adjustments	286	219	–	34
Group share of investment	4,126	4,290	–	1,380
Less: Impairment losses	(297)	–	–	–
	3,829	4,290	–	1,380

18 INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)*Summarised statement of comprehensive income*

	SRPFL		Changjiang	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	—	—	—	4,394
Interest income	139	28	—	—
Expenses:				
– Depreciation	(5)	(3)	—	(22)
– Interest expense	—	—	—	—
(Loss)/profit before tax	(326)	(46)	—	1,368
Income tax expenses	—	—	—	—
Total comprehensive (loss)/income, representing net (loss)/profit	(326)	(46)	—	1,368

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

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2017	2016
	S\$'000	S\$'000
Investments at cost		
Beginning of financial year	29,682	29,682
Disposal of subsidiary corporations	—	—*
Addition of subsidiary corporations	—*	—
Loans to subsidiary corporations	360	—
Impairment losses	(392)	—
End of financial year	29,650	29,682

* Less than S\$1,000

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19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (cont'd)

The impairment test assessment was carried out by management as at 31 December 2017 for the subsidiary corporations mainly on Pavillon Business Development (Shanghai) Co Ltd, Pavillon Asia Properties Sdn Bhd and Fengchi Real Estate Sdn Bhd. The recoverable amounts were determined based on fair value less cost to sell which have indicated that the recoverable amounts for the investments are lower than its carrying amounts. Accordingly, the Company has recognised impairment loss of S\$392,000 (2016: S\$Nil).

(a) Loans to subsidiary corporations

Loans to subsidiary corporations are unsecured and interest-free. There is no certainty on the definite date of repayment as the Company intends to provide the loans as financing for the operations of the subsidiary corporations on a long term basis. The settlement of these loans is neither planned nor likely to occur in the foreseeable future, accordingly, these loans are considered to be quasi-capital loans and form part of the Company's costs of investments in the subsidiary corporations.

(b) Dilution of interest in a subsidiary corporation without loss of control

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

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

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

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

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (cont'd)**(c) Disposal of interest in subsidiary corporations**

On 6 January 2016, the Group entered into a sale agreement to dispose of three of its subsidiary corporations namely, Thai village (China) Pte Ltd., Shanghai Thai Village Restaurant Management Co Ltd. and Thai Village Restaurant Co Ltd (collectively known as "TVC Group"), at a cash consideration of S\$2,000,000. The disposal was completed on 12 February 2016. The carrying amounts of the assets and liabilities of TVC Group recorded in the consolidated financial statements as at 6 January 2016, and the effects of the disposal were:

	Group 2016 S\$'000
<u>Carrying amounts of assets and liabilities disposed of</u>	
Fixed deposits	1,519
Cash and cash equivalents	843
Inventories	282
Trade and other receivables	244
Property, plant and equipment	95
Total assets	2,983
Trade and other payables/Total liabilities	(2,466)
Net assets disposed of	517

The total aggregated cash inflows arising from the disposal of TVC Group were:

	Group 2016 S\$'000
<u>Carrying amounts of assets and liabilities disposed of</u>	
Net assets disposed of (as above)	517
Gain on disposal (Note 5)	1,483
Cash proceed from disposal	2,000
Less cash and cash equivalents in subsidiary corporations disposed of	(843)
Net cash inflow on disposal	1,157

(d) Significant restrictions

Cash and cash equivalents of S\$7,598,000 (2016: S\$5,696,000) are held in People's Republic of China and are subject to local exchange control regulations. These local exchange regulations provide for restrictions on exporting capital from the country, other than through dividends.

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19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (cont'd)

(e) The Group has the following subsidiary corporations as at 31 December 2017 and 2016:

Name of subsidiary corporation	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Parent		Proportion of ordinary shares held by the Group		Portion of ordinary shares held by non-controlling interests	
			2017	2016	2017	2016	2017	2016
<u>Held by the Company</u>								
Thai Village Restaurant Pte Ltd. ^(a)	Operation of restaurants	Singapore	100%	100%	100%	100%	—	—
Thai Village Express Pte Ltd ^(a)	Operation of restaurants and food stalls	Singapore	100%	100%	100%	100%	—	—
Pavillon Financial Leasing Co Ltd ^(b)	Financial leasing of all kind of machineries, tools and equipment	People's Republic of China	75.98%	100%	75.98%	100%	24.02%	—
Pavillon Business Development (Shanghai) Co Ltd ^(b)	Business development, trading, import and export of machineries and investment holdings	People's Republic of China	100%	100%	100%	100%	—	—
Pavillon Asia Properties Sdn Bhd ^{(c) (d)}	Property management	Malaysia	100%	—	100%	—	—	—
Fengchi Real Estate Sdn Bhd ^{(c) (d)}	Property management	Malaysia	100%	—	100%	—	—	—
<u>Held through Pavillon Business Development (Shanghai) Co Ltd.</u>								
Tianjin Pavillon Assets Management Co Ltd ^(b)	Asset Management, enterprise management, mergers and acquisitions and financial advisory services	People's Republic of China	100%	100%	100%	100%	—	—
<u>Held through Pavillon Financial Leasing Co Ltd</u>								
Fengchi IOT Co., Ltd ^{(b) (d)}	Warehouse and logistic management	People's Republic of China	100%	—	75.98%	—	24.02%	—

^(a) Audited by Nexia TS Public Accounting Corporation

^(b) Audited by Shanghai Nexia TS Certified Public Accountants

^(c) Reviewed by Nexia TS Public Accounting Corporation, Singapore for consolidation purposes

^(d) Incorporated during the financial year

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (cont'd)

(f) Carrying value of non-controlling interests

	2017 S\$'000	2016 S\$'000
Pavillon Financial Leasing Co. Ltd and its subsidiary corporation	8,629	—

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

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

No comparative figures were disclosed as all subsidiary corporations were wholly-owned in the financial year ended 31 December 2016.

Summarised statements of financial position

	Pavillon Financial Leasing Co Ltd 2017 S\$'000	Fengchi IOT Co Ltd 2017 S\$'000
Current		
Assets	32,336	3,687
Liabilities	(6,082)	(48)
Total current net assets	26,254	3,639
Non-current		
Assets	12,944	9,200
Liabilities	—	—
Total non-current net assets	12,944	9,200
Net assets	39,198	12,839

Summarised statement of comprehensive income

	Pavillon Financial Leasing Co Ltd 2017 S\$'000	Fengchi IOT Co Ltd 2017 S\$'000
Revenue	3,147	3
Profit/(loss) before income tax	1,948	(44)
Income tax expense	(504)	—
Total comprehensive income/(loss) representing net profit/(loss)	1,444	(44)

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19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (cont'd)

- (f) Carrying value of non-controlling interests (cont'd)

Summarised statement of cash flows

	Pavillon Financial Leasing Co Ltd	Fengchi IOT Co Ltd
	2017	2017
	S\$'000	S\$'000
<u>Cash flows from operating activities</u>		
Cash used in operations	(3,740)	(14)
Interest paid	(161)	—
Income tax paid	(196)	—
Net cash used in operating activities	(4,097)	(14)
Net cash used in investing activities	(13,007)	(9,288)
Net cash provided by financing activities	16,144	13,006
Net (decrease)/increase in cash and cash equivalents	(960)	3,704
Cash and cash equivalents		
Beginning of financial year	4,638	—
Effects of currency translation on cash and cash equivalents	(78)	(34)
End of financial year	3,600	3,670

20 PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS

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20 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Leasehold properties S\$'000	Furniture and fittings S\$'000	Plant and machinery S\$'000	Motor vehicles S\$'000	Computers S\$'000	Operating supplies S\$'000	Total S\$'000
2016							
Cost							
Beginning of financial year	2,812	2,576	377	1,715	135	2	7,617
Currency translation difference	-	-	-	(18)	-	-	(18)
Additions	-	1	13	-	17	-	31
Disposal/Write off	-	(7)	(3)	-	(21)	-	(31)
End of financial year	2,812	2,570	387	1,697	131	2	7,599
Accumulated depreciation							
Beginning of financial year	2,114	1,935	299	849	98	2	5,297
Currency translation difference	-	-	-	(3)	-	-	(3)
Depreciation charge	67	203	20	322	48	-	660
Disposal/Write off	-	(7)	(3)	-	(21)	-	(31)
End of financial year	2,181	2,131	316	1,168	125	2	5,923
Net book value							
End of financial year	631	439	71	529	6	-	1,676

20 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Computers S\$'000
2017	
<i>Cost</i>	
Beginning of financial year	14
Additions	2
End of financial year	16
<i>Accumulated depreciation</i>	
Beginning of financial year	13
Depreciation charge	3
End of financial year	16
Net book value	
End of financial year	—
2016	
<i>Cost</i>	
Beginning of financial year	13
Additions	1
End of financial year	14
<i>Accumulated depreciation</i>	
Beginning of financial year	13
Depreciation charge	—
End of financial year	13
Net book value	
End of financial year	1

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For the financial year ended 31 December 2017

21 LAND-USE RIGHTS

	Group	
	2017	2016
	S\$'000	S\$'000
Beginning of financial year	–	–
Addition	9,136	–
End of financial year	9,136	–

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

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

The Group subsequently obtained the legal title of the land-use right on 12 January 2018.

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
<i>Current</i>				
Trade payables				
– Non-related parties	1,006	996	–	–
– Subsidiary corporations	–	–	189	–
	1,006	996	189	–
Other payables				
– Non-related parties	1,492	3,036	15	22
– Directors	189	204	189	204
– Accruals for operating expenses	953	836	378	340
– Franchise deposits	20	–	20	–
	3,660	5,072	791	566
<i>Non-current</i>				
Franchise deposits	110	100	110	100
Total trade and other payables	3,770	5,172	901	666

22 TRADE AND OTHER PAYABLES (cont'd)

Included in the Group's accruals for operating expenses are accrued bonus and salaries amounting to S\$523,000 (2016: S\$592,000).

Other non-trade payable due to directors are unsecured, interest-free and repayable on demand.

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

	Fair value				Borrowing rates			
	Group		Company		Group		Company	
	2017	2016	2017	2016	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000	%	%	%	%
Franchise Deposit	108	99	108	99	5.3	5.4	5.3	5.4

23 BORROWINGS

	Group	
	2017	2016
	S\$'000	S\$'000
Current		
Borrowing from financing platform in PRC	4,090	—

Borrowing from internet financing platform in PRC of the Group are secured over certain finance lease receivables (Note 16). The interest on the borrowings varies over the range of 5.4% to 9% (2016: Nil%).

24 PROVISIONS

	Group	
	2017	2016
	S\$'000	S\$'000
Beginning of financial year	185	280
Reversal	—	(95)
Utilisation	(5)	—
End of financial year	180	185

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For the financial year ended 31 December 2017

24 PROVISIONS (cont'd)

	Group	
	2017	2016
	S\$'000	S\$'000
<i>Current</i>		
Provision for reinstatement cost	—	95
<i>Non-current</i>		
Provision for reinstatement cost	180	90
	<u>180</u>	<u>185</u>

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

25 DEFERRED INCOME TAXES

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

	Group	
	2017	2016
	S\$'000	S\$'000
Deferred income tax liabilities, representing accelerated tax depreciation		
– to be settled within one year	115	138

Movement in deferred income tax liabilities account is as follows:

	Group	
	2017	2016
	S\$'000	S\$'000
Beginning of financial year	138	128
Tax (credited)/charged to profit or loss (Note 9(a))	(23)	10
End of financial year	<u>115</u>	<u>138</u>

Deferred income tax liabilities of S\$11,000 (2016: S\$5,000) have not been recognised for the withholding and other taxes that will be payable on the earnings of an overseas subsidiary corporation when remitted to the holding company. These unremitted profits are permanently reinvested and amount to S\$144,000 (2016: S\$5,000) at the reporting date.

26 SHARE CAPITAL

	Group and Company	
	Number of shares	Issued and paid-up share capital S\$'000
2017 and 2016		
Beginning and end of financial year	387,748,700	39,433

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

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

27 OTHER RESERVES

		Group	
		2017 S\$'000	2016 S\$'000
(a)	Composition:		
	Capital reserve (Note 19(b))	3,478	—
	Currency translation reserve	(1,281)	(812)
		<u>2,197</u>	<u>(812)</u>
(b)	Movements:		
		Group	
		2017 S\$'000	2016 S\$'000
(i)	Capital reserve		
	Beginning of financial year	—	—
	Changes in ownership interests in a subsidiary corporation (Note 19(b))	3,478	—
	End of financial year	<u>3,478</u>	<u>—</u>
(ii)	Currency translation reserve		
	Beginning of financial year	(812)	279
	Currency translation differences of financial statements of foreign subsidiary corporations	(469)	(1,091)
	End of financial year	<u>(1,281)</u>	<u>(812)</u>

Other reserve is non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28 (ACCUMULATED LOSSES)/RETAINED PROFITS

Retained profits of the Group and the Company are distributable, except for accumulated losses of associated company amount to \$3,000 (2016: retained profit of S\$518,000).

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

	Company	
	2017	2016
	S\$'000	S\$'000
Beginning of financial year	812	1,345
Net loss	(2,460)	(533)
End of financial year	(1,648)	812

29 COMMITMENTS

(a) Capital commitments

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

	Group	
	2017	2016
	S\$'000	S\$'000
Capital commitment in relations to investments in subsidiary corporations	124,432	127,644

The Group has committed to inject capital into the subsidiary corporations in China over a period of 1 year.

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

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

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

	Group	
	2017	2016
	S\$'000	S\$'000
Not later than one year	1,980	1,522
Between one and five years	2,783	3,031
Later than five years	113	127
	4,876	4,680

30 CONTINGENT LIABILITIES

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

31 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

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

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

(a) Market risk

(i) Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31 FINANCIAL RISK MANAGEMENT (cont'd)

Financial risk factors (cont'd)

(a) *Market risk (cont'd)*

(i) *Currency risk (cont'd)*

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

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

31 FINANCIAL RISK MANAGEMENT (cont'd)*Financial risk factors (cont'd)**(a) Market risk (cont'd)**(i) Currency risk (cont'd)*

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

	SGD S\$'000	RMB S\$'000	Other S\$'000	Total S\$'000
2016				
Financial assets				
Cash and cash equivalents	5,629	5,696	—	11,325
Trade and other receivables	701	25,201	16	25,918
Inter-company balances	2,194	2,442	—	4,636
	<u>8,524</u>	<u>33,339</u>	<u>16</u>	<u>41,879</u>
Financial liabilities				
Trade and other payables	(2,102)	(3,070)	—	(5,172)
Inter-company balances	(2,194)	(2,442)	—	(4,636)
	<u>(4,296)</u>	<u>(5,512)</u>	<u>—</u>	<u>(9,808)</u>
Net financial assets	<u>4,228</u>	<u>27,827</u>	<u>16</u>	<u>32,071</u>
Add: Net financial assets denominated in respective entities' functional currencies	(4,228)	(27,763)	—	(31,991)
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	<u>—</u>	<u>64</u>	<u>16</u>	<u>80</u>

The Group's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies for the financial years ended 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31 FINANCIAL RISK MANAGEMENT (cont'd)

Financial risk factors (cont'd)

(a) *Market risk (cont'd)*

(i) *Currency risk (cont'd)*

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

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

31 FINANCIAL RISK MANAGEMENT (cont'd)*Financial risk factors (cont'd)**(a) Market risk (cont'd)**(i) Currency risk (cont'd)*

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

	SGD S\$'000	RMB S\$'000	Other S\$'000	Total S\$'000
2016				
Financial assets				
Cash and cash equivalents	4,482	—	—	4,482
Trade and other receivables	207	2,162	16	2,385
	4,689	2,162	16	6,867
Financial liabilities				
Trade and other payables	(666)	—	—	(666)
Net financial assets	4,023	2,162	16	6,201
Add: Net financial assets denominated in the Company's functional currency	(4,023)	—	—	(4,023)
Currency exposure of financial assets net of those denominated in the Company's functional currency	—	2,162	16	2,178

Sensitivity analysis

The strengthening of RMB against SGD by 2% (2016: 4%), at the reporting date would increase/(decrease) loss after tax by the amounts shown below. This analysis assumes that all other variables including tax rate being held constant.

	Loss after tax	
	2017	2016
	S\$'000	S\$'000
Company		
RMB against SGD		
– Strengthened	35	72
– Weakened	(35)	(72)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31 FINANCIAL RISK MANAGEMENT (cont'd)

Financial risk factors (cont'd)

(a) *Market risk (cont'd)*

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

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

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

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

	Less than 1 year S\$'000	Between 1 and 5 years S\$'000	Total S\$'000
2017			
Financial assets			
<i>Fixed rate</i>			
Cash and cash equivalents	8,636	—	8,636
Trade and other receivables	27,797	37	27,834
	36,433	37	36,470
<i>Floating rate</i>			
Bank deposits	3,476	—	3,476
Financial liabilities			
<i>Fixed rate</i>			
Borrowing	4,090	—	4,090
2016			
Financial assets			
<i>Fixed rate</i>			
Cash and cash equivalents	11,325	—	11,325
Trade and other receivables	20,364	4,457	24,821
	31,689	4,457	36,146

31 FINANCIAL RISK MANAGEMENT (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(ii) Cash flow and fair value interest rate risks (cont'd)

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

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

(iii) Price risk

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

(b) Credit risk

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

The Group adopts the policy of obtaining sufficient collateral from its debtors to mitigate credit risk for other receivable assets.

The trade receivables of the Group comprise 3 debtors (2016: 1 debtor) that individually represented 21% to 34% (2016: 51%) of trade receivables.

The other receivables of the Group comprise 2 debtors (2016: Nil) that individually represented 19% to 68% (2016: Nil%) of other receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31 FINANCIAL RISK MANAGEMENT (cont'd)

Financial risk factors (cont'd)

(b) *Credit risk (cont'd)*

The credit risk for trade and other receivables based on the information provided to key management is as follows:

	Group	
	2017	2016
	S\$'000	S\$'000
<u>By types of customers</u>		
Non-related parties	19,227	25,369
Non-controlling shareholders of subsidiary corporations	9,785	–
Other key personnel	59	67
	<u>29,071</u>	<u>25,436</u>

	Group	
	2017	2016
	S\$'000	S\$'000
<u>By geographical areas</u>		
China	28,976	25,321
Cambodia	28	40
Vietnam	8	8
Singapore	59	67
	<u>29,071</u>	<u>25,436</u>

(i) *Financial assets that are neither past due nor impaired*

Cash and cash equivalents that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and the Company.

31 FINANCIAL RISK MANAGEMENT (cont'd)

Financial risk factors (cont'd)

(b) Credit risk (cont'd)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2017 S\$'000	2016 S\$'000
Past due < 30 days	117	—
Past due 31 to 90 days	—	70
	<u>117</u>	<u>70</u>

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

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and having an adequate amount of committed credit facilities to enable it to meet its normal operating commitments. The Group's objective is to maintain a balance between continuing of funding and the ability to close out market positions at a short notice. As at reporting date, assets held by the Group and the Company for managing liquidity risk included cash and cash equivalents as disclosed in Note 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31 FINANCIAL RISK MANAGEMENT (cont'd)

Financial risk factors (cont'd)

(c) *Liquidity risk (cont'd)*

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

	Within 1 year S\$'000
Group	
2017	
Trade and other payables	3,770
Borrowings	4,111
	<u>7,881</u>
2016	
Trade and other payables	<u>5,172</u>
Company	
2017	
Trade and other payables	<u>901</u>
2016	
Trade and other payables	<u>666</u>

(d) *Capital risk*

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

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

31 FINANCIAL RISK MANAGEMENT (cont'd)*Financial risk factors (cont'd)**(d) Capital risk (cont'd)*

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Net debt	(4,252)	(6,153)	(2,125)	(3,816)
Total equity	50,148	40,163	37,785	40,245
Total capital	45,896	34,010	35,660	36,429
Gearing ratio	N.A. ⁽¹⁾	N.A. ⁽¹⁾	N.A. ⁽¹⁾	N.A. ⁽¹⁾

⁽¹⁾ The cash position exceeds the total of trade and other payables and borrowings. The Group and the Company are in net cash positions as of 31 December 2017 and 2016.

The Group and the Company are not subjected to externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

(e) Fair value measurements

The carrying amounts of financial assets and financial liabilities are assumed to approximate their fair values. The carrying amounts of current borrowings approximate their fair values.

(f) Financial instruments by category

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

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Loans and receivables	41,946	37,243	5,197	6,867
Financial liabilities at amortised cost	7,860	5,172	901	666

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

32 RELATED PARTY TRANSACTIONS

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

- (a) Sales of purchases of goods and services

	Group	
	2017	2016
	S\$'000	S\$'000
<i>Subsidiary corporations</i>		
Management fee	1,248	1,775
<i>Associated companies</i>		
Rental expenses	(266)	—
<i>Related parties</i>		
Management fee	29	—
Rental income	162	—

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

- (b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2017	2016
	S\$'000	S\$'000
<i>Directors of the Company</i>		
Salaries and bonus	1,899	2,064
Employer's contribution to defined contributions plan	36	46
Other benefit	321	394
	2,256	2,504
<i>Other key management personnel</i>		
Salaries and bonus	605	507
Employer's contribution to defined contributions plan	65	61
	670	568

33 SEGMENT INFORMATION

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

1. Food and beverages operations, which mainly related to operation of restaurant outlets, management fees from restaurants, franchise fee and royalties;
2. Leasing operations, which mainly relates to equipment leasing and car financing;
3. Properties operations, which mainly relates to the proposed logistics and warehousing management services of the Tianjin Free Trade Zone project and the aborted City Plaza Project;and
4. All other segments, which mainly relate to management fees from related companies within the Group.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33 SEGMENT INFORMATION (cont'd)

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

	Food and beverages	Leasing	Properties	All other segments	Eliminations	Notes	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		S\$'000
2017							
Revenue							
Sales to external parties	13,120	3,146	3	194	–		16,463
Inter-segment sales	–	–	–	1,495	(1,495)	A	–
Results							
Segment results							
Interest income	25	68	41	2	–		136
Depreciation of property, plant and equipment	(429)	(2)	–	(76)	–		(507)
Share of loss of associated companies	–	–	–	(521)	–		(521)
Impairment loss on associated companies	–	–	–	(883)	399	B	(484)
Segment profit/(loss)	973	1,948	(44)	(3,499)	(222)	C	(844)
Segment assets	4,770	45,280	9,749	41,661	(42,511)	D	58,948
Segment assets includes:							
Investments in associated companies	–	–	–	3,829	–		3,829
Additions to:							
Land-use rights	–	–	9,136	–	–		9,136
Property, plant and equipment	119	1	65	212	–		397
Segment liabilities	1,656	5,544	388	5,075	(3,864)	E	8,800

33 SEGMENT INFORMATION (cont'd)

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

	Food and beverages	Leasing	Properties	All other segments	Eliminations	Notes	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		S\$'000
2016							
Revenue							
Sales to external parties	14,261	1,269	–	–	–		15,530
Inter-segment sales	–	–	–	1,775	(1,775)	A	–
Results							
Segment results							
Interest income	–	243	–	59	–		303
Depreciation of property, plant and equipment	(582)	(1)	–	(77)	–		(660)
Share of profits of associated companies	–	–	–	518	–		518
Segment (loss)/profit	(2)	760	–	(1,606)	1,995	C	1,146
Segment assets	4,305	29,853	–	42,476	(30,770)	D	45,864
Segment assets includes:							
Investment in associated companies	–	–	–	5,670	–		5,670
Additions to:							
Property, plant and equipment	24	6	–	1	–		31
Segment liabilities	1,722	3,379	–	4,881	(4,281)	E	5,701

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33 SEGMENT INFORMATION (cont'd)

Notes:

- A Inter-segment revenues are eliminated on consolidation.
- B Impairment losses on investment in subsidiary corporations are eliminated on consolidation.
- C The following items are added to/(deducted from) segment (loss)/profit to arrive at “(loss)/profit before income tax” presented in the consolidated statement of comprehensive income:

	2017	2016
	S\$'000	S\$'000
Gain on disposal of subsidiary corporations	—	1,483
Unallocated corporate expenses	—	(6)
Currency loss on translation of intercompany loan	12	—
Impairment loss on investment in associated companies	287	—
Share of (loss)/profit from associated companies	(521)	518
	<u>(222)</u>	<u>1,995</u>

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

	2017	2016
	S\$'000	S\$'000
Unallocated corporate assets	4,498	3,031
Inter-segment assets	(47,009)	(33,801)
	<u>(42,511)</u>	<u>(30,770)</u>

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

	2017	2016
	S\$'000	S\$'000
Income tax payables	645	206
Deferred tax liabilities	115	138
Inter-segment liabilities	(4,624)	(4,625)
	<u>(3,864)</u>	<u>(4,281)</u>

33 SEGMENT INFORMATION (cont'd)

Geographical information:

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

	Revenue	
	2017	2016
	S\$'000	S\$'000
Singapore	12,547	13,813
People's Republic of China	3,343	1,269
Other countries	573	448
	<u>16,463</u>	<u>15,530</u>

	Non-current assets	
	2017	2016
	S\$'000	S\$'000
Singapore	1,114	1,420
People's Republic of China	13,413	5,926
	<u>14,527</u>	<u>7,346</u>

Major customer information:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards and amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 and which the Group has not early adopted.

Effective for annual periods beginning on or after 1 January 2018

FRS 109 Financial Instruments

FRS 109 replaces FRS 39 Financial instruments: Recognition and Measurement and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI ("FVOCI"). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

There is also now a new expected credit losses impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 35). The new accounting framework has similar requirements of FRS 109 and the management does not expect significant adjustments to the Group's financial statements.

34 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (cont'd)

Effective for annual periods beginning on or after 1 January 2018 (cont'd)

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 11 Construction Contracts, FRS 18 Revenue, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

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

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 35). The new accounting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 35.

Amendments to FRS 40: Transfers of Investment Property

Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions

Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts

Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers

Improvements to FRSs (December 2016)

- Amendment to FRS 28 Investments in Associates and Joint Ventures
- Amendment to FRS 101 First-Time Adoption of Financial Reporting Standards
- INT FRS 122 Foreign Currency Transactions and Advance Consideration

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (cont'd)

Effective for annual periods beginning on or after 1 January 2018 (cont'd)

- FRS 116 Leases

FRS 116 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments of the Group may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2019 (Note 35). The new accounting framework has similar requirements of FRS 116.

The Group has elected to apply FRS 116 Leases for the first time in the 2019 financial report (initial application date: 1 January 2019), as permitted under the specific transition provisions in the standard. In accordance with the transition provisions in FRS 116 (C5)(b) the new rules will be adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2019 (i.e. limited retrospective application). Comparatives for the 2018 financial year have therefore not been restated and as a consequence, a third statement of financial position is not required in the year of adoption.

- Amendments to FRS 109: Prepayment Features with Negative Compensation
- Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures

Effective date: to be determined*

- Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

The management anticipates that the adoption of the above FRS and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

35 ADOPTION OF SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The new framework is referred to as ‘Singapore IFRS-identical Financial Reporting Standards’ (“SFRS(I)”) hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018 in May 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The estimated impact arising from the adoption of SFRS(I) on the Group’s financial statements are set out as follows:

(a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under IFRS 1. Management has assessed these optional exemptions and decided not to elect the relevant optional exemptions, as such there will be no significant adjustments to the Group’s financial statements prepared under SFRS.

(b) Adoption of SFRS(I) equivalent of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 January 2018. Accordingly, requirements of SFRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017.

(i) *Classification and measurement*

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) equivalent of IFRS 9. As a result of the assessment, management does not expect significant adjustments to the Group’s statement of financial position line items.

(ii) *Impairment of financial assets*

The following financial assets will be subject to the expected credit loss impairment model under SFRS(I) equivalent of IFRS 9:

- trade receivables and contract assets recognised under SFRS(I) equivalent of IFRS 15; and
- loans to related parties and other receivables at amortised cost.

Management does not expect significant adjustments to the Group’s statement of financial position line items from the application of the expected credit loss impairment model.

36 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Pavillon Holdings Ltd. on 26 March 2018.

CORPORATE GOVERNANCE REPORT

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

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

1. BOARD MATTERS

1.1 The Board’s conduct of affairs

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

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

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

A brief profile of each Director is set out on pages 6 to 8 of this Annual Report (“**AR**”). Apart from its statutory duties and responsibilities, the Board oversees management of the Company (the “**Management**”) and affairs of the Group and approves the Group’s corporate and strategic policies and direction. The Board considers the sustainability issues including environmental and social factors in the formulation of the Group’s strategies. The Board is also responsible for implementing policies in relation to financial matters, which include compliance, risk management, and internal controls to safeguard the shareholders’ interest and the Company’s assets.

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

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

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

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

During the financial year from 1 January 2017 to 31 December 2017 (“FY2017”), the Board held various meetings and the attendance of each Director at every Board and Board Committee meeting is summarised as follows:-

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

⁽¹⁾ Attended the meeting as an invitee.

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

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

CORPORATE GOVERNANCE REPORT

1.2 Board Composition and Guidance

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

Presently, the Board comprises four (4) Executive Directors, three (3) Independent Directors and one (1) Non-Executive and Non-Independent Director. There is a strong and independent element on the Board, with Independent Directors making up one-third (1/3) of the Board.

As the Chairman is not an Independent Director, the Board noted that pursuant to Guideline 2.2 of the Code, the Code recommends for Independent Directors to make up at least half of the Board. Currently the Executive Directors comprised half of the Board and the Independent and Non-independent Non-executive Directors forming the balance. The Board is seeking suitable independent directors for appointment and is also reviewing the composition of the Board in conjunction with the development of the business operations.

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

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

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

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

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

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

The Board, taking into account the nature of operations of the Company and the recommendation of the NC, considers its Independent Directors to be independent in character and judgement and of sufficient caliber and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The Independent Directors have no financial or contractual interests in the Group other than by way of their fees as set out in the financial statements. The NC and the Board are of the view that its current size meets the needs for quick and effective decision making and their combined diversity and wealth of experience enable them to contribute positively to the strategic growth and governance of the Group. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 6 to 8 of this AR.

1.3 Chairman and Chief Executive Officer ("CEO")

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

2. NOMINATING COMMITTEE ("NC")

2.1 Board Membership

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

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

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

- reviewing and making recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;
- reviewing the Board structure, size and composition having regards to the scope and nature of the operations and the core competencies of the Directors as a group, and making recommendations to the Board with regards to any adjustments that are deemed necessary;
- reviewing, assessing and recommending nominee(s) or candidate(s) for appointment or election to the Board, having regards to his/her qualifications, competency, other principal commitments and whether or not he/she is independent and in the case of a re-nomination, to his/her performance and contribution;

- (d) reviewing Board succession plans for Directors, in particular for the Executive Chairman and CEO and the progressive renewal of the Board;
- (e) annually, determining whether or not a Director is independent (taking into account the circumstances set out in the Code and other salient factors);
- (f) identifying and recommending the Directors who are retiring by rotation and to be put forward for re-election at each annual general meeting ("**AGM**");
- (g) conducting rigorous review and determining whether an Independent Director who has served the Board for a period of nine (9) years since his/her date of appointment, can still remain independent;
- (h) developing a process for evaluation of the performance of the Board, its Board Committees and proposing objective performance criteria to enhance long-term shareholder value; and
- (i) reviewing training and professional development programs for the Board.

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

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

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

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

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

Regulation 117 provides that any Director so appointed at any time shall hold office only until the next AGM of the Company, and shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

The Directors retiring by rotation pursuant to Regulation 107 of the Company's Constitution at the forthcoming AGM are Mr Hoon Tai Meng, Mr Zheng Fengwen and Ms Jo-Anne Chang. The NC has reviewed the performance and level of contribution of each retiring Directors and the NC recommended the re-election of all three (3) of them at the forthcoming AGM to be held on 25 April 2018. The Board had concurred with the NC and accepted the recommendation of the re-election of the three (3) retiring Directors. The retiring Directors will be offering themselves for re-election.

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

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

Key information regarding the Directors is provided on pages 101 to 107 of the AR.

2.2 Board Performance

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

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

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

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

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

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

Name of Director	John Chen Seow Phun
Shareholding in the Company (as at 20 March 2018)	23,163,525 Shares (as set out on page 122 of the AR) Dr Chen is deemed to be interested in 22,252,725 Shares held by Unigold Asia Limited and 62,500 Shares held by his spouse. He is also the beneficial owner of 848,300 Shares held by DBS Nominees (Private) Limited.
Board Committees Served	None
Date of first appointment as director	13 December 2001
Date of re-designated as Executive Chairman	1 May 2012
Date of last re-election as director	28 April 2016
Present Directorships in other listed companies and other principal commitments	JCL Business Development Pte Ltd Unigold Asia Limited OKP Holdings Limited Hiap Seng Engineering Ltd Hanwell Holdings Ltd Matex International Limited SAC Capital Private Limited Tat Seng Packaging Group Ltd HLH Group Limited Fu Yu Corporation Limited DATAESP Pte Ltd JLM Foundation Ltd SAC Advisors Pte Ltd Pavillon Financial Leasing Co., Ltd.
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	National University Health System Pte Ltd Pattern Discovery Technologies Pte Ltd

CORPORATE GOVERNANCE REPORT

Name of Director	Zheng Fengwen
Shareholding in the Company (as at 20 March 2018)	100,000,000 Shares (as set out on page 122 of the AR) Mr Zheng is deemed to be interested in 100,000,000 Shares held by Sunlead Evergrowing Capital Co., Limited, which is deemed to be interested by his spouse.
Board Committees Served	None
Date of first appointment as director	27 March 2014
Date of last re-election as director	22 April 2015 Due for re-election at the AGM to be held on 25 April 2018.
Present Directorships in other listed companies and other principal commitments	Pavillon Business Development (Shanghai) Co., Ltd. Pavillon Financial Leasing Co., Ltd Hui Bang Investment Co. Ltd Sunlead Evergrowing Capital Co. Limited Tianjin Pavillon Assets Management Co., Ltd. State Research Pavillon Financial Leasing Co., Ltd.
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Zhongrun Resources Investment Co., Ltd. Shandong Zhongrun Properties Co. Ltd. Shandong Zhongrun Group Zibo Properties Co., Ltd. Shandong Shengji Investment Co., Ltd. Vatukoula Gold Mines PLC

Name of Director	Lee Tong Soon
Shareholding in the Company (as at 20 March 2018)	24,023,926 Shares (as set out on page 122 of the AR) Mr Lee is also deemed interested in 12,500 Shares held by his spouse.
Board Committees Served	None
Date of first appointment as director	15 November 1999
Date of last re-election as director	Not Applicable. Mr. Lee is the Managing Director of the Company since incorporation. As such, he is not subject to re-election according to Regulation 107 as set out above.
Present Directorships in other listed companies and other principal commitments	Thai Village Restaurant Pte Ltd Thai Village Express Pte Ltd (formerly known as Thai Village Overseas Ventures Pte Ltd) Pavillon Financial Leasing Co., Ltd. Pavillon Business Development (Shanghai) Co., Ltd. State Research Pavillon Financial Leasing Co., Ltd.
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Thai Village (China) Pte. Ltd. Shanghai Thai Village Restaurant Management Co., Ltd Thai Village Restaurant (Shanghai) Co., Ltd Tianjin Pavillon Asset Management Co., Ltd Pavillon Business Development (Shanghai) Co., Ltd. Pavillon Financial Leasing Co., Ltd
Name of Director	Kok Nyong Patt
Shareholding in the Company (as at 20 March 2018)	25,027,725 Shares (as set out on page 122 of the AR)
Board Committees Served	None
Date of first appointment as director	15 November 1999
Date of last re-election as director	27 April 2017
Present Directorships in other listed companies and other principal commitments	Thai Village Restaurant Pte Ltd Thai Village Express Pte Ltd (formerly known as Thai Village Overseas Ventures Pte Ltd) Fengchi Real Estate Sdn Bhd Pavillon Asia Properties Sdn Bhd
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Thai Village (China) Pte Ltd Shanghai Thai Village Restaurant Management Co., Ltd Thai Village Restaurant (Shanghai) Co., Ltd Reno Associates Pte. Ltd. New Development Hotel Management Pte. Ltd.

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Name of Director	Hoon Tai Meng
Shareholding in the Company (as at 20 March 2018)	Nil
Board Committees Served	Audit Committee (Chairman) Remuneration Committee (Member) Nominating Committee (Member)
Date of first appointment as director	1 February 2011
Date of last re-election as director	28 April 2016 Due for re-election at the AGM to be held on 25 April 2018.
Present Directorships in other listed companies and other principal commitments	Chip Eng Seng Corporation Ltd CES Building & Construction Pte. Ltd. CEL-Alexandra Pte. Ltd. CEL Property Pte. Ltd. CEL-Yishun (Residential) Pte. Ltd. CEL-Yishun (Commercial) Pte. Ltd. CEL Property Investment (Australia) Pte. Ltd. CEL Property Investment Pte. Ltd. CEL Residential Development Pte. Ltd. CEL Property (M) Pte. Ltd. Fernvale Development Pte. Ltd. Sin Ghee Huat Corporation Ltd. Cocoaorient Pte Ltd Ee Hoe Hean Club
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Ardille Pte. Ltd. ACP Metal Finishing Pte. Ltd. CES-China Holding Pte. Ltd. CES-Fort Pte. Ltd. CES-West Coast Pte Ltd CES-Land Pte Ltd CES-Vietnam Holdings Pte Ltd CES-VH Holdings Pte Ltd CES-NB Pte Ltd Grange Properties Pte. Ltd. PH Properties Pte Ltd

Name of Director	Foo Der Rong
Shareholding in the Company (as at 20 March 2018)	Nil
Board Committees Served	Remuneration Committee (Chairman) Audit Committee (Member) Nominating Committee (Member)
Date of first appointment as director	1 May 2012
Date of last re-election as director	27 April 2017
Present Directorships in other listed companies and other principal commitments	Southern Lion Sdn Bhd Tian International Pte Ltd Matex International Ltd Noel Gifts International Ltd
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	INTRACO Limited Tat Hong Intraco Pte. Ltd. Tat Hong Intraco Heavy Equipment Co., Ltd K.A. Building Construction Pte Ltd K.A. Fabric Shutters Pte. Ltd. K.A. FireLite Pte. Ltd. K.A. Fireproofing Pte. Ltd. K.A. Firespray Sdn. Bhd. K.A. Group Holdings Pte. Ltd.

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Name of Director	Jo-Anne Chang
Shareholding in the Company (as at 20 March 2018)	40,000,000 Shares (as set out on page 122 of the AR) Ms Jo-Anne Chang is deemed to be interested in 40,000,000 Shares held by Rossbay Private Limited.
Board Committees Served	None
Date of first appointment as director	1 September 2014
Date of last re-election as director	22 April 2015 Due for re-election at the AGM to be held on 25 April 2018.
Present Directorships in other listed companies and other principal commitments	Rossbay Private Limited Pure Accord Sdn. Bhd. Pure Oasis Sdn. Bhd. Attractive Heritage Sdn. Bhd. Gingerflower Boutique Hotel Sdn. Bhd. Dalaston Limited Urban Townhouse Sdn. Bhd. Alford Associates Limited Heeren Palm Suites Sdn. Bhd. Heeren Straits Hotel Sdn. Bhd. Thrive Charm Sdn. Bhd.
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Nil

Name of Director	Ko Chuan Aun
Shareholding in the Company (as at 20 March 2018)	Nil
Board Committees Served	Nominating Committee (Chairman) Audit Committee (Member) Remuneration Committee (Member)
Date of first appointment as director	25 July 2016
Date of last re-election as director	27 April 2017
Present Directorships in other listed companies and other principal commitments	HSK Resources Pte Ltd Lian Beng Group Ltd Koon Holdings Limited San Teh Limited Singapore Koh Clan Association Ltd KSH Holdings Ltd
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Starbridge Pte Ltd Star Ridge Holdings Pte Ltd Homely Holdings Pte Ltd Smartview Singapore Pte Ltd TCM Lifestyle Holdings Pte Ltd Homely Hardware Pte Ltd Brothers (Holdings) Limited Star Route Pte Ltd Athena Corporation Pte Ltd Belleware Consmetics Pte Ltd Global Vantage Innovative Group Pte Ltd KOP Limited Super Group Ltd

CORPORATE GOVERNANCE REPORT

2.3 Access to information

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

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

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

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

3. REMUNERATION MATTERS

3.1 Procedures for Developing Remuneration Policies

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

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

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

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

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

- (b) reviewing and recommending to the Board, share option scheme, share award plans or any long term incentive schemes which may be set up from time to time, reviewing whether Directors or key management personnel should be eligible for such schemes and evaluating the costs and benefits of such scheme;
- (c) ensuring all aspects of remuneration including but not limited to Director's fees, salaries, allowances, bonuses, options, share based incentives and awards, and benefits in kind are covered;
- (d) determining the specific remuneration package and service contracts/terms of employment for each Director and key management personnel;
- (e) considering the eligibility of Directors for participation under long-term incentive schemes;
- (f) considering and making recommendations to the Board concerning the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration, and details of the specific remuneration packages of the Directors and key management personnel of the Company to those required by law or by the Code; and
- (g) considering the obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of services, to ensure that such contracts of services contain fair and reasonable termination clauses which are not overly onerous.

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

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

3.2 Level and Mix of Remuneration

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

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

The CEO, Mr Zheng, has renewed his service agreement with the Company in March 2017. The service agreement covers a period of three (3) years and has been reviewed by the RC. The Board concurred with the RC and approved the renewal of the service agreement at the Board meeting held on 23 February 2017.

CORPORATE GOVERNANCE REPORT

In February 2018, the Company has renewed the service agreement of the Executive Chairman, Dr Chen for another 3 years when it expires in May 2018.

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

- (a) the term of service is for a period of three (3) years and is subject to review thereafter;
- (b) the remuneration include, amongst others, a fixed salary, a variable performance bonus, which is designed to align the Executive Directors' interests with that of the Shareholders; and
- (c) there are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the Executive Director.

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

Having reviewed and considered the variable components in the remuneration packages of the Executive Directors and key management personnel, which are moderate, the RC is of the view that it is not necessary to institute contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company.

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

3.3 Disclosure on Remuneration

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

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

The remuneration paid to the Directors for services rendered for FY2017 are as follows:-

Directors

Name	Below S\$250,000		Between S\$250,000 and S\$499,999		Between S\$500,000 and S\$749,999	
		%		%		%
Chen Seow Phun, John	Salary	–	Salary	73	Salary	–
	Fees	–	Fees	9	Fees	–
	Bonus	–	Bonus	6	Bonus	–
	Other benefits	–	Other benefits	12	Other benefits	–
Zheng Fengwen	Salary	–	Salary	–	Salary	68
	Fees	–	Fees	–	Fees	8
	Bonus	–	Bonus	–	Bonus	6
	Other benefits	–	Other benefits	–	Other benefits	18
Lee Tong Soon	Salary	–	Salary	–	Salary	70
	Fees	–	Fees	–	Fees	8
	Bonus	–	Bonus	–	Bonus	6
	Other benefits	–	Other benefits	–	Other benefits	16
Kok Nyong Patt	Salary	–	Salary	–	Salary	63
	Fees	–	Fees	–	Fees	9
	Bonus	–	Bonus	–	Bonus	5
	Other benefits	–	Other benefits	–	Other benefits	23
Hoon Tai Meng	Salary	–	Salary	–	Salary	–
	Fees	100	Fees	–	Fees	–
	Bonus	–	Bonus	–	Bonus	–
	Other benefits	–	Other benefits	–	Other benefits	–
Foo Der Rong	Salary	–	Salary	–	Salary	–
	Fees	100	Fees	–	Fees	–
	Bonus	–	Bonus	–	Bonus	–
	Other benefits	–	Other benefits	–	Other benefits	–
Jo-Anne Chang	Salary	–	Salary	–	Salary	–
	Fees	100	Fees	–	Fees	–
	Bonus	–	Bonus	–	Bonus	–
	Other benefits	–	Other benefits	–	Other benefits	–
Ko Chuan Aun	Salary	–	Salary	–	Salary	–
	Fees	100	Fees	–	Fees	–
	Bonus	–	Bonus	–	Bonus	–
	Other benefits	–	Other benefits	–	Other benefits	–

CORPORATE GOVERNANCE REPORT

Key management personnel

The remuneration paid to key management personnel for services rendered for FY2017 are as follows:-

Name	Below S\$250,000	
		%
Oh Kok Thai	Salary	79
	Bonus	6
	Other benefits	15
Hau Ee Boon	Salary	78
	Bonus	6
	Other benefits	16
Venetia Yong Chin Ching	Salary	73
	Bonus	11
	Other benefits	15
Zhang Peng	Salary	83
	Bonus	—
	Other benefits	17
Zhou Jun	Salary	100
	Bonus	—
	Other benefits	—

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

For the same reasons above, the Company believes it is not in the interests of the Company to disclose the total aggregate remuneration paid to the top five (5) key management personnel (who are not directors or the CEO) during FY2017.

There is no employee of the Group who is immediate family members of any Director or the CEO and whose remuneration exceeded S\$50,000 during FY2017.

The RC had recommended Directors' fees of S\$378,000 for FY2018 for the Directors, which will be tabled by the Board at the forthcoming AGM for shareholders' approval.

The Board has not included a separate annual remuneration report in its AR for FY2017 (as suggested by guidance note 9.1 of the Code) as the Board is of the view that the matters which are required to be disclosed in the annual remuneration report have already been sufficiently disclosed in the AR and in the financial statements of the Company.

4. ACCOUNTABILITY AND AUDIT

4.1 Accountability

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

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

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

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

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

4.2 Risk Management and Internal Controls

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

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

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

CORPORATE GOVERNANCE REPORT

- ensure that the internal control and risk management systems recommendations made by internal and independent auditors have been implemented by the Management; and
- ensure the Board is in a position to comment on the adequacy of the internal controls and risk management of the Group.

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

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

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) regarding the effectiveness of the Company's risk management and internal control systems.

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

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

4.3 Audit Committee ("AC")

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

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

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

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

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

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

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

In FY2017, the AC met at least twice a year and also held informal meetings and discussions with Management from time to time. Details of the members' attendance at AC meetings in FY2017 are provided in Section 1.1 of this corporate governance report.

The AC performed the following functions in FY2017:-

(a) Independent Auditors

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

For FY2017, the AC reviewed together with the auditors:-

- (i) the audit plan (including, among others, the nature and scope of the audit before the audit commenced and the risk management issues of the Group);
- (ii) their evaluation of the financial controls in areas which could have a material impact on the financial statements;
- (iii) their auditors' report;
- (iv) the assistance given to them by the Company's officers;
- (v) the consolidated statement of financial position and income statement of the Company; and
- (vi) the interested person transactions of the Group.

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The auditors confirmed that the non-audit services provided to the Group in FY2017 is below 50% of audit fees, and the AC is of the opinion that the auditors' independence has not been compromised. The aggregate audit fees paid and payable to the auditors, Messrs Nexia TS Public Accounting Corporation in FY2017 are set out on page 49 of this AR.

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

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

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

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

The AC has met up with the independent auditors together with the internal auditors without the presence of Management in FY2017.

(b) Review of financial statements

For FY2017, the AC reviewed the half-year and full year financial statements of the Company and the Group, including announcements relating thereto, to shareholders and the SGX-ST.

(c) Review of interested person transactions

The AC has reviewed interested person transactions of the Group for FY2017 and reported its findings to the Board, if any. Please refer to page 120 of the AR for further details on the interested person transactions of the Group for FY2017.

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

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

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

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

4.4 Internal Audit

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

In FY2017, the Company has outsourced its internal audit function to a professional firm Messrs Mazars LLP. The internal auditor reports directly to the AC on audit matters and to the Chairman and Managing Director on administrative matters. The main objective of the internal audit function is to assist the Group in evaluating and assessing the effectiveness of internal controls and consequently to highlight the areas where control weaknesses exist, if any, and thus improvements could be made. The Company continues to work with the internal auditor to identify other scope of work which will help to further enhance the robustness of the Company's internal controls.

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

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

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

CORPORATE GOVERNANCE REPORT

5. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

5.1 Shareholder Rights

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

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

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

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

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A Relevant Intermediary¹ may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting. The independent auditors are also present to assist the Directors in addressing any relevant queries from the shareholders.

¹ A Relevant Intermediary is:

- a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- b) a person holding a capital markets services licence to provide custodial services for securities under the Securities And Futures Act (Cap. 289) and who holds shares in that capacity; or
- c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5.2 Communication with shareholders

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

5.3 Conduct of Shareholder Meetings

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

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

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

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

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

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

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

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

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

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

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

6. DEALINGS IN SECURITIES

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

- (a) The Company had devised and adopted its own internal compliance code to provide guidance to its officers with regards to dealings by the Company and its officers in its securities;
- (b) Officers of the Company are reminded not to deal in the Company's securities on short-term considerations; and
- (c) The Company and its officers must not deal in the Company's shares (i) during the periods commencing one (1) month before the announcement of the Company's half-year and full year financial statements, ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

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

7. MATERIAL CONTRACTS

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

8. INTERESTED PERSON TRANSACTIONS

Save as disclosed in the financial statements, there was no interested person transactions with aggregate value of S\$100,000 or more for the FY2017.

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2018

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	10	0.55	457	0.00
100 - 1,000	150	8.29	86,156	0.02
1,001 - 10,000	634	35.03	2,404,400	0.62
10,001 - 1,000,000	995	54.97	76,522,575	19.74
1,000,001 AND ABOVE	21	1.16	308,735,112	79.62
TOTAL	1,810	100.00	387,748,700	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	100,013,750	25.79
2	ROSSBAY PRIVATE LIMITED	40,000,000	10.32
3	SINGAPORE ENTERPRISES PTE LTD	38,700,000	9.98
4	TEO KIANG ANG	28,617,400	7.38
5	KOK NYONG PATT	25,027,725	6.45
6	LEE TONG SOON	24,023,926	6.20
7	UNIGOLD ASIA LIMITED	22,252,725	5.74
8	DBS NOMINEES (PRIVATE) LIMITED	5,357,800	1.38
9	CHAN I-HARN ALVIN (CHEN YIHAN ALVIN)	3,032,000	0.78
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,962,750	0.76
11	TEO KOK LEONG	2,852,000	0.74
12	PHILLIP SECURITIES PTE LTD	2,211,250	0.57
13	ABN AMRO CLEARING BANK N.V	1,841,600	0.47
14	LEE SZE KIAN	1,797,900	0.46
15	UOB KAY HIAN PRIVATE LIMITED	1,788,750	0.46
16	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,727,778	0.45
17	ANG YU SENG	1,554,500	0.40
18	CHUA YEW CHYE	1,400,000	0.36
19	CHEN LIPING	1,300,000	0.34
20	HL BANK NOMINEES (SINGAPORE) PTE LTD	1,269,000	0.33
TOTAL		307,730,854	79.36

STATISTICS OF SHAREHOLDINGS

SHAREHOLDING INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

AS AT 20 MARCH 2018

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Citibank Nominees Singapore Pte Ltd	100,013,750	25.79	—	—
Sunlead Evergrowing Capital Co. Limited ⁽¹⁾	—	—	100,000,000	25.79
Xu Cai Kui ⁽²⁾	—	—	100,000,000	25.79
Zheng Fengwen ⁽³⁾	—	—	100,000,000	25.79
Rossbay Private Limited	40,000,000	10.32	—	—
Heng Chin Ngor Doris ⁽⁴⁾	—	—	40,000,000	10.32
Jo-Anne Chang ⁽⁵⁾	—	—	40,000,000	10.32
Singapore Enterprises Private Limited	38,700,000	9.98	—	—
Teo Kiang Ang	28,617,400	7.38	—	—
Kok Nyong Patt	25,027,725	6.45	—	—
Lee Tong Soon ⁽⁶⁾	24,023,926	6.20	12,500	0.01
Unigold Asia Limited	22,252,725	5.74	—	—
John Chen Seow Phun ⁽⁷⁾	—	—	23,163,525	5.97

Notes:-

- (1) Sunlead Evergrowing Capital Co. Limited is the beneficial owner of 100,000,000 shares held by Citibank Nominees Singapore Pte Ltd.
- (2) Mdm Xu Cai Kui is deemed to be interested in 100,000,000 shares in the capital of the Company which are held by Sunlead Evergrowing Capital Co. Limited pursuant to Section 7 of the Companies Act, Chapter 50 of Singapore by virtue of her being a shareholder of Sunlead Evergrowing Capital Co. Limited.
- (3) Mr Zheng Fengwen is deemed to be interested in 100,000,000 shares in the capital of the Company which are held by Sunlead Evergrowing Capital Co., Limited, which is deemed to be interested by his spouse, Mdm Xu Cai Kui.
- (4) Ms Heng Chin Ngor Doris is deemed to be interested in 40,000,000 shares in the capital of the Company which are held by Rossbay Private Limited pursuant to Section 7 of the Companies Act, Chapter 50 of Singapore by virtue of her being a director and shareholder of Rossbay Private Limited.
- (5) Ms Jo-Anne Chang is deemed to be interested in 40,000,000 shares in the capital of the Company which are held by Rossbay Private Limited pursuant to Section 7 of the Companies Act, Chapter 50 of Singapore by virtue of her being a director and shareholder of Rossbay Private Limited.
- (6) Mr Lee Tong Soon is deemed to be interested in 12,500 shares in the capital of the Company which are held by his spouse, Mdm Lim Teck Eng (deceased on 13 January 2018).
- (7) Dr. John Chen Seow Phun is deemed to be interested in 22,252,725 shares in the capital of the Company which are held by Unigold Asia Limited by virtue of him being the sole director and sole shareholder of Unigold Asia Limited, and is deemed to be interested in 62,500 shares in the capital of the Company which are held by his spouse, Mdm Lim Kok Huang. He is the beneficial owner of 848,300 shares held by DBS Nominees (Private) Limited.

SHAREHOLDERS' INFORMATION

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

RULE 723 OF THE SGX LISTING MANUAL – FREE FLOAT

As at 20 March 2018, approximately 27.91% of issued share capital of the Company was held in the hands of public as defined in the SGX Listing Manual. Accordingly, the Company confirms that Rule 723 of the Listing Manual is complied with.

SUSTAINABILITY REPORT

BOARD STATEMENT

The Board's role includes considering sustainability issues as part of its strategic formulation. The Board is committed to sustainability and incorporates the key principles of environment, social and governance in setting out our business strategies and operations.

Our sustainability vision is to produce and supply high-quality products and services in a manner that minimises any adverse impact on the environment, while at the same time achieve operational excellence and deliver the group's long term strategic objectives. This is an important decision for the long-term, and to achieve this, we will be focusing on the following areas:

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

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

ABOUT THIS REPORT

This is our group's first yearly sustainability report, and we will continue to report on a yearly basis within our annual report. This report will focus on the following factors that impact our business:

- 1) economics and operations;
- 2) environmental protection; and
- 3) social issues.

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

In this report, we set out the approaches adopted by the group and the measures we have taken thus far in managing the economic, environmental, social and governance aspects of our business operations based on Global Reporting Initiative (GRI) guidelines. At the same time, we have also established certain performance targets which we intend to track and will report them in our subsequent sustainability reports.

REPORTING PERIOD AND SCOPE

This report articulates our strategies and practices in all aspects of sustainability and provides a detailed account of our sustainability performance in all our operations and is applicable for the Group's financial year ended 31 December 2017.

MATERIALITY ASSESSMENT

Economic and operational factors

Retention of customers

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

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

Improvement in productivity efficiencies

Productivity improvement is part of our long-term and key process for sustaining our business. Improving productivity results in reduction in business operating cost. Lower cost also enables the business to lower its selling price which could increase sales volume and therefore revenue. Combining the yields from the improvement in productivity and increased demand for our products and services, the result is better profits for the company.

Productivity efficiency could be achieved by embracing innovation. Thus, it is necessary to embrace innovation and adopt efficient production system and processes. This will ensure commercial viability.

Strategic partnerships

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

In the globalizing economy, strategic partnerships work in helping businesses pool knowledge resources, diversify their business and create opportunities to enhance sales growth and improve business.

Apart from the above, we have also successfully centralised our procurement with reliable suppliers. With strategic partnerships, not only do we achieve better bargaining power in terms of purchase cost, the amount of capital which we need to invest for storage and personnel has also significantly reduced.

Environmental factors**Reduce and reuse**

The reduction and reuse of waste during production processes, which also reduces the need to harvest raw materials, prevent pollution. This also contributes to reducing energy required to harvest and dispose of waste. The result is reduced cost for the business. Most importantly, this helps to sustain the environment for our future generations.

Waste oil treatment

For our food and beverage business, waste oil treatment has always been a key and crucial issue to us. As a responsible company, our waste oil is collected and recycled into other products, thus reducing damage to the environment.

Reduction in carbon emissions

Consistent with the government's push to go green, we have since started to use more energy efficient cookware and appliances in our central kitchen and offices. As an example, we are changing the lighting system in all our outlets to LED lights which consume lesser electricity to light up. The result is a reduction in our carbon emissions.

Social factor**Employment and retention of employees**

We continue to believe that human capital is our most valuable asset. We continue to pledge our commitment to Fair Employment Practices under the framework of TAFEP (Tripartite Alliance for Fair & Progressive Employment Practices).

We continue to practice fair engagement. As such, our recruitment and promotion criteria are based on merit and the performance of the individual, without discrimination as to race, gender, age or religion.

SUSTAINABILITY REPORT

Compliance with industrial standards

For our food and beverage business, food safety has always been our utmost priority. The group has embarked on the SS 590:2013 a HACCP -based Food management system. It is a robust food safety management standard in Singapore which is closely aligned to the international ISO food safety management system standard (ISO 22000). We are working towards obtaining ISO 22000 as we expand our global footprint.

STAKEHOLDER ENGAGEMENT

Stakeholder trust and support is essential to our success and therefore it is a priority to us to engage and remain connected to our stakeholders for our long-term growth.

Stakeholders	Keys Topics	Engagement method
Customers	• Service and food quality Improvements • Customer support; • Financial performance	• Customer visits or meetings • Industry exhibitions • VIP/loyalty program • Online platform • Social media • Customer service hotline and email
Employees	• Communication and engagement • Career advancement • Staff welfare • Working environment condition • Training	• Social events with employees, internal announcement and emails • Regular management meeting with staff • Regular review with department heads • Peer to peer review
Shareholders	• Return on investment • Operation in compliance with applicable law and regulations	• Half yearly and annual financial results announcement; • Annual and Sustainability report
Investors	• Strategic plans • Operation in compliance with applicable law and regulations	• Regular meeting with investors; • Sustainability report
Suppliers	• Supplier quality performance; • Supplier sustainability in business; • Operation in compliance with applicable law and regulations	• Regular meeting with suppliers; • Key suppliers audit; • Sustainability report
Government and regulators	• Operation in compliance with applicable law and regulations	• Regular compliance update and submission
Communities	• Environmental protection; • Community activities involvement; • Support to society organisations; • Operation in compliance with applicable law and regulations	• Participation in community activities; • Communication through phones and emails; • Sustainability report

OUR SUSTAINABILITY PROGRESS AND TARGETS

Product, cost-cutting and process innovation

We continue to seek improvement in productivity from our processes and at the same time provide high-quality products and services that comply with international and local food safety standards.

We will continue to incorporate sustainability concepts into our products. In order to achieve this, we will continue with our research and development activities. We are developing a new way of processing more products with enhanced qualities and at the same time reducing wastage at our central kitchen. Through this process, we aim to further reduce our carbon footprint during the production process.

To improve data management

Company information data is a valuable asset to a company, this includes but is not limited to customers' data, suppliers' data and company financial data. The group has since established a data protection policy to properly secure and protect the integrity of company information data.

Environmental protection

The group has embarked on an environment protection goal, we have centralized our kitchen so as to reduce waste of raw materials, manpower and energy; we are also in the process of replacing our equipment and lighting system with more energy efficient ones. These efforts will lead to reduction of waste.

Community investment

As part of ongoing Corporate Social Responsibility initiatives, we continue to play our part to champion a diversity of programs and initiatives to give back to society.

In past years, we worked with various social enterprises on various projects, such as participating in Fun and Wellness Workshop organised by the People's Association and North-East CDC to support various programmes for needy students.

Over the years, we have participated in many social activities organised by various academic institutions. We recognise the importance of practical training, we aspire to be able to provide a platform to train employees for the industry we are in. Besides fulfilling our social responsibility, we also create employment opportunities.

GOVERNANCE

Corporate governance

For the financial year ended 31 December 2017, our company has generally adhered to the framework as outlined in Code of Corporate Governance 2012. The Board acknowledges that with a high standard of corporate governance, it ensures the sustainability of the business and also safeguards the interest of stakeholders.

You may refer to Corporate Governance Report of this Annual Report for details for our corporate governance practices.

NOTICE OF ANNUAL GENERAL MEETING

PAVILLON HOLDINGS LTD.
(Company Registration No. 199905141N)
(Incorporated in Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Pavillon Holdings Ltd. (the “**Company**”) will be held at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691 on Wednesday, 25 April 2018 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Statement by Directors and the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors’ Report thereon.
(Resolution 1)
2. To approve the payment of Directors’ fees of S\$378,000 for the financial year ending 31 December 2018, with payment to be made in arrears. (2017: S\$378,000)
(Resolution 2)
3. To re-elect Mr Zheng Fengwen who retire pursuant to Regulation 107 of the Constitution of the Company.
[See Explanatory Note (i)]
(Resolution 3)
4. To re-elect Mr Hoon Tai Meng who retire pursuant to Regulation 107 of the Constitution of the Company.
[See Explanatory Note (ii)]
(Resolution 4)
5. To re-elect Ms Jo-Anne Chang who retire pursuant to Regulation 107 of the Constitution of the Company.
[See Explanatory Note (iii)]
(Resolution 5)
6. To re-appoint Messrs Nexia TS Public Accountant Corporation as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 6)
7. To transact any other ordinary business which may properly 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:

8. **Authority to issue shares pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That the Directors of the Company be authorised and empowered pursuant to Section 161 of the Companies Act, Chapter 50 (the “**Companies Act**”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) to issue shares and convertible securities in the Company upon such terms and conditions and for such purposes and to such persons and with such rights or restrictions as the Directors of the Company may in their absolute discretion deem fit. PROVIDED ALWAYS THAT the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent (50%) of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed twenty per cent (20%) of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company and that unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. For the purposes of this resolution, the percentage of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company shall be based on the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company at the time of the passing of this resolution, after adjusting for:

- (a) new shares arising from the conversion or exercise of any convertible securities or from exercising employee share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution, provided that the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
- (b) any subsequent bonus issue, consolidation or subdivision of shares.

(Resolution 7)

[See Explanatory Note (iv)]

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary

Singapore, 10 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr Zheng Fengwen will, upon re-election as Director of the Company, remain as Executive Director and Chief Executive Officer, and will be considered non-independent.
- (ii) Mr Hoon Tai Meng will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee, a member of the Nominating and Remuneration Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
- (iii) Ms Jo-Anne Chang will, upon re-election as Director of the Company, remain as Non-Executive and Non-Independent Director, and will be considered non-independent..
- (iv) The Ordinary Resolution 7 in item 8 above, if passed, will empower the Directors of the Company from the date of the meeting effective until the conclusion of the next Annual General Meeting of the Company to issue shares and convertible securities in the Company up to a number not exceeding, in total fifty per cent (50%) of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company for the time being for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting.

Notes

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)
3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at Block 1002 Tai Seng Avenue, #01-2536, Singapore 534409 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

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

PAVILLON HOLDINGS LTD.

Company Registration No. 199905141N
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

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

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

of

being a member/members of Pavillon Holdings Ltd. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691 on Wednesday, 25 April 2018 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*
1	Audited Financial Statements for the financial year ended 31 December 2017		
2	Approval of Directors' fees amounting to S\$378,000 for the financial year ending 31 December 2018, with payment to be made in arrears		
3	Re-election of Mr Zheng Fengwen as a Director		
4	Re-election of Mr Hoon Tai Meng as a Director		
5	Re-election of Ms Jo-Anne Chang as a Director		
6	Re-appointment of Messrs Nexia TS Public Accountant Corporation as Auditors and to authorise the Directors to fix their remuneration		
7	Authority to issue shares		

* If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

* Delete where inapplicable

Dated this day of 2018

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

.....
Signature of Shareholder(s) and/or
Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Block 1002 Tai Seng Avenue, #01-2536, Singapore 534409 not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme (“**CPF Investor**”) and/or the Supplementary Retirement Scheme (“**SRS Investors**”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2018.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Pavillon Holdings Ltd.

Company Registration No. 199905141N

Block 1002 Tai Seng Avenue
#01-2536, Singapore 534409

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