BreadTalk
BreadTalk Group Limited

2018 ANNUAL REPORT

CONTENTS

CORPORATE PROFILE

The BreadTalk Group is blazing the trail in the global lifestyle industry with its portfolio of award-winning F&B brands that are specially created to bring exciting concepts and distinct flavours to delight consumers.

Founded on the core values of integrity, mutual respect, teamwork and innovation, the Group is celebrating 18 years of continuous growth with 12 brands under its management, and nearly 1,000 outlets spanning 16 countries including Singapore, China (including Hong Kong and Taiwan), Malaysia, Indonesia, Thailand, Myanmar, India and the United Kingdom.

Supported by a global staff strength of 7,000, its stable of perennial brands include BreadTalk, Toast Box, Bread Society, Food Republic, Thye Moh Chan, The Icing Room and Sō; and five franchise brands – Din Tai Fung and Wu Pao Chun Bakery from Taiwan, China, the popular Song Fa Bak Kut Teh from Singapore, and Nayuki and TaiGai tea brands from Shenzhen, China.

REFINING STRATEGIES

STAYING INNOVATIVE

BreadTalk Tiong Bahru Plaza, Singapore

REVENUE
at the Bakery Division declined

5.1%

to S$282.0 million in FY2018 from S$297.0 million in FY2017

EBITDA
for the year was

$22.5 million

2.2% lower compared to FY2017


Chilli Crab Puff

EMPOWERING PARTNERSHIPS

INTEGRATING STRENGTHS

Food Republic AEON Mall Sen Sok City, Phnom Penh, Cambodia

REVENUE
at the Food Atrium Division grew

5.1%

to S$156.9 million in FY2018 from S$149.3 million in FY2017

EBITDA
for the year was

$31.2 million

24.3% higher compared to FY2017

Sergeant Chicken Rice

ENHANCING RESILIENCE

EXTENDING REACH

Din Tai Fung City Square Mall, Singapore

REVENUE
at the Restaurant Division grew

8.2%

to S$152.3 million in FY2018 from S$140.7 million in FY2017

EBITDA
for the year was

$28.1 million

6.6% lower compared to FY2017


Steamed Xiao Long Bao

PUSHING BOUNDARIES

PROMOTING CREATIVITY

Nayuki VivoCity, Singapore

REVENUE
at 4orth Food Concepts Division grew

80.3%

to S$14.2 million in FY2018 from S$7.9 million in FY2017

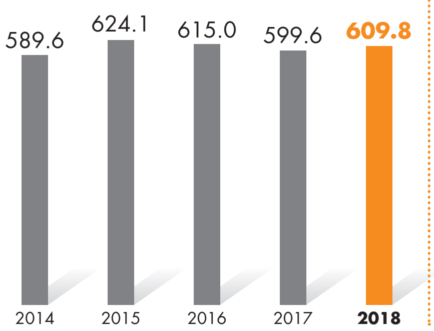
EBITDA
for the year was

-$2.9 million

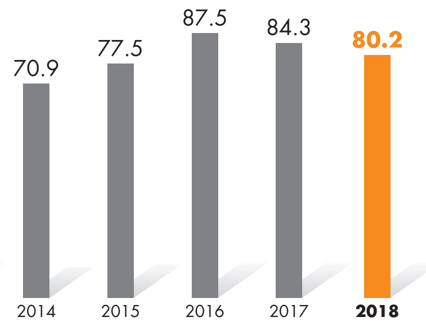
Supreme Cheese Strawberry & Strawberry Blush Mystique

FINANCIAL HIGHLIGHTS

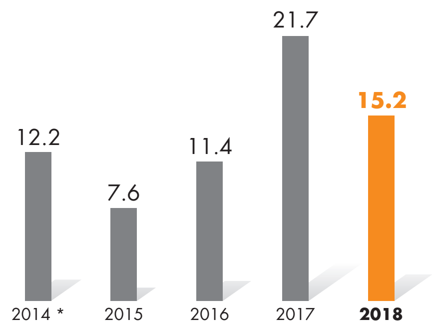
REVENUE (S$'MILLION)



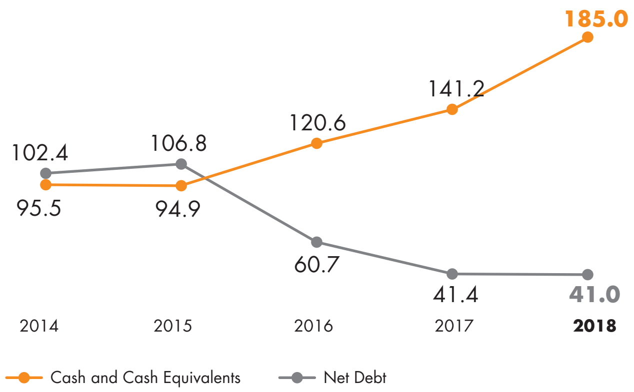
EBITDA (S$'MILLION)



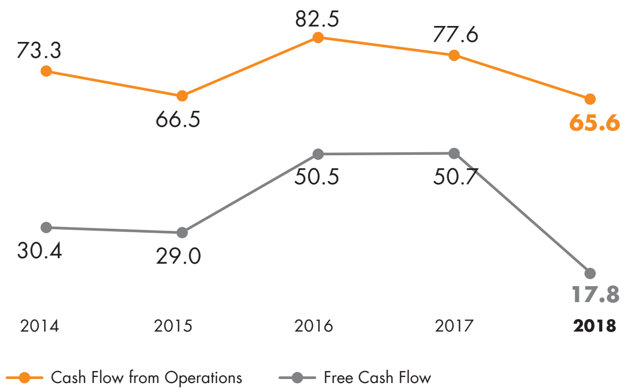
NET PROFIT (S$'MILLION)

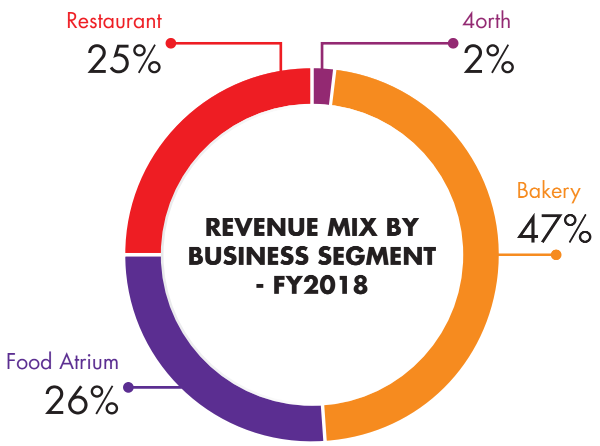


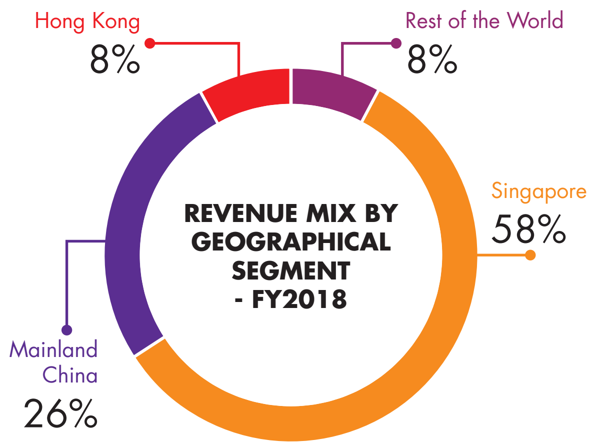
CASH & CASH EQUIVALENT VS NET DEBT (S$'MILLION)



CASH FLOW FROM OPERATIONS VS FREE CASH FLOW (S$'MILLION)







* *Excluding the restatement impact from the change in accounting policy*

FINANCIAL PERFORMANCE SUMMARY

Financial year ended 31 December

	2016	2017	**2018**
INCOME STATEMENT (S$'000)			
Group Revenue	614,995	599,579	**609,796**
Bakery	306,864	297,020	**282,004**
Food Atrium	157,901	149,346	**156,895**
Restaurant	137,662	140,732	**152,316**
4orth	7,838	7,859	**14,173**
Group EBITDA	87,517	84,250	**80,172**
Bakery	29,181	23,023	**22,514**
Food Atrium	16,561	25,102	**31,207**
Restaurant	29,518	30,133	**28,149**
4orth	278	533	**(2,894)**
Group PATMI	11,436	21,680	**15,191**
Bakery	9,404	8,039	**3,490**
Food Atrium	(9,620)	6,557	**12,295**
Restaurant	12,816	13,272	**12,378**
4orth	(657)	(357)	**(3,424)**
CASH FLOW STATEMENT (S$'000)			
Cash flows from operating activities	82,485	77,550	**65,630**
Capital expenditure, net	(31,905)	(26,805)	**(47,821)**
Cash flows used in investing activities	(18,249)	(30,922)	**(51,503)**
Net increase/(decrease) in borrowings	20,605	1,340	**43,783**
Cash flow from/(used in) financing activities	(38,173)	(24,446)	**30,024**
BALANCE SHEET (S$'000)			
Total Assets	533,903	551,613	**608,859**
Cash and cash equivalents	120,589	141,245	**184,975**
Property, plant and equipment	180,663	169,097	**173,413**
Total Liabilities	381,958	396,733	**446,123**
Bank borrowings and debt securities	181,310	182,634	**225,935**
Net debt	60,721	41,389	**40,960**
KEY RATIOS			
EBITDA margin (%)	14.2	14.1	**13.1**
Net margin (%)	1.9	3.6	**2.5**
Return on equity (%)[1]	8.8	16.9	**11.5**
Dividend payout ratio (%)	94.7	90.9	**55.6**
Net gearing (x)[2]	0.46	0.32	**0.31**
Net debt / EBITDA (x)	0.69	0.49	**0.51**
EBITDA / Interest expense (x)	14.76	15.54	**8.71**
PER SHARE INFORMATION (S$'CENTS)			
Earnings per share - basic	2.04	3.85	**2.70**
Earnings per share - diluted	2.03	3.85	**2.70**
Net assets per share	27.01	27.52	**28.89**
Dividend per share	1.93	3.50	**1.50**

(1) Return on equity is defined as profit attributable to equity holders of the company divided by average shareholders' equity.

(2) Net gearing is defined as total borrowings and debt securities less cash and cash equivalents divided by shareholders' equity.

CHAIRMAN'S MESSAGE

Dear Shareholders,

FY2018 IN REVIEW

Singapore is renowned as one of Asia Pacific's top dining destinations, with the Food Services industry playing a critical role in the local economy. This has underscored our growth in the last 18 years. From the year 2000, when we started our first boutique bakery in Bugis Junction, we have expanded beyond the Bakery business to include Food Atrium, Restaurant and the 4orth Food Concepts divisions. Today, we are a leading global food and beverage (F&B) lifestyle group, managing 12 different F&B brands, with close to 1,000 outlets spanning 16 countries, supported by a global staff strength of 7,000.

Although we have established our presence globally, our roots remain firmly entrenched in Singapore. We were therefore honoured to contribute towards nation-building by participating as principal and major partners for National Day Parade 2018 through our brands BreadTalk, Food Republic and our first halal B2B brand Buzzi Nook, for the first time in our Group's history.

In 2018, despite the challenging macro environment, we remained steadfast in building our pipeline for future growth through strategic joint ventures and investing in our talent pool and support infrastructure. We maximised opportunities in existing markets by introducing new brands like Song Fa Bak Kut Teh in Mainland China, and Nayuki and TaiGai in Singapore. In addition, we expanded into a new market with the opening of our flagship Din Tai Fung restaurant at Covent Garden, London, which also marks our entry into the United Kingdom (UK).

Our relentless efforts in building and strengthening our brands have once again gained global recognition with our founding brand, BreadTalk, winning the prestigious "Brand of the Year" in the Bakery category at the World Branding Awards 2018-2019. This is the fourth time we have been bestowed with this honour in the last five years, placing us alongside the likes of other renowned international brands. Toast Box achieved a triple win at this year's Singapore Prestige Brand Award (SPBA), a timely recognition of the brand's growth since winning the SPBA Promising Brand title in 2009. These awards serve as encouragement that we are on the right track to reach, serve and delight our consumers around the world.

A NEW VISION AND MISSION

To support and embrace our continual growth as a Group, we refreshed our vision, mission statement and core values at the start of the year.

Our vision "Inspiring innovative F&B concepts; delighting the world everyday" will empower our employees worldwide to boldly forge ahead with confidence by re-imagining and developing F&B concepts that will excite and serve our customers, thereby securing our long-term success. The addition of new brands to our portfolio is conducted through a strategic and carefully-considered process, reflecting a key tenet of our long term strategy – to develop a multi-product portfolio for broad-based sustainable growth.

Our mission "Fostering a creative, transparent and collaborative culture in the passionate pursuit of excellence through continuous improvement – in our people, products and processes" provides a guided path for our front-line and support functions to work together as one team - collaborating, communicating and pursuing excellence collectively so that we can continually aim to serve our consumers with the best dining concepts and products.

As we pursue growth, we are reminded that our roots are deeply ingrained in our six core values of "Valuing and nurturing our people", "Personal and professional integrity", "Embracing innovation as a way of life", "Taking pride in our work", "Supporting lifelong learning and open communication" and "Giving back to our society". Together with the Senior Management team, I am optimistic that our newly-minted vision and mission statement will continue to propel the Group towards a successful and brighter future.

A STRONG AND DYNAMIC WORKFORCE

In a labour-reliant industry like F&B, attracting and retaining the best talent to live and breathe our newly-minted vision and mission statements are vital ingredients to our success. To groom our next generation of leaders, we launched a High Potential programme where some of our brightest young employees with leadership potential are identified. They will be nurtured and groomed through mentorship, special projects and development courses to prepare them for future leadership roles.

Learning is critical for an organisation's sustainable growth, and our team has fostered a learning culture through our in-house comprehensive suite of technical, culinary service, corporate and leadership training programmes. This is complemented by an open online course platform to allow staff to pursue courses in their own time.

We continue to leverage technology to manage, engage and develop our 7,000 team members. We have consolidated our HR management systems in the various markets onto a global platform. In Singapore, we launched an Employee Portal, while in Mainland China, we introduced an enterprise solution to enhance employee communications. We also strengthened e-learning capabilities to improve scalability and effectiveness of our training efforts.

REWARDING SHAREHOLDERS

In appreciation of our shareholders' continued support, the Directors are pleased to recommend a final tax-exempt dividend of 1.0 cent per share. Combined with the interim tax-exempt dividend of 0.5 cent per share paid during the year, total dividend payout for FY2018 is 1.5 cents per share.

During the year, we completed a one-to-two share split which we hope will increase our base of shareholders, make our shares more affordable and thereby, maximising the liquidity of our shares in the market.

APPRECIATION

On behalf of the Board, I would like to thank all management and staff who worked so hard to deliver this set of encouraging results amidst tough trading conditions. I would also like to express my gratitude to Mr Henry Chu, Group CEO for his stellar leadership of the entire Group, my fellow Directors, the senior management team for their commitment and contributions, and also to Mr Oh Eng Lock, who stepped down in August, for his invaluable contribution to the Group over the years.

Finally, my sincere appreciation to shareholders for their confidence and trust in the BreadTalk Group.

Dr George Quek
Founder & Chairman

GROUP CEO'S MESSAGE

Dear Shareholders,

FY2018 IN REVIEW

2018 was a year of many firsts for the BreadTalk Group. We expanded our portfolio of brands and entered new markets globally. We also continued to maximise every dollar invested to enhance our support infrastructure, hire talent and position ourselves for the next phase of growth.

However, all this was not without its challenges. Uncertainty continued to swirl amid trade tensions between the United States and China, exerting significant pressure as we deepen our presence in China while exploring opportunities to strengthen our presence in other existing markets.

Notwithstanding these macro-environmental factors, the Group remained steadfast in our pursuit of quality growth via a dual pronged approach - to meet our customers' changing tastes with a wider portfolio of brands; and to improve the product and service offerings of our current brands. The Group turned in an encouraging performance for FY2018 with total revenue reaching $609.8 million, although net profit decreased 29.9% to $15.2 million against FY2017 due to weaker performance from the Bakery Division and higher start up costs from the 4orth Food Concepts Division.

Our share price continued to trend positively. On 17 May, we underwent a share split following which, our share price hit a record high of $1.25 (equivalent to $2.50 pre-split) on 3 July 2018, which equates to a market capitalisation of S$704 million.

GROWING NEW BRANDS

The 4orth Food Concepts business division was formed in 2017 to spearhead the Group's portfolio growth and expansion into new markets. Since its formation, the 4orth team successfully rebranded RamenPlay into the profitable outfit Sō, and partnered Song Fa Holdings to bring Song Fa Bak Kut Teh to Shanghai and Beijing during the year and to Bangkok in 2019.

Through our market research, we identified a demand for premium bakery offerings and tea beverages by consumers in the region and decided to enter these markets through various partnerships with established and well-known brands.

Firstly, we partnered award-winning Wu Pao Chun Food Ltd ("Wu Pao Chun") to operate Wu Pao Chun bakeries in four key Chinese cities - Beijing, Shanghai, Shenzhen and Guangzhou in March. In September, we expanded our partnership to bring this highly iconic brand to Singapore and Hong Kong. Founder of this popular bakery chain, Mr Wu Pao Chun won the 2010 Masters de la Boulangerie and World's Best Baker in the International Union of Bakers and Confectioners (UIBC) International Competition of Young Bakers. He was also conferred a medal by the Elite de la Boulangerie Internationale

(EBI) in February 2018, in recognition of his contribution to the global baking industry, making him the first bread master in Asia to receive such honours.

The first Wu Pao Chun Bakery opened successfully at Xintiandi Mall, Shanghai on 7 December. Looking forward to 2019, we will continue to grow the brand by opening the second Wu Pao Chun Bakery at Shanghai IFC mall, and our first flagship store in Capitol Piazza, Singapore.

Secondly, we partnered Shenzhen Pindao Food & Beverage Management Co Ltd to bring two popular Chinese specialty tea brands Nayuki (奈雪) and TaiGai (台盖) to Singapore and Thailand, with first right of refusal to operate outlets in Malaysia, Indonesia and the Philippines in May. Founded in 2015, both brands have since grown to become two of the most iconic beverage brands in China, with more than 240 stores in 22 major cities including Beijing, Shanghai, Guangzhou and Shenzhen. Since the opening of the TaiGai flagship store at NEX mall in Serangoon on 5 September and the first Nayuki soft-euro boulangerie and artisanal tea cafe at VivoCity on 8 December, we have received encouraging response and are confident that both brands will continue to have a lasting appeal to our consumers.

The addition of these established brands is in line with our strategy to create a well-balanced portfolio, spanning a wide spectrum of product lines catering to consumers' desires, which will continually generate profit and growth for the Group. Looking ahead, we continue to look out for new opportunities to expand our stable of brands and product offerings.

GROWING OUR ROOTS WITH A GLOBAL MINDSET

Equipped with an expanded brand portfolio, we maintained our growth momentum in 2018 by making strategic inroads into new markets such as the United Kingdom (UK), India and Cambodia, while increasing our penetration in existing markets with high growth potential.

THE UNITED KINGDOM

We announced our ambitions to enter Europe more than two years ago. On 5 December, our dreams were realised with the opening of our first Din Tai Fung restaurant in London. Located in the famous theatre district, our two-storey flagship can hold up to 250 seats. The restaurant attracted long queues as well as the media's attention, and was extensively reported globally. We will continue to grow our presence in London and are working towards opening our second outlet at Centre Point, strategically situated above Tottenham Court Road station and located within Central London, in 2019. Looking ahead, we will focus on growing the Din Tai Fung brand in London before bringing in other direct-owned brands such as BreadTalk and Food Republic into the UK followed by the rest of Europe.

MAINLAND CHINA

We continued our efforts to consolidate Bakery operations this year by transforming our ways of working in Mainland China. We focused on the optimisation of our procurement and supply chain operations to better manage costs, and we also commenced an exercise to review our franchising strategy in China, to be implemented gradually in 2019.

In addition to our direct-owned brands, we continue to work closely with our joint venture partner Song Fa Holdings to scale greater heights. Under this partnership, our first Song Fa Bak Kut Teh restaurant located at Shanghai Jing An Kerry Centre opened to roaring success in January, with over RMB1 million in monthly sales. Following the initial success, we opened another two outlets located at Shanghai IAPM in June and Shanghai Parkside in November 2018. In December, we opened our fourth Song Fa restaurant at Beijing APM Mall and will work towards our fifth restaurant at Shanghai IFC in 2019.

INDIA

This year, we returned to India and partnered with the Som Datt Group Group, a reputable and established infrastructure and construction conglomerate in India. India's fast-growing economy has led to the growth of a rising middle-class with higher purchasing power and increased appetite for multinational brands. Together with our partner, I am confident that we will be able to leverage each other's strengths and establish BreadTalk as a leading bakery chain in India in time to come.

SINGAPORE

In the last 18 years, we remained dedicated towards serving our consumers in Singapore. As part of our expansion strategy beyond the heartlands, we launched our Toast Box kiosks concept at Singapore Press Holdings News Centre and Philip Street which were favourably received. This year, we secured outlet spaces for BreadTalk, Toast Box and Din Tai Fung in Jewel @ Changi Airport. This iconic destination will enable us to showcase our brands, and share our distinctive array of local cuisine with a global audience. We will continue to dedicate resources to strengthen our direct-owned brands such as BreadTalk, Toast Box and Food Republic through high quality product offerings to delight consumers in Singapore and beyond.

CEO'S MESSAGE

CAMBODIA

After more than two years of improving operational efficiency within our Food Atrium Division, I am pleased to report that our net profit well exceeded initial estimates and stall occupancy rates are at an all-time high across different markets. We continued to build on this positive growth momentum by opening our first Food Republic atrium at AEON Sen Sok Mall Cambodia, a new and exciting market with great potential, in December 2018.

MALAYSIA AND INDONESIA

In our efforts to reach out and serve our consumers in Malaysia and Indonesia, we signed key strategic partnerships with PT Pura Indah Berkat to grow our Toast Box business in Indonesia while implementing our signed agreement with United Malayan (UM) Land Bhd to build the BreadTalk and Toast Box businesses in Malaysia. In addition, both markets have a sizeable domestic population and we are excited to have the opportunity to bring our products to them.

BUILDING NEW CAPABILITIES – A TRANSFORMATIONAL JOURNEY

A key lesson from our past expansion efforts was the importance of having robust back-end support infrastructure and efficient collaboration among business units. Without these strong pillars of support, our expansion plans would have been futile.

As such, we embarked on a transformation journey in the last two years by making some major changes in the way we do things. While it is not easy to assess the immediate financial impact of these key projects, upon reflection, I would like to share how much the organisation has changed since then. On 22 December 2017, we signed a joint-venture with Shinmei Corporation to incorporate BTG-Shinmei. One year on, we have taken significant strides in streamlining our procurement processes which have yielded positive results. Not only did we manage to increase overall cost efficiencies by procuring in larger quantities, we were able to witness seismic shifts internally as our various divisions started to collaborate and communicate more. We will continue to move in the right direction of centralising our remaining procurement processes and look forward with confidence that we will be able to realise greater cost benefits through economies of scale.

We have also increased our investment in backend IT support systems to ensure that we can manage our ever-expanding global operations. We recognise that as the Group continues to grow and hire, we need to communicate with greater clarity and purpose to our outlet and corporate employees. In September this year, we launched our first ever employee portal to connect and disseminate the latest company news to our employees in the Singapore.

We have moved to strengthen and increase our production capabilities to support the growth of our businesses in China. On 11 November, the Group entered into an investment agreement with Jiaxing Economic and Technological Development Management Team to design, build, own and operate the new central production facility located in Jiaxing, a prefecture level city in northern Zhejiang province. This new facility will leverage the latest state-of-the-art technologies to help us achieve greater operational efficiencies and cost savings. The establishment of this facility will deepen our presence in China, and signals our long term commitment to grow in this key market.

We believe these strategic moves will keep us on track to achieving our goal of becoming the first Singapore Food and Beverage group to hit a market capitalisation of S$1 billion by 2022.

APPRECIATION

Our success over the years has been built on our vision of "Inspiring innovative F&B concepts; delighting the world everyday" - a willingness to adopt bold and innovative approaches in our businesses. In this fast-paced and challenging environment, we have to remain nimble and vigilant to shifts in the competitive landscape as well as fast-changing consumer tastes to maintain our competitive edge. I am proud that we have stepped up as one team, empowered and engaged to always do better and push our shared ambitions to greater heights.

This would not have been possible without the commitment and efforts of our key stakeholders, to whom we owe our gratitude for their unfailing support, confidence and trust. I would like to extend my appreciation to our founders, Dr George Quek and Ms Katherine Lee, our board of directors, senior management team, business partners for their unwavering support and our employees for their hard work and dedication in this journey of growth. To our customers, thank you for your support over the years, without which BreadTalk Group would have not enjoyed its present success. Your generous support spurs us on and we will continue to work hard to deliver the best value for you.

Mr. Henry Chu
Group Chief Executive Officer

BOARD OF DIRECTORS

Left to right

MR PAUL CHARLES KENNY | MR CHAN SOO SEN | MS KATHERINE LEE | DR TAN KHEE GIAP | MR ONG KIAN MIN

Front

DR GEORGE QUEK

BOARD OF DIRECTORS

DR GEORGE QUEK MENG TONG

Chairman

Doctorate in Business Administration (Honorary), Wisconsin International University, USA

Date of first appointment as a Director

6 March 2003

Date of last re-election as Director

20 April 2018

Length of service as a Director (As at 31 december 2018)

15 years 10 months

Board committees served on

Nil

Present directorships in other listed companies

Nil

Major appointments
(Other than directorships in other listed companies)

- Sky One Art Investment Pte. Ltd., Director
- Ground Property Pte. Ltd., Director

Directorships in other listed companies held over the preceding three years

Nil

Background and working experience

- Founder of BreadTalk Group Limited
- Led and grew the Company from a homegrown brand to become a dynamic Asian F&B group. He continues to drive its strategic direction and development into the future
- George started his F&B business in Taiwan in 1982, successfully growing it into a chain of 21 Southeast Asian food outlets within a decade. He returned to Singapore in 1992 and founded Topwin Singapore and subsequently Megabite China in 1996, thus establishing the Group's food court businesses
- In 2000, he started the bakery business with BreadTalk Pte Ltd and eventually brought it to list on the SGX in 2003
- George is a Brand Champion who has positioned the company's brand portfolio into innovative concepts now widely accepted in Asia and throughout the world. His keen interest in the arts, creative talent and acute sense of anticipating consumer demands have delighted consumers time and again with the Group's line-up of creative F&B concepts
- Among other awards, George won the Ernst & Young 'Entrepreneur of the Year 2006' (Emerging Entrepreneur Category), the 'Entrepreneur of the Year Award 2002' organised by the Association of Small and Medium Enterprises and The Rotary Club of Singapore, as well as the 'Business Personality of the Year Award 2013' accorded by Midas Touch Asia in conjunction with Channel NewsAsia, as well as the 'CEO Brand Leader of the Year 2016' by Influential Brands

MS KATHERINE LEE LIH LENG

Deputy Chairman

Date of first appointment as a Director

6 March 2003

Date of last re-election as Director

20 April 2017

Length of service as a Director (As at 31 december 2018)

15 years 10 months

Board committees served on

Nil

Present directorships in other listed companies

Nil

Major appointments
(Other than directorships in other listed companies)

- Heritage Pte. Ltd., Director
- Ground Property Pte. Ltd., Director

Directorships in other listed companies held over the preceding three years

Nil

Background and working experience

- As a co-founder of the Group, Katherine spends her time on creating and advising product packaging and design, mentoring professional managers on managing traditional brands such as Thye Moh Chan and launching new concepts such as Wu Pao Chun Bakery successfully.
- Drawing from her many years of experience, she is also actively involved in advising the management team on choosing new markets to enter and strategic locations for new stores.
- Katherine has more than 20 years of experience in the industry. She was previously the Finance Director of Topwin Singapore, prior to which she was in charge of the Human Resource and Operations functions of more than 20 F&B outlets in Taiwan

MR ONG KIAN MIN
Lead Independent Director
LLB (Hons) (Ext), University of London, UK
B Sc (Hons), Imperial College (London), UK

Date of first appointment as a Director
30 April 2003

Date of last re-election as Director
20 April 2018

Length of service as a Director (As at 31 december 2018)
15 years 8 months

Board committees served on
- Audit Committee, Chairman
- Nominating Committee, Chairman
- Remuneration Committee, Member

Present directorships in other listed companies
- Food Empire Holdings Limited, Lead Independent Director
- Penguin International Limited, Lead Independent Director
- Silverlake Axis Ltd, Lead Independent Director

Major appointments
(Other than directorships in other listed companies)
- Drew & Napier LLC, Consultant (until 31 March 2019)
- Alpha Advisory Pte. Ltd., Senior Advisor
- Kanesaka Sushi Pte. Ltd., Executive Director
- OUE Hospitality REIT Management Pte. Ltd, Independent Non-Executive Director
- OUE Hospitality Trust Management Pte. Ltd., Independent Non-Executive Director
- GPTW Institute (Singapore) Pte Ltd, Executive Director
- Jekka-Molle Pte. Ltd., Executive Director
- Qenergy Pte. Ltd., Executive Director

Directorships in other listed companies held over the preceding three years
- GMG Global Ltd, Independent Non-Executive Director
- HUPSteel Limited, Non-Executive Chairman and Independent Non-Executive Director
- Jaya Holdings Limited, Independent Non-Executive Director
- LANKom Electronics Limited, Independent Non-Executive Director

Background and working experience
- Member of Parliament (1997-2011)
- Shook Lin & Bok (1993-2000), Partner
- Called to the Bar of England and Wales in 1988 and to the Singapore Bar in 1989
- President's Scholarship and Police Force Scholarship (1979)
- More than 20 years of legal practice in corporate and commercial law, such as mergers and acquisitions, joint ventures, restructuring and corporate governance

DR TAN KHEE GIAP
Independent Director
PhD (Economics), University of East Anglia, UK

Date of first appointment as a Director
1 October 2010

Date of last re-election as Director
22 April 2017

Length of service as a Director (As at 31 december 2018)
8 years 3 months

Board committees served on
- Audit Committee, Member
- Nominating Committee, Member
- Remuneration Committee, Member

Present directorships in other listed companies
- Boustead Singapore, AC Chairman
- TEE Land Limited, Independent Director
- Chengdu Rural Commercial Bank Co. Ltd., Independent Director

Major appointments
(Other than directorships in other listed companies)
- Asia Competitiveness Institute & Associate Professor of Public Policy, Lee Kuan Yew School of Public Policy, National University of Singapore, Co-Director
- Singapore National Committee for Pacific Economic Cooperation, Chairman

Directorships in other listed companies held over the preceding three years
- Forterra Real Estate Pte. Ltd., Trustee-Manager of Forterra Trust
- Artivision Technologies Ltd.

Background and working experience
- Resource Panel of the Government, Member
- Parliamentary Committee for Transport and Government
- Parliamentary Committee for Finance and Trade & Industry and Government Parliamentary Committee for Defence and Foreign Affairs (since 2007)
- Graduate Studies Office, Nanyang Technological University (2007-2009), Associate Dean
- Singapore Economic Society (2004), Deputy President
- IPS Forum for Economic Restructuring (2003), Deputy Chairman
- Task Force on Portable Medical Benefits, Chairman
- 2002 Economic Review Committee, Member

BOARD OF DIRECTORS

MR CHAN SOO SEN

Independent Director

MSc, Stanford University, USA
BA (Hons), Oxford University, UK

Date of first appointment as a Director

14 August 2006

Date of last re-election as Director

20 April 2016

Length of service as a Director (As at 31 december 2018)

12 years 5 months

Board committees served on

- Audit Committee, Member
- Nominating Committee, Member
- Remuneration Committee, Chairman

Present directorships in other listed companies

- Cogent Holdings Limited, Lead Independent Director
- Midas Holdings Limited, Independent Director
- Best World International, Independent Director

Major appointments
(Other than directorships in other listed companies)

- Nanyang Centre of Public Administration, Nanyang Technological University, Adjunct Professor
- SCP Consultants, Chairman

Directorships in other listed companies held over the preceding three years

Nil

Background and working experience

- Singbridge International Singapore Pte Ltd (2009-2012), Executive Vice President
- Keppel Corporation (2006-2009), Director (Chairman's Office)
- Ministry of Trade & Industry (2005-2006), Minister of State
- Ministry of Education (2004-2006), Minister of State
- Prime Minister's Office & Ministry of Community Development & Sports (2001-2004), Minister of State
- Prime Minister's Office & Ministry of Health (2001), Senior Parliamentary Secretary
- Prime Minister's Office & Ministry of Health (1999-2001), Parliamentary Secretary
- Prime Minister's Office & Ministry of Community Development (1997-1999), Parliamentary Secretary
- Member of Parliament (1996-2011)
- China-Singapore Suzhou Industrial Park Development Co Ltd (1994-1996), Chief Executive Officer

MR PAUL CHARLES KENNY

Non-Executive Director

General Management Programme,
Ashridge Management College, UK

Date of first appointment as a Director

1 March 2016

Date of last re-election as Director

20 April 2016

Length of service as a Director (As at 31 december 2018)

2 years 10 months

Board committees served on

Nil

Present directorships in other listed companies

- Minor International Plc., Director

Major appointments
(Other than directorships in other listed companies)

- The Minor Food Group Plc., Chief Executive Officer and Director
- Select Service Partner Limited, Director
- Oaks Hotel & Resort Limited, Director
- The Minor (Beijing) Restaurant Management Co. Ltd., Director
- Minor DKL Food Group Pty. Ltd., Director
- Liwa Minor Food & Beverages LLC, Director
- Minor International Plc., Shareholder
- S&P Syndicate Plc., Shareholder

Directorships in other listed companies held over the preceding three years

Nil

Background and working experience

- The Minor Food Group Plc. (2002-present), Chief Executive Officer
- The Minor Food Group Plc. (1993-2002), Senior Vice President/Chief Operating Officer
- Pizza Hut (Taiwan) Jardine Pacific Ltd. T.P.H. Company Ltd. (1990-1993), Managing Director
- Jardine Restaurant, Victoria, Australia (1987-1989), Operations Managerorporate governance

SENIOR MANAGEMENT TEAM

HENRY CHU
Group Chief Executive Officer

HENRY joined the BreadTalk Group as Managing Director on 17 October 2016 and was appointed Group Chief Executive Officer on 1 July 2017. As Group CEO, he oversees the Group's global operations, focusing on the strategic planning of core F&B businesses, investments, business development and expansion into key markets.

Henry was instrumental in leading the team to develop the 4orth Food Concepts Division, whose key objective is to identify new F&B concepts and potential partnership opportunities with established brands. Concurrently, Henry holds the appointment of CEO, Bakery Division. In 2018, he clinched the 'Executive of the Year – Food & Beverage' at the Singapore Business Review Management Excellence Awards, for successfully growing the Group's portfolio of brands, diversifying the business and turning around the Group's financial performance.

Henry's extensive experience in the F&B and retail spaces spans more than 25 years across renowned brands and various geographical regions. He started his career with Burger King, Starbucks and Delifrance in Singapore before embarking on successful overseas postings.

He held key positions that included Operations Director at Starbucks Thailand and Starbucks China and was General Manager, Retail Sales & Operations at Shell Eastern Petroleum, Singapore.

Between May 2010 and April 2012, Henry was CEO of the Bakery Division at BreadTalk Group before joining Maxim's Caterers Ltd (Hong Kong) in May 2012 as General Manager of its Japanese Chain Restaurant Division (China).

Henry holds a Bachelor of Business (Human Resources Management) accredited by RMIT University and awarded by Singapore Institute of Management.

CHAN YING JIAN
Group Chief Financial Officer

YING JIAN was appointed as Group CFO on 10 June 2015. As Group CFO, he is responsible for the corporate finance and treasury, shared services, reporting, tax, legal and risk management functions across our businesses. He also concurrently heads the Information Technology function of the Group, and is the Country Manager of the Group's North China business.

Ying Jian works alongside the Group CEO and Division CEOs on all Group and Division level investments, mergers and acquisitions, and joint ventures. He also fronts the investor relations efforts of the Group. He was Financial Controller of the Group's Food Atrium Division from 1 August 2014 until his appointment as Group CFO. In 2018, Ying Jian was conferred the Rising Star (Professional Accountants in Business) Award by the Institute of Singapore Chartered Accountants (ISCA) for his strong leadership and achievement as a young accounting and finance professional.

Prior to joining the Group, Ying Jian was Vice President of Equity Research with J.P. Morgan Securities Singapore, serving as Sector Head of Agri-Commodities and Consumer Staples for the ASEAN region. As an analyst, Ying Jian was well regarded within the investment community for his thought leadership and actionable research ideas. He was named the "Top Earnings Estimator" for the Retail and Consumer Products sector at the 2012 Thomson Reuters Analyst Awards, and was the "Top Stock Picker" in the same sector in 2014.

Ying Jian graduated summa cum laude (with Highest Distinction) from the Singapore Management University with a double-degree in Business Management (Finance) and Accountancy. He is also a Chartered Accountant of Singapore (CA Singapore) and a Chartered Financial Analyst (CFA).

KEY MANAGEMENT

JENSON ONG CHIN HOCK

CEO, Food Atrium Division

JENSON was appointed CEO, Food Atrium Division on 1 January 2011. He is responsible for the overall development, operations, projects execution and strategic planning of the Food Atrium business globally and is concurrently the Country Manager of the Group's South China business.

Jenson has over 20 years of F&B experience, particularly in the food court business. He joined BreadTalk Group in 2003 as Director of Food Republic in China. In 2005, he established Megabite Hong Kong Limited and oversaw the management and operations of Food Republic in Hong Kong as Managing Director. He was responsible for the overall development of BreadTalk and Toast Box operations in Hong Kong until his current appointment.

CHENG WILLIAM

CEO, Restaurant Division

WILLIAM was appointed CEO of the Restaurant Division on 1 January 2011. He is responsible for driving sales and profitability across our Din Tai Fung businesses in Singapore, Thailand and the United Kingdom, as well as overseeing the company's overarching business and marketing strategies, structure and people development functions.

All functional leaders in the Restaurant Division report to William. A 15-year veteran with the company, William has close to 30 years of extensive culinary and operations experience. With his stewardship, Din Tai Fung has successfully launched a state-of-art Central Kitchen and generated strong sales and profit growth for the heritage brand. Under his leadership, the Taiwanese brand gained relevance through customer-centric initiatives supported by a people-centric culture.

He most recently spearheaded the expansion of Din Tai Fung's global footprint by introducing the Taiwanese brand to Europe in December 2019. He led the opening of Din Tai Fung's first restaurant at London's Covent Garden, to great success.

William holds an Executive Masters in Business Administration from Nanyang Technological University Singapore.

CHAN WING GIT
Senior Vice President, Human Resources, Training & Administration
Country Manager, Thailand

FRANKIE QUEK
Head, Real Estate

HUANG YINGREN, GLENN
Vice President, Group Corporate Affairs and Communications

RUTH LEONG
Group Legal Counsel

JENNIFER ONG
Country Manager, Hong Kong

AWARDS & ACCOLADES

DR GEORGE QUEK
Chairman

ORGANISER
Influential Brands

CATEGORY
CEO Brand Leader of the Year

YEAR
2016

ORGANISER
Midas Touch Asia

CATEGORY
Business Personality of the Year

YEAR
2013

ORGANISER
Ernst & Young, Singapore

CATEGORY
Entrepreneur of the Year

YEAR
2006

ORGANISER
ASME and The Rotary Club

CATEGORY
Entrepreneur of the Year

YEAR
2002

BREADTALK GROUP

ORGANISER
World Branding Awards
CATEGORY
Brand of the Year (Bakery)
YEAR
2018, 2017, 2016 & 2014

ORGANISER
Asia Marketing Federation
CATEGORY
Marketing3.0 – Asia Marketing Excellence Award
YEAR
2018

ORGANISER
Influential Brands
CATEGORY
Top Brand
YEAR
BreadTalk (Bakery)
2017, 2016 & 2015
BreadTalk (Franchise)
2015
BreadTalk (Pastry)
2014
Toast Box (Asian Café)
2015, 2014 & 2013
Food Republic (Food Court)
2015 & 2014
Din Tai Fung (Asian Restaurant)
2017, 2016, 2015, 2014 & 2013

ORGANISER
Reader's Digest
CATEGORY
Trusted Brand Award (Gold Award)
YEAR
Din Tai Fung - 2018, 2017, 2016, 2015 & 2014
CATEGORY
Trusted Brand Award (Platinum Award)
YEAR
BreadTalk - 2017

ORGANISER
SPRING Singapore
CATEGORY
Excellent Service Award
YEAR
Din Tai Fung - 2018 & 2017

ORGANISER
AVA Singapore
CATEGORY
Food Safety Excellence Awards (Grade 'A' Certification)
YEAR
BreadTalk - 2017

ORGANISER
World Brand Laboratory Award
CATEGORY
Five Star Diamond Brand Award
YEAR
2018, 2016, 2015, 2013, 2012 & 2006

ORGANISER
China Chain Store & Franchise Association
CATEGORY
CCFA Retail Innovation Award
YEAR
2016

ORGANISER
Brand Finance
CATEGORY
Top 50 Singapore Brands
YEAR
2018, 2016 & 2015
CATEGORY
Top 100 Singapore Brands
YEAR
2017, 2014, 2013, 2012, 2011 & 2010

ORGANISER
World Retail Awards
CATEGORY
Growth Market Retailer of the Year
YEAR
2014
CATEGORY
Emerging Market - Finalist
YEAR
2009

ORGANISER
Spring Singapore
CATEGORY
Singapore Service Class (S-Class) Status
YEAR
BreadTalk, Toast Box, The Icing Room & Bread Society - 2014

ORGANISER
SIAS Investors' Choice Award
CATEGORY
Most Transparent Company Award
YEAR
2014, 2008, 2007, 2005 & 2004

ORGANISER
Singapore Prestige Brand Award
CATEGORY
Most Popular Established Brand Overall Winner, Established Brand Winner, Established Brand
YEAR
Toast Box - 2018
CATEGORY
Most Popular Brand, Regional Brands Category, Overall Winner
YEAR
2013
CATEGORY
Most Popular Brand
YEAR
2005 & 2002
CATEGORY
Most Distinctive Brand
YEAR
2005 & 2003
CATEGORY
Singapore Promising Brand
YEAR
2006, 2005 & 2004
CATEGORY
Promising Brands, Overall Winner
YEAR
Toast Box - 2009
Food Republic - 2008

ORGANISER
Shanghai Industrial Design Association
CATEGORY
Successful Design Award
YEAR
2014 & 2013

ORGANISER
SME One Asia Awards
CATEGORY
Avant Garde Award, Honoured for Outstanding Creative Innovation
YEAR
2012

ORGANISER
China Association for Quality Inspection
CATEGORY
Food Integrity and Quality Trust Award
YEAR
2012

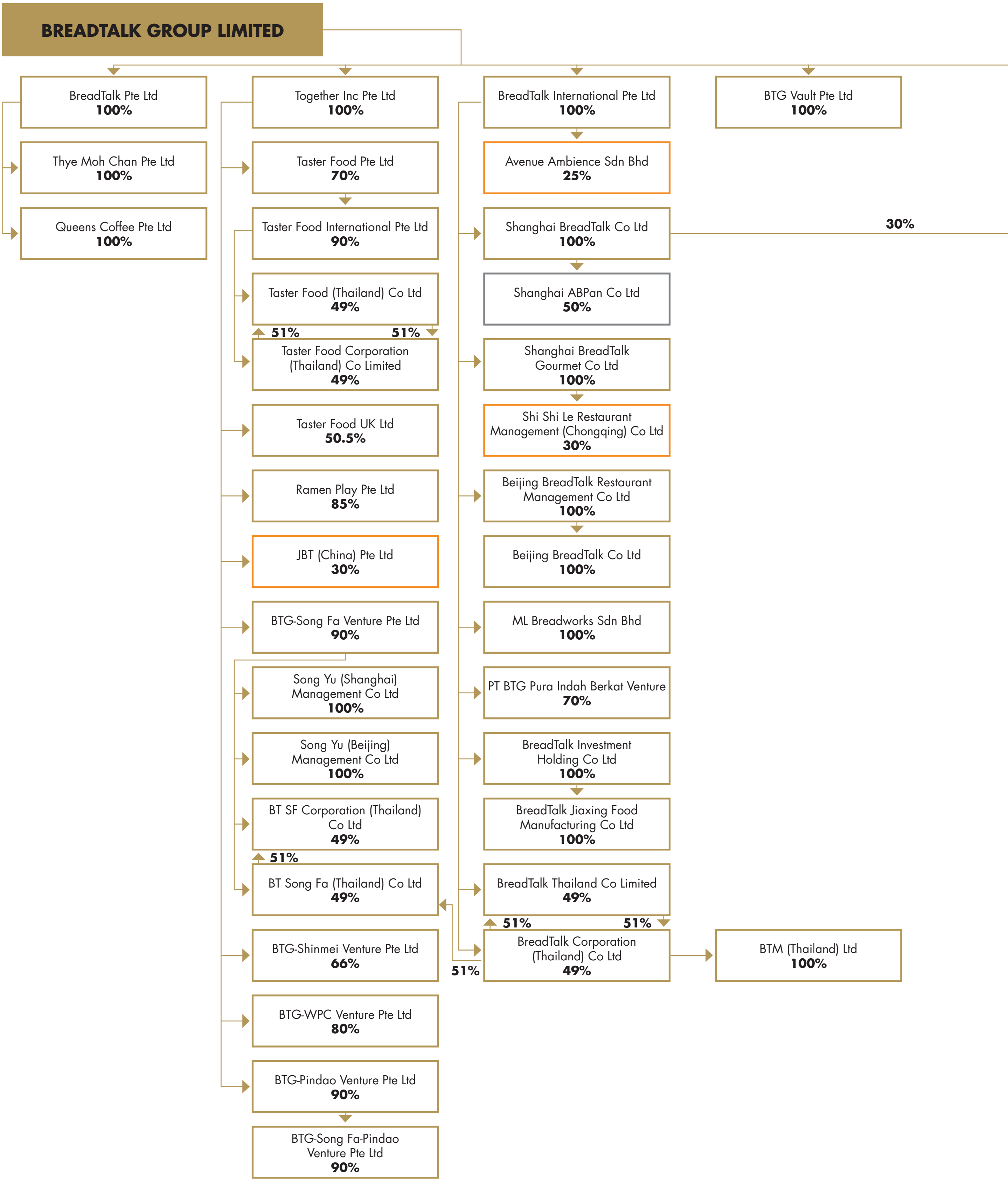
ORGANISER
Shanghai Sugar Association, China
CATEGORY
Shanghai Premium Foods
YEAR
2012

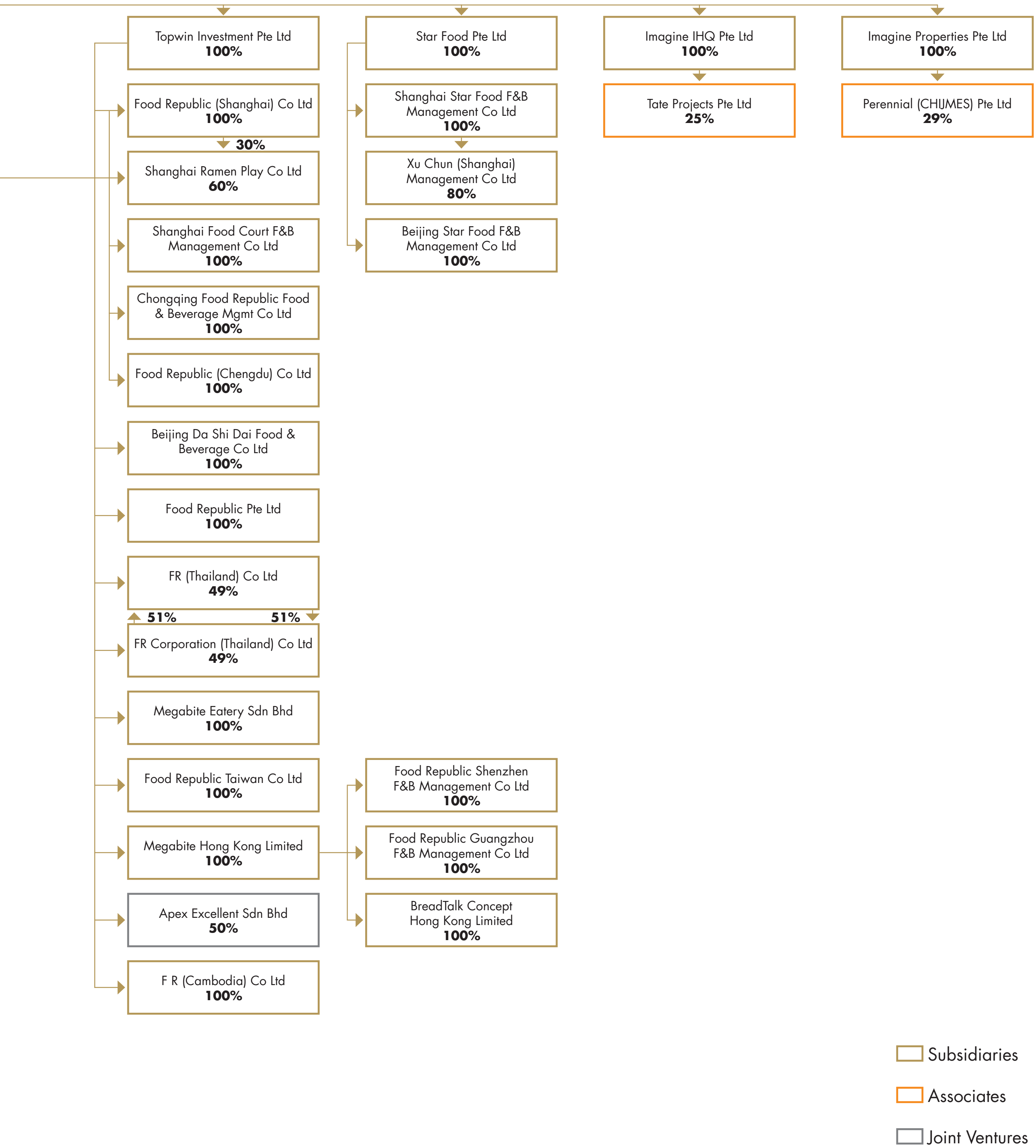
ORGANISER
Franchising and Licensing Association of Singapore
CATEGORY
Franchisor of the Year Award - Finalist
YEAR
2005

ORGANISER
Hong Kong Design Centre
CATEGORY
Design for Asia Award
YEAR
2004

ORGANISER
Accenture and The Business Times
CATEGORY
Enterprise 50 Start Up Award
YEAR
2002

BREADTALK GROUP LIMITED & SUBSIDIARIES

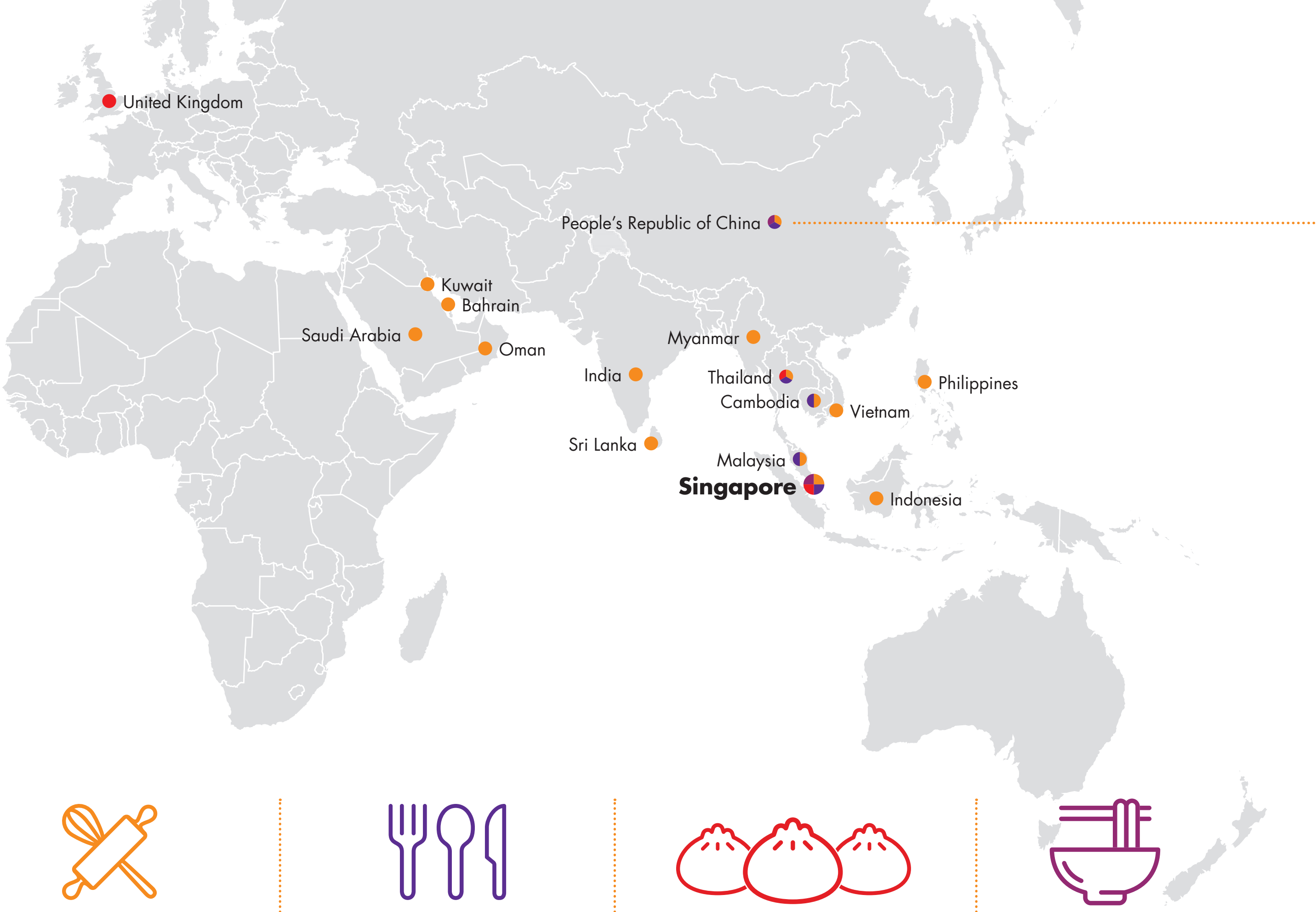



Topwin Investment Pte Ltd 100%
Food Republic (Shanghai) Co Ltd 100%
30%
Shanghai Ramen Play Co Ltd 60%
Shanghai Food Court F&B Management Co Ltd 100%
Chongqing Food Republic Food & Beverage Mgmt Co Ltd 100%
Food Republic (Chengdu) Co Ltd 100%
Beijing Da Shi Dai Food & Beverage Co Ltd 100%
Food Republic Pte Ltd 100%
FR (Thailand) Co Ltd 49%
51%
51%
FR Corporation (Thailand) Co Ltd 49%
Megabite Eatery Sdn Bhd 100%
Food Republic Taiwan Co Ltd 100%
Megabite Hong Kong Limited 100%
Apex Excellent Sdn Bhd 50%
F R (Cambodia) Co Ltd 100%
Star Food Pte Ltd 100%
Shanghai Star Food F&B Management Co Ltd 100%
Xu Chun (Shanghai) Management Co Ltd 80%
Beijing Star Food F&B Management Co Ltd 100%
Food Republic Shenzhen F&B Management Co Ltd 100%
Food Republic Guangzhou F&B Management Co Ltd 100%
BreadTalk Concept Hong Kong Limited 100%
Imagine IHQ Pte Ltd 100%
Tate Projects Pte Ltd 25%
Imagine Properties Pte Ltd 100%
Perennial (CHIJMES) Pte Ltd 29%
Subsidiaries
Associates
Joint Ventures

GEOGRAPHICAL REACH

WITH A PRESENCE IN

16 **COUNTRIES** ACROSS **ASIA, EUROPE** AND THE **MIDDLE EAST**, THE BREADTALK GROUP'S CREATIVE CONCEPTS CONTINUE TO ENGAGE AND EXCITE **CONSUMERS**.



863
BAKERIES

60
FOOD ATRIA

28
RESTAURANTS

12
4ORTH OUTLETS

Bakery · Food Atrium · Restaurant · 4orth

CLOSE TO
1,000
OUTLETS

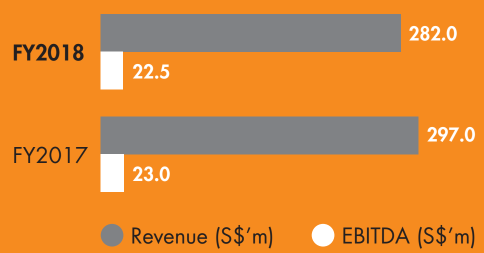
7,000
EMPLOYEES ALL OVER THE WORLD

BUSINESS REVIEW

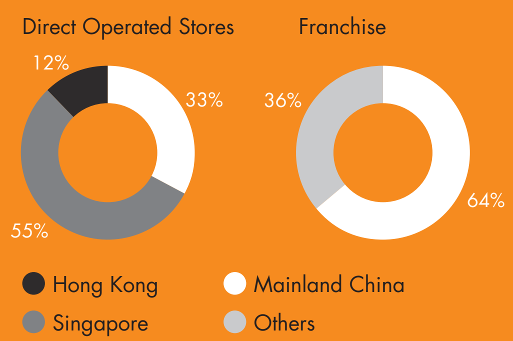
BAKERY

FINANCIAL OVERVIEW

Revenue and EBITDA (S$'m)



Revenue Mix by Geographical Segments



REVENUE
at the Bakery Division declined

5.1%

to S$282.0 million in FY2018 from S$297.0 million in FY2017

EBITDA
for the year was

$22.5 million

2.2% lower compared to FY2017

FINANCIAL HIGHLIGHTS

The Bakery Division registered a 5.1% decline in revenue to S$282.0 million in FY2018 from S$297.0 million in FY2017 on the back of lower contributions from direct operated stores in Shanghai, Beijing and Hong Kong, as well as lower franchise revenue from Mainland China. This was offset by stronger contributions from direct operated stores in Singapore and international franchises. EBITDA for the year was S$22.5 million, 2.2% lower compared to FY2017 primarily due to weaknesses in profitability in Mainland China. EBITDA margin was higher at 8.0% in FY2018, up from 7.8% in FY2017.

HIGHLIGHTS IN FY2018

BreadTalk

Over the years, the Bakery Division's commitment to creative differentiation and innovation, as well as its unrelenting quest for excellence has seen it clinch numerous local and international accolades. This year was no exception, as BreadTalk was once again named "Brand of the Year" in the Bakery category at the World Branding Awards 2018-2019. This marks the third consecutive year that the brand has received this prestigious award, and its fourth win since 2014. To date, BreadTalk remains the only bakery brand from Singapore to have been awarded this title. In the Middle East, it took home the Excellence in Food Promotion award at the 2018 GCC Enterprise Awards by MEA Markets, which recognises businesses that have demonstrated innovation, dedication and breakthrough in their business operations within the region.

These accolades are testament to our successful efforts in building the BreadTalk brand across an international platform over the last 18 years, and continue to spur us on in bringing a taste of Singapore and our quality bakery experience across the globe.

CELEBRATING SPECIAL OCCASIONS

Following BreadTalk's 18th anniversary celebrations in July, we were privileged to be a part of Singapore's 53rd birthday celebrations, as one of the Principal Partners of the National Day Parade. This included the sponsorship of several items in the National Day Parade Fun Pack, including our first-ever halal certified muffin by Buzzi Nook, a brand extension of BreadTalk that specialises in producing and supplying semi-finished dough products that are halal-certified. It truly befitted our identity as a home-grown brand with deep roots in Singapore.

As part of the birthday festivities and celebration of Singapore's unique local culinary culture, BreadTalk launched a selection of locally-inspired products, including the highly popular Golden Lava Flosss, which marries our signature Flosss bun with salted egg yolk - a local favourite! More than 120,000 of this limited edition product flew off the shelves in July.

Our limited edition Chilli Crab Puff was another runaway success, featuring a sweet, savoury and spicy filling synonymous with the popular local *zi char* dish. The crustacean-shaped puff was a crowd-puller, with more than 11,000 puffs sold within its inaugural launch week. The much-loved King of Fruits took the spotlight in our festive Durian Mini Croissants which were filled with a rich *Mao Shan Wang* cream filling, another overwhelming favourite among our customers, with the mini treat completely sold out by National Day's Eve.

BUSINESS REVIEW

OUTLET BY GEOGRAPHY

SINGAPORE

118

MAINLAND CHINA

338

HONG KONG

22

SOUTHEAST ASIA AND REST OF WORLD

385

OUTLET MOVEMENT

OPENED

137

CLOSED

145

AS AT END FY2018

863

TAPPING TECHNOLOGIES, EXPANDING CAPABILITIES

We continued to strengthen our existing capabilities and invest in new ones for the future. Tapping on the rising trend of digitalisation, our fuss-free BreadTalk Rewards loyalty programme can now be used at more than 100 BreadTalk and Toast Box outlets in Singapore. The BreadTalk Rewards card/app allows customers to top-up and pay using their stored value top-up and purchase discounted product packages, while enjoying registration benefits such as welcome and birthday vouchers. This year, BreadTalk also embarked on a strategic partnership with Grab across its GrabPay, GrabRewards and GrabFood platforms. This partnership has enabled us to offer another popular cashless payment option to customers at all BreadTalk and Toast Box outlets across the island.

In an effort to expand our product range and bring the BreadTalk brand to a wider audience, we have successfully secured halal certification for our new brand - Buzzi Nook by BreadTalk. Dedicated facilities within the Bakery Division's Central Kitchen can now produce and supply halal-certified dough and products, which will strengthen BreadTalk's position in the respective halal markets. To date, Buzzi Nook's product mix comprises 28 flour mixes, 18 finished baked products and 37 semi-finished dough products.

STRENGTHENING THE BRAND, WIDENING OUR FOOTPRINT

Overseas, the Bakery Division continued to make headway into new markets while expanding our presence in existing locales. During the year, we partnered with India's Som Datt Group to open our inaugural outlet in the capital city of India, Delhi, with plans to open a total of 15 outlets within Delhi and its satellite cities in three years. In Vietnam, we expanded our presence in Hanoi City, Nha Trang, and Ho Chi Minh with the opening of five new stores. We also marked another milestone in Cambodia with the opening of three new stores, in the capital city of Phnom Penh. Meanwhile in Myanmar, we added a third outlet at the iconic Myanmar Plaza, a mega-mall located in the heart of Yangon City.

This geographical expansion reflects the Bakery's direction to focus on strategic high-growth markets, with store locations in choice areas of high footfall and densely populated locales.

Toast Box

Following the signing of our joint-venture agreement with United Malayan Land (UM Land) in end 2017, we rode on the momentum and successfully opened a total of four BreadTalk and Toast Box outlets in Malaysia in 2018, with a target to open 14 more stores in 2019. In addition, building on the success of the popular PT Pura Indah Berkat (PIB)-managed Toast Box outlet at Soekarno-Hatta International Airport Terminal 3, we have expanded our partnership with PIB to bring our signature Nanyang coffee, toast and Asian delights to a wider audience in Indonesia. We have since opened two stores under this agreement at Kota Kasablanka and Gandaria City in Central Jakarta, with plans to open 100 stores within a decade.
In a nod to our brand accomplishments, Toast Box was awarded the Most Popular Established Brand and the Overall Winner in the Established Brands category at the Singapore Prestige Brand Award 2018, standing as a proud testament to our successful branding initiatives over the years.

Thye Moh Chan

With its repertoire of traditional handcrafted Teochew baked goods, Thye Moh Chan has been a true icon and ambassador of Singapore's food culture and history. It was thus fitting for the brand to open its first pop-up store at Singapore's Changi Airport Terminal 2 from May to November. Marking the brand's debut in a prominent national landmark, the store is designed with modern Peranakan-inspired tiles, light wood enhanced with rose gold accents, and dressed up with display elements that highlight our signature products and our longstanding 75-year heritage.

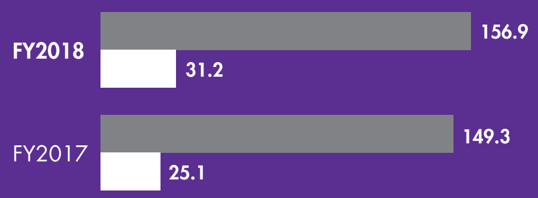
The brand also launched a new durian pastry to appeal to tourists looking for a unique Singapore souvenir to take home. True to the fruit's popularity, the durian pastry was a top-seller at the airport store since launch. During our promotional campaign in July, the quantity sold for the durian pastry went beyond 10,000 pieces! This popular product continues to be available at Thye Moh Chan's stores at Chinatown Point and Paragon.

BUSINESS REVIEW

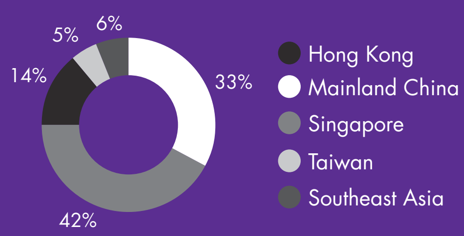
FOOD ATRIUM

FINANCIAL OVERVIEW

Revenue and EBITDA (S$'m)



Revenue Mix by Geographical Segments



FINANCIAL HIGHLIGHTS

The Food Atrium Division saw steady growth in FY2018 as EBITDA grew 24.3% to S$31.2 million while EBITDA margin rose to 19.9% from 16.8% a year ago. Revenue grew 5.1% to $156.9 million from S$149.3 million in FY2017, largely on the back of lower stall vacancies and stronger same-store sales growth momentum during the year.

HIGHLIGHTS IN FY2018

KEY INITIATIVES

Food Republic Singapore celebrated its 13-year anniversary with a number of key activities during the year.

A proud advocate of our Singapore heritage, Food Republic, together with the BreadTalk Group and Buzzi Nook, sponsored the National Day Parade 2018 for the first time. In conjunction with the sponsorship, Food Republic also ran a contest on Instagram for diners to submit pictures of dishes from Food Republic that best represent Singapore.

In October, Food Republic collaborated with One FM 91.3 to celebrate its official anniversary at its flagship outlet in Wisma Atria. The celebrations also included an island-wide lucky draw for our customers.

During the year, Food Republic premiered a new mobile application – FR Rewards, the first-of-its- kind app by a food atrium in Singapore that offers a loyalty programme and cashless payment options. The app features a "Scan to Pay" function at the stalls and an "Order Ahead" takeaway option that allows customers to beat long queues at the food stalls. As at end-December, the app had been downloaded more than 20,000 times within just four months of its launch.

Keeping pace with consumer trends, Food Republic also launched a Go Green campaign in Singapore to reduce plastic waste. In conjunction with World Environment Day in June, customers were able to purchase an exclusive gold thermal flask for just S$1 with any purchase of coffee or tea at the drinks stall. In addition, customers also enjoyed 10% off their hot drinks for their next purchase within the same month when they utilised the flask. The discount was also extended to other food stalls within Food Republic to reward customers who brought their own containers for takeaways. Spurred on by the positive response from this campaign, Food Republic did a second run of the campaign from September to December 2018, with customers entitled to a discount of 10% off all hot coffee or tea purchases when they used their own flask.

In the second quarter of 2018, Food Republic Singapore also launched a new website with a refreshed look and mobile-friendly features. We will be rolling out the new site in other territories to ensure a more unified look and alignment with brand standards.

OUTLETS

In 2018, we opened another Food Republic in Shenzhen, Mainland China, and closed our only outlet in Hangzhou.

As Food Republic continues to gain popularity in Hong Kong with its diverse choices of local and Asian favourite street foods, we opened another outlet during the year.

We also further expanded our global footprint with the opening of our first outlet in Cambodia.

In line with our strategy of operating smaller store formats in shopping malls, we opened three Direct Operated Restaurants (DOR) during the year. As a result, the Division now operates five DORs under the "Sergeant Kitchen" brand, which is a mini restaurant concept specialising in chicken rice. Going forward, Food Atrium plans to further expand this smaller store concept to a wider market.

OUTLET BY GEOGRAPHY

SINGAPORE
14

MAINLAND CHINA
29

HONG KONG
6

TAIWAN
3

SOUTHEAST ASIA
8

OUTLET MOVEMENT

OPENED
6

CLOSED
1

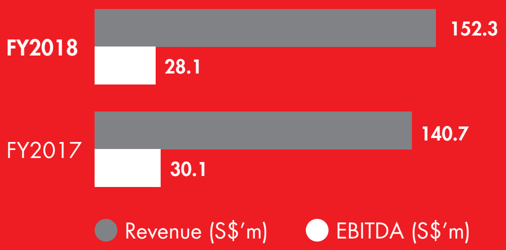
AS AT END FY2018
60

BUSINESS REVIEW

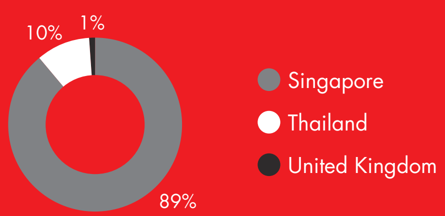
RESTAURANT

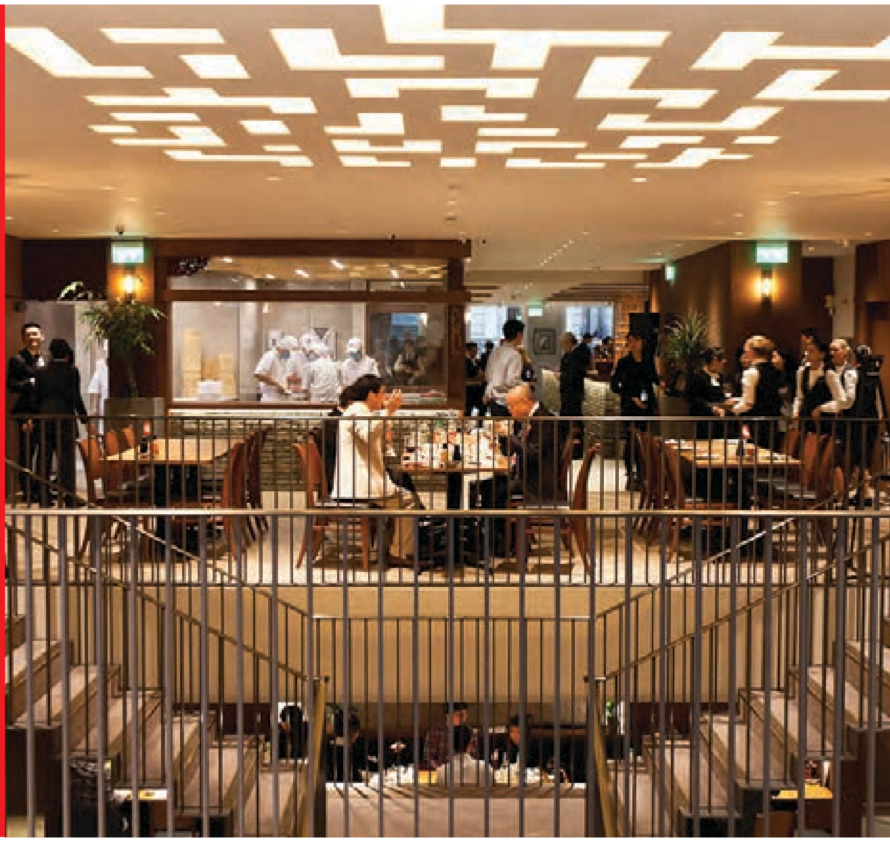
FINANCIAL OVERVIEW

Revenue and EBITDA (S$'m)



Revenue Mix by Geographical Segments





OUTLET BY GEOGRAPHY

SINGAPORE
21

THAILAND
6

UNITED KINGDOM
1

OUTLET MOVEMENT

OPENED
4

CLOSED
1

AS AT END FY2018
28

FINANCIAL HIGHLIGHTS

The Restaurant Division rounded off the year with an 8.2% increase in revenue to S$152.3 million, largely attributed to higher contributions from an enlarged portfolio. EBITDA declined 6.6% to S$28.1 million on the back of higher start-up expenses associated with the opening of the Group's inaugural Din Tai Fung restaurant in the United Kingdom. Consequently, EBITDA margin declined to 18.5% compared to 21.4% in FY2017.

HIGHLIGHTS IN FY2018

GLOBAL FOOTPRINT EXPANSION

The BreadTalk Group achieved a significant milestone in 2018 with its foray into the European market by opening the first Din Tai Fung restaurant in the heart of London, United Kingdom. Taking prime position in the trendy Covent Garden – the West End of London renowned for its eclectic fashion, shopping options, entertainment and award-winning dining choices – the flagship restaurant opened to much fanfare on 5 December.

The two-storey restaurant sits up to 250 and features the brand's signature open-kitchen concept where customers can witness world-class *dian xin* chefs in action, as well as the Group's first in-house cocktail bar serving Taiwan-inspired cocktails and traditional Chinese tea.

2018 also marked Din Tai Fung's 15th successful year in delighting consumers in the Singapore market and seventh year in Thailand. The brand currently has 22 restaurants in Singapore with the relocation of the Marina Bay Sands' restaurant in Q1 2019 and is expecting to open another three more restaurants in 2019.

Din Tai Fung continues to expand in Thailand, closing the year with a total of six restaurants, up from four the previous year. One new restaurant opened in Ei8ht Thonglor in January, one of the trendiest neighbourhoods in central Bangkok known for its bustling entertainment and night life scene, while the second restaurant is located in CentralPlaza Pinklao, one of the largest shopping malls in Bangkok, which opened in December.

AWARDS

Over the years, Din Tai Fung has become synonymous with uncompromising service quality, firmly establishing itself as an exemplar in retail service excellence. In recognition of its achievements in this area, the brand is proud to have three Gold Award recipients and 21 Silver Award recipients at the 2018 Excellent Service Award (EXSA), a widely recognised national award supported by SPRING Singapore that honours service excellence. This is the second consecutive year in which the brand has received the prestigious award.

Reflecting its popularity with Chinese visitors, Din Tai Fung Singapore received two Chinese accolades in 2018. The brand made it into Ctrip's inaugural overseas Ctrip Gourmet List 2018. Ctrip is China's largest online travel platform that boasts an approximate 300 million Chinese users. Additionally, the Din Tai Fung restaurants at Paragon, Chinatown Point and Suntec City also received the Meituan Dianping's 2018 Customer Review Awards.

Din Tai Fung was also a proud recipient of the Reader's Digest Trusted Brand, Gold Award for the fifth consecutive year, in recognition of the brand's unwavering commitment in delivering quality cuisine and service excellence.

KEY ACTIVITIES

Harvest to Hand – Revealing Din Tai Fung's Best Practices

In celebration of its 15th anniversary in Singapore, the brand launched its "Harvest to Hand" video campaign, which showcased the laborious farm-to-table process behind one of the brand's signature dishes- the *dou miao*. The campaign provided viewers with a rare behind-the-scenes look into Din Tai Fung's food cultivation and preparation processes, which are guided by its core values of precision and culinary excellence. In addition, the brand also collaborated with EVA Air to give away a pair of Business Class flight tickets to Taipei where they were hosted at Din Tai Fung's very first restaurant located at Xinyi District.

Culinary Bootcamp by Celebrity Chef Eric Teo

In line with its focus on staff growth and retention, selected Din Tai Fung chefs were also treated to a three-day exclusive Culinary Bootcamp. Din Tai Fung Chefs experienced a full demonstration of European cuisine and participated in a Western Culinary Cook-off which culminated in a fine dining experience at an Italian Restaurant.

A participant from the Bootcamp added "We're exposed to cuisine culinary as part of the nature of our jobs so it's refreshing to attend this Bootcamp and acquire new skills. Kittanu Suriyawachirachai Grade 4 Dian Xin Chef with Din Tai Fung said."

Inaugural Staff Lounge & Newly Launched Staff Benefits

Our success over the years would not have been possible without the hard work of our valued employees. In recognition of their contributions, the first Din Tai Fung Staff Lounge opened its doors in October 2018.

Located in the heart of the bustling Orchard Road precinct, the lounge caters to our front-line staff at Paragon and Wisma Atria. The 1,550 square foot space is furnished with four bento dispensers that provide staff with meals on-demand. Boasting a myriad of cuisines in over 60 bento combinations, staff can choose from three bento selections daily. The bento options are varied on a daily basis to ensure that staff enjoy a wide variety of different meals.

In conjunction with the official launch of the Staff Lounge in January 2019, a new work schedule has been put in place to encourage better work-life balance amongst front-liners. A permanent five-day work week has been implemented, replacing the previous alternate five/six-day work week.

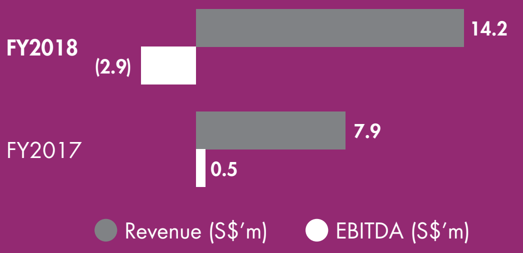
In addition, the brand has also tied up with the Singapore Association of the Visually Handicapped (SAVH) to provide island-wide massage services to all restaurant employees.

BUSINESS REVIEW

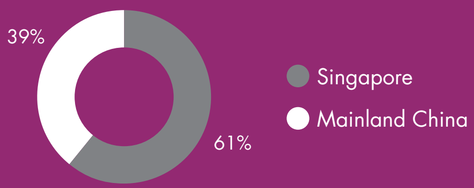
4ORTH FOOD CONCEPTS

FINANCIAL OVERVIEW

Revenue and EBITDA (S$'m)



Revenue Mix by Geographical Segments



L-R: Mr Yeo Hart Pong, Managing Director, Song Fa Holdings; Mr Henry Chu, Chief Executive Officer, BreadTalk Group; Dr George Quek, Chairman, BreadTalk Group; Mr Eugene Tang, General Manager (Operations), Kerry Centre.

OUTLET BY GEOGRAPHY

SINGAPORE
7

MAINLAND CHINA
5

OUTLET MOVEMENT

OPENED
8

CLOSED
1

AS AT END FY2018
12

FINANCIAL HIGHLIGHTS

The 4orth Food Concepts Division registered a 80.3% growth in revenue to S$14.2 million in FY2018. On the back of higher pre-opening expenses incurred in relation to the opening of new outlets during the year, the Division posted an EBITDA loss of S$2.9 million. On a positive note, Sō Ramen has turned in another year of strong performance, contributing positive net profit to the Division.

HIGHLIGHTS IN FY2018

Formed in 2017, the 4orth Food Concepts Division has seen its first full year of operation and successfully identified new growth opportunities for the Group, with encouraging contributions from Sō Ramen in Singapore.

During the year, the Division partnered Song Fa Holdings to open its first Song Fa Bak Kut Teh restaurant in Shanghai, China. The performance of this restaurant has been encouraging and the favourable response from Chinese consumers contributed to average sales of RMB1 million in 2018. Spurred by the positive reception, we opened another two restaurants in Shanghai during the year, as well as our first outlet in Beijing in December.

To further enhance our footprint in the key growth markets of China, we entered into a partnership with Shenzhen Pindao Food & Beverage Management Co Ltd ("Pindao") to expand the Song Fa Bak Kut Teh brand into Shenzhen and Guangzhou. With Pindao's established presence in South China, we hope to leverage its strong operational experience in these cities to identify and secure choice locations to support the growth of the brand and penetration in South China. We expect to open in Guangzhou and in Thailand in 2019.

With specialty tea beverages gaining popularity in Southeast Asia, 4orth Food Concepts also partnered Pindao to bring their Nayuki and TaiGai tea brands into Singapore. Both brands have more than 240 stores in 22 major cities including Beijing, Shanghai, Guangzhou and Shenzhen.

The Nayuki brand was launched in Singapore in December with the opening of our inaugural outlet in VivoCity. With its novelty pairing of cheese tea and soft-euro bakes in a trendy lifestyle cafe setting, Nayuki has been a phenomenal success in China, where it has achieved rapid growth in prime locations across China. With its revolutionary approach to the tea-drinking lifestyle, we believe Nayuki will be hit amongst tea-loving Singaporeans. A further three outlets are in the pipeline, as we look to grow the brand to satisfy growing demand in Singapore for this unique tea and bakery cafe concept. Meanwhile, we opened our first TaiGai outlet at NEX mall in Serangoon in September. The brand, which has over 60 outlets in China, is well-known for its popular fruit-blended teas with milk-cheese crowns. With their flavourful and refreshing taste, we are confident that TaiGai's "Milky Kiss" and "Fruity Milky Kiss" drinks will gain traction in the local specialty tea market. We plan to open another two to three more Nayuki outlets in Singapore in 2019.

Another landmark partnership that we entered into during the year was to bring the well-recognised Wu Pao Chun artisanal bakery chain from Taiwan, China to Singapore and Mainland China. Founded by renowned bread master, Mr Wu Pao Chun, whose long list of accolades includes the 2010 Masters de la Boulangerie and World's Best Baker in the International Union of Bakers and Confectioners International Competition of Young Bakers, this bakery chain is known for its award-winning "Taiwan Longan with Red Wine Bread" and "Taiwan Litchi Rose Champion Bread". Our flagship Wu Pao Chun bakery was launched in Shanghai in December, while the inaugural outlet in Singapore is scheduled to open in 2019 at Capitol Piazza. We also plan to open another outlet in Shanghai in 2019.

INVESTOR RELATIONS

BreadTalk Group's management and Investor Relations (IR) team are committed to building strong relationships with local and overseas investors through good corporate governance practices and sound reporting system.

BreadTalk Group maintains an IR webpage (http://breadtalk.listedcompany.com) where it is the primary source for corporate information, financial results, significant business developments and an avenue for feedback.

We provide both equity and debt institutional investors the opportunity to have a face-to-face interaction with BreadTalk Group's management during semi-annual results briefings and hold regular one-on-one meetings with sell-side research analysts to keep them abreast of our financial performance and business operations. Currently, we are covered by three research analysts.

The management and IR team engaged 177 investors in 25 one-on-one meetings and conference calls. We also participated in local and overseas roadshows and conferences (one in Hong Kong and two in Singapore).

SUMMARY OF FY2018 INVESTOR RELATIONS ACTIVITIES

Face-to-face / Tele-conferences Investor Meetings Hosted	25
Investors Engaged	177
Investor Conferences / Events Attended	3

Coverage by Equity Research Houses

Daiwa Capital Markets - Jame Osman
DBS Vickers Securities - Alfie Yeo
RHB Research Institute Singapore - Juliana Cai

FY2018 CALENDAR

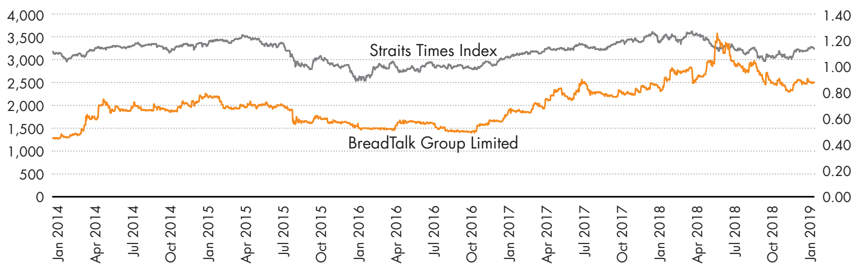
Date	Description
09 Jan	Non-deal Roadshow - Pulse of Asia hosted by DBS Vickers Securities
22 Feb	FY2017 Results Announcement
22 Feb	FY2017 Results - Analyst and Media Briefing
20 Apr	Annual General Meeting
24 & 25 Apr	Non-deal Roadshow in Hong Kong hosted by DBS Vickers Securities
03 May	1Q2018 Results Announcement
26 & 27 Jun	Non-deal Roadshow - Citi ASEAN C-Suite Investor Conference 2018 hosted by Citibank
01 Aug	2Q2018 Results Announcement
02 Aug	2Q2018 Results - Analyst and Media Briefing
05 Nov	3Q2018 Results Announcement

FY2018 CALENDAR

Date	Description
19 Feb	FY2018 Results Announcement
20 Feb	FY2018 Results - Analyst and Media Briefing
20 Feb	Non-deal Roadshow hosted by Daiwa Capital Markets
22 Apr	Annual General Meeting
May*	Tentative 1Q2019 Results Announcement
25 & 26 Jun	Non-deal Roadshow - Citi ASEAN C-Suite Investor Conference 2019 hosted by Citibank
Aug*	Tentative 2Q2019 Results Announcement
Nov*	Tentative 3Q2019 Results Announcement
Feb 20*	Tentative FY2019 Results Announcement

* *Subject to change, please check http://breadtalk.listedcompany.com for the latest updates*

BREADTALK GROUP LIMITED VS STRAITS TIMES INDEX (STI)



BreadTalk Group's market capitalisation as at 28 February 2019 was S$490 million based share price of S$0.87. Total shareholder return over the last five years was 114%, inclusive of dividends, compared to 2% delivered by the Straits Times Index.

CORPORATE GOVERNANCE

BreadTalk Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") are committed to set corporate governance practices in place which are in line with the recommendations of the Code of Corporate Governance 2012 (the "**Cod**e") to provide the structure through which the objectives of protection of Shareholders' interest and enhancement of long-term shareholders' value are met.

This report sets out the Group's corporate governance processes and structures that were in place throughout the financial year ended 31 December 2018, with specific reference made to the principles and guidelines of the Code and where appropriate, we have provided explanations for deviations from the Code.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the "**2018 Code**") and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to Annual Reports covering financial years commencing from 1 January 2019. The Group will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

A. BOARD MATTERS

The Board's Conduct of its Affairs

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

Guideline 1.1 of the Code: The Board's role

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

1. Providing entrepreneurial leadership, setting strategic directions and overall corporate policies of the Group;

2. Supervising, monitoring and reviewing the performance of the management team;

3. Ensuring the adequacy of internal controls, risk management and periodic reviews of the Group's financial performance and compliance;

4. Setting the Company's values and standards (including ethical standards) to meet its obligations to Shareholders and other stakeholders, ensuring that the necessary human resources are in place;

5. Approving the annual budget, major funding proposals, investments and divestment proposals;

6. Assuming responsibility for corporate governance practices; and

7. Approving corporate or financial restructuring, share issuance, dividends and other returns to Shareholders, Interested Person Transactions of a material nature and release of the Group's results for the first three (3) quarters and full year results.

Guideline 1.2 of the Code: Disclosure on directors discharge of duties and responsibilities

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

CORPORATE GOVERNANCE

To assist in the execution of its responsibilities, the Board is supported by three committees, namely the Audit Committee (the "**AC**"), Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**") (collectively "**Board Committees**"). The Board Committees operate within clearly defined terms of reference and they play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance.

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

Formal Board meetings are held at least four times a year to approve the quarterly and full year results announcements and to oversee the business affairs of the Group. The schedule of all the Board and Board Committees meetings for the calendar year is usually given to all the Directors well in advance. The Board is free to seek clarification and information from Management on all matters within their purview. Ad-hoc meetings are convened at such other times as may be necessary to address any specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. Meetings via telephone or video conference are permitted by the Company's Constitution.

Guideline 1.4 of the Code: Board to meet regularly

Details of the Directors' attendance at Board and Board Committees meetings held during the financial year ended 31 December 2018 are summarised as follows:

ATTENDANCE AT BOARD AND BOARD COMMITTEES MEETINGS

Name of Director	Board	AC	NC	RC
Number of Meetings Held	4	4	1	2
ATTENDANCE				
Dr George Quek Meng Tong	4	4*	1*	2*
Ms Katherine Lee Lih Leng	4	4*	1*	2*
Mr Oh Eng Lock [(1)]	2	NA	NA	NA
Mr Ong Kian Min	4	4	1	2
Mr Chan Soo Sen	4	4	1	2
Dr Tan Khee Giap	4	4	1	2
Mr Paul Charles Kenny	3	NA	NA	NA

* By invitation

(1) Mr Oh Eng Lock has resigned as the Executive Director on 31 August 2018.

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

Guideline 1.5 of the Code: Matters requiring Board approval

(a) matters involving a conflict of interest for a substantial Shareholder or Director;

(b) material acquisitions and disposal of assets;

(c) corporate or financial restructuring;

(d) share issuances, dividends and other returns to Shareholders;

(e) matters which require Board approval as specified in the Company's Interested Person Transactions policy; and

(f) substantial expenditures exceeding a prescribed limit.

CORPORATE GOVERNANCE

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

Guideline 1.6 of the Code: Directors to receive appropriate training

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

The Directors are also updated regularly with changes to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board. The Company Secretary informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the SGX-ST Listing Rules that affect the Company and/or the Directors in discharging their duties.

Newly appointed Directors receive appropriate training, if required. The Group provides background information about its history, mission and values to its Directors. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings.

All Directors are appointed to the Board by way of a formal letter of appointment indicating their roles, obligations, among other matters, duties and responsibilities as member of the Board. There were no new Directors appointed during the financial year ended 31 December 2018.

Guideline 1.7 of the Code: Formal letter of appointment

Board Composition and Guidance

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

The Board currently comprises six (6) members – three (3) Independent Non-Executive Directors, two (2) Executive Directors and one (1) Non-Executive Director. They are as follows:

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

CORPORATE GOVERNANCE

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

Presently, the Company is in compliance with Guideline 2.2 of the Code and Rule 210(5)(c) of the Listing Manual of the SGX-ST with three (3) Independent Director on the Board, which makes up half of the Board, while the Chairman, Dr George Quek Meng Tong is part of the Management team and is not considered as an Independent Director. The NC is satisfied that after taking into account the scope and nature of operations of the Group in the year under review, the current Board size is appropriate and effective.

Guideline 2.3 of the Code: Independent Directors

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

As a result of the NC's review for financial year ended 31 December 2018, the NC is of the view that the Independent Directors are independent of the Company's management as contemplated by the Code.

The Board has no dissenting view on the "Chairman's message" to the shareholders as set out on pages 12 to 13 of this Annual Report for the financial year under review.

Guideline 2.4 of the Code: Rigorous Review of Independent Directors

In line with Guideline 2.4 of the Code, the NC had conducted a rigorous review on the independence of the Independent Directors, Mr Ong Kian Min ("**Mr Ong**") and Mr Chan Soo Sen ("**Mr Chan**") and considers them as independent even though they have served on the Board beyond 9 years. The relevant factors that were taken into consideration in determining the independent of Mr Ong and Mr Chan are set out under Principle 4 of page 46 and 47 of this Annual Report.

Guideline 2.5 of the Code: Appropriate Board size

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

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

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

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

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

CORPORATE GOVERNANCE

The Chairman and Chief Executive Officer

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

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

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

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

Guideline 3.2 of the Code: The Chairman's role

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

Guideline 3.3 of the Code: Appointment of Lead Independent Director

Where appropriate, the Lead Independent Director meets periodically with the other Independent Directors without the presence of the other Directors and provides feedback to the Chairman after such meetings.

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

Guideline 4.1 of the Code: Composition of the NC

The composition of the NC is as follows:

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

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

Guidelines 4.2: Duties of the NC

CORPORATE GOVERNANCE

1. To make recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally, and the balance between Executive and Non-Executive Directors appointed to the Board, as well as ensuring there are procedures in place for the selection and appointment of NEDs.

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

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

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

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

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

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

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

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

Guidelines 4.2 and 4.6: Process of selecting directors

The NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. The NC may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities. Recommendations for new Directors are put to the Board for its consideration.

New Directors are appointed by way of a Board resolution following which they are subject to re-election at the next annual general meeting ("**AGM**").

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

Guideline 4.3: Independence of Independent Directors

In considering whether an Independent Director who has served on the Board for 9 years is still independent, the Board has taken into consideration the following factors:

CORPORATE GOVERNANCE

1. The considerable amount of experience and wealth of knowledge that the independent director brings to the Company.

2. The attendance and active participation in the proceedings and decision making process of the Board and Board Committees Meetings.

3. Provision of continuity and stability to the new Management at the Board level as the independent director has developed deep insight into the business of the Company and possesses experience and knowledge of the business.

4. The qualification and expertise provides reasonable checks and balances for the Management.

5. The independent director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company. He is adequately prepared and responsive and heavily involved in the discussions at the meeting.

6. The independent director provides overall guidance to Management and act as safeguard for the protection of Company's assets and Shareholders' interests.

In this regard, the NC with the concurrence of the Board has reviewed the suitability of Mr Ong and Mr Chan being the Independent Directors who have served on the Board beyond 9 years and have determined that Mr Ong and Mr Chan remains independent. Mr Ong and Mr Chan had abstained from voting on any resolution in respect of their own appointment. In addition, the NC is of the view that Mr Ong and Mr Chan are independent (as defined in the Code) and are able to exercise judgement on the corporate affairs of the Group independent of the Management.

Guideline 4.4: Board representations

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits.

Guideline 4.5: Appointment of Alternate Director

There is no alternate director being appointed to the Board for the financial year ended 31 December 2018.

The NC has recommended to the Board that Mr Chan Soo Sen and Mr Paul Charles Kenny be nominated for re-election pursuant to Regulation 107 of the Company's Constitution at the forthcoming AGM. The Board had accepted the NC's recommendation. Please refer to page 62 to 67 in the Annual Report for the detailed information required pursuant to Rule 720(5) of the Listing Manual of the SGX-ST.

Each member of the NC shall abstain from voting on any resolutions in respect to his nomination as a Director.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out in page 18 to 20 of the Annual Report.

CORPORATE GOVERNANCE

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.

While the Code recommends that the NC be responsible for assessing the Board as a whole and also assessing the individual evaluation of each Directors' contribution, the NC is of the view that it is more appropriate and effective to assess the Board and Board Committees as a whole, bearing in mind that each member of the Board contributes in different way to the success of the Company and Board decisions are made collectively.

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

The Board has implemented a process for assessing the effectiveness of the Board and the Board Committees as a whole. During the financial year under review, each Director was required to complete a board evaluation form adopted by the NC to assess the overall effectiveness of the Board and Board Committees, which will be collated by the Chairman for review or discussion. The results of the Board and Board Committees evaluation exercise were considered by the NC which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The appraisal process focused on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board performance in relation to discharging its principal responsibilities and the Directors' standards of conduct. Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board. No external facilitator was used during the evaluation process.

The Board and the NC had endeavored to ensure that Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for the financial year ended 31 December 2018 are based on their attendance and contributions made at the Board and Board Committees meetings.

Access to Information

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

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

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

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

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

CORPORATE GOVERNANCE

The Company Secretaries or their representatives attends all Board and Board Committees meetings and prepares minutes of Board and Board Committees meetings and assists the Chairman in ensuring that Board procedures are followed and reviewed in accordance with the Company's Constitution so that the Board functions effectively and the relevant rules and regulations applicable to the Company are complied with. The Company Secretaries or their representatives' role is to advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as Board policies and procedures are complied with. The appointment and removal of the Company Secretaries are subjected to the approval of the Board.

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

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

Guideline 6.5 of the Code: Access to independent professional advice

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

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

The RC comprises three (3) Independent Directors as follows:

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

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

The primary responsibilities of the RC are as follows:

Guideline 7.2 of the Code: The RC's responsibilities

1. To review and recommend to the Board in consultation with the Chairman of the Board, a framework for remuneration and to determine the specific remuneration packages and terms of employment for each of the executive Directors and key management personnel or divisional CEOs (those reporting directly to the Chairman or the Group's Chief Executive Officer) and those employees related to the Executive Directors and controlling Shareholders of the Group.

2. To review and recommend to the Board in consultation with the Chairman of the Board, any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

CORPORATE GOVERNANCE

3. To administer the BreadTalk Group Limited Restricted Share Grant Plan 2018 (the "**RSG Plan**") and shall have all the powers as set out in the Rules of the RSG Plan.

4. To carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

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

   (i) all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered.

   (ii) the remuneration packages should be comparable within the industry and comparable companies, and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual executive Directors' and key management personnel' or divisional CEOs' performance.

   (iii) the remuneration package of employees related to Executive Directors and controlling Shareholders are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

The RC will seek independent expert advice inside and/or outside the Company on the remuneration of executive directors and key management personnel or divisional CEOs (those reporting directly to the Chairman or the Group's Chief Executive Officer), and those employees related to the executive directors and controlling Shareholders of the Group, if necessary. The Company has engaged Mercer (Singapore) Pte. Ltd. ("**Mercer**") as its remuneration consultant during financial year ended 31 December 2018. Mercer does not have any relationships with the Company which would affect the independence and objectivity of Mercer for review of the remuneration framework.

Guideline 7.3 of the Code: Access to expert advice

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

Guideline 7.4 of the Code: Termination clauses

Level and Mix of Remuneration

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

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

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

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

CORPORATE GOVERNANCE

At the Extraordinary General Meeting ("**EGM**") held on 20 April 2018, the Shareholders of the Company had approved the adoption of the new RSG Plan and new Employee Share Option Scheme. Under the RSG Plan and any other share based schemes of the Company, the aggregate number of shares to be issued shall not exceed 15% of the total issued share capital, excluding treasury shares of the Company and will be in force for a maximum period of ten (10) years commencing 20 April 2018.

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

The adoption of RSG Plan is consistent with the continuing efforts of the existing Scheme in rewarding, retaining and motivating employees to achieve superior performance standards while affording the Company greater flexibility to align the interests of employees with those of the Shareholders. To date, there is no share issue under its RSG Plan.

The RC has adopted a framework which consists of a base fee to remunerate Non-Executive Directors based on their appointments and roles in the respective Board Committees, as well as the fees paid in comparable companies. Fees for the Non-Executive Directors will be tabled at the forthcoming 2018 AGM for Shareholders' approval.

Disclosure on Remuneration

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

A breakdown showing the level and mix of each Director's and key Management Personnel's remuneration for the year ended 31 December 2018 is set out below:

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

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Name of Director	Salary[1] %	Bonus / Profit-Sharing %	Share-based Compensation %	Benefits-In-Kind %	Directors' Fees[3] %	Total %
Above S$1,000,000						
Dr George Quek Meng Tong	50.4	47.1	–	2.5	–	100.0
S$750,000 to below S$1,000,000						
Oh Eng Lock[2]	22.1	77.3	0.6	–	–	100.0
S$500,000 to below S$750,000						
Katherine Lee Lih Leng	51.6	48.4	–	–	–	100.0
Below S$100,000						
Ong Kian Min	–	–	–	–	100.0	100.0
Chan Soo Sen	–	–	–	–	100.0	100.0
Dr Tan Khee Giap	–	–	–	–	100.0	100.0
Paul Charles Kenny	–	–	–	–	–	–

CORPORATE GOVERNANCE

Name of Key Management Personnel[4] (who are not Directors)	Designation	Salary[1] %	Bonus / Profit-Sharing %	Share-based Compensation %	Benefits-In-Kind %	Total %
Above S$1,000,000						
Chu Heng Hwee	Group CEO	49.1	41.6	9.3	–	100.0
S$750,000 to below S$1,000,000						
Cheng William	CEO, Restaurant Division	34.9	63.0	2.1	–	100.0
Chan Ying Jian	Group CFO	55.6	41.9	2.4	0.1	100.0
S$500,000 to below S$750,000						
Jenson Ong Chin Hock	CEO, Food Atrium Division	68.4	31.4	0.2	–	100.0
Tan Aik Peng	CEO, Bakery Division	67.9	30.2	1.9	–	100.0

Notes:

(1) Salary is inclusive of fixed allowance and CPF contribution.
(2) Mr Oh Eng Lock resigned as the Executive Director on 31 August 2018.
(3) Directors' fees will be paid after approval is obtained from Shareholders at the forthcoming 2018 AGM.
(4) The Group has identified four key management personnel (who are not directors or the CEO) for the financial year ended 31 December 2018.

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

The total remuneration of the top four key management personnel (who are not directors or the CEO) is S$2,882,445 for the financial year ended 31 December 2018.

There were no terminations, retirement or post-employment benefits granted to Directors, the CEO and key management personnel other than the standard contractual notice period termination payment in lieu of service for the financial year ended 31 December 2018.

Immediate Family Member of Directors or Substantial Shareholders

Mr Frankie Quek Swee Heng is the brother of Dr George Quek Meng Tong and whose remuneration exceeds S$50,000 in the financial year ended 31 December 2018. The basis for determining the compensation of our related employees is the same as the basis of determining the compensation of other unrelated employees.

CORPORATE GOVERNANCE

Details of remuneration paid to the immediate family member of Directors or substantial Shareholders for the financial year ended 31 December 2018 is set out below:

Name of Immediate Family Member	Salary %	Bonus / Profit-Sharing %	Share-based Compensation %	Benefits-In-Kind %	Total %
S$350,000 to below S$400,000					
Mr Frankie Quek Swee Heng	79.3	18.3	2.4	–	100

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

C. ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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

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

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

Risk Management and Internal Controls

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

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

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

CORPORATE GOVERNANCE

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

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

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

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

Based on the internal control established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, various Board committees and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational, compliance, information technology and risk management system, were adequate and effective for the financial year ended 31 December 2018.

Audit Committee

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

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

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

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

The members of the AC are:

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

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

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

Guideline 12.3 of the Code: The AC's authority

CORPORATE GOVERNANCE

The main functions of the AC are as follows:

Guideline 12.4 of the Code: Duties of the AC

1. Reviewing the audit plan of the Company's external auditors and adequacy of the system of internal accounting control;

2. Discussing and reviewing the external auditors' reports;

3. Reviewing significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's or Group's financial performance;

4. Reviewing and recommending the nomination of the external auditors for appointment or re-appointment;

5. Reviewing the Interested Person Transactions;

6. Reviewing the scope and results of the internal audit procedures;

7. Reviewing the internal audit programme and the adequacy and effectiveness of the Company's internal audit function, as well as to ensure co-ordination between the internal and external auditors and Management; and

8. Reviewing the remuneration packages of the employees who are related to the Directors or substantial Shareholders.

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

The AC held four (4) meetings during the financial year under review. It has reviewed the financial statements of the Group for the purpose of the first three (3) quarters and annual results release before they were submitted to the Board for approval. It has also met with the Company's internal and external auditors (without the presence of Management) to review their audit plans and results, and has separate and independent access to the auditors. The AC had reviewed the non-audit services provided by the external auditors, and is of the opinion that the provision of such services does not affect their independence. The aggregate amount of fees paid to the external auditors and a breakdown of fees paid in total for audit and non-audit services are set out on page 116 of this Annual Report.

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

Guideline 12.9

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the EA. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

In line with the recommendations by ACRA, Monetary Authority of Singapore and SGX that the AC can help to improve transparency and enhance the quality of corporate reporting by providing a commentary on key audit matters ("**KAM**").

The AC considered the KAM presented by the external auditors together with Management. The AC reviewed the KAM and concurred and agreed with the external auditors and Management on their assessment, judgements and estimates on the significant matters reported by the external auditors.

CORPORATE GOVERNANCE

Guidelines 12.7 and 12.8 of the Code: Whistle-blowing arrangements

Where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any Singapore law, rule or regulation which has a material impact on the Company's operating results, the AC will commission and review the findings of internal investigations into the matters. Endorsed by the AC, the Company has in place a whistle-blowing framework ("**Policy**") which provides an avenue for employees of, as well as other external parties who have business relations with, the Group to access the AC chairman to raise concerns about improprieties and independent investigation of such matters by the AC. Details of the Policy are set out below.

<u>The Policy</u>

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

Reportable Conduct

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

1. Use of funds for any illegal, improper or unethical purpose;

2. Tampering with, or destroying, any accounting or audit-related records in any medium or format except as otherwise permitted or required by the Group's records retention policy;

3. Fraud or deliberate errors in the preparation, evaluation, review or audit of the Group's financial statements, and/or recording and maintaining of financial records (such as overstating expense reports, preparing erroneous invoices, misstating inventory records or describing an expenditure as being made for one purpose when it was in fact for another);

4. Deficiencies in or non-compliance with the internal controls for example, circumventing review and approval processes;

5. Unsafe work practices; and/or

6. Concealing or attempting to conceal information related to any of the above.

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

1. Work scheduling, required hours of work, compensation of work and staff transfer;

2. Enforcement of existing Human Resource Policies and requirements; and/or

3. Theft and/or fraud by customers.

CORPORATE GOVERNANCE

Functions and Procedure

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

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

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

Internal Audit

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

The Group has outsourced certain internal audit works to Foo Kon Tan Advisory Services Pte Ltd.

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

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

The Board recognises that it is responsible for maintaining a system of internal control to safeguard Shareholders' investments and the Company's businesses and assets while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the Internal Auditors is to assist the AC in ensuring that the controls are effective and functioning as intended to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas.

The AC approves the hiring, removal, evaluation and compensation of the internal auditor, who has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The AC is satisfied that the internal audit function is (i) independent, (ii) staffed by suitably qualified and experienced professionals with the relevant experience and (iii) has adequate resources to perform its function effectively.

The AC reviews annually the independence, adequacy and effectiveness of the internal audit function of the Company.

CORPORATE GOVERNANCE

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

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

The Company does not practise selective disclosure. In line with the continuous obligations of the Company under the SGX-ST Listing Manual and the Companies Act, Chapter 50, the Board's policy is that all Shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

Shareholders are informed of general meetings through the announcements released to the SGXNet and notices contained in the Annual Report or circulars sent to all Shareholders. These notices are also advertised in a national newspaper. All Shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any Shareholder is unable to attend, he/she is allowed to appoint such number of proxies as required to vote on his/her behalf at the general meeting through proxy forms sent in advance. Shareholders are also informed on the procedures for the poll voting at the general meetings.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

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.

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

The Company believes in high standards of transparent corporate disclosure and is committed to disclose to its Shareholder, the information in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected Group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:–

- Annual Report prepared and issued to all Shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments, if any, and other disclosures required by the Companies Act, Chapter 50 and Singapore Financial Reporting Standards;

- Quarterly announcements containing a summary of the financial information and affairs of the Group for that period;

- Press releases on major developments of the Group; and

- Notices of explanatory memoranda for AGMs and EGM. The notice of AGM and EGM are also advertised in a national newspaper.

CORPORATE GOVERNANCE

All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner through SGXNet, press releases and the Company's website. The Company does not practice selective disclosure of material information. All materials on the quarterly, half yearly and full year financial results are available on the Company's website – www.breadtalk.com. The comprehensive website, which is updated regularly, also contains various others investor-related information on the Company which serves as an important resource for investors.

By supplying Shareholders with reliable and timely information, the Company is able to strengthen the relationship with its Shareholders based on trust and accessibility. The Company's investor relations (IR) team is led by the Group Chief Financial Officer who is responsible for integrating finance, accounting, corporate communications, legal and compliance to enable effective communication between the Company and investors. The Company conducts briefings to present its financial results to the media and analysts. Outside of the financial announcement periods, when necessary and appropriate, the IR team will meet investors and analysts who wish to seek a better understanding of the Group's business and operations. This effort enables the Company to solicit feedback from the investment community on a range of strategic and topical issues which provide valuable insights to the Company from investors' views. For detailed IR events and calendar, please refer to page 40 of the Annual Report.

The Company does not practice selective disclosure. Price-sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All Shareholders of the Company will receive the Annual Report with an accompanying notice of AGM by post. The notice of AGM is also published in the newspaper within the mandatory period, the AGM of which is to be held within four months after the close of the financial year.

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

The Board has recommended a final dividend of 1.0 cents per share for the financial year ended 31 December 2018 which is subject to the Shareholders' approval at the forthcoming AGM of the Company.

Conduct of Shareholder Meeting

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.

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

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

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

CORPORATE GOVERNANCE

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

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

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

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

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

Guideline 16.5 of the Code: Minutes of general meetings

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adhere to the requirements of the Listing Manual of the SGX-ST and the Code, all resolutions at the Company's general meetings held on or after 1 August 2015, if any, are put to vote by poll. The detailed results of each resolution are announced via SGXNet after the general meetings. The Company had adopted electronic polling for the resolutions voted at the AGM held during the financial year ended 31 December 2018.

Guideline 16.6 of the Code: All resolutions to vote by poll

Dealing in Securities

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

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

On 28 May 2009, a Disciplinary Committee (the "**DC**") was formed to conduct inquiry on possible breaches of the Policy. The role of the DC is to report its finding to the Board and make recommendation as to the penalty if applicable. The Board will decide based on the DC's recommendation.

The DC comprises three (3) members, a majority of whom are Independent Non-Executive Directors. The chairman of the DC is an Independent Non-Executive Director.

The members of the DC are:

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

CORPORATE GOVERNANCE

Interested Person Transactions

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

The AC has reviewed the Interested Person Transactions ("**IPTs**") entered into during the financial year by the Group and the aggregate value of IPTs entered during the financial year ended 31 December 2018 is as follows:

Name of Interested Person	Aggregate value (S$'000) of all IPTs during the financial year under review	Aggregate value of all IPTs conducted during the financial year under review under the shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S$100,000)
(1) Sky One Art Investment Pte Ltd – Purchases of artwork	314	Not applicable – the Group does not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual
(2) Kungfu Kitchen and Capitol F&B – License fee & miscellaneous charges for operating at Vivo City Food Court	470	

Material Contracts

Except as disclosed in IPT above, there is no material contract or loan entered into by the Company or any of its subsidiaries involving interests of any Director or Controlling Shareholder during the financial year ended 31 December 2018.

CORPORATE GOVERNANCE

Information for the Directors who are retiring and being eligible, offer themselves for re-election at the forthcoming AGM pursuant to Rule 720(5) of the Listing Manual of the SGX-ST:

Details	**Name of Director**	
	Chan Soo Sen	**Paul Charles Kenny**
Date of Appointment	14 August 2006	1 March 2016
Date of last re-appointment (if applicable)	20 April 2016	20 April 2016
Age	62	70
Country of principal residence	Singapore	Thailand
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Chan is able to exercise judgement as the Independent Director on the corporate affairs of the Group and independent of the Management. The Board considers Mr Chan to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Kenny's contribution as Non-Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director, Chairman of Remuneration Committee and member of Audit Committee and Nominating Committee	Non-Executive Director
Professional qualifications	• Master of Science in Management Science, University of Stanford • Bachelor of Arts in Mathematics (Second Class Honors), Keble College University of Oxford	• General Management Program, Ashridge Management College, England • Director Certificate Program, Thai Institute of Directors Association
Working experience and occupation(s) during the past 10 years	• Singbridge International Singapore Pte Ltd (2009-2012), Executive Vice President • Keppel Corporation (2006-2009), Director (Chairman's Office) • Ministry of Trade & Industry (2005-2006), Minister of State • Ministry of Education (2004-2006), Minister of State	• The Minor Food Group Plc. (2002-present), Chief Executive Officer • The Minor Food Group Plc. (1993-2002), Senior Vice President/Chief Operating Officer • Pizza Hut (Taiwan) Jardine Pacific Ltd. T.P.H. Company Ltd. (1990-1993), Managing Director • Jardine Restaurant, Victoria, Australia (1987-1989), Operations Manager

CORPORATE GOVERNANCE

Details	Name of Director	
	Chan Soo Sen	**Paul Charles Kenny**
Working experience and occupation(s) during the past 10 years (cont'd)	• Prime Minister's Office & Ministry of Community Development & Sports (2001-2004), Minister of State • Prime Minister's Office & Ministry of Health (2001), Senior Parliamentary Secretary • Prime Minister's Office & Ministry of Health (1999-2001), Parliamentary Secretary • Prime Minister's Office & Ministry of Community Development (1997-1999), Parliamentary Secretary • Member of Parliament (1996-2011) • China-Singapore Suzhou Industrial Park Development Co Ltd (1994-1996), Chief Executive Officer	
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships	**Past (for the last 5 years)** Independent Director of: • Cogent Holdings Limited • Frederich Frobel	**Past (for the last 5 years)** Nil **Present** Director of: • The Minor Food Group Plc • Minor International Plc • Burger (Thailand) Limited • Catering Associates Limited • Minor Cheese Limited • Minor Dairy Limited • Minor DQ Limited

CORPORATE GOVERNANCE

Details	Name of Director	
	Chan Soo Sen	Paul Charles Kenny
Other Principal Commitments Including Directorships (cont'd)	**Present** Principal Commitments: • Nanyang Centre of Public Administration, Nanyang Technological University, Adjunct Professor • SCP Consultants, Chairman and Independent Director Independent Director of: • Midas Holdings Limited • Best World International	• SLRT Limited • Select Service Partner Limited • The Coffee Club (Thailand) Limited • Swensen's (Thai) Limited • Samui Beach Residence Limited • Oaks Hotel & Resort Limited • The Minor (Beijing) Restaurant Management Co. Ltd • Minor Food Group (Singapore) Pte. Ltd • Sizzler (China) Limited • Patara Fine Thai Cuisine Limited • Beijing Qian Bai Ye Investment Consultation Co., Ltd. • Beijing Riverside & Courtyard Investment Management Co., Ltd • Over Success Enterprise Pte Ltd • Grab Food Ltd • Espresso Pty Ltd. • First Avenue Company Limited • Minor DKL Construction Pty Ltd • Minor DKL Food Group Pty Ltd • Minor DKL Management Pty Ltd • Minor DKL Stores Pty Ltd • Rib and Rumps Holdings Pty Ltd • Ribs and Rumps International Pty Ltd • Ribs and Rumps Operating Company Pty Ltd • Ribs and Rumps Properties Pty Ltd • Ribs and Rumps System Pty Ltd • TCC Operations Pty Ltd • TGT Operations Pty Ltd • The Coffee Club Franchising Company Pty Ltd • The Coffee Club Investment Pty Ltd • The Coffee Club Pty Ltd • Liwa Minor Food & Beverages LLC • The Coffee Club (Technology) Pty. Ltd. • Veneziano Coffee Roasters Holdings Pty Ltd • VGC Food Group Pty Ltd • Minor Food (Seychelles) Limited • Suda Limited • MSP Property Limited • • Benihana Asia Pte. Ltd. • Benihana Holding Pte. Ltd. • Benihana (UK) Limited • Minor Learning Co., Ltd.

CORPORATE GOVERNANCE

Details		Name of Director	
		Chan Soo Sen	Paul Charles Kenny
The general statutory disclosures of the Directors are as follows:			
a.	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b.	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c.	Whether there is any unsatisfied judgment against him?	No	No
d.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

CORPORATE GOVERNANCE

Details		Name of Director	
		Chan Soo Sen	Paul Charles Kenny
f.	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g.	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h.	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i.	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j.	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—		
	i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No

CORPORATE GOVERNANCE

Details		Name of Director	
		Chan Soo Sen	Paul Charles Kenny
	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
	iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k.	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Information required **Disclosure applicable to the appointment of Director only.**			
Any prior experience as a director of an issuer listed on the Exchange?		Yes	No
If yes, please provide details of prior experience.		• Cogent Holdings Limited • Midas Holdings Limited • Best World International	N/A
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.		N/A	Mr Paul Charles Kenny is a Director of Minor International Plc., a company listed on Thailand Stock Exchange. Mr Paul Charles Kenny had also attended the training on the roles and responsibilities of a Director of listed company as prescribed by the Exchange.

INDEX PAGES

DIRECTORS' STATEMENT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of BreadTalk Group Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct interest			Deemed interest		
Name of director	**As at 1 January 2018 (Restated)**	**As at 31 December 2018**	**As at 21 January 2019**	**As at 1 January 2018 (Restated)**	**As at 31 December 2018**	**As at 21 January 2019**
The Company						
(Ordinary shares)						
Dr George Quek Meng Tong	191,375,320	191,375,320	191,375,320	–	–	–
Katherine Lee Lih Leng	104,830,040	104,830,040	104,830,040	–	–	–
Ong Kian Min	240,000	240,000	240,000	–	–	–

The number of shares have taken into account the effect of the share split during the year.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

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

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

SHARE PLAN

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

The BreadTalk Restricted Share Grant Plan

The BreadTalk RSG Plan 2018 ("RSG Plan") was approved at the Extraordinary General Meeting on 20 April 2018. The RSG Plan has replaced the 2008 RSG Plan which expired on 28 April 2018. The key terms of the RSG Plan is consistent with the 2008 RSG Plan.

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

Eligibility

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

(i) *Employees*

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

(ii) *Directors*

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

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

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

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

DIRECTORS' STATEMENT

SHARE PLAN (CONT'D)

The BreadTalk Restricted Share Grant Plan (cont'd)

Size of RSG Plan

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

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

Grant of RSG Plan

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

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

Share Awards and Vesting

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

The details of the restricted shares awarded under the 2008 RSG Plan since its commencement up to 31 December 2018 are as follows:

Name of Participant	Conditional restricted shares granted during the year	Aggregate conditional restricted shares awarded since commencement of the Plan (a)	Aggregate conditional restricted shares lapsed since commencement of the Plan (b)	Aggregate conditional restricted shares vested and released during the year	Aggregate conditional restricted shares vested and released since commencement of the Plan (c)	Aggregate conditional restricted shares outstanding at end of the year (a)–(b)–(c)
Directors of the Company						
Dr George Quek Meng Tong [(1)]	–	358,400	–	–	358,400	–
Katherine Lee Lih Leng [(1)]	–	308,000	–	–	308,000	–
Associate of a Controlling Shareholder						
Frankie Quek Swee Heng [(2)]	–	281,940	–	13,410	271,380	10,560

DIRECTORS' STATEMENT

SHARE PLAN (CONT'D)

The BreadTalk Restricted Share Grant Plan (cont'd)

Share Awards and Vesting (cont'd)

Name of Participant	Conditional restricted shares granted during the year	Aggregate conditional restricted shares awarded since commence-ment of the Plan (a)	Aggregate conditional restricted shares lapsed since commence-ment of the Plan (b)	Aggregate conditional restricted shares vested and released during the year	Aggregate conditional restricted shares vested and released since commence-ment of the Plan (c)	Aggregate conditional restricted shares outstanding at end of the year (a)–(b)–(c)
Participants who received 5% or more of the total grants available						
Oh Eng Lock*	–	3,084,860	–	–	3,084,860	–
Tan Aik Peng	–	56,000	–	19,040	19,040	36,960
Cheng William	–	835,244	–	80,702	774,524	60,720
Chan Ying Jian	–	74,000	–	25,160	25,160	48,840
Chu Heng Hwee#	–	824,000	130,020	227,160	447,140	246,840
Jenson Ong Chin Hock	–	175,200	–	14,280	147,480	27,720
Other participants	–	2,989,160	340,440	26,780	2,630,240	18,480
	–	8,986,804	470,460	406,532	8,066,224	450,120

The number of shares have taken into account the effect of the shares split during the year.

* This includes a total of 1,563,332 and 977,528 shares that were released via the issuance of treasury shares in relation to a sign-on bonus and award of service equity granted to Mr Oh Eng Lock.

This includes a total of 100,000 shares that were released via the issuance of treasury shares in relation to a sign-on bonus granted to Mr Chu Heng Hwee.

DIRECTORS' STATEMENT

SHARE PLAN (CONT'D)

The BreadTalk Restricted Share Grant Plan (cont'd)

Share Awards and Vesting (cont'd)

The details of the restricted shares awarded under the BreadTalk RSG Plan 2018 since its commencement up to 31 December 2018 are as follows:

Name of Participant	Conditional restricted shares granted during the year	Aggregate conditional restricted shares awarded since commencement of the Plan (a)	Aggregate conditional restricted shares lapsed since commencement of the Plan (b)	Aggregate conditional restricted shares vested and released during the year	Aggregate conditional restricted shares vested and released since commencement of the Plan (c)	Aggregate conditional restricted shares outstanding at end of the year (a)–(b)–(c)
Associate of a Controlling Shareholder						
Frankie Quek Swee Heng [1]	6,990	6,990	–	–	–	6,990
Participants who received 5% or more of the total grants available						
Tan Aik Peng	7,089	7,089	–	–	–	7,089
Cheng William	73,980	73,980	–	–	–	73,980
Chan Ying Jian	43,650	43,650	–	–	–	43,650
Chu Heng Hwee	206,890	206,890	–	–	–	206,890
Jenson Ong Chin Hock	73,480	73,480	–	–	–	73,480
Other participants	45,280	45,280	–	–	–	45,280
	457,359	457,359	–	–	–	457,359

[1] Associate of Dr George Quek Meng Tong, a controlling shareholder of the Company

With the Remuneration Committee's approval on the achievement of the performance targets for the performance period from FY2015 and FY2017, a total of 406,532 restricted shares were released via the issuance of treasury shares (FY2017: 242,212) under the RSG 2008 Plan. The number of shares have taken into account the effect of the shares split during the year.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

The audit committee (AC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors 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 external and internal auditors
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

AUDITOR

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

On behalf of the board of directors:

Dr George Quek Meng Tong
Director

Katherine Lee Lih Leng
Director

Singapore
15 March 2019

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2018
To the members of BreadTalk Group Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of BreadTalk Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

(1) Impairment assessment of goodwill

As at 31 December 2018, goodwill is carried at $4,837,000 which represents 1.4% of the total non-current assets and 3% of total equity. We considered management's annual goodwill impairment assessment to be a key audit matter because the process is complex and involves significant management judgement about future results of the Group's various businesses. As discussed in Note 12, the key assumptions used in the cash flow projections are budgeted gross margins, growth rates, pre-tax discount rates and cost of disposal. These assumptions could be affected by expected future market and economic conditions such as economic growth, expected inflation rates, demographic developments, revenue and margin development.

As disclosed in Note 12, the Group allocated goodwill to two cash-generating units ("CGU") – $3,569,000 to food court operations in Shanghai and $1,268,000 to food court operations in Singapore. Based on annual impairment testing, management assessed that no impairment was necessary for the current financial year.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2018
To the members of BreadTalk Group Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

(1) Impairment assessment of goodwill (cont'd)

Our audit procedures included, among others, assessing management's identification of the cash-generating-units and their carrying amounts. We tested the reasonableness of the assumptions used in the cash flow projections approved by the board of directors. We compared assumptions used by management in their cash flow projections to historic performance of the Group, and considered the viability of future plans, local economic development and industry outlook. Given the complexity of the assessment, we engaged our internal valuation specialists to assist us in evaluating the reasonableness of certain key assumptions such as pre-tax discount rates and growth rates. We evaluated management's analysis on the sensitivity of the goodwill amount to reasonable changes in the key assumptions.

We also assessed the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The note disclosures on goodwill, key assumptions and sensitivities are included in Note 12 to the financial statements.

(2) Valuation of investment securities

The Group's investment securities include unquoted junior bonds and unquoted equity instruments. As disclosed in Note 13, the Group's unquoted junior bonds and unquoted equity instruments amounted to $24,304,000 and $58,703,000 respectively.

With the adoption of SFRS (I) 9 Financial Instruments in the current financial year, management has assessed the contractual terms of these instruments and its business model and have determined that these investment securities are to be classified and measured at fair value through profit and loss.

The valuations of these investment securities are significant to our audit due to their magnitude, complexity of the valuation models, and the involvement of significant management judgement on the inputs to the valuation models.

Unquoted junior bonds

The fair value of unquoted junior bonds is determined using the discounted cash flow method. The key assumptions used in the cash flow projections are interest to be received over the term of the instrument and pre-tax discount rates. These assumptions are dependent on the profitability of the bond issuers which could be affected by expected future market and economic conditions such as occupancy rate, prevailing property tax rates and cost of maintenance of the underlying properties.

Our audit procedures included, among others, assessing management's assumptions used in the cash flow projections which included a comparison of historical interest received against the forecast. We have also engaged our internal valuation specialists to assist us in evaluating the appropriateness of the valuation models and the reasonableness of key assumptions such as pre-tax discount rates. We have assessed the adequacy of the disclosures relating to these investments. The related disclosures are made in Note 2.15, Note 13 and Note 34 to the financial statements.

Unquoted equity instruments

The fair values of the unquoted equity instruments in Perennial Tongzhou Development Pte Ltd ("PTD") and Perennial Tongzhou Holdings Pte Ltd ("PTH") are determined using valuation models based on the discounted cash flow method. The key assumptions used in the valuation models include rental rates, expected sale proceeds, net lettable area, pre-tax discount rates, terminal growth rates and adjustments to reflect the Group's minority stake in the investments. Most of these assumptions could be affected by expected future market and economic conditions such as economic growth, expected inflation rates, demographic developments, and the revenue and margin trend in the property leasing and development sector in the market that PTD and PTH operates in.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2018
To the members of BreadTalk Group Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

(2) Valuation of investment securities (cont'd)

Unquoted equity instruments (cont'd)

The fair value of the unquoted equity instruments in Perennial 8 Shenton Investors Pte Ltd ("P8SIPL") is determined using an asset based valuation model taking into consideration the fair value of the underlying property held by P8SIPL. The fair value of the underlying property is based on independent external valuation. The valuations are sensitive to key assumptions applied, including those relating to capitalization rate, rental value and vacancy rates.

The fair value of the unquoted equity instruments in Perennial HC Holdings Pte Ltd ("PHCH") is determined using an asset based valuation model taking into consideration the fair value of the underlying asset held by PHCH. Given the recent transaction, management has used the recent transaction price paid to acquire the asset as the proxy to the fair value of the underlying asset held by PHCH.

Management obtained the external appraisers' valuation reports from the investees of the respective investment securities held to support its determination of the fair value of the underlying properties.

As part of our audit procedures, we have considered the objectivity, independence and expertise of the external appraisers. Given the complexity of the valuation methods, we have also engaged our internal real estate and valuation specialists to assist us in evaluating the appropriateness of the valuation models and the reasonableness of certain key assumptions used by the management and the external appraisers in their valuation models. We have assessed the adequacy of the disclosures relating to these investments. The related disclosures are made in Note 2.15, Note 13 and Note 34 to the financial statements.

(3) Valuation of investment properties

As at 31 December 2018, the Group has investment properties amounting to $39,748,000 relating to office space in Shanghai, People's Republic of China and shophouse in Singapore as disclosed in Note 11. The Group also has 29% interest in Chijmes, an investment property held through an associate, Perennial (Chijmes) Pte Ltd. The carrying value of this investment property recorded by the associate amounted to $334,000,000 as at 31 December 2018.

The valuation of these investment properties is significant to our audit due to their magnitude and the complexity of the valuation models. The valuation is highly dependent on a range of estimates used by external appraisers. These estimates include, amongst others, rental value, vacancy rates, interest rates and maintenance status.

Management uses external appraisers to support its determination of the fair value of the investment properties annually. In respect of the fair value of Chijmes, management obtained the external appraiser's valuation report from its associate to support its determination of its fair value. As part of our audit procedures, we have considered the objectivity, independence and expertise of the external appraisers. Given the complexity, our internal real estate and valuation specialists assisted us in evaluating the appropriateness of the valuation models, data and assumptions used by the management and the external appraisers in their valuation of the investment properties. We also assessed the adequacy of the disclosures relating to these investments. The related disclosures are made in Note 2.12, Note 11 and Note 34 to the financial statements.

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.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2018
To the members of BreadTalk Group Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Other Information (cont'd)

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- 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.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2018
To the members of BreadTalk Group Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Philip Ling Soon Hwa.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
15 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 $'000	2017 (Restated) $'000
Revenue	3	**609,796**	599,579
Cost of sales		**(266,650)**	(266,465)
Gross profit		**343,146**	333,114
Other operating income	4	**31,185**	33,178
Interest income	5	**3,158**	2,234
Distribution and selling expenses		**(243,264)**	(241,674)
Administrative expenses		**(92,077)**	(80,850)
Interest expense	5	**(9,206)**	(5,420)
Profit before tax and share of results of associates and joint ventures		**32,942**	40,582
Share of results of associates		**(1,165)**	(883)
Share of results of joint ventures		**(634)**	1,097
Profit before tax	6	**31,143**	40,796
Income tax expense	8	**(11,425)**	(11,047)
Profit for the year		**19,718**	29,749
Profit attributable to:			
Owners of the Company		**15,191**	21,680
Non-controlling interests		**4,527**	8,069
		19,718	29,749
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net (loss)/gain on available-for-sale financial assets		**(15)**	15
Foreign currency translation		**196**	(1,656)
Other comprehensive income for the year, net of tax		**181**	(1,641)
Total comprehensive income for the year		**19,899**	28,108
Total comprehensive income attributable to:			
Owners of the Company		**15,372**	20,039
Non-controlling interests		**4,527**	8,069
		19,899	28,108
Earnings per share (cents)			
Basic	9	**2.70**	3.85
Diluted	9	**2.70**	3.85

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

BALANCE SHEETS

As at 31 December 2018

	Notes	Group 2018 $'000	Group 31.12.2017 (Restated) $'000	Group 1.1.2017 (Restated) $'000	Company 2018 $'000	Company 31.12.2017 $'000	Company 1.1.2017 $'000
Non-current assets							
Property, plant and equipment	10	**173,413**	169,097	180,663	**77,597**	73,228	71,252
Investment properties	11	**39,748**	39,463	22,984	**–**	–	–
Intangible assets	12	**6,071**	6,089	6,433	**–**	–	–
Investment securities	13	**83,149**	72,068	72,878	**–**	–	825
Investment in subsidiaries	14	**–**	–	–	**24,509**	24,418	24,296
Investment in associates	15	**26,226**	26,682	27,033	**–**	–	–
Investment in joint ventures	16	**8,684**	10,040	8,234	**–**	–	–
Other receivables	18	**838**	1,107	1,413	**–**	–	–
Due from related corporations	19	**–**	–	–	**30,773**	30,692	26,768
Deferred tax assets	8	**2,340**	2,559	2,749	**–**	–	–
		340,469	327,105	322,387	**132,879**	128,338	123,141
Current assets							
Investment securities	13	**4,797**	12,886	17,222	**–**	–	–
Inventories	17	**11,304**	9,721	9,806	**–**	–	–
Trade and other receivables	18	**57,947**	51,952	52,049	**5,534**	2,417	4,269
Tax recoverable		**315**	280	–	**–**	–	–
Prepayments		**5,942**	6,771	4,824	**489**	92	123
Due from related corporations	19	**1,124**	1,128	1,094	**169,231**	105,149	61,885
Amounts due from non-controlling shareholders of subsidiaries (non-trade)	24	**1,986**	525	509	**–**	–	–
Cash and cash equivalents	20	**184,975**	141,245	120,589	**15,729**	1,278	8,486
		268,390	224,508	206,093	**190,983**	108,936	74,763
Current liabilities							
Trade and other payables	21	**97,524**	90,326	86,404	**3,369**	2,175	1,955
Other liabilities	22	**78,657**	78,710	69,612	**7,609**	7,588	3,971
Provision for reinstatement costs	23	**15,768**	15,846	14,417	**27**	27	27
Due to related corporations	19	**3,024**	3,881	3,903	**65,964**	57,787	30,674
Loan from a non-controlling shareholder of a subsidiary (non-trade)	24	**200**	200	200	**–**	–	–
Short-term loans	25	**5,944**	19,237	7,215	**–**	10,000	–
Notes payables	27	**75,000**	–	–	**75,000**	–	–
Current portion of long-term loans	26	**16,631**	37,864	24,238	**3,348**	4,122	4,122
Tax payable		**12,186**	10,660	9,854	**1,032**	565	551
		304,934	256,724	215,843	**156,349**	82,264	41,300
Net current (liabilities)/assets		**(36,544)**	(32,216)	(9,750)	**34,634**	26,672	33,463
Non-current liabilities							
Other liabilities	22	**7,641**	9,392	11,385	**–**	–	–
Notes payable	27	**99,511**	75,000	75,000	**99,511**	75,000	75,000
Loan from a non-controlling shareholder of a subsidiary (non-trade)	24	**535**	508	549	**–**	–	–
Long-term loans	26	**28,849**	50,533	74,857	**16,020**	35,676	39,798
Deferred tax liabilities	8	**4,653**	4,576	4,324	**3,116**	2,391	1,791
		141,189	140,009	166,115	**118,647**	113,067	116,589
Net assets		**162,736**	154,880	146,522	**48,866**	41,943	40,015
Equity attributable to owners of the Company							
Share capital	28	**33,303**	33,303	33,303	**33,303**	33,303	33,303
Treasury shares	28	**(247)**	(460)	(587)	**(247)**	(460)	(587)
Accumulated profits		**96,128**	93,342	88,543	**15,017**	8,332	6,779
Other reserves	29	**4,476**	3,216	5,328	**793**	768	520
		133,660	129,401	126,587	**48,866**	41,943	40,015
Non-controlling interests		**29,076**	25,479	19,935	**–**	–	–
Total equity		**162,736**	154,880	146,522	**48,866**	41,943	40,015

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2018

2018 Group	Attributable to owners of the company											
	Share capital $'000 (Note 28)	**Treasury shares $'000 (Note 28)**	**Accumu-lated profits $'000**	**Statutory reserve fund $'000 (Note 29)**	**Translation reserve $'000 (Note 29)**	**Fair value adjust-ment reserve $'000 (Note 29)**	**Share based compen-sation reserve $'000 (Note 29)**	**Premium on acquisition of non-controlling interests $'000 (Note 29)**	**Capital reserve $'000 (Note 29)**	**Total $'000**	**Non-con-trolling interests $'000**	**Total equity $'000**
At 1 January 2018 (previously reported)	33,303	(460)	98,933	2,954	1,639	15	591	(2,160)	177	134,992	25,479	160,471
Impact of adopting SFRS(I) 15	–	–	(5,591)	–	–	–	–	–	–	(5,591)	–	(5,591)
	33,303	(460)	93,342	2,954	1,639	15	591	(2,160)	177	133,851	25,479	154,880
Impact of adopting SFRS(I) 9	–	–	(1,141)	–	–	–	–	–	–	(1,141)	129,401	(1,141)
At 1 January 2018 (Restated)	33,303	(460)	92,201	2,954	1,639	15	591	(2,160)	177	128,260	25,479	153,739
Profit for the year	–	–	15,191	–	–	–	–	–	–	15,191	4,527	19,718
Other comprehensive income												
Net loss on fair value changes of available-for-sale financial assets	–	–	–	–	–	(15)	–	–	–	(15)	–	(15)
Foreign currency translation	–	–	–	–	196	–	–	–	–	196	–	196
Other comprehensive income for the year, net of tax	–	–	–	–	196	(15)	–	–	–	181	–	181
Total comprehensive income for the year	–	–	15,191	–	196	(15)	–	–	–	15,372	4,527	19,899
Contributions by and distributions to owners												
Share-based payments	–	–	–	–	–	–	238	–	–	238	–	238
Dividends (Note 37)	–	–	(11,264)	–	–	–	–	–	–	(11,264)	(6,560)	(17,824)
Treasury shares transferred on vesting of restricted share grant	–	213	–	–	–	–	(213)	–	–	–	–	–
Total contributions by and distributions to owners	–	213	(11,264)	–	–	–	25	–	–	(11,026)	(6,560)	(17,586)
Changes in ownership interests in a subsidiary												
Acquisition of non-controlling interests without a change in control	–	–	–	–	–	–	–	1,054	–	1,054	(1,473)	(419)
Issuance of new shares to non-controlling interest	–	–	–	–	–	–	–	–	–	–	7,103	7,103
Total transactions with owners in their capacity as owners	–	–	–	–	–	–	–	1,054	–	1,054	5,630	6,684
At 31 December 2018	33,303	(247)	96,128	2,954	1,835	–	616	(1,106)	177	133,660	29,076	162,736

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2018

2017 Group	Share capital $'000 (Note 28)	Treasury shares $'000 (Note 28)	Accumulated profits $'000	Statutory reserve fund $'000 (Note 29)	Translation reserve $'000 (Note 29)	Fair value adjustment reserve $'000 (Note 29)	Share based compensation reserve $'000 (Note 29)	Premium on acquisition of non-controlling interests $'000 (Note 29)	Capital reserve $'000 (Note 29)	Total $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owners of the company											
At 1 January 2017 (previously reported)	33,303	(587)	93,966	2,954	3,295	–	343	(1,441)	177	132,010	19,935	151,945
Impact of adopting SFRS(I) 15	–	–	(5,423)	–	–	–	–	–	–	(5,423)	–	(5,423)
At 1 January 2017 (Restated)	33,303	(587)	88,543	2,954	3,295	–	343	(1,441)	177	126,587	19,935	146,522
Profit for the year	–	–	21,680	–	–	–	–	–	–	21,680	8,069	29,749
Other comprehensive income												
Net gain on fair value changes of available-for-sale financial assets	–	–	–	–	–	15	–	–	–	15	–	15
Foreign currency translation	–	–	–	–	(1,656)	–	–	–	–	(1,656)	–	(1,656)
Other comprehensive income for the year, net of tax	–	–	–	–	(1,656)	15	–	–	–	(1,641)	–	(1,641)
Total comprehensive income for the year	–	–	21,680	–	(1,656)	15	–	–	–	20,039	8,069	28,108
Contributions by and distributions to owners												
Share-based payments	–	–	–	–	–	–	375	–	–	375	–	375
Dividends paid (Note 37)	–	–	(16,881)	–	–	–	–	–	–	(16,881)	(3,444)	(20,325)
Treasury shares transferred on vesting of restricted share grant	–	127	–	–	–	–	(127)	–	–	–	–	–
Total contributions by and distributions to owners	–	127	(16,881)	–	–	–	248	–	–	(16,506)	(3,444)	(19,950)
Changes in ownership interests in a subsidiary												
Acquisition of non-controlling interests without a change in control	–	–	–	–	–	–	–	(719)	–	(719)	719	–
Issuance of new shares to non-controlling interest	–	–	–	–	–	–	–	–	–	–	200	200
Total transactions with owners in their capacity as owners	–	–	–	–	–	–	–	(719)	–	(719)	919	200
At 31 December 2017	33,303	(460)	93,342	2,954	1,639	15	591	(2,160)	177	129,401	25,479	154,880

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital $'000 (Note 28)	Treasury shares $'000 (Note 28)	Accumulated profits $'000	Share based compensation reserve $'000 (Note 29)	Capital reserve $'000 (Note 29)	Total equity $'000
2018						
Company						
1 January 2018	33,303	(460)	8,332	591	177	41,943
Profit for the year	–	–	17,949	–	–	17,949
Total comprehensive income for the year	–	–	17,949	–	–	17,949
Contributions by and distributions to owners						
Share-based payments	–	–	–	238	–	238
Treasury shares transferred on vesting of restricted share grant	–	213	–	(213)	–	–
Dividends paid (Note 37)	–	–	(11,264)	–	–	(11,264)
Total transactions with owners in their capacity as owners	–	213	(11,264)	25	–	(11,026)
At 31 December 2018	33,303	(247)	15,017	616	177	48,866
2017						
Company						
1 January 2017	33,303	(587)	6,779	343	177	40,015
Profit for the year	–	–	18,434	–	–	18,434
Total comprehensive income for the year	–	–	18,434	–	–	18,434
Contributions by and distributions to owners						
Share-based payments	–	–	–	375	–	375
Treasury shares transferred on vesting of restricted share grant	–	127	–	(127)	–	–
Dividends paid (Note 37)	–	–	(16,881)	–	–	(16,881)
Total transactions with owners in their capacity as owners	–	127	(16,881)	248	–	(16,506)
At 31 December 2017	33,303	(460)	8,332	591	177	41,943

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Notes	2018 $'000	2017 (Restated) $'000
Cash flows from operating activities			
Profit before taxation		**31,143**	40,796
Adjustments for:			
Amortisation of intangible assets	12	**414**	437
Depreciation of property, plant and equipment	10	**40,768**	40,045
Loss / (gain) on divestment of investment securities		**1,683**	(8,714)
Write back of provision for reinstatement cost	23	**(99)**	(82)
Write back loss on plant and equipment	10	**(153)**	(438)
(Write back) / impairment of trade receivables	18	**(178)**	210
Impairment of other receivables	18	**138**	–
Fair value gain on investment securities, net	4	**(1,918)**	–
Impairment of investment in associates	15	**–**	1,800
Net fair value gains on investment property	11	**(1,081)**	(118)
Net gain on disposal of property, plant and equipment	4	**(67)**	(2,331)
Write off of trade and other receivables		**841**	15
Interest expense	5	**9,206**	5,420
Interest income	5	**(3,158)**	(2,234)
Property, plant and equipment written off	10	**1,536**	2,569
Write off of intangible assets	12	**77**	–
Share based payment expenses		**238**	375
Share of results of associates		**1,165**	883
Share of results of joint ventures		**634**	(1,097)
Write-off of inventories	17	**2**	7
Allowance for inventory obsolescence	17	**12**	5
Dividend income from quoted investment equity		**–**	(57)
Unrealised exchange loss, net		**864**	1,179
Operating cash flows before working capital changes		**82,067**	78,670
(Increase)/decrease in:			
Inventories		**(1,597)**	73
Trade and other receivables		**(5,357)**	(258)
Prepayments		**829**	(1,947)
Amount due from associates (trade)		**9**	(3)
Amount due from joint ventures (trade)		**(8)**	411
Increase/(decrease) in:			
Trade and other payables		**1,367**	4,008
Other liabilities		**(1,665)**	6,879
Amount due to a joint venture (trade)		**(440)**	(159)
Cash flows generated from operations		**75,205**	87,674
Tax paid		**(9,575)**	(10,124)
Net cash flows from operating activities		**65,630**	77,550

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Notes	2018 $'000	2017 (Restated) $'000
Cash flows from investing activities			
Interest income received		**3,158**	2,155
Purchase of property, plant and equipment	A	**(47,949)**	(30,166)
Additions to intangible assets	12	**(500)**	(109)
Cash paid for reinstatement cost	23	**(1,001)**	(927)
Proceeds from disposal of property, plant and equipment		**128**	3,361
Proceeds from divestment of investment securities		**19,832**	27,438
Amount due from joint ventures(non-trade)		**(47)**	(441)
Amount due to joint ventures (non-trade)		**(37)**	(103)
Amount due to an associate (non-trade)		**(380)**	240
Amount due from an associate (non-trade)		**(210)**	–
Amount due to non-controlling interests (non-trade)		**(1,466)**	–
Investment in associates	15	**(477)**	(2,273)
Investment in a joint venture	16	**–**	(1,005)
Purchase of investment securities	13	**(23,439)**	(12,886)
Purchase of investment property	11	**–**	(16,681)
Dividends received from a joint venture		**825**	348
Dividends received from an associate		**60**	–
Dividends received from quoted equity		**–**	57
Net cash flows used in investing activities		**(51,503)**	(30,992)
Cash flows from financing activities			
Interest paid		**(9,206)**	(5,420)
Dividends paid to shareholders of the Company	37	**(11,264)**	(16,881)
Dividends paid to non-controlling shareholders of a subsidiary		**–**	(3,444)
Capital contribution from non-controlling interests		**7,103**	–
Proceeds from long-term loans		**879**	13,500
Repayment of long-term loans		**(43,800)**	(24,126)
Proceeds from short-term loans		**42,863**	37,657
Repayment of short-term loans		**(56,159)**	(25,691)
Proceeds from notes payable		**100,000**	–
Loan due to a non-controlling shareholder		**27**	(41)
Acquisition of non-controlling interest	14	**(419)**	–
Net cash flows from/(used in) financing activities		**30,024**	(24,446)
Net increase in cash and cash equivalents		**44,151**	22,112
Effect of exchange rate changes on cash and cash equivalents		**(421)**	(1,456)
Cash and cash equivalents at the beginning of the year		**141,245**	120,589
Cash and cash equivalents at the end of the year	20	**184,975**	141,245

Note A. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of $47,687,000 (2017: $32,987,000). The additions were by way of cash payments of $42,914,000 (2017: $25,271,000), increase in provision for reinstatement costs of $1,095,000 (2017: $2,681,000), amount payable to other creditors of $3,456,000 (2017: $4,674,000) and accruals for amounts payable of $222,000 (2017: $361,000).

Cash outflow for the year also include payments in respect of property, plant and equipment acquired in the previous years of $5,035,000 (2017: $4,895,000).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

1.1 Corporate information

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and fundamental accounting assumption

As at 31 December 2018, the Group's current liabilities exceeded their current assets by $36,544,000 (2017: $32,216,000). The ability of the Group to continue as a going concern is dependent on the Group's ability to generate positive cash flows. In the opinion of the directors, the Group is able to continue as a going concern despite its net current liabilities position as the directors are of the view that the Group will be able to continue to generate net cash inflows from its operating activities for a period of 12 months from the date these financial statements were approved and to enable it to meet its financial obligations as and when they fall due. In addition, the Group has sufficient unutilised banking facilities available for future use should the need arise.

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

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 9 *Financial Instruments* (cont'd)

Classification and Measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group has assessed which business model applies to the financial assets held by the Group at 1 January 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9.

The Group had measured its held-to-maturity investments in junior bonds and debt securities at amortised cost. Upon the adoption of SFRS(I) 9, the Group measures these instruments at FVPL. The impact arising from this change resulted in a decrease in carrying value of $2,540,000 to the instruments in junior bonds and debt securities with a corresponding adjustment to the retained earnings as at 1 January 2018.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

The Group had measured its available-for-sale unquoted equity securities at cost. Upon the adoption of SFRS(I) 9, the Group measures the unquoted equity securities at FVPL. The impact arising from this change resulted in an increase in carrying value of $1,705,000 to the unquoted equity securities with a corresponding adjustment to the opening retained earnings as at 1 January 2018.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of $28,000, other receivables of $18,000 and amount due from related corporations of $260,000. The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of $306,000 as at 1 January 2018.

Tax adjustments and other adjustments

There is no tax impact to the Group arising from the adoption of SFRS(I) 9 as fair value gains are capital in nature.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 9 *Financial Instruments* (cont'd)

The Group has assessed which business model applies to the financial assets held by the Group at 1 January 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9. The effects, before tax impact are as follows:

	Group				
Measurement Category	**FRS 39 carrying amount on 31.12.2017 $'000**	**Re-classifications $'000**	**Re-measurements $'000**	**SFRS(I) 9 carrying amount on 1.1.2018 $'000**	**Retained earnings effect on 1.1.2018 $'000**
Reclassified from available-for-sale quoted equity instruments, at FVOCI	–	200	–	200	–
Reclassified from available-for-sale unquoted equity instruments, carried at cost	–	45,372	1,705	47,077	1,705
Reclassified from held-to-maturity unquoted junior bonds, carried at cost	–	26,496	(2,157)	24,339	(2,157)
Reclassified from held-to-maturity quoted debt securities, carried at cost	–	12,886	(383)	12,503	(383)
FVPL balances, reclassifications and remeasurements at 1 January 2018	–	84,954	(835)	84,119	(835)
Reclassified to FVPL	–	(200)	–	–	–
FVOCI balances, reclassifications and remeasurements at 1 January 2018	–	(200)	–	–	–

The initial application of SFRS(I) 9 does not have any reclassification effect to the Company's financial statements.

Impairment

The reconciliation for loss allowances for the Group are as follow:

	Group	
	Trade and other receivables $'000	**Due from related corporations $'000**
Opening loss allowance as at 1 January 2018	297	–
Amount restated through opening retained earnings	46	260
Adjusted loss allowance	343	260

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been lower;

- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The Group's revenue mainly comprises of revenue from bakery sales and restaurant sales, revenue from the sub-lease of food court and franchise income. The key impact of adopting SFRS(I) 15 is detailed as follows:

Timing of revenue recognition

The Group's franchise contracts include upfront franchise fees which represents development fees, training fees and store license fees, as well as recurring franchise fees which represents royalties to be paid based on a percentage of the franchisees' revenue. Under the franchise contracts, the Group grants franchise rights / use of the Group's intellectual property (including providing ongoing support to the franchisee) for each store.

The Group previously recognised upfront franchise fees upon the grant of rights, completion of the phases of the franchise setup, and transfer of know-how to the franchise in accordance with the terms stated in the franchise agreement. Under SFRS(I) 15, the Group recognises revenue over time throughout the license period of each store as the franchisee simultaneously receives and consumes the benefit from the Group's performance of providing access to its license.

As a result, the Group will recognise an adjustment to decrease trade receivables by $5,423,000 and with a corresponding adjustment to retained earnings on 1 January 2017.

The Group's balance sheet as at 31 December 2017 was restated, resulting in the decrease in trade receivables of $5,591,000 and a corresponding adjustment to retained earnings of $5,591,000. The statement of profit or loss for the year ended 31 December 2017 was also restated resulting in a decrease in revenue of $168,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

	1.1.2017 (FRS) $'000	SFRS(I) 15 adjustments $'000	1.1.2017 (SFRS(I)) $'000
Non-current assets	322,387	–	322,387
Current assets			
Trade and other receivables	57,472	(5,423)	52,049
Other current assets	154,044	–	154,044
	211,516	(5,423)	206,093
Total assets	533,903	(5,423)	528,480
Current liabilities	215,843	–	215,843
Non-current liabilities	166,115	–	166,115
Total liabilities	381,958	–	381,958
Equity			
Share Capital	33,303	–	33,303
Treasury shares	(587)	–	(587)
Accumulated profits	93,966	(5,423)	88,543
Other reserves	5,328	–	5,328
	132,010	(5,423)	126,587
Non-controlling interests	19,935	–	19,935
Total equity	151,945	(5,423)	146,522
Total equity and liabilities	533,903	(5,423)	528,480

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

	31.12.2017 (FRS) $'000	SFRS(I) 15 adjustments $'000	31.12.2017 (SFRS(I)) $'000	SFRS(I) 9 adjustments $'000	1.1.2018 (SFRS(I)) $'000
Non-current assets					
Investment securities	72,068	–	72,068	(452)	71,616
Other non-current assets	255,037	–	255,037	–	255,037
	327,105	–	327,105	(452)	326,653
Current assets					
Investment securities	12,886	–	12,886	(383)	12,503
Trade and other receivables	57,543	(5,591)	51,952	(46)	51,906
Due from related corporations	1,128	–	1,128	(260)	868
Other current assets	158,542	–	158,542	–	158,542
	230,099	(5,591)	224,508	(689)	223,819
Total assets	557,204	(5,591)	551,613	(1,141)	550,472
Current liabilities	256,724	–	256,724	–	256,724
Non-current liabilities	140,009	–	140,009	–	140,009
Total liabilities	396,733	–	396,733	–	396,733
Equity					
Share Capital	33,303	–	33,303	–	33,303
Treasury shares	(460)	–	(460)	–	(460)
Accumulated profits	98,933	(5,591)	93,342	(1,141)	92,201
Other reserves	3,216	–	3,216	–	3,216
	134,992	(5,591)	129,401	(1,141)	128,260
Non-controlling interests	25,479	–	25,479	–	25,479
Total equity	160,471	(5,591)	154,880	(1,141)	153,739
Total equity and liabilities	557,204	(5,591)	551,613	(1,141)	550,472

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards to the statement of comprehensive income the of Group for the year ended 31 December 2017.

	31.12.2017 (FRS) $'000	SFRS(I) 15 adjustments $'000	31.12.2017 (SFRS(I)) $'000
Revenue	599,747	(168)	599,579
Cost of sales	(266,465)	–	(266,465)
Gross profit	333,282	(168)	333,114
Other items of income	35,412	–	35,412
Other items of expense	(327,944)	–	(327,944)
Profit before tax and share of results of associates and joint ventures	40,750	(168)	40,582
Share of results of associates	(883)	–	(883)
Share of results of joint ventures	1,097	–	1,097
Profit before tax	40,964	(168)	40,796
Income tax expense	(11,047)	–	(11,047)
Profit for the year	29,917	(168)	29,749
Profit attributable to:			
Owners of the Company	21,848	(168)	21,680
Non-controlling interests	8,069	–	8,069
	29,917	(168)	29,749
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net gain on available-for-sale financial assets	15	–	15
Foreign currency translation	(1,656)	–	(1,656)
Other comprehensive income for the year, net of tax	(1,641)	–	(1,641)
Total comprehensive income for the year	28,276	(168)	28,108
Total comprehensive income attributable to:			
Owners of the Company	20,207	(168)	20,039
Non-controlling interests	8,069	–	8,069
	28,276	(168)	28,108
Earnings per share (cents)			
Basic	3.88	(0.03)	3.85
Diluted	3.88	(0.03)	3.85

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I) 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

SFRS(I) 16 Leases (cont'd)

The Group has performed a preliminary impact assessment based on current available information, and the assessment may be subject to the changes arising from on-going analysis until the Group adopts SRFS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets of approximately $343,447,000 and lease liabilities of $369,357,000 for its leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings of $25,910,000 as of 1 January 2019.

2.4 Significant accounting estimates and judgements

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

Key sources of estimation uncertainty

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

Fair value of investments securities classified as FVPL

The Group has investments in unquoted equity instruments amounting to $58,703,000 as at 31 December 2018. Upon adoption of SFRS(I) 9, the unquoted equity instruments are measured at FVPL. The fair values of the instruments are determined using valuation models based on the discounted cash flow method and an asset based valuation method. The key assumptions used in the valuation models include rental rates, expected sale proceeds, net lettable area, pre-tax discount rates, terminal growth rates, vacancy rate, capitalization rate and adjustments to reflect the Group's minority stake in the investments. Most of these assumptions could be affected by expected future market and economic conditions such as economic growth, expected inflation rates, demographic developments, and the revenue and margin trend in the property leasing and development sector in the market.

The Group has investments in junior bonds amounting to $24,304,000. Upon adoption of SFRS(I) 9, the investment in junior bonds are measured at FVPL. The fair value of unquoted junior bonds is determined using the discounted cash flow method. The key assumptions used in the cash flow projections are interest to be received over the term of the instrument and pre-tax discount rates. These assumptions are dependent on the profitability of the bond issuers which could be affected by expected future market and economic conditions such as occupancy rate, prevailing property tax rates and cost of maintenance of the underlying properties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant accounting estimates and judgements (cont'd)

Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss.

For the properties located in Shanghai and Singapore, the Group engaged real estate valuation experts to assess fair value as at 31 December 2018. The fair value of investment properties are determined by the independent real estate valuation expert using a recognised valuation technique. The technique used is the direct comparable approach. The key assumptions used to determine the fair value of the investment properties and sensitivity analysis are provided in Note 34.

The carrying amounts of the investment properties carried at fair value as at 31 December 2018 are $39,748,000 (2017: $39,463,000).

Impairment assessment of goodwill

As disclosed in Note 12 to the financial statements, the recoverable amounts of the cash generating units which goodwill have been allocated to are determined based on fair value less cost of disposal calculations. The fair value less cost of disposal calculations are based on discounted cash flow models, less cost of disposal. The recoverable amounts are most sensitive to the discount rates used in the discounted cash flow models as well as the expected future cash inflows and the growth rates used for extrapolation purposes. The key assumptions applied in the determination of the fair value less cost of disposal including a sensitivity analysis, are disclosed and further explained in Note 12 to the financial statements. The carrying amount of the goodwill as at 31 December 2018 is $4,837,000 (2017: $4,837,000).

2.5 Foreign currency

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

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

(b) Business combinations and goodwill

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

2.7 Transactions with non-controlling interests

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

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

2.8 Subsidiaries

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

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2.9 Joint arrangements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Joint arrangements (cont'd)

(a) Joint operations

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

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

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

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

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

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

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

(b) Joint ventures

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

2.10 Joint ventures and associates

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Joint ventures and associates (cont'd)

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

2.11 Property, plant and equipment

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

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

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

Leasehold property	–	20 – 52 years
Leasehold land	–	49 years
Machinery and equipment	–	5 – 20 years
Electrical works	–	5 – 6 years
Furniture and fittings	–	5 – 6 years
Office equipment	–	3 – 6 years
Renovation	–	2 – 6 years
Motor vehicles	–	5 – 6 years

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Investment properties

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

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gain or losses arising from changes in fair value of investment properties are included in profit or loss in the year in which they arise.

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

2.13 Intangible assets

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

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

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

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

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

(a) Trade mark

Costs relating to trade mark are capitalised and amortised on a straight-line basis over its estimated finite useful life of 5 to 10 years.

(b) Franchise rights

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Intangible assets (cont'd)

(c) Location premium

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

(d) Brand value

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

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

2.14 Impairment of non-financial assets

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

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

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.15 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derecognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.16 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade and other receivables, and amount due from related corporations, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are between 90 day to 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.17 Cash and cash equivalents

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

2.18 Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Inventories (cont'd)

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.19 Provisions

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

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

2.20 Financial guarantee

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

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

2.21 Borrowing costs

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

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

2.22 Leases

(a) As lessee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Leases (cont'd)

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(g). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Employee benefits

(a) Defined contribution plans

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

Singapore

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

People's Republic of China ("PRC")

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

Hong Kong

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

(b) Employee leave entitlement

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Revenue

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

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

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

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

Revenue from the sale of goods is recognised upon the satisfaction of each performance obligations which is usually the delivery of goods to customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Franchise income*

Upfront franchise fees is recognised over time throughout the license period of each store as the franchisee simultaneously receives and consumes the benefit from the Group's performance of providing access to its license.

Recurring franchisee income is recognised on a period basis as a percentage of the franchise revenue in accordance with terms as stated in the franchise agreement.

(c) *Food court revenue*

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

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

(d) *Management fee*

Management fee is recognised on an accrual basis.

(e) *Interest income*

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

(f) *Dividend income*

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

(g) *Rental income*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Government grants

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

2.26 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Taxes (cont'd)

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

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

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

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

(c) *Sales tax*

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

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

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

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

2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Share capital and share issue expenses

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

2.29 Treasury shares

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

2.30 Contingencies

A contingent liability is:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. REVENUE

(a) Disaggregation of revenue

	Bakery		Food Atrium		Restaurant		4orth		Others		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Segments	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Primary geographical markets												
Singapore	**137,806**	135,094	**65,504**	63,639	**136,209**	128,930	**8,716**	7,859	**4,408**	4,622	**352,643**	340,144
PRC	**103,031**	105,472	**51,918**	46,933	**–**	–	**5,457**	–	**–**	–	**160,406**	152,405
Hong Kong	**29,429**	32,279	**21,551**	21,629	**–**	–	**–**	–	**–**	–	**50,980**	53,908
Others	**11,738**	24,175	**17,922**	17,145	**16,107**	11,802	**–**	–	**–**	–	**45,767**	53,122
	282,004	297,020	**156,895**	149,346	**152,316**	140,732	**14,173**	7,859	**4,408**	4,622	**609,796**	599,579
Main revenue streams												
Bakery sales	**248,830**	260,089	**–**	–	**–**	–	**–**	–	**–**	–	**248,830**	260,089
Sales to franchisee	**17,480**	21,676	**–**	–	**–**	–	**–**	–	**–**	–	**17,480**	21,676
Franchise income	**15,694**	15,255	**–**	–	**–**	–	**–**	–	**–**	–	**15,694**	15,255
Restaurant sales	**–**	–	**–**	–	**152,316**	140,732	**14,173**	7,859	**4,408**	4,622	**170,897**	153,213
Food court revenue	**–**	–	**156,895**	149,346	**–**	–	**–**	–	**–**	–	**156,895**	149,346
	282,004	297,020	**156,895**	149,346	**152,316**	140,732	**14,173**	7,859	**4,408**	4,622	**609,796**	599,579
Timing of transfer of goods and services												
Over time	**15,694**	15,255	**–**	–	**–**	–	**–**	–	**–**	–	**15,694**	15,255
At a point in time	**266,310**	281,765	**156,895**	149,346	**152,316**	140,732	**14,173**	7,859	**4,408**	4,622	**594,102**	584,324
	282,004	297,020	**156,895**	149,346	**152,316**	140,732	**14,173**	7,859	**4,408**	4,622	**609,796**	599,579

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. REVENUE (CONT'D)

(b) *Judgement and methods used in estimating revenue*

Recognition of franchise income over time

The Group's franchise contracts include upfront franchise fees which represents development fees, training fees and store license fees, as well as recurring franchise fees which represents royalties to be paid based on a percentage of the franchisees' revenue. Under the franchise contracts, the Group grants franchise rights / use of the Group's intellectual property (including providing ongoing support to the franchisee) for each store.

The Group previously recognised upfront franchise fees upon the grant of rights, completion of the phases of the franchise setup, and transfer of know-how to the franchise in accordance with the terms stated in the franchise agreement. Under SFRS(I) 15, the Group recognises revenue over time throughout the license period of each store as the franchisee simultaneously receives and consumes the benefit from the Group's performance of providing access to its license.

4. OTHER OPERATING INCOME

	Group	
	2018	2017
	$'000	$'000
Management fee income	**19,609**	13,524
Income from mall operation	**547**	482
Government grant	**1,156**	1,713
Special Employment Credit [1]	**269**	453
Wage credit scheme [2]	**921**	739
Income recognised from unredeemed stored value cards[3]	**1,146**	711
Sponsorship income	**490**	540
Rental income	**2,992**	2,705
Gain on divestment of investment securities	**–**	8,714
Gain from fair value adjustment of investment properties (Note 11)	**1,081**	118
Gain from fair value adjustment of investment securities, net	**1,918**	–
Write back of provision for reinstatement cost (Note 23)	**99**	82
Dividend received from quoted equity instruments	**–**	57
Gain on disposal of plant and equipment	**67**	2,331
Miscellaneous income	**890**	1,009
	31,185	33,178

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. OTHER OPERATING INCOME (CONT'D)

(1) The Special Employment Credit ("SEC") was introduced as a budget initiative in the financial year 2011 and was further enhanced in financial year 2012 to cover a wider range of employees and enabling more employers to benefit from the Scheme. The enhanced Scheme is for 5 years but it was extended for three years from 1 January 2017 to 31 December 2019. During Budget 2019, the Minister of Finance for Singapore announced a further 1 year extension from 31 December 2019 to 31 December 2020.

Under the extended SEC, for each Singaporean employee who is aged 55 and above and who earns up to $4,000 per month, the Company will receive up to 8% Special Employment Credit based on that employee's salary and employee's age. The Scheme has 2 payouts in March and September.

(2) The Wage Credit Scheme ("WCS") was introduced as a budget initiative in 2013 to help businesses which may face rising wage costs in a tight labour market. The Government will co-fund 40% of wage increases to Singaporean employees earning a gross monthly wage of $4,000 for the financial year 2013 to 2015 and 20% co-funding in the financial years of 2016 and 2017. During Budget 2018, the WCS was further extended to 2020. The co-funding ratio will be 20% for 2018, and subsequently step down to 15% in 2019 and 10% in 2020.

(3) Income recognised from unredeemed stored value cards pertains to stored value cards issued in prior years with long periods of inactivity.

5. INTEREST INCOME AND INTEREST EXPENSE

	Group	
	2018	2017
	$'000	$'000
Interest income from:		
– cash at bank and deposits	**1,202**	437
– financial assets at fair value through profit and loss (2017: held-to-maturity financial assets)	**1,956**	1,797
	3,158	2,234
Interest expense on:		
– term loans	**(1,756)**	(1,970)
– notes payable	**(7,450)**	(3,450)
	(9,206)	(5,420)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. PROFIT BEFORE TAX

This is determined after charging the following:

	Group	
	2018	2017
	$'000	$'000
Audit fees		
– auditor of the Company	**327**	311
– affiliates of auditor of the Company	**234**	214
– other auditors	**189**	159
	750	684
Non-audit fees to auditor of the Company		
Recurring		
– tax returns compliance services	**38**	38
– sales certifications	**21**	18
– sustainability reporting	**58**	58
– transfer pricing advisory services	**26**	–
	143	114
Non-recurring		
– tax advisory services and due diligence	**73**	31
– Advisory services on SFRS(I) adoption	**66**	–
– transfer pricing business case for change	**–**	20
– Agreed-upon-procedures for Medium Term Note Programme	**–**	8
– tax returns compliance services	**28**	–
	167	59
Non-audit fees to other auditors	**114**	79
Amortisation of intangible assets (Note 12)	**414**	437
Impairment/(write back) of loans and receivables		
– trade receivables (Note 18)	**(178)**	210
– other receivables (Note 18)	**138**	–
Write off of trade and other receivables	**841**	15
Directors' fees	**195**	180
Employee benefits (Note 7)	**191,778**	188,841
Operating lease expenses		
– fixed portion	**126,252**	125,443
– variable portion	**11,697**	11,174
Depreciation of property, plant and equipment (Note 10)	**40,768**	40,045
Property, plant and equipment written off (Note 10)	**1,536**	2,569
(Write back)/impairment loss on property, plant and equipment (Note 10)	**(153)**	(438)
Write-off of inventories (Note 17)	**2**	7
Allowance for inventory obsolescence (Note 17)	**12**	5
Loss from divestment of investment securities	**1,683**	–
Impairment loss on investment in associates (Note 15)	**–**	1,800

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. EMPLOYEE BENEFITS

	Group	
	2018	2017
	$'000	$'000
Salaries and bonuses	**142,633**	137,408
Central Provident Fund and other pension contributions	**17,668**	19,479
Sales incentives and commission	**7,418**	4,733
Other personnel benefits	**24,059**	27,221
	191,778	188,841

RSG Plan

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

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

During the year, 457,359 restricted shares were granted (2017: 360,000). There are 450,120 restricted shares outstanding at year end (2017: 378,626 shares).

8. INCOME TAX EXPENSE

Major components of income tax expense were:

	Group	
	2018	2017
	$'000	$'000
Current tax		
– Current year	**10,934**	9,208
– Under/(over) provision in prior years	**(720)**	316
Deferred tax		
– Origination and reversal of temporary differences	**448**	513
– (Over)/under provision in prior years	**(152)**	(71)
Withholding tax	**915**	1,081
Taxation expense	**11,425**	11,047

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. INCOME TAX EXPENSE (CONT'D)

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

	Group	
	2018	2017
	$'000	$'000
Profit before tax	**31,143**	40,796
Tax at the domestic rates applicable to profits in the countries where the Group operates[1]	**4,802**	6,587
Tax effect of:		
Expenses not deductible for tax purposes	**5,770**	3,212
Depreciation not deductible for tax purposes	**3,002**	1,612
Income not subject to taxation	**(954)**	(514)
Share of results of associates and joint ventures	**(185)**	356
Tax savings arising from development and expansion incentive [2]	**–**	(349)
Under/(over) provision in prior years		
– Current tax	**(720)**	316
– Deferred tax	**(152)**	(71)
Withholding tax expense	**915**	1,081
Effect of partial tax exemption and tax relief	**(108)**	(152)
Deferred tax assets not recognised	**1,315**	595
Benefits from previously unrecognised tax losses	**(1,996)**	(1,183)
Tax savings from enhanced deductions	**(225)**	(537)
Others	**(39)**	94
Taxation expense	**11,425**	11,047

[1] This is prepared by aggregating separate reconciliations for each national jurisdiction.

[2] In February 2004, the Economic Development Board granted the Development and Expansion Incentive under the International Headquarters "(IHQ-DEI)" Award to a subsidiary. Subject to certain conditions, the subsidiary enjoys a concessionary tax rate of 10% on its qualifying income for a period of 5 years commencing 1 January 2003. The subsidiary was granted extensions of the DEI for 5 years each commencing 1 January 2008 and 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. INCOME TAX EXPENSE (CONT'D)

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

	Group				
	Balance sheet			Profit or loss	
	2018	31.12.2017	1.1.2017	**2018**	2017
	$'000	$'000	$'000	**$'000**	$'000
Deferred tax liabilities:					
Provisions	**(985)**	(1,116)	(955)	**131**	(161)
Differences in depreciation for tax purposes	**(3,318)**	(3,166)	(3,210)	**(152)**	44
Other items	**(350)**	(294)	(159)	**(56)**	(135)
	(4,653)	(4,576)	(4,324)		
Deferred tax assets:					
Provisions	**678**	639	484	**39**	155
Differences in depreciation for tax purposes	**544**	546	741	**(2)**	(195)
Unutilised capital allowances	**341**	447	705	**(106)**	(258)
Other items	**777**	927	819	**(150)**	108
	2,340	2,559	2,749		
Deferred income tax				**(296)**	(442)

	Company		
	Balance sheet		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Deferred tax liabilities:			
Differences in depreciation for tax purposes	**(3,116)**	(2,391)	(1,791)
	(3,116)	(2,391)	(1,791)

Deferred tax assets

No deferred tax assets were recognised in loss making entities during 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. INCOME TAX EXPENSE (CONT'D)

Unrecognised tax losses, capital allowances and other temporary differences

As at 31 December 2018, the Group has tax losses of approximately $35,832,000 (31 December 2017: $36,320,000, 1 January 2017: $40,218,000), unutilised capital allowances of approximately $359,000 (31 December 2017: $1,688,000, 1 January 2017: $328,000) and other temporary differences of approximately $5,463,000 (31 December 2017: $5,281,000, 1 January 2017: $4,992,000) that are available for offset against future taxable profits, for which no deferred tax assets are recognised on these amounts due to uncertainty of their utilisation. The comparative unrecognised tax loss figures have been adjusted based on the latest tax submissions and finalisation of certain years of tax assessments.

The utilisation of the tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. As at 31 December 2018, $35,666,000 (31 December 2017: $34,756,000, 1 January 2017: $38,735,000) of the unrecognised tax losses will expire between 1 and 5 years.

Unrecognised temporary differences relating to investments in subsidiaries

At the balance sheet date, no deferred tax liability (31 December 2017: nil, 1 January 2017: nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of these subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $33,130,000 (31 December 2017: $36,844,000, 1 January 2017: $33,966,000). The deferred tax liability is estimated to be $1,656,000 (31 December 2017: $1,842,000, 1 January 2017: $1,698,000).

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 37).

9. EARNINGS PER SHARE

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

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

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

	Group	
	2018	2017
	$'000	$'000
Profit for the year attributable to owners of the Company	**15,191**	21,680

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. EARNINGS PER SHARE (CONT'D)

	Group 2018 No. of shares '000	Group 2017 No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation *	**563,209**	562,790
Effects of dilution:		
– Restricted shares granted conditionally under the "BreadTalk Restricted Share Grant Plan"	**315**	292
Weighted average number of ordinary shares for diluted earnings per share computation *	**563,524**	563,082

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year and the effect of share split during the year.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property $'000	Leasehold land $'000	Machinery and equipment $'000	Electrical works $'000	Furniture and fittings $'000	Office equipment $'000
Group						
Cost						
As at 1.1.2017	55,562	21,512	54,738	60,349	60,936	13,639
Additions	–	154	4,123	4,305	9,759	1,749
Reclassifications	–	–	–	3	114	–
Write offs	–	–	(9,232)	(9,510)	(7,554)	(1,323)
Disposals	(1,111)	–	(527)	(116)	(166)	(7)
Translation difference	(74)	(230)	(514)	(834)	(1,480)	(134)
As at 31.12.2017 and 1.1.2018	54,377	21,436	48,588	54,197	61,609	13,924
Additions	–	–	5,544	4,096	10,963	3,531
Reclassifications	–	–	1,019	282	86	7
Write offs	–	–	(2,173)	(3,220)	(2,897)	(960)
Disposals	–	–	(122)	(11)	–	(1)
Translation difference	(47)	46	(265)	142	322	(49)
As at 31.12.2018	54,330	21,482	52,591	55,486	70,083	16,452

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold property $'000	Leasehold land $'000	Machinery and equipment $'000	Electrical works $'000	Furniture and fittings $'000	Office equipment $'000
Group						
Accumulated depreciation and impairment losses						
As at 1.1.2017	4,961	1,489	34,116	41,672	42,346	10,525
Charge for the year	1,061	410	5,595	7,041	7,211	1,477
Write offs	–	–	(8,665)	(9,028)	(6,890)	(1,275)
Disposals	(604)	–	(426)	(66)	(94)	(2)
Impairment loss/ (write back)	–	–	(33)	(154)	(131)	–
Translation difference	(26)	(31)	(351)	(645)	(1,162)	(116)
As at 31.12.2017 and 1.1.2018	5,392	1,868	30,236	38,820	41,280	10,609
Charge for the year	1,028	408	5,892	6,010	6,336	1,722
Write offs			(1,890)	(3,045)	(2,612)	(965)
Disposals	–	–	(74)	(1)	–	(1)
Impairment loss/ (write back)	–	–	–	(91)	(90)	–
Translation difference	(31)	8	(137)	126	321	(32)
As at 31.12.2018	6,389	2,284	34,027	41,819	45,235	11,333
Net carrying amount						
As at 1.1.2017	50,601	20,023	20,622	18,677	18,590	3,114
As at 31.12.2017	48,985	19,568	18,352	15,377	20,329	3,315
As at 31.12.2018	47,941	19,198	18,564	13,667	24,848	5,119

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Renovation[(1)] $'000	Motor vehicles $'000	Construction -in-progress $'000	Total $'000
Group				
Cost				
As at 1.1.2017	138,347	2,477	3,842	411,402
Additions	11,144	115	1,638	32,987
Reclassifications	324	–	(441)	–
Write offs	(17,470)	(56)	–	(45,145)
Disposals	(1,130)	(46)	–	(3,103)
Translation difference	(1,080)	(43)	(47)	(4,436)
As at 31.12.2017 and 1.1.2018	130,135	2,447	4,992	391,705
Additions	14,425	338	8,790	47,687
Reclassifications	634	–	(2,028)	–
Write offs	(10,872)	(42)	–	(20,164)
Disposals	(192)	(53)	–	(379)
Translation difference	(1,894)	(22)	(306)	(2,073)
As at 31.12.2018	132,236	2,668	11,448	416,776

	Renovation[(1)] $'000	Motor vehicles $'000	Construction -in-progress $'000	Total $'000
Group				
Accumulated depreciation and impairment losses				
As at 1.1.2017	94,060	1,570	–	230,739
Charge for the year	16,884	366	–	40,045
Write offs	(16,667)	(51)	–	(42,576)
Disposals	(835)	(46)	–	(2,073)
Impairment loss/(write back)	(120)	–	–	(438)
Translation difference	(727)	(31)	–	(3,089)
As at 31.12.2017 and 1.1.2018	92,595	1,808	–	222,608
Charge for the year	19,005	367	–	40,768
Write offs	(10,074)	(42)	–	(18,628)
Disposals	(192)	(50)	–	(318)
Impairment loss/ (write back)	28	–	–	(153)
Translation difference	(1,157)	(12)	–	(914)
As at 31.12.2018	100,205	2,071	–	243,363
Net carrying amount				
As at 1.1.2017	44,287	907	3,842	180,663
As at 31.12.2017	37,540	639	4,992	169,097
As at 31.12.2018	32,031	597	11,448	173,413

(1) Additions to renovation during the year include provision for reinstatement costs of $1,095,000 (31 December 2017: $2,681,000, 1 January 2017: $2,090,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets written off

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

Assets pledged as security

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

	Group and Company		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Leasehold land	**17,070**	17,404	17,584
Leasehold property	**47,005**	47,925	48,845
	64,075	65,329	66,429

Impairment of assets

During the financial year, the Group carried out a review of the recoverable amount of the plant and equipment in the outlets of its bakery, restaurant and food court segments. A net write-back of impairment of $153,000 (2017: $438,000), representing the write-back of these plant and equipment to the recoverable amount was recognised in "Administrative expenses" line item of profit or loss for the financial year ended 31 December 2018.

Capitalisation of borrowing costs

The Group's leasehold property includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of leasehold property. The borrowing costs capitalised as cost of property, plant and equipment amounted to $145,000 (2017: $145,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold property $'000	Leasehold land $'000	Machinery and equipment $'000	Electrical works $'000	Furniture and fittings $'000
Company					
Cost					
As at 1.1.2017	52,072	18,731	384	2,244	3,025
Additions	–	154	112	47	5,088
As at 31.12.2017 and 1.1.2018	52,072	18,885	496	2,291	8,113
Additions	–	–	9	228	4,629
As at 31.12.2018	52,072	18,885	505	2,519	12,742
Accumulated depreciation					
As at 1.1.2017	3,227	1,147	234	1,465	943
Charge for the year	920	334	92	446	881
As at 31.12.2017 and 1.1.2018	4,147	1,481	326	1,911	1,824
Charge for the year	920	334	72	314	183
As at 31.12.2018	5,067	1,815	398	2,225	2,007
Net carrying amount					
As at 1.1.2017	48,845	17,584	150	779	2,082
As at 31.12.2017	47,925	17,404	170	380	6,289
As at 31.12.2018	47,005	17,070	107	294	10,735

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Office equipment $'000	Renovation $'000	Total $'000
Company			
Cost			
As at 1.1.2017	1,923	4,783	83,162
Additions	234	189	5,824
As at 31.12.2017 and 1.1.2018	2,157	4,972	88,986
Additions	1,664	632	7,162
As at 31.12.2018	3,821	5,604	96,148
Accumulated depreciation			
As at 1.1.2017	1,673	3,221	11,910
Charge for the year	199	976	3,848
As at 31.12.2017 and 1.1.2018	1,872	4,197	15,758
Charge for the year	346	624	2,793
As at 31.12.2018	2,218	4,821	18,551
Net carrying amount			
As at 1.1.2017	250	1,562	71,252
As at 31.12.2017	285	775	73,228
As at 31.12.2018	1,603	783	77,597

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. INVESTMENT PROPERTIES

	Group and Company		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Balance sheet:			
At 1 January	**39,463**	22,984	24,053
Additions	**–**	16,681	–
Net gains from fair value adjustments recognised in profit or loss (Note 4)	**1,081**	118	2
Exchange differences	**(796)**	(320)	(1,071)
At 31 December	**39,748**	39,463	22,984

The investment properties held by the Group as at 31 December are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
18 units office space located in Xuhui district, Shanghai, The Peoples' Republic of China	Offices	Leasehold	43 years
2 level shop house located in Holland Village, Lorong Mambong, Singapore	Restaurant and Gymnasium	Freehold	N.A.

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

Valuation of investment properties

The investment properties located in Shanghai and Singapore are stated at fair value, which have been determined based on valuations performed at financial year end. The valuations were performed by上海沪港房地产估价有限公司and RHT Chestertons Valuation and Advisory Pte Ltd. They are independent real estate valuation experts with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued. Details of the valuation technique and inputs used are disclosed in Note 34.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. INTANGIBLE ASSETS

	Group					
	Goodwill $'000	Brand value $'000	Trade mark $'000	Franchise rights $'000	Location premium $'000	Total $'000
Cost						
As at 1.1.2017	6,173	3,209	1,855	1,806	474	13,517
Additions	–	–	25	84	–	109
Write off	–	–	–	(54)	–	(54)
Translation difference	–	–	(8)	(11)	–	(19)
As at 31.12.2017 and 1.1.2018	6,173	3,209	1,872	1,825	474	13,553
Additions	–	–	352	148	–	500
Write off	–	–	(115)	–	–	(115)
Translation difference	–	–	(35)	17	–	(18)
As at 31.12.2018	6,173	3,209	2,074	1,990	474	13,920
Accumulated amortisation and impairment losses						
As at 1.1.2017	1,336	2,569	1,148	1,557	474	7,084
Amortisation	–	213	141	83	–	437
Write off	–	–	–	(54)	–	(54)
Translation difference	–	–	(2)	(1)	–	(3)
As at 31.12.2017 and 1.1.2018	1,336	2,782	1,287	1,585	474	7,464
Amortisation	–	213	119	82	–	414
Write off	–	–	(38)	–	–	(38)
Translation difference	–	–	(8)	17	–	9
As at 31.12.2018	1,336	2,995	1,360	1,684	474	7,849
Net carrying amount						
As at 1.1.2017	4,837	640	707	249	–	6,433
As at 31.12.2017	4,837	427	585	240	–	6,089
As at 31.12.2018	4,837	214	714	306	–	6,071

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. INTANGIBLE ASSETS (CONT'D)

Brand value, trademark, franchise rights and location premium are determined to have finite useful lives and are amortised on a straight-line basis over their respective estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. Brand value, trademark and franchise rights have remaining useful lives of 1 year (31 December 2017: 2 years, 1 January 2017: 3 years), 1 to 10 years (31 December 2017: 1 to 10 years, 1 January 2017: 1 to 10 years) and 1 to 6 years (31 December 2017: 1 to 6 years, 1 January 2017: 1 to 6 years) as at 31 December 2018 respectively.

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

Impairment testing of goodwill

Goodwill arising from the acquisition of Topwin Investment Holding Pte Ltd and its subsidiaries in the financial year ended 31 December 2005 was primarily attributable to the food court operations in Shanghai.

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

The food courts located in the same geographical segment are managed by the same management team.

The carrying amounts of goodwill allocated to each cash generating unit ("CGU") are as follows:

	Carrying amount as at 31.12.18 $'000	Carrying amount as at 31.12.17 $'000	Carrying amount as at 1.1.2017 $'000	Pre-tax discount rate 31.12.2018 $'000	Pre-tax discount rate 31.12.2017 $'000	Pre-tax discount rate 1.1.2017 $'000
Food court operations in:						
– Shanghai	3,569	3,569	3,569	12.0%	13.5%	12.0%
– Singapore	1,268	1,268	1,268	9.0%	10.0%	10.0%
	4,837	4,837	4,837			

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

As the fair value measurement uses unobservable inputs, it is categorised as level 3 under the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. INTANGIBLE ASSETS (CONT'D)

Key assumptions used in the fair value less costs of disposal calculations

The calculations of fair value less cost of disposal for the CGUs are most sensitive to the following assumptions:

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

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

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

Costs of disposal – Costs of disposal are incremental costs directly attributable to the disposal of an asset or cash generating unit, excluding finance costs and income tax expense.

Sensitivity to changes in assumptions

With regards to the assessment of fair value less costs of disposal for Singapore and Shanghai segments, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

13. INVESTMENT SECURITIES

(a) Financial instruments as at 31 December 2018

	Group 2018 $'000
At fair value through profit or loss	
– Equity instruments (quoted)	142
– Equity instruments (unquoted)	58,703
– 3% SGD junior bonds due on 20 January 2020 (unquoted)	16,819
– 10% SGD junior bonds on 24 April 2025 (unquoted)	7,485
– Structured investment (unquoted)	4,797
	87,946
Net carrying amount	
Current	4,797
Non-current	83,149
	87,946

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. INVESTMENT SECURITIES (CONT'D)

(b) Financial instruments as at 31 December 2017 and 1 January 2017

	Group	
	31.12.2017	1.1.2017
	$'000	$'000
Current:		
Available-for-sale financial assets		
– Equity instruments (unquoted), at cost	**–**	18
– Redeemable preference shares (unquoted), at cost	**–**	5,067
	–	5,085
Held-to-maturity investments		
– Debt securities (quoted)	**12,886**	–
– 5% SGD junior bonds (unquoted)	**–**	12,137
	12,886	12,137
Total	**12,886**	17,222
Non-Current:		
Available-for-sale financial assets		
– Equity instruments (quoted), at fair value	**200**	1,010
– Equity instruments (unquoted), at cost	**45,372**	45,372
	45,572	46,382
Held-to-maturity investments		
– 3% SGD junior bonds due on 20 January 2020 (unquoted)	**18,000**	18,000
– 10% SGD junior bonds due on 24 April 2025 (unquoted)	**8,496**	8,496
	26,496	26,496
Total	**72,068**	72,878

3% SGD junior bonds

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

The junior bonds mature on 20 January 2020 and bear interest semi-annually in arrears, at minimum 3% per annum from 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. INVESTMENT SECURITIES (CONT'D)

10% SGD junior bonds and equity instrument (unquoted) in Perennial 8 Shenton Investors Pte Ltd.

On 24 April 2015, IPPL had completed the subscription of $8,496,000 in principal amount of junior bonds and was issued 8,496 ordinary shares of $1,280 per share (aggregate issue price of $10,874,880) in the share capital of Perennial 8 Shenton Investors Pte Ltd ("P8SIPL").
IPPL's investment in ordinary shares of P8SIPL is classified as an unquoted equity instrument.

The junior bonds mature on 2025 and bear interest semi-annually in arrears, at maximum 10% per annum from 24 April 2016.

Equity instruments (unquoted)

On 30 September 2012, IPPL together with a consortium of investors, entered into a joint venture agreement to invest in Perennial Tongzhou Development Pte Ltd ("PTD") for the subscription of ordinary shares of PTD. IPPL's subscription of 20,130 ordinary shares for a cash consideration of $20,130,000 represents a 5.27% equity interest in PTD. On 12 March 2014, the shareholders of PTD agreed to an additional capital injection in PTD, of which IPPL's proportionate share of the capital call was $347,000. 347,000 shares was allotted to IPPL on 14 March 2014.

On 15 April 2013, IPPL together with a consortium of investors, entered into a joint venture agreement to invest in Perennial Tongzhou Holdings Pte Ltd ("PTH") for the subscription of ordinary shares of PTH. IPPL's subscription of 14,520 ordinary shares for a cash consideration of $14,520,000 represents a 5.86% equity interest in PTH.

On 3 January 2018, IPPL together with a consortium of investors, entered into a joint venture agreement to invest in Perennial HC Holdings Pte Ltd ("PHCH") for the subscription of ordinary shares of PHCH. IPPL will eventually subscribed to 25,000,000 ordinary shares at US$1 per share, representing 5% equity interest in PHCH. The investment will be funded progressively upon capital call. As at 31 December 2018, a total of 6,918,250 ordinary shares has been subscribed for a cash consideration of $9,427,000, representing 5% equity interest in PHCH.

Debt securities

During the financial year 2017, a subsidiary, BTG Vault Pte Ltd ("BTGV") purchased leveraged credit linked investment products through a reputable bank in Singapore. BTGV purchased additional investment amounting to $1,012,000 during the year. The leveraged credit linked investments yield periodic interest income at a net effective interest rate between 7.1% and 8.7% per annum. The leveraged credit linked investments has matured during the year.

Structured investment

During the year, BTGV purchased three autocallable structured investments through a reputable bank in Singapore for a consideration of $13,000,000. The autocallable structured investments will act as natural hedge against foreign currency exchange fluctuation. Two of the autocallable structured investments have been disposed during the year. The remaining autocallable investment will mature in May 2019.

Investments pledged as security

The Group's investments in unquoted equity instruments of $26,197,000 (2017: $25,242,000) and junior bonds of $24,304,000 (2017: $26,496,000) have been pledged as security for bank loans (Note 26).

Fair value adjustments

During the financial year, fair value adjustments of $1,918,000 (FY17: nil) was brought to profit and loss in respect of investment securities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES

	2018	2017
	$'000	$'000
Unquoted equity shares at cost	**28,864**	28,864
Capital contributions in the form of share options issued to employees of subsidiaries	**949**	858
Impairment losses:		
– Unquoted shares	**(5,304)**	(5,304)
	24,509	24,418

(a) *Composition of the Group*

The Group has the following investment in subsidiaries:

Name	Country of incorporation	Principal activities	Proportion of ownership interest **2018** %	31.12.2017 %	1.1.2017 %
Held by the Company					
BreadTalk Pte Ltd (1)	Singapore	Bakers and manufacturers of and dealers in bread, flour and biscuits	**100**	100	100
Together Inc. Pte Ltd (3)	Singapore	Investment holding	**100**	100	100
BreadTalk International Pte Ltd (3)	Singapore	Investment holding	**100**	100	100
Topwin Investment Holding Pte Ltd (3)	Singapore	Investment holding	**100**	100	100
Star Food Pte Ltd (3)	Singapore	Investment holding	**100**	100	100
Imagine IHQ Pte Ltd (3)	Singapore	Investment holding	**100**	100	100
Imagine Properties Pte Ltd (1)	Singapore	Investment holding	**100**	100	100
BTG Vault Pte Ltd (3)	Singapore	Acquiring and holding of intellectual property rights	**100**	100	100
Held through BreadTalk Pte Ltd					
Thye Moh Chan Pte Ltd (3)	Singapore	Wholesale of confectionery and bakery products	**100**	100	100
Queens Coffee Pte Ltd (3)	Singapore	Processing, sale and distribution of premium coffee beans and tea dust; and distribution of related processing equipment	**100**	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2018 %	31.12.2017 %	1.1.2017 %
Held through Together Inc. Pte Ltd					
Ramen Play Pte Ltd [3]	Singapore	Operators of restaurants	**85**	85	85
Taster Food Pte Ltd [1]	Singapore	Operators of food and drinks outlets, eating houses and restaurants	**70**	70	70
Taster Food UK Limited [11]	England and Wales	Operators of restaurants	**50.5**	100	100
BTG-Song Fa Venture Pte Ltd [3]	Singapore	Operators of restaurants	**90**	90	–
BTG-Shinmei Venture Pte Ltd [3] (Note (e))	Singapore	General wholesale trading	**66**	–	–
BTG-WPC Venture Pte Ltd [11] (Note (e))	Singapore	Manufacture and wholesale of bakery confectionary products	**80**	–	–
BTG-Pindao Venture Pte Ltd [3] (Note (e))	Singapore	Operators of cafes and coffee houses	**90**	–	–
Held through BTG-Song Fa Venture Pte Ltd					
Song Yu (Shanghai) Management Co., Ltd [2]	People's Republic of China	Operators of restaurants	**100**	100	–
Song Yu (Beijing) Management Co., Ltd [11] (Note (e))	People's Republic of China	Operators of restaurants	**100**	–	–
BT SF Corporation (Thailand) Co., Ltd [9] (Note (e))	Thailand	Investment holding	**48.8**[16]	–	–
BT Song Fa (Thailand) Co., Ltd [9] (Note (e))	Thailand	Operators of restaurants	**49**[17]	–	–
Held through BT Song Fa (Thailand) Co., Ltd					
BT SF Corporation (Thailand) Co., Ltd [9] (Note (e))	Thailand	Investment holding	**50.9**[16]	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2018 %	31.12.2017 %	1.1.2017 %
Held through BTG-Pindao Venture Pte Ltd					
BTG-Song Fa-Pindao Venture Pte Ltd [11] (Note (e))	Singapore	Operators of restaurants	**90**	–	–
Held through Taster Food Pte Ltd					
Taster Food International Pte Ltd [3]	Singapore	Investment holding	**90**	90	90
Held through Taster Food International Pte Ltd					
Taster Food Corporation (Thailand) Co., Ltd [9] [10] (Note (e))	Thailand	Investment holding	**48.9[15]**	–	–
Taster Food (Thailand) Co., Ltd [9]	Thailand	Operators of restaurants	**49[12]**	49[12]	49[12]
Held through Taster Food Corporation (Thailand) Co., Ltd					
Taster Food (Thailand) Co., Ltd [9]	Thailand	Operators of restaurants	**50.9[12]**	–	–
Held through Taster Food (Thailand) Co., Ltd					
Taster Food Corporation (Thailand) Co., Ltd [9] (Note (e))	Thailand	Investment holding	**50.9[15]**	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2018 %	31.12.2017 %	1.1.2017 %
Held through BreadTalk International Pte Ltd					
BreadTalk Investment Holdings Co., Ltd [11] (Note (e))	People's Republic of China	Investment holding	**100**	–	–
Shanghai BreadTalk Co., Ltd [2]	People's Republic of China	Bakers and manufacturers of and dealers in bread, flour and biscuits	**100**	100	100
Shanghai BreadTalk Gourmet Co., Ltd [2]	People's Republic of China	Management of food and beverage, manufacture and retail of bakery, confectionery products	**100**	100	100
Beijing BreadTalk Restaurant Management Co., Ltd [2]	People's Republic of China	Management of food and beverage, manufacture and retail of bakery, confectionery products	**100**	100	100
BreadTalk (Thailand) Co., Ltd [9]	Thailand	Management of food and beverage, manufacture and retail of bakery, confectionery products	**49 [13]**	49 [13]	49 [13]
BreadTalk Corporation (Thailand) Co., Ltd [9]	Thailand	Investment holding	**49 [14]**	49 [14]	49 [14]
PT BTG Pura Indah Berkat Venture [11] (Note (e))	Indonesia	Bakers and manufacturers of and dealers in bread, flour and biscuits	**70**	–	–
ML Breadworks Sdn Bhd [4]	Malaysia	Dormant	**100**	100	90
Held through BreadTalk Investment Holdings Co., Ltd					
BreadTalk Jiaxing Food Manufacturing Co., Ltd [11] (Note (e))	People's Republic of China	Investment holding	**100**	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2018 %	31.12.2017 %	1.1.2017 %
Held through Shanghai BreadTalk Co., Ltd					
Shanghai Ramen Play Co., Ltd [5]	People's Republic of China	Operators of restaurants	**30**[20]	30[20]	30[20]
Held through Beijing BreadTalk Restaurant Management Co., Ltd					
Beijing BreadTalk Co., Ltd [2]	People's Republic of China	Manufacture and sale of bakery and confectionery products	**100**	100	100
Held through BreadTalk (Thailand) Co., Ltd					
BreadTalk Corporation (Thailand) Co., Ltd [9]	Thailand	Investment holding	**50.9** [14]	50.9 [14]	50.9 [14]
Held through BreadTalk Corporation (Thailand) Co., Ltd					
BreadTalk (Thailand) Co., Ltd [9]	Thailand	Management of food and beverage, manufacture and retail of bakery, confectionery products	**51** [13]	51 [13]	51 [13]
BT Song Fa (Thailand) Co., Ltd [9] (Note (e))	Thailand	Operators of restaurants	**51**[17]	–	–
Held through Topwin Investment Holding Pte Ltd					
Food Republic (Shanghai) Co., Ltd [2]	People's Republic of China	Food court operator	**100**	100	100
Beijing Da Shi Dai Food and Beverage Co., Ltd [2]	People's Republic of China	Food court operator	**100**	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest		
			2018	31.12.2017	1.1.2017
			%	%	%
Held through Topwin Investment Holding Pte Ltd (cont'd)					
Megabite Hong Kong Limited [6]	Hong Kong	Investment holding and food court operator	**100**	100	100
Food Republic Pte Ltd [1]	Singapore	Food court operator	**100**	100	100
FR International Holdings Pte Ltd [22]	Singapore	Investment Holding	**–**	–	100
Megabite (S) Pte Ltd [21]	Singapore	Investment holding	**–**	100	100
Megabite Eatery (M) Sdn Bhd [4]	Malaysia	Operator of food and beverage outlets	**100**	100	100
Food Republic Taiwan Co., Ltd [8]	Taiwan	Food court operator	**100**	100	100
FR (Cambodia) Co., Ltd [11] (Note (e))	Cambodia	Food court operator	**100**	–	–
FR (Thailand) Co., Ltd [9] [10]	Thailand	Food court operator	**49[18]**	49[18]	49[18]
FR Corporation (Thailand) Co., Ltd [9] [10] (Note (e))	Thailand	Food court operator	**49[19]**	–	–
Held through FR Corporation (Thailand) Co., Ltd					
FR (Thailand) Co., Ltd [9] [10] (Note (e))	Thailand	Food court operator	**50.9[18]**	–	–
Held through FR (Thailand) Co., Ltd					
FR Corporation (Thailand) Co., Ltd [9] [10] (Note (e))	Thailand	Food court operator	**50.9[19]**	–	–
Held through FR International Holdings Pte Ltd					
FR-AK Venture Pte Ltd [22]	Singapore	Operator of Food and beverage outlets	**–**	–	70

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Name	Country of incorporation	Principal activities	Proportion of ownership interest		
			2018 %	31.12.2017 %	1.1.2017 %
Held through Food Republic (Shanghai) Co., Ltd					
Chongqing Food Republic Food & Beverage Management Co., Ltd [5]	People's Republic of China	Food court operator	**100**	100	100
Food Republic (Chengdu) Co., Ltd [5]	People's Republic of China	Food court operator	**100**	100	100
Food Republic Hangzhou F&B Co., Ltd [21]	People's Republic of China	Food court operator	**–**	100	100
Shanghai Ramen Play Co., Ltd [5]	People's Republic of China	Operators of restaurants	**30[20]**	30[20]	30[20]
Shanghai Food Court F&B Management Co., Ltd [5]	People's Republic of China	Operator of food and beverage outlets	**100**	100	100
Held through Megabite Hong Kong Limited					
BreadTalk Concept Hong Kong Limited [6]	Hong Kong	Management of food and beverage, manufacture and retail of bakery, confectionery products	**100**	100	100
Food Republic Shenzhen F&B Management Co., Ltd [7]	People's Republic of China	Food court operator	**100**	100	100
Food Republic Guangzhou F&B Management Co., Ltd [7]	People's Republic of China	Food court operator	**75**	75	75
Held through Megabite (S) Pte Ltd					
Food Art Pte Ltd [21]	Singapore	Dormant	**–**	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (cont'd)

Name	Country of incorporation	Principal activities	Proportion of ownership interest		
			2018	31.12.2017	1.1.2017
			%	%	%
Held through Star Food Pte Ltd					
Shanghai Star Food F&B Management Co., Ltd [5]	People's Republic of China	Investment holding	**100**	100	100
Beijing Star Food F&B Management Co., Ltd [5]	People's Republic of China	Dormant	**100**	100	100
Held through Shanghai Star Food F&B Management Co., Ltd					
Xu Chun (Shanghai) Management Co., Ltd [11] (Note (e))	People's Republic of China	Operators of restaurants	**80**	–	–

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by member firms of Ernst & Young Global in the respective countries
(3) Audited by Nexia TS Public Accounting Corporation, Singapore
(4) Audited by Nexia SSY, Malaysia
(5) Audited by Shanghai Shen Ya Certified Public Accountants Co., Ltd, People's Republic of China
(6) Audited by Nexia Charles Mar Fan Limited, Hong Kong
(7) Audited by Guangdong Link Certified Public Accountants Co., Ltd, People's Republic of China
(8) Audited by KPMG, Taiwan
(9) Audited by Tree Sun Co., Ltd, Thailand
(10) Considered a subsidiary of the BTG as the Company has voting control at general meetings and Board meetings.
(11) Not required to be audited during the financial year.
(12) The Group holds 60.5% ownership interest in Taster Food (Thailand) Co., Ltd in 2018 and accounted for it as a subsidiary. It is considered a subsidiary of the BTG as the Company has voting control at the general meetings and Board meetings.
(13) The Group holds 100% ownership interest in BreadTalk (Thailand) Co., Ltd through BreadTalk International Pte Ltd and BreadTalk Corporation (Thailand) Co., Ltd and accounted for it as a subsidiary.
(14) The Group holds 99.9% ownership interest in BreadTalk Corporation (Thailand) Co., Ltd through BreadTalk International Pte Ltd and BreadTalk (Thailand) Co., Ltd and accounted for it as a subsidiary.
(15) The Group holds 99.7% ownership interest in Taster Food Corporation (Thailand) Co., Ltd through Taster Food International Pte Ltd and Taster Food (Thailand) Co., Ltd and accounted for it as a subsidiary.
(16) The Group holds 89.7% ownership interest in BT SF Corporation (Thailand) Co., Ltd through BTG-Song Fa Venture Pte Ltd and BT Song Fa (Thailand) Co., Ltd and accounted for it as a subsidiary.
(17) The Group holds 89.7% ownership interest in BT Song Fa (Thailand) Co., Ltd through BTG-Song Fa Venture Pte Ltd and BreadTalk Corporation (Thailand) Co., Ltd and accounted for it as a subsidiary.
(18) The Group holds 99.9% ownership interest in FR (Thailand) Co., Ltd through Topwin Investment Holding Pte Ltd and FR Corporation (Thailand) Co., Ltd and accounted for it as a subsidiary.
(19) The Group holds 99.9% ownership interest in FR Corporation (Thailand) Co., Ltd through Topwin Investment Holding Pte Ltd and FR (Thailand) Co., Ltd and accounted for it as a subsidiary.
(20) The Group holds 60% ownership interest in Shanghai Ramen Play Co., Ltd through Shanghai BreadTalk Co., Ltd and Food Republic (Shanghai) Co., Ltd and accounted for it as a subsidiary.
(21) The entity has been struck off during the year.
(22) The entity has been struck off in 2017

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

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

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends payable to NCI $'000
31 December 2018:					
Taster Food Pte Ltd	Singapore	30%	6,498	26,336	6,560
31 December 2017:					
Taster Food Pte Ltd	Singapore	30%	6,773	26,398	3,444
1 January 2017:					
Taster Food Pte Ltd	Singapore	30%	6,133	23,069	1,640

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

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

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

Summarised balance sheet

	Taster Food Pte Ltd		
	2018	As at 31.12.2017	As at 1.1.2017
	$'000	$'000	$'000
Current			
Assets	**123,509**	107,250	84,306
Liabilities	**(55,160)**	(40,920)	(27,855)
Net current assets	**68,349**	66,330	56,451
Non-current			
Assets	**13,874**	16,031	15,726
Liabilities	**(1,512)**	(1,466)	(1,439)
Net non-current assets	**12,362**	14,565	14,287
Net assets	**80,711**	80,895	70,738

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Summarised statement of comprehensive income

	Taster Food Pte Ltd		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Revenue	**136,209**	128,930	127,287
Profit before income tax	**24,358**	25,095	22,745
Income tax expense	**(4,546)**	(4,445)	(4,046)
Profit after tax – continuing operations	**19,812**	20,650	18,699
Other comprehensive income	**–**	–	–
Total comprehensive income	**19,812**	20,650	18,699

Other summarised information

	Taster Food Pte Ltd		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Net cash flows from operations	**38,771**	28,738	24,049
Acquisition of significant property, plant and equipment	**2,453**	5,281	4,843

(d) *Acquisition of non-controlling interests*

On 1 June 2018, Taster Food Corporation (Thailand) Co., Ltd, a wholly owned indirect subsidiary of the Company, acquired an additional effective 30.9% equity interest in Taster Food (Thailand) Co., Ltd ("TFT") from its non-controlling interests for a cash consideration of $419,000. As a result of this acquisition, TFT has become effectively a 60.5% owned subsidiary. The carrying value of net assets of TFT as at 1 June 2018 was $4,767,000 and the excess in carrying value of the additional interest acquired was $1,054,000. The cumulative amount of the consideration and the excess in the carrying value of the additional interest acquired has been recognised as "Premium on acquisition of non-controlling interests" within equity.

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

	$'000
Consideration paid for acquisition of non-controlling interests	(419)
Decrease in equity attributable to non-controlling interests	1,473
Increase in equity attributable to owners of the Company	1,054

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(e) Incorporation of new subsidiaries

Taster Food Corporation (Thailand) Co., Ltd ("TFCT")

TFCT was incorporated as a 99.7% owned subsidiary of Taster Food International Pte Ltd and Taster Food (Thailand) Co., Ltd on 26 April 2018 with a share capital of $4,000.

Song Yu (Beijing) Management Co., Ltd ("SYBJ")

SYBJ was incorporated as a 100% owned subsidiary of BTG-Song Fa Venture Pte Ltd on 17 September 2018 with a share capital of $1,500,000.

BT SF Corporation (Thailand) Co., Ltd ("BTSFCT")

BTSFCT was incorporated as a 99.7% owned subsidiary of BTG-Song Fa Venture Pte Ltd and BT Song Fa (Thailand) Co., Ltd on 24 May 2018 with a share capital of $4,000.

BT Song Fa (Thailand) Co., Ltd ("BTSFT")

BTSFT was incorporated as a 100% owned subsidiary of BTG-Song Fa Venture Pte Ltd and BreadTalk Corporation (Thailand) Co., Ltd on 7 February 2018 with a share capital of $200,000.

BTG-Shinmei Venture Pte Ltd ("BTGS")

BTGS was incorporated as a 66% owned subsidiary of Together Inc. Pte Ltd on 22 February 2018 with a share capital of $3,000,000.

BTG-WPC Venture Pte Ltd ("BTGWPCV")

BTGWPCV was incorporated as a 80% owned subsidiary of Together Inc. Pte Ltd on 18 October 2018 with a share capital of $2,000,000.

BTG-Pindao Venture Pte Ltd ("BTGPDV")

BTGPDV was incorporated as a 90% owned subsidiary of Together Inc. Pte Ltd on 22 June 2018 with a share capital of $3,000,000.

BTG-Song Fa-Pindao Venture Pte Ltd ("BTGSFPDV")

BTGSFPDV was incorporated as a 90% owned subsidiary of BTG-Pindao Venture Pte Ltd on 16 October 2018 with a share capital of $3,000,000.

PT BTG Pura Indah Berkat Venture ("PTPURA")

PTPURA was incorporated as a 70% owned subsidiary of BreadTalk International Pte Ltd on 7 May 2018 with a share capital of $230,000.

BreadTalk Investment Holdings Co., Ltd ("BTIH")

BTIH was incorporated as a 100% owned subsidiary of BreadTalk International Pte Ltd on 10 October 2018 with a share capital of $4,500,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(e) *Incorporation of new subsidiaries*

BreadTalk Jiaxing Food Manufacturing Co., Ltd ("BTJXFM")

BTJXFM was incorporated as a 100% owned subsidiary of BreadTalk Investment Holdings Co., Ltd on 24 October 2018 with a share capital of $4,400,000.

FR Corporation (Thailand) Co., Ltd ("FRCTH")

FRCTH was incorporated as a 99.9% owned subsidiary of Topwin Investment Holding Pte Ltd and FR (Thailand) Co., Ltd on 25 October 2018 with a share capital of $1,000.

FR (Cambodia) Co., Ltd ("FRCAMB")

FRCAMB was incorporated as a 100% owned subsidiary of Topwin Investment Holding Pte Ltd on 9 July 2018 with a share capital of $6,800.

Xu Chun (Shanghai) Management Co., Ltd ("XCSH")

XCSH was incorporated as a 80% owned subsidiary of Shanghai Star Food F&B Management Co., Ltd on 5 June 2018 with a share capital of $1,666,000.

15. INVESTMENT IN ASSOCIATES

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

	Group		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Carl Karcher Enterprises (Cayman) Ltd	**–**	2,616	1,968
Perennial (Chijmes) Pte Ltd	**22,738**	22,619	22,643
Other associates	**3,488**	3,247	2,422
	26,226	28,482	27,033
Impairment loss	**–**	(1,800)	–
At end of year	**26,226**	26,682	27,033

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. INVESTMENT IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2018 %	31.12.2017 %	1.1.2017 %
Held through subsidiaries					
Perennial (Chijmes) Pte Ltd ("PCPL") [1]	Singapore	Investment holding	**29**	29	29
JBT (China) Pte Ltd ("JBTC") [2]	Singapore	Investment holding	**30**	30	30
Tate Projects Pte Ltd [3]	Singapore	General building contractor	**25**	25	25
Carl Karcher Enterprises (Cayman) Ltd ("CKEC") [4] (Note (a))	Cayman Islands	Investment holding	**31**	40	40
Avenue Ambience Sdn Bhd [6]	Malaysia	Bakers and manufacturers of and dealers in bread, flour and biscuits	**25**	25	–
Shi Shi Le (Chong Qing) Co., Ltd [6] (Note (b))	People's Republic of China	Bakers and manufacturers of and dealers in bread, flour and biscuits	**30**	–	–
Held by PCPL					
Pre 8 Investments Pte Ltd [1]	Singapore	Operators of commercial malls	**100**	100	100
Held by JBTC					
JBT (Shanghai) Co., Ltd [5]	People's Republic of China	Operators of restaurants	**100**	100	100
Held by CKEC					
Carl Karcher Enterprises (HK) Limited [4]	Hong Kong	Investment holding	**100**	100	100
CKE (Shanghai) F&B Management Limited [4]	People's Republic of China	Operators of restaurants	**100**	100	100

(1) Audited by KPMG LLP, Singapore
(2) Audited by Deloitte LLP, Singapore
(3) Audited by Leethen & Associates, Singapore
(4) Audited by KPMG Huazhen, People's Republic of China
(5) Audited by Shanghai Shen Ya Certified Public Accountants Co., Ltd, People's Republic of China
(6) Audited by PricewaterhouseCoopers PLT, Chartered Accountant, Malaysia

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. INVESTMENT IN ASSOCIATES (CONT'D)

(a) Dilution of interests in associate

During the year, a wholly owned subsidiary, Star Food Pte Ltd did not participate in CKEC's capital funding exercise. Consequently the shareholdings in CKEC was diluted to 31% (FY2017: 40%).

The Group has not recognised losses relating to CKEC where its share of losses have exceeded the Group's interest in this associate. The Group's current and cumulative share of unrecognised losses at the end of the reporting period was $2,606,000 (31 December 2017: nil, 1 January 2017: nil). The Group has no obligation in respect of the losses.

(b) Investment in new associate

During the year, Shanghai BreadTalk Gourmet Co., Ltd, a wholly owned subsidiary, injected share capital of $477,000, representing 30% shareholdings in Shi Shi Le (Chong Qing) Co., Ltd.

For the financial year, $60,000 dividends (2017: nil) were received from associates. All associates are not restricted by regulatory requirements on the distribution of dividends.

Impairment loss recognised

During the year, no impairment loss was recognised (2017: $1,800,000).

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

	Group		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
(Loss)/profit after tax from continuing operations	**(3,761)**	2,172	1,901
Other comprehensive income	**–**	–	–
Total comprehensive income	**(3,761)**	2,172	1,901

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. INVESTMENT IN ASSOCIATES (CONT'D)

Summarised balance sheet

	PCPL		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Current assets	**7,867**	8,281	9,936
Non-current assets [1]	**334,382**	334,141	333,749
Total assets	**342,249**	342,422	343,685
Current liabilities	**(4,797)**	(6,110)	(14,018)
Non-current liabilities	**(259,046)**	(258,315)	(251,588)
Total liabilities	**(263,843)**	(264,425)	(265,606)
Net assets	**78,406**	77,997	78,079
Proportion of the Group's ownership	**29%**	29%	29%
Group's share of net assets	**22,738**	22,619	22,643
Carrying amount of the investment	**22,738**	22,619	22,643

[1] Non-current assets include an investment property held by the associate. As at 31 December 2018, the carrying value of this investment property amounted to $334,000,000.

Summarised statement of comprehensive loss

	PCPL		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Revenue	**13,780**	13,547	13,805
Profit/(loss) after tax from continuing operations	**409**	(82)	(144)
Total comprehensive profit/(loss)	**409**	(82)	(144)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. INVESTMENT IN JOINT VENTURES

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

	Group		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
BTM (Thailand) Ltd	**3,945**	5,016	3,557
Shanghai ABPan Co., Ltd	**3,920**	3,753	3,681
Apex Excellent Sdn Bhd	**522**	1,069	847
Exchange differences	**297**	202	149
	8,684	10,040	8,234

Details of the joint ventures are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest		
			2018	31.12.2017	1.1.2017
			%	%	%
Held through subsidiaries					
Apex Excellent Sdn Bhd [(1)]	Malaysia	Food court operator	**50**	50	50
Shanghai ABPan Co., Ltd ("SHAB") [(2)]	People's Republic of China	Manufacture and sale of frozen dough	**50**	50	50
BTM (Thailand) Ltd ("BTM") [(3)]	Thailand	Management of food and beverage, manufacture and retail of bakery, confectionery products	**50**	50	50

(1) Audited by Nexia SSY, Malaysia
(2) Audited by Ernst & Young Hua Ming LLP, People's Republic of China
(3) Audited by PricewaterhouseCoopers ABAS Ltd

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. INVESTMENT IN JOINT VENTURES (CONT'D)

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

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

	Group		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Profit or loss after tax from continuing operations	**557**	446	545
Other comprehensive income	**–**	–	–
Total comprehensive income	**557**	446	545

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

Summarised balance sheet

	SHAB			BTM		
	2018	31.12.2017	1.1.2017	**2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Cash and cash equivalents	**4,609**	3,017	3,350	**1,437**	2,506	834
Trade receivables	**–**	–	–	**1,241**	1,276	1,707
Other current assets	**2,187**	4,122	2,960	**1,878**	2,306	1,264
Current assets	**6,796**	7,139	6,310	**4,556**	6,088	3,805
Non-current assets	**2,372**	2,285	3,650	**9,432**	9,759	8,793
Total assets	**9,168**	9,424	9,960	**13,988**	15,847	12,598
Current liabilities	**(1,349)**	(1,609)	(2,099)	**(3,364)**	(4,441)	(3,994)
Non-current liabilities	**–**	–	–	**(1,382)**	–	–
Total liabilities	**(1,349)**	(1,609)	(2,099)	**(4,746)**	(4,441)	(3,994)
Net assets	**7,819**	7,815	7,861	**9,242**	11,406	8,604
Proportion of the Group's ownership	**50%**	50%	50%	**50%**	50%	50%
Group's share of net assets	**3,910**	3,908	3,931	**4,621**	5,703	4,302
Other adjustments	**–**	–	–	**(371)**	(516)	(662)
Exchange difference	**10**	(155)	(250)	**(305)**	(171)	(83)
Carrying amount of the investment	**3,920**	3,753	3,681	**3,945**	5,016	3,557

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. INVESTMENT IN JOINT VENTURES (CONT'D)

Summarised statement of comprehensive income

	SHAB			BTM		
	2018 **$'000**	31.12.2017 $'000	1.1.2017 $'000	**2018** **$'000**	31.12.2017 $'000	1.1.2017 $'000
Revenue	**9,835**	12,244	11,820	**24,599**	23,871	17,981
Operating expenses	**(9,378)**	(11,131)	(10,760)	**(27,075)**	(23,218)	(17,203)
Profit/(loss) before tax	**457**	1,113	1,060	**(2,476)**	653	778
Income tax expense	**(137)**	(274)	(288)	**43**	(38)	(79)
Profit/(loss) after tax	**320**	839	722	**(2,433)**	615	699
Other comprehensive income	**–**	–	–	**–**	–	–
Total comprehensive income	**320**	839	722	**(2,433)**	615	699

<u>Additional interests in joint venture, with no change in shareholdings</u>

In the financial year 2017, BTM increased its share capital to $10,027,000. Proportionate to its shareholdings of 50% in BTM, a wholly owned subsidiary, BreadTalk (Thailand) Co., Ltd injected additional share capital of $1,005,000.

Dividends of $825,000 (2017: $348,000) were received from joint venture. All joint ventures are not restricted by regulatory requirements on the distribution of dividends.

17. INVENTORIES

	Group		
	2018 **$'000**	31.12.2017 $'000	1.1.2017 $'000
Balance sheet:			
Raw materials and consumables, at cost	**10,390**	8,878	8,951
Semi-finished goods	**620**	536	461
Finished goods	**294**	307	394
Total inventories at lower of cost and net realisable value	**11,304**	9,721	9,806
Profit or loss:			
Inventories recognised as an expense in cost of sales	**139,877**	142,640	136,148
Inclusive of the following charge:			
– Write-off of inventories	**2**	7	18
– Allowance for inventory obsolescence	**12**	5	84

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES

	Group			Company		
	2018	31.12.2017	1.1.2017	**2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Trade receivables	**6,640**	7,495	6,438	**–**	–	–
Other receivables	**12,108**	9,264	8,503	**5,501**	2,367	4,240
Interest receivable	**716**	439	852	**–**	–	–
Deposits	**38,483**	34,754	36,256	**33**	50	29
	57,947	51,952	52,049	**5,534**	2,417	4,269
Other receivables (non-current)	**838**	1,107	1,413	**–**	–	–
	58,785	53,059	53,462	**5,534**	2,417	4,269
Current	**57,947**	51,952	52,049	**5,534**	2,417	4,269
Non-current	**838**	1,107	1,413	**–**	–	–
	58,785	53,059	53,462	**5,534**	2,417	4,269

Other receivables include the following:

(a) Initial fee receivable of $2,077,000 (31 December 2017: $3,100,000, 1 January 2107: $3,706,000) from food atrium stall tenants. The initial fee receivable is a contribution from tenants mainly for renovation costs of the leased food atrium stalls.

<u>Trade receivables</u>

Trade receivables are non-interest bearing and are generally on 15 to 60 days terms (31 December 2017: 15 to 60 days, 1 January 2107: 15 to 60 days). They are recognised at their original invoice amounts which represents their fair values on initial recognition.

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

	Group		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
United States Dollar	**183**	–	275

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $5,572,000 (31 December 2017: $4,577,000, 1 January 2017: $4,016,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

		Group	
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Trade receivables past due:			
Lesser than 30 days	**1,965**	2,616	2,172
30 to 60 days	**463**	643	342
61 to 90 days	**452**	535	258
91 to 120 days	**263**	421	117
More than 120 days	**2,429**	362	1,127
	5,572	4,577	4,016

Receivables that are impaired / partially impaired

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

	Group Individually impaired	
	31.12.2017	1.1.2017
	$'000	$'000
Trade receivables – nominal amounts	**210**	–
Less: Allowance for impairment	**(210)**	–
	–	–
Movement in allowance accounts:		
At 1 January	**–**	181
Charge during the year	**250**	–
Written back during the year	**(40)**	(181)
	210	–

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group 2018 $'000
Movement in allowance accounts:	
At 1 January	**238**
Charge for the year	**31**
Written back during the year	**(209)**
At 31 December	**60**

Other receivables

Other receivables (current) are non-interest bearing and are generally on 0 to 60 days terms (31 December 2017: 0 to 60 days, 1 January 2017: 0 to 60 days).

Other receivables that are past due but not impaired

The Group has other receivables amounting to $1,424,000 (31 December 2017: $1,870,000, 1 January 2017: $974,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Other receivables past due:			
Lesser than 30 days	**1,117**	575	559
30 to 60 days	**6**	1,101	83
61 to 90 days	**21**	40	30
91 to 120 days	**1**	28	53
More than 120 days	**279**	126	249
	1,424	1,870	974

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Other receivables that are impaired / partially impaired

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

	Group Individually impaired	
	31.12.2017	1.1.2017
	$'000	$'000
Other receivables – nominal amounts	**87**	87
Less: Allowance for impairment	**(87)**	(87)
	–	–
Movement in allowance accounts:		
At 1 January	**87**	33
Charge during the year	**–**	87
Written off during the year	**–**	(33)
	87	87

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

<u>Expected credit losses</u>

The movement in allowance for expected credit losses of other receivables computed based on lifetime ECL are as follows:

	Group 2018 $'000
Movement in allowance accounts:	
At 1 January	**105**
Charge for the year	**138**
At 31 December	**243**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. DUE FROM/TO RELATED CORPORATIONS

	Company		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Non-current			
Loan to subsidiary	**41,292**	38,831	29,905
Less: Impairment losses	**(10,519)**	(8,139)	(3,137)
	30,773	30,692	26,768

The loan to subsidiary has no fixed terms of repayment.

	Group			Company		
	2018	31.12.2017	1.1.2017	**2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Current						
Amounts due from:						
Subsidiaries (non-trade)	**–**	–	–	**169,231**	105,149	61,885
Associate (trade)	**–**	9	6	**–**	–	–
Associate (non-trade)	**211**	1	–	**–**	–	–
Joint ventures (trade)	**8**	–	411	**–**	–	–
Joint ventures (non-trade)	**1,165**	1,118	677	**–**	–	–
Less: impairment loss	**(260)**	–	–	**–**	–	–
	1,124	1,128	1,094	**169,231**	105,149	61,885
Amounts due to:						
Subsidiaries (non-trade)	**–**	–	–	**65,964**	57,787	30,674
Associate (non-trade)	**968**	1,348	1,108	**–**	–	–
Joint ventures (trade)	**2,018**	2,458	2,617	**–**	–	–
Joint ventures (non-trade)	**38**	75	178	**–**	–	–
	3,024	3,881	3,903	**65,964**	57,787	30,674

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

(i) loans to subsidiaries of $127,736,000 (31 December 2017: $52,738,000, 1 January 2017: $42,963,000) which are repayable on demand;

(ii) loan from a subsidiary of $65,681,000 (31 December 2017: $57,424,000, 1 January 2017: $29,325,000) which bears an effective interest rate of 1.9% (31 December 2017: 1.5%, 1 January 2017: 1.5%) per annum and is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. DUE FROM/TO RELATED CORPORATIONS (CONT'D)

Receivables that are past due but not impaired

	Group		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Amounts due from associate (trade)			
61 to 90 days	**–**	9	6
Total as at 31 December	**–**	9	6
Amounts due from associate (non-trade)			
30 to 60 days	**10**	–	–
61 to 90 days	**1**	1	–
Total as at 31 December	**11**	1	–

	Group		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Amounts due from joint ventures (trade)			
Lesser than 30 days	**–**	–	18
30 to 60 days	**–**	–	55
61 to 90 days	**–**	–	11
91 to 120 days	**–**	–	2
Total as at 31 December	**–**	–	86
Amounts due from joint ventures (non-trade)			
Lesser than 30 days	**53**	133	8
30 to 60 days	**15**	14	7
61 to 90 days	**14**	24	8
91 to 120 days	**12**	57	7
More than 120 days	**187**	68	44
Total as at 31 December	**281**	296	74

Expected credit losses

The movement in allowance for expected credit losses of due from related corporations computed based on lifetime ECL are as follows:

	Group
	2018
	$'000
Movement in allowance accounts:	
At 1 January and 31 December	**260**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. DUE FROM/TO RELATED CORPORATIONS (CONT'D)

	Company		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Amounts due from subsidiaries (non-trade)			
Lesser than 30 days	**4,213**	15,751	1,795
30 to 60 days	**19,207**	1,919	1,919
61 to 90 days	**33,878**	45	2,584
91 to 120 days	**112**	1,713	1,301
More than 120 days	**100,695**	31,635	9,680
Total as at 31 December	**158,105**	51,063	17,279

20. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	Group			Company		
	2018	31.12.2017	1.1.2017	**2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Fixed deposits (current)	**7**	6	5,017	**–**	–	5,011
Cash on hand and at bank	**184,968**	141,239	115,572	**15,729**	1,278	3,475
	184,975	141,245	120,589	**15,729**	1,278	8,486

Fixed deposits of the Group have a maturity period of 3 months (31 December 2017: 3 months, 1 January 2017: 3 months) with effective interest rates of 1.70% (31 December 2017: 0.96%, 1 January 2017: 0.88%) per annum.

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

	Group			Company		
	2018	31.12.2017	1.1.2017	**2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
United States Dollar	**3,100**	314	639	**–**	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. TRADE AND OTHER PAYABLES

	Group			Company		
	2018	31.12.2017	1.1.2017	**2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Financial liabilities						
Trade payables	**20,865**	20,718	21,062	**–**	–	–
Other payables						
– Other creditors	**16,830**	12,094	12,587	**1,083**	641	768
– Payable for purchase of property, plant and equipment	**3,456**	4,674	4,760	**–**	–	–
– Sales collection on behalf of tenants	**23,600**	21,609	20,250	**–**	–	–
Deposits	**22,990**	25,027	24,111	**1,388**	1,177	1,064
Dividend payable	**6,560**	3,444	1,640	**–**	–	–
	94,301	87,566	84,410	**2,471**	1,818	1,832
Non-financial liabilities						
GST payable	**3,223**	2,760	1,994	**898**	357	123
	97,524	90,326	86,404	**3,369**	2,175	1,955

The deposits refer to deposits from food court tenants and franchisees.

Dividend is payable to non-controlling shareholders of a subsidiary.

Trade payables/other payables

These amounts are non-interest bearing. Trade payables are normally settled on 0 to 60 days terms (31 December 2017: 0 to 60 days terms, 1 January 2017: 0 to 60 days terms) while other payables have an average term of 0 to 90 days terms (31 December 2017: 0 to 90 days terms, 1 January 2017: 0 to 90 days terms), except for retention sums which have repayment terms of up to 1 year.

Trade payables denominated in foreign currencies are as follows:

	Group		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
United States Dollar	**293**	283	253

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. OTHER LIABILITIES

	Group			Company		
	2018	31.12.2017	1.1.2017	**2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Financial liabilities, current						
Accrued operating expenses	**51,768**	50,630	41,912	**7,033**	7,012	3,395
Accrual for amounts payable for purchase of property plant and equipment	**222**	361	135	**–**	–	–
Financial guarantees	**–**	–	–	**576**	576	576
	51,990	50,991	42,047	**7,609**	7,588	3,971
Non-financial liabilities, current						
Deferred revenue	**23,047**	24,457	25,405	**–**	–	–
Deferred rent	**3,620**	3,262	2,160	**–**	–	–
	26,667	27,719	27,565	**–**	–	–
Non-financial liabilities, non-current						
Deferred rent	**7,641**	9,392	11,385	**–**	–	–
	34,308	37,111	38,950	**–**	–	–
	86,298	88,102	80,997	**7,609**	7,588	3,971
Current	**78,657**	78,710	69,612	**7,609**	7,588	3,971
Non-current	**7,641**	9,392	11,385	**–**	–	–
	86,298	88,102	80,997	**7,609**	7,588	3,971

Deferred rent represents the difference between the lease payments and lease expenses recognised on straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

23. PROVISION FOR REINSTATEMENT COSTS

	Group			Company		
	2018	31.12.2017	1.1.2017	**2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
At 1 January	**15,846**	14,417	15,002	**27**	27	25
Additions	**1,095**	2,681	2,090	**–**	–	2
Utilisation	**(1,001)**	(927)	(2,339)	**–**	–	–
Write-back during the year	**(99)**	(82)	(292)	**–**	–	–
Exchange differences	**(73)**	(243)	(44)	**–**	–	–
Total as at 31 December	**15,768**	15,846	14,417	**27**	27	27

Provision for reinstatement costs is recognised when the Group enters into a lease agreement for the premises. It includes the estimated cost of demolishing and removing all the leasehold improvements made by the Group to the premises. The premises shall be reinstated to the condition set up in the lease agreements upon the expiration of the lease agreements. During the year, the Group incurred reinstatement costs for certain closed outlets and an excess provision of $99,000 (2017: $82,000) was written-back.

24. DUE FROM/LOAN FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

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

The non-current loan from a non-controlling shareholder of a subsidiary is unsecured and non-interest bearing. The loan has no fixed terms of repayment and is to be settled when the cash flow of the subsidiary permits.

25. SHORT-TERM LOANS

	Group			Company		
	2018	31.12.2017	1.1.2017	**2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Bank loans						
– Singapore Dollar	**–**	10,000	–	**–**	10,000	–
– New Taiwan Dollar	**4,138**	6,435	4,883	**–**	–	–
– Thailand Baht	**1,806**	2,802	2,332	**–**	–	–
	5,944	19,237	7,215	**–**	10,000	–

The effective interest on these short-term loans range from 2.8% to 3.8% (31 December 2017: 1.61% to 3.50%, 1 January 2017: 1.56% to 6.86%) per annum. The interest rates of these floating rate loans are repriced from time to time at the discretion of the respective banks.

The bank loans are revolving credit facilities with a tenure of 6 months (31 December 2017: 6 months, 1 January 2017: 6 months).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. LONG-TERM LOANS

		Group			Company		
Term loans	**Maturity**	**2018**	31.12.2017	1.1.2017	**2018**	31.12.2017	1.1.2017
		$'000	$'000	$'000	**$'000**	$'000	$'000
Singapore Dollar	2018	**–**	2,860	6,569	**–**	–	–
Singapore Dollar	2028 (Note 1)	**19,368**	38,214	41,793	**19,368**	38,214	41,793
Singapore Dollar	2018	**–**	1,584	2,127	**–**	1,584	2,127
Singapore Dollar	2019 (Note 2)	**236**	1,684	3,215	**–**	–	–
Singapore Dollar	2019 (Note 3)	**12,000**	30,000	43,778	**–**	–	–
Singapore Dollar	2022 (Note 4)	**12,742**	13,500	–	**–**	–	–
Hong Kong Dollar	2020	**290**	475	1,015	**–**	–	–
Chinese Yuan	2023	**319**	–	301	**–**	–	–
Malaysia Ringgit	2018	**–**	80	297	**–**	–	–
Thailand Baht	2022	**525**	–	–	**–**	–	–
		45,480	88,397	99,095	**19,368**	39,798	43,920
Current portion		**16,631**	37,864	24,238	**3,348**	4,122	4,122
Non-current portion		**28,849**	50,533	74,857	**16,020**	35,676	39,798
		45,480	88,397	99,095	**19,368**	39,798	43,920

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

– a gearing ratio not exceeding 4.0 times

Note 2 – the term loans are secured by a charge over a subsidiary's machineries and equipment. The loans will mature in 2019.

Note 3 – the term loan is secured by certain investment securities of a subsidiary. It includes the following financial covenants which require the Group to maintain:

– a net worth exceeding the loan covenants granted;
– a gearing ratio not exceeding 4.0 times; and
– Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") exceeding the loan covenants granted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. LONG-TERM LOANS (CONT'D)

Note 4 – the term loan is secured by certain investment property of a subsidiary. It includes the following financial covenants which require the Group to maintain:

– a consolidated tangible net worth not less than $75,000,000;
– a gearing ratio not exceeding 3.0 times; and
– interest coverage ratio of not less than 3.5 times.

All other term loans are secured by continuing guarantees by the Company.

All the loans are floating rate loans with effective interest rates ranging from 2.8% to 4.9% (31 December 2017: 2.0% to 3.9%, 1 January 2017: 1.5% to 4.7%) per annum. The interest rates of these floating rate loans are repriced from time to time at the discretion of the respective banks.

A reconciliation of liabilities arising from the Group's financing activities excluding bank overdrafts is as follows:

		Cash flows	Non-cash flows	
	2017		Foreign exchange movement	2018
	$'000	$'000	$'000	$'000
Loans				
– current	19,237	(13,296)	3	5,944
– non-current	88,397	(42,921)	4	45,480
Total	107,634	(56,217)	7	51,424

27. NOTES PAYABLE

	Group			Company		
	2018	31.12.2017	1.1.2017	**2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Current						
– 4.6% notes due 1 April 2019	**75,000**	–	–	**75,000**	–	–
	75,000	–	–	**75,000**	–	–
Non-current						
– 4.0% notes due 16 January 2023	**99,511**	–	–	**99,511**	–	–
– 4.6% notes due 1 April 2019	**–**	75,000	75,000	**–**	75,000	75,000
	99,511	75,000	75,000	**99,511**	75,000	75,000

The Company issued $75 million 4.6% Notes due 1 April 2019 under its $250 million Multicurrency Medium Term Note Programme on 1 April 2016. The notes bear interest at a fixed rate of 4.6% per annum and interest is payable semi-annually from the date of issue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

27. NOTES PAYABLE (CONT'D)

On 17 January 2018, the Company also issues another $100 million 4.0% Notes due on 16 January 2023 under its $250 million Multicurrency Medium Term Note Programme on 1 April 2016. The notes bear interest at a fixed rate of 4.0% per annum and interest is payable semi-annually from the date of issue.

The notes are carried at amortised cost with the interest accreting to the amount payable at end of each period until it reaches the principal amount on maturity.

28. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2018		2017 (Restated)	
	Number of shares	**$'000**	Number of shares	$'000
Issued and fully paid ordinary shares				
At beginning and end of the year	**563,786,476**	**33,303**	563,786,476	33,303

On 17 May 2018, the Company completed the share split of every one ordinary share in the capital of the Company into two ordinary shares. This resulted in an increase of ordinary shares from 281,893,238 to 563,786,476 shares.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

(b) Treasury shares

	Group and Company			
	2018		2017	
	Number of shares	**$'000**	Number of shares	$'000
At beginning of the year	**(915,908)**	**(460)**	(1,158,120)	(587)
Treasury shares transferred on vesting of restricted share grant	**406,532**	**213**	242,212	127
At end of the year	**(509,376)**	**(247)**	(915,908)	(460)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The number of shares have been adjusted for the effect of the shares split during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(b) Treasury shares (cont'd)

The Company reissued 406,532 (2017: 242,212) treasury shares during the year pursuant to its restricted share grant at a weighted-average share price of approximately $0.52 (2017: $0.52) each.

29. OTHER RESERVES

	Group			Company		
	2018	31.12.2017	1.1.2017	**2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Statutory reserve fund (a)	**2,954**	2,954	2,954	**–**	–	
Translation reserve (b)	**1,835**	1,639	3,295	**–**	–	
Share-based compensation reserve	**616**	591	343	**616**	591	343
Capital reserve (c)	**177**	177	177	**177**	177	177
Premium on acquisition of non-controlling interests (d)	**(1,106)**	(2,160)	(1,441)	**–**	–	–
Fair value adjustment reserve (e)	**–**	15	–	**–**	–	–
	4,476	3,216	5,328	**793**	768	520

(a) Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to subsidiaries in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to the approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

(b) Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Capital reserve

Capital reserve mainly arises from the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. ACCUMULATED PROFITS AND OTHER RESERVES (CONT'D)

(d) Premium on acquisition of non-controlling interests

	Group		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
At 1 January	**2,160**	1,441	1,552
Changes in equity attributable to non-controlling interests (Note 14)	**(1,054)**	719	(111)
At 31 December	**1,106**	2,160	1,441

(e) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

	Group		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Net (loss)/gain on available-for-sale financial assets:			
Net (loss)/gain on fair value changes during the year	**(15)**	15	–

30. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
in respect of property, plant and equipment	**156**	165	**–**	–
in respect of investment in equity securities	**24,649**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

30. COMMITMENTS AND CONTINGENCIES (CONT'D)

(b) *Operating lease commitments – as lessee*

The Group has various operating lease agreements for equipment, office, central kitchen, food court and retail outlet premises. These non-cancellable leases have remaining non-cancellable lease terms of between less than 1 year and 9 years. Most leases contain renewable options. Some of the leases contain escalation clauses and provide for contingent rentals based on percentages of sales derived from assets held under operating leases. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2018	2017
	$'000	$'000
Not later than one year	**112,415**	117,091
Later than one year but not later than five years	**203,046**	234,735
Later than five years	**10,868**	16,413
	326,329	368,239

(c) *Operating lease commitments – as lessor*

The Group has entered into non-cancellable operating leases to sublease its food court and retail outlet premises. The Company has non-cancellable operating leases for its leasehold property. Future sublease rental receivable as at 31 December is as follows:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Not later than one year	**58,048**	61,722	**4,892**	6,036
Later than one year but not later than five years	**44,250**	46,203	**5,204**	6,406
Over five years	**10,970**	11,673	**10,970**	11,652
	113,268	119,598	**21,066**	24,094

(d) *Corporate guarantees*

As at 31 December 2018, the Company has given corporate guarantees to financial institutions in connection with banking facilities provided to its subsidiaries of which $47,418,000 (2017: $82,344,000) of the banking facilities have been utilised as at year end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. RELATED PARTY DISCLOSURES

(a) Sale and purchase of goods and services

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the year on terms agreed between the parties:

	Group	
	2018	2017
	$'000	$'000
Income		
Management fee income from a joint venture	**722**	627
Sales of goods to a joint venture and an associate	**1,211**	679
Purchase of goods from a joint venture	**9,740**	12,244
Expenses		
Rental expense to a joint venture	**108**	98
Royalty fees to non-controlling shareholders	**4,553**	4,222
Repair and maintenance fees to an associate	**629**	439
Others		
Purchase of furniture and fittings from a company related to a director of the Company	**–**	292
Purchase of plant and equipment from an associate	**3,501**	7,870

	Company	
	2018	2017
	$'000	$'000
Income		
Management fee income from subsidiaries	**21,982**	19,911
Dividend income from subsidiaries	**16,300**	24,056
Training fee income from subsidiaries	**106**	309
Rental income from subsidiaries	**4,986**	5,012
Expense		
Purchase of goods from subsidiaries	**314**	216
Interest expense payable to a subsidiary	**486**	1,007

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. RELATED PARTY DISCLOSURES (CONT'D)

(b) Compensation of key management personnel

	Group	
	2018	2017
	$'000	$'000
Salaries and bonus	**10,812**	8,496
Central Provident Fund contributions and other pension contributions	**340**	367
Share-based payment (RSG plan)	**221**	–
Directors' fees	**183**	180
Other personnel expenses	**443**	1,263
Total compensation paid to key management personnel	**11,999**	10,306
Comprise amounts paid to:		
Directors of the Company	**2,803**	1,331
Directors of subsidiaries	**4,790**	5,088
Other key management personnel	**4,406**	3,887
	11,999	10,306

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk, liquidity risk and market price risk. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

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

The Group's and Company's principal financial instruments comprise bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's and Company's operations. The Group and Company has various other financial assets and liabilities such as trade and other receivables, trade and other payables and related company balances, which arise directly from its operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rates risk arises primarily from its investment portfolio in fixed deposits and its debt obligations. The Group does not use derivative financial instruments to hedge its investment portfolio. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign exchange exposure.

Surplus funds are placed with reputable banks.

Sensitivity analysis for interest rate risk

	Group Effect on profit before tax 100 basis points increase $'000	Group Effect on profit before tax 100 basis points decrease $'000
2018		
– Singapore dollar interest rates	(711)	711
– Chinese Yuan interest rates	(2)	2
– Hong Kong dollar interest rates	(4)	4
– New Taiwan dollar interest rates	(53)	53
– Malaysia Ringgit interest rates	(1)	1
– Thailand Baht interest rates	(23)	23

	Group Effect on profit before tax 100 basis points increase $'000	Group Effect on profit before tax 100 basis points decrease $'000
2017		
– Singapore dollar interest rates	(984)	984
– Chinese Yuan interest rates	(2)	2
– Hong Kong dollar interest rates	(8)	8
– New Taiwan dollar interest rates	(57)	57
– Malaysia Ringgit interest rates	(2)	2
– Thailand Baht interest rates	(19)	19

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Foreign currency risk

The Group has transactional currency exposures arising from sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, Chinese Yuan (CNY) and Hong Kong Dollar (HKD). The foreign currencies in which these transactions are denominated are mainly United States dollars (USD), HKD, CNY and SGD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, in Malaysia, the PRC, Hong Kong, Thailand and United Kingdom. The Group's net investments in these countries are not hedged as currency positions in Malaysia Ringgit, CNY, HKD, Thai Baht are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, HKD, CNY and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group Effect on profit before tax	
	2018 **$'000**	2017 $'000
Against SGD:		
USD – strengthened 5% (2017: 5%)	**22**	1
– weakened 5% (2017: 5%)	**(22)**	(1)
CNY – strengthened 5% (2017: 5%)	**432**	432
– weakened 5% (2017: 5%)	**(432)**	(432)
Against CNY:		
SGD – strengthened 5% (2017: 5%)	**(29)**	(29)
– weakened 5% (2017: 5%)	**29**	29
HKD – strengthened 5% (2017: 5%)	**(25)**	(33)
– weakened 5% (2017: 5%)	**25**	33
Against HKD		
SGD – strengthened 5% (2017: 5%)	**455**	(363)
– weakened 5% (2017: 5%)	**(455)**	363
Against Thailand Baht		
SGD – strengthened 5% (2017: 5%)	**(62)**	(177)
– weakened 5% (2017: 5%)	**62**	177
Against New Taiwan Dollar		
SGD – strengthened 5% (2017: 5%)	**(14)**	(3)
– weakened 5% (2017: 5%)	**14**	3

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 30 days to 365 days for trade receivables and other financial assets when they fall due, counterparty goes into bankruptcy or request for a discounted repayment scheme due to financial difficulties.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– Internal credit rating

– External credit rating

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– Actual or expected significant changes in the operating results of the borrower

– Significant increases in credit risk on other financial instruments of the same borrower

– Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the issuer or the borrower

– A breach of contract, such as a default or past due event

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written-off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables, other receivables and amount due from related corporations

The Group provides for lifetime expected credit losses for all trade receivables, other receivables and amount due from related corporations using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward-looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables, other receivables and amount due from related corporations using provision matrix, grouped by geographical region:

Singapore:

31 December 2018	Current $'000	More than 30 days past due $'000	More than 60 days past due $'000	More than 90 days past due $'000	Total $'000
Gross carrying amount	25,675	601	474	858	27,608
Loss allowance provision	(3)	(39)	(55)	(179)	(276)
	25,672	561	419	679	27,332

Other geographical areas:

31 December 2018	Current $'000	More than 30 days past due $'000	More than 60 days past due $'000	More than 90 days past due $'000	Total $'000
Gross carrying amount	29,565	3,030	14	295	32,904
Loss allowance provision	(3)	(46)	(66)	(213)	(328)
	29,562	2,984	(52)	82	32,576

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

Trade receivables, other receivables and amount due from related corporations (cont'd)

Information regarding loss allowance movement of trade receivables, other receivables and amount due from related corporations balances are disclosed in Note 18,19,20.

During the financial year, the Group wrote off $841,000 of trade receivables which are more than 120 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the balance sheets; and

– an amount of $47,418,000 (2017: $82,344,000) relating to corporate guarantees provided by the Company to financial institutions on its subsidiaries' borrowings and other banking facilities.

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables, other receivables and deposits on an on-going basis. The credit risk concentration profile of the Group's trade receivables, other receivables and deposits at the balance sheet date is as follows:

	Group					
	2018		31.12.2017		1.1.2017	
	$'000	**% of total**	$'000	% of total	$'000	% of total
By country:						
Singapore	**24,250**	**41%**	20,930	39%	20,164	38%
People's Republic of China	**15,512**	**27%**	18,178	34%	18,968	35%
Hong Kong	**5,749**	**10%**	4,788	9%	7,987	15%
Malaysia	**533**	**1%**	1,175	2%	506	1%
Indonesia	**1,373**	**2%**	577	1%	428	1%
Philippines	**1,058**	**2%**	1,302	2%	926	2%
Thailand	**3,025**	**5%**	1,577	4%	1,204	2%
Taiwan	**2,474**	**4%**	3,141	6%	2,774	5%
United Kingdom	**3,773**	**7%**	–	–	–	–
Others	**1,038**	**1%**	1,391	3%	505	1%
	58,785	**100%**	53,059	100%	53,462	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 18 and 19 above.

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group.

Short-term funding may be obtained from short-term loans where necessary.

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the balance sheet date based on contractual undiscounted payments:

	2018			
Group	**1 year or less $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial assets:				
Investment securities	22,907	54,945	18,348	96,200
Trade and other receivables	57,947	838	–	58,785
Amounts due from related corporations	1,124	–	–	1,124
Amounts due from non-controlling shareholders of subsidiaries	1,986	–	–	1,986
Cash and cash equivalents	184,975	–	–	184,975
Total undiscounted financial assets	268,939	55,783	18,348	343,070
Financial liabilities:				
Trade and other payables	94,301	–	–	94,301
Other liabilities	51,990	–	–	51,990
Amounts due to related corporations	3,024	–	–	3,024
Loans and borrowings	23,189	29,647	–	52,836
Notes payable	80,725	118,000	–	198,725
Loan from a non-controlling shareholder of a subsidiary [1]	200	–	–	200
Total undiscounted financial liabilities	253,429	147,647	–	401,076
Total net undiscounted financial asset/(liabilities)	15,510	(91,864)	18,348	(58,006)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

	31.12.2017				1.1.2017			
Group	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial assets:								
Investment securities	14,776	69,240	9,970	93,986	18,612	59,375	21,070	99,057
Trade and other receivables	51,952	1,107	–	53,059	57,472	1,413	–	58,885
Amounts due from related corporations	1,128	–	–	1,128	1,094	–	–	1,094
Amounts due from non-controlling shareholders of subsidiaries	525	–	–	525	509	–	–	509
Cash and cash equivalents	141,245	–	–	141,245	120,589	–	–	120,589
Total undiscounted financial assets	209,626	70,347	9,970	289,943	198,276	60,788	21,070	280,134
Financial liabilities:								
Trade and other payables	87,566	–	–	87,566	84,410	–	–	84,410
Other liabilities	50,991	–	–	50,991	42,047	–	–	42,047
Amounts due to related corporations	3,881	–	–	3,881	3,903	–	–	3,903
Loans and borrowings	57,718	34,307	17,160	109,185	32,740	55,367	20,828	108,935
Notes payable	3,450	76,725	–	80,175	3,450	80,175	–	83,625
Loan from a non-controlling shareholder of a subsidiary [1]	200	–	–	200	200	–	–	200
Total undiscounted financial liabilities	203,806	111,032	17,160	331,998	166,750	135,542	20,828	323,120
Total net undiscounted financial asset/ (liabilities)	5,820	(40,685)	(7,190)	(42,055)	31,526	(74,754)	242	(42,988)

[1] The non-current loan from a non-controlling shareholder of a subsidiary is excluded as the loan has no fixed terms of repayment and is to be settled when the cash flow of the subsidiary permits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity risk (cont'd)

	2018			
Company	**1 year or less $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial assets:				
Trade and other receivables	5,534	–	–	5,534
Amounts due from related corporations	169,312	–	–	169,312
Cash and cash equivalents	15,729	–	–	15,729
Total net undiscounted financial assets	190,575	–	–	190,575
Financial liabilities:				
Trade and other payables	2,471	–	–	2,471
Other liabilities	7,609	–	–	7,609
Amounts due to related corporations	67,508	–	–	67,508
Loans and borrowings	3,432	16,421	–	19,853
Note payables	80,725	118,000	–	198,725
Total net undiscounted financial liabilities	161,745	134,421	–	296,166
Total net undiscounted financial assets/ (liabilities)	28,830	(134,421)	–	(105,591)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity risk (cont'd)

	31.12.2017				1.1.2017			
Company	**1 year or less $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**	**1 year or less $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial assets:								
	–	–	–	–	–	825	–	825
Trade and other receivables	2,417	–	–	2,417	4,269	–	–	4,269
Amounts due from related corporations	105,149	–	–	105,149	61,855	–	–	61,855
Cash and cash equivalents	1,278	–	–	1,278	8,488	–	–	8,488
Total net undiscounted financial assets	108,844	–	–	108,844	74,612	825	–	75,437
Financial liabilities:								
Trade and other payables	1,818	–	–	1,818	1,832	–	–	1,832
Other liabilities	7,588	–	–	7,588	3,971	–	–	3,971
Amounts due to related corporations	58,648	–	–	58,648	31,114	–	–	31,114
Loans and borrowings	13,918	18,341	17,160	49,419	3,668	18,341	20,828	42,837
Note payables	3,450	76,725	–	80,175	3,450	80,175	–	83,625
Total net undiscounted financial liabilities	85,422	95,066	17,160	197,648	44,035	98,516	20,828	163,379
Total net undiscounted financial assets/ (liabilities)	23,422	(95,066)	(17,160)	(88,804)	30,577	(97,691)	(20,828)	(87,942)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts is allocated to the earliest period in which the guarantee could be called.

Company	1 year or less $'000	1 to 5 years $'000	Total $'000
2018			
Financial guarantees	33,815	13,603	47,418
31.12.2017			
Financial guarantees	67,487	14,857	82,344
1.1.2017			
Financial guarantees	39,683	38,768	78,451

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instrument. This instrument is quoted on the SGX-ST in Singapore and is classified as FVPL financial asset. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the balance sheet date, if the share price had been 15% (2017: 15%) higher/lower with all other variables held constant, the effect on the Group's profit before tax would be $21,000 (2017: $30,000) higher/lower, arising as a result of an increase/decrease in the fair value of quoted equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. FINANCIAL INSTRUMENTS

The carrying amount by category of financial assets and liabilities are as follows:

	Group			
	31.12.2018	**1.1.2018**	31.12.2017	1.1.2017
	$'000	**$'000**	$'000	$'000
Financial assets carried at:				
Amortised cost				
Trade and other receivables	**58,785**	**53,059**	53,059	53,462
Amount due from related company	**1,124**	**1,128**	1,128	1,094
Amount due from NCI	**1,986**	**525**	525	509
Cash and cash equivalent	**184,975**	**141,245**	141,245	120,589
Total	**246,870**	**195,957**	195,957	175,654
Available for sale				
Investment securities	**–**	**–**	45,572	51,467
Total	**–**	**–**	45,572	51,467
Held to maturity				
Investment securities	**–**	**–**	39,382	38,633
Total	**–**	**–**	39,382	38,633
Fair value through profit and loss				
Investment securities	**87,946**	**84,119**	–	–
	87,946	**84,119**	–	–
Financial liabilities at:				
Amortised cost				
Trade and other payables	**94,301**	**87,566**	87,566	84,410
Other liabilities	**51,990**	**50,991**	50,991	42,047
Due to related company	**3,024**	**3,881**	3,881	3,903
Loan from NCI	**735**	**708**	708	749
Short-term loans	**5,944**	**19,237**	19,237	7,215
Long-term loans	**45,480**	**88,397**	88,397	99,095
Notes payables	**174,511**	**75,000**	75,000	75,000
Total	**375,985**	**325,780**	325,780	312,419

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(a) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value by level at the end of the reporting period:

	Group 2018 $'000 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant unobservable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
Investment securities at fair value through profit or loss				
Quoted equity instruments	142	–	–	142
Unquoted equity instruments	–	–	58,703	58,703
Unquoted debt instruments	–	–	24,304	24,304
Structured investment	–	4,797	–	4,797
Financial assets as at 31 December 2018	142	4,797	83,007	87,946
Non-financial assets:				
Investment properties	–	–	39,748	39,748

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(a) Assets and liabilities measured at fair value (cont'd)

	Group 31.12.2017 $'000 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant unobservable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets				
Quoted equity instruments	200	–	–	200
Financial assets as at 31 December 2017	200	–	–	200
Non-financial assets:				
Investment properties	–	–	39,463	39,463
Financial assets as at 31 December 2017	–	–	39,463	39,463

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(a) Assets and liabilities measured at fair value (cont'd)

	Group 1.1.2017 $'000 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant unobservable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets				
Quoted equity instruments	1,010	–	–	1,010
Financial assets as at 1 January 2017	1,010	–	–	1,010
Non-financial assets:				
Investment properties	–	–	22,984	22,984
Financial assets as at 1 January 2017	–	–	22,984	22,984

Level 1 fair value

Equity instruments (quoted) (Note 13): Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

Level 2 fair value measurement

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within level 2 of the fair value hierarchy:

Structured investment

The structured product is an autocallable investment where the fair value is derived using the foreign exchange rate of Chinese Yuan for every Singapore Dollar at valuation date.

A significantly weaker Chinese Yuan for every Singapore Dollar would significantly decrease the fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(a) Assets and liabilities measured at fair value (cont'd)

Level 3 fair value measurements

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurement using significant unobservable inputs (Level 3)

Description	Fair value as at 31.12.2018	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
At FVPL				
Unquoted equity instruments	58,703	Discounted cash flow and asset-based valuation	Rental rates	• RMB 150 to RMB 965 per square metre • $8.50 to $0.60 per square foot
			Expected sales proceeds	RMB 43,000 per square foot
			Discount to reflect minority stake in investment	10%
			Weighted average cost of capital	10%
			Capitalisation rate	3.9% to 4.75%
Unquoted debt instruments	24,304	Discounted cash flow	Weighted average cost of capital	9.08% to 10.91%
			Interest to be received	$664,000 per annum to $790,000 per annum
Investment properties	39,748	Direct comparison approach	Transacted price of comparable properties	• RMB 54,000 to RMB 55,000 per square metre • $201 to $451 per square metre

Description	Fair value as at 31.12.2017	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
At FVPL				
Investment properties	39,463	Direct comparison approach	Transacted price of comparable properties	• RMB 55,000 to RMB 63,000 per square metre
Investment properties	22,984	Direct comparison approach	Transacted price of comparable properties	• RMB 50,000 to RMB 54,000 per square metre

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(a) Assets and liabilities measured at fair value (cont'd)

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)*

Impact of a change in the inputs to the fair value

For unquoted equity securities, a significant increase (decrease) in the expected weighted average cost of capital would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in rental rates, expected sales proceeds, discount to reflect the minority stake in the investment and capitalised rate would result in a significantly lower (higher) fair value measurement.

For unquoted debt securities, a significant increase (decrease) in the expected weighted average cost of capital would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the interest to be received would result in a significantly higher (lower) fair value measurement.

For investment properties, a significant increase (decrease) in the transacted price of comparable properties would result in a significantly higher (lower) fair value measurement.

(ii) *Movements in Level 3 assets measured at fair value*

	Group Fair value measurement using significant unobservable inputs (Level 3)		
	2018 **$'000**	31.12.2017 $'000	1.1.2017 $'000
Investment properties:			
Opening balance	**39,463**	22,984	24,053
Additions	**–**	16,681	–
Total gains or losses for the period			
– included in other income under gain from fair adjustment of investment properties (Note 4)	**1,081**	118	2
Exchange differences	**(796)**	(320)	(1,071)
Closing balance	**39,748**	39,463	22,984

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(a) Assets and liabilities measured at fair value (cont'd)

Level 3 fair value measurements

(ii) *Movements in Level 3 assets measured at fair value (cont'd)*

	Group Fair value measurement using significant Unobservable inputs (Level 3) 2018 $'000
Investment securities:	
Opening balance	71,868
SFRS(1) 9 adjustment	(452)
Opening balance (restated)	71,416
Additions	9,427
Total gains or losses for the period	
– included in other income under net gain from fair value adjustment of investment securities (Note 4)	2,164
	83,007

(iii) *Valuation policies and procedures*

The Group Chief Financial Officer (CFO), who is assisted by the Group Financial Controller (collectively referred to as the "CFO office") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO office reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to obtain valuation report from the investee engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I)13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(a) Assets and liabilities measured at fair value (cont'd)

Level 3 fair value measurements (cont'd)

(iii) *Valuation policies and procedures (cont'd)*

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The CFO office documents and reports its analysis and results of the valuations to the Audit Committee annually. The Audit Committee performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

(b) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at 31 December 2018 but for which fair value is disclosed:

	Group 2018 $'000			
	Significant unobservable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Fair value	Carrying amount
Assets				
Other receivables (non-current)	–	750	750	838
As at 31 December	–	750	750	838
Liabilities				
Loan from a non-controlling shareholder of a subsidiary (non-current)	–	480	480	535
As at 31 December	–	480	480	535

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities not carried at fair value but for which fair value is disclosed (cont'd)

	Group 31.12.2017 $'000			
	Significant unobservable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Fair value	Carrying amount
Assets				
Equity instruments (unquoted), at cost	–	*	*	45,372
Debt instruments	–	22,561	22,561	26,496
Structured products	12,503	–	12,503	12,886
Other receivables (non-current)	–	915	915	1,107
As at 31 December	12,503	23,476	35,979	85,861
Liabilities				
Loan from non-controlling shareholder of a subsidiary (non-current)	–	420	420	508
As at 31 December	–	420	420	508

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities not carried at fair value but for which fair value is disclosed (cont'd)

	Group 1.1.2017 $'000			
	Significant unobservable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Fair value	Carrying amount
Assets				
Equity instruments (unquoted), at cost	–	*	*	50,457
Debt instruments	–	32,997	32,997	38,633
Other receivables (non-current)	–	1,197	197	1,413
As at 1 January	–	34,194	33,194	90,503
Liabilities				
Loan from a non-controlling shareholder of a subsidiary (non-current)	–	465	465	549
As at 1 January	–	465	465	549

Determination of fair value

Current investment in debt instruments, other receivables (non-current), loan to subsidiary, current loan from non-controlling shareholder of a subsidiary

Fair value is estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing or leasing arrangements at the balance sheet date.

*Investment in equity instruments (unquoted) at cost

In 2017, fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost. These equity instruments represent ordinary shares in companies that are not quoted on any market. Except as disclosed elsewhere in the financial statements, the Group does not intend to dispose of these investments in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

35. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2018 and 2017.

As disclosed in Note 29, subsidiaries of the Group operating in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the respective subsidiaries for the financial year ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, note payables, trade and other payables, amounts due to related corporations, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company less the fair value adjustment reserve and restricted statutory reserve fund.

	Group	
	2018	2017
	$'000	$'000
Loans and borrowings[1]	**52,159**	108,342
Notes payable	**174,511**	75,000
Trade and other payables	**97,524**	90,326
Amounts due to related corporations	**3,024**	3,881
Less: Cash and cash equivalents	**(184,975)**	(141,245)
Net debt	**142,243**	136,304
Equity attributable to the owners of the Company	**133,660**	129,401
Less: – Statutory reserve fund	**(2,954)**	(2,954)
Total capital	**130,706**	126,447
Capital and net debt	**272,949**	262,751
Gearing ratio	**52%**	52%

[1] including bank loans and loans from non-controlling shareholders of subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(a) The bakery segment is in the business of manufacturing and retailing of all kinds of food, bakery and confectionary products including franchising.

(b) The food court segment is involved in the management and operation of food courts and food and drinks outlets.

(c) The restaurant segment is in the business of operating food and drinks outlets, eating houses and restaurants.

(d) The 4orth segment is involved in incubating new food and beverage (F&B) business concepts as well as entering into joint ventures or other forms of collaborations with potential F&B partners with whom the Group will take this F&B business to the regional level.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Transactions between operating segments are generally based on terms determined on commercial basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. SEGMENT INFORMATION (CONT'D)

2018	Bakery [1] $'000	Food Atrium $'000	Restaurant $'000	4orth $'000	Real Estate Investment $'000	Others [2] $'000	Elimination $'000	Group $'000
Revenue								
External sales	282,004	156,895	152,316	14,173	–	4,408	–	609,796
Inter-segment sales (Note A)	1,606	3,320	–	15	–	2,960	(7,901)	–
Total revenue	283,610	160,215	152,316	14,188	–	7,368	(7,901)	609,796
Results								
Profit/(loss) from operations	6,487	16,577	22,231	(3,724)	6,551	(8,930)	(202)	38,990
Interest income	357	190	1,168	42	1,806	2,237	(2,642)	3,158
Interest expense	(685)	(278)	(105)	(198)	(6,483)	(4,089)	2,632	(9,206)
Share of associates' results	(48)	–	–	–	–	(1,117)	–	(1,165)
Share of joint ventures' results	(911)	277	–	–	–	–	–	(634)
Segment profit/(loss)	5,200	16,766	23,294	(3,880)	1,874	(11,899)	(212)	31,143
Tax expense								(11,425)
Profit for the year								19,718
Assets and liabilities								
Segment assets (Note A)	157,501	133,904	113,100	82,531	190,039	207,920	(278,791)	606,204
Tax recoverable								315
Deferred tax assets								2,340
Total assets								608,859
Segment liabilities	141,695	128,826	48,165	59,119	124,014	216,851	(289,386)	429,284
Tax payable								12,186
Deferred tax liabilities								4,653
Total liabilities								446,123
Other information								
Investment in associates	–	–	–	–	–	26,226	–	26,226
Investment in joint ventures	8,225	459	–	–	–	–	–	8,684
Additions to non-current assets (Note B)	17,084	5,874	11,225	3,458	160	10,386	–	48,187
Depreciation and amortisation	16,027	14,630	5,918	830	1,823	1,954	–	41,182
Other non-cash (income)/expenses (Note C)	321	1,522	(5)	27	38	238	–	2,141

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. SEGMENT INFORMATION (CONT'D)

31.12.2017	Bakery [1] $'000	Food Atrium $'000	Restaurant $'000	4orth $'000	Real Estate Investment $'000	Others [2] $'000	Elimination $'000	Group $'000
Revenue								
External sales	297,020	149,346	140,732	7,859	–	4,622	–	599,579
Inter-segment sales (Note A)	369	3,143	–	–	–	–	(3,512)	–
Total revenue	297,389	152,489	140,732	7,859	–	4,622	(3,512)	599,579
Results								
Profit/(loss) from operations	9,463	8,897	24,434	(332)	12,658	(11,141)	(211)	43,768
Interest income	51	307	1,243	3	1,428	2,156	(2,954)	2,234
Interest expense	(785)	(418)	(2)	(22)	(4,793)	(2,382)	2,982	(5,420)
Share of associates' results	–	–	–	–	–	(883)	–	(883)
Share of joint ventures' results	873	224	–	–	–	–	–	1,097
Segment profit/(loss)	9,602	9,010	25,675	(351)	9,293	(12,250)	(183)	40,796
Tax expense								(11,047)
Profit for the year								29,749
Assets and liabilities								
Segment assets (Note A)	167,509	134,912	115,226	27,804	106,310	154,603	(157,310)	549,054
Deferred tax assets								2,559
Total assets								551,613
Segment liabilities	133,635	133,927	26,564	29,380	25,127	172,407	(139,543)	381,497
Tax payable								10,660
Deferred tax liabilities								4,576
Total liabilities								396,733
Other information								
Investment in associates	40	–	–	–	–	26,642	–	26,682
Investment in joint ventures	9,138	902	–	–	–	–	–	10,040
Additions to non-current assets (Note B)	7,025	11,821	7,841	231	–	5,823	–	32,741
Depreciation and amortisation	13,560	16,205	5,699	865	1,959	2,194	–	40,482
Other non-cash (income)/expenses (Note C)	2,138	1,013	134	321	–	375	–	3,981

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. SEGMENT INFORMATION (CONT'D)

1.1.2017	Bakery [1] $'000	Food Atrium $'000	Restaurant $'000	4orth $'000	Real Estate Investment $'000	Others [2] $'000	Elimination $'000	Group $'000
Assets and liabilities								
Segment assets (Note A)	152,400	130,726	105,956	4,365	184,139	105,209	(157,064)	525,731
Deferred tax assets								2,749
Total assets								528,480
Segment liabilities	115,790	134,676	26,483	16,636	156,230	79,582	(161,617)	367,780
Tax payable								9,854
Deferred tax liabilities								4,324
Total liabilities								381,958

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. SEGMENT INFORMATION (CONT'D)

Notes:

(A) Inter-segment sales, assets and liabilities are eliminated on consolidation.

(B) Additions to non-current assets consist of additions to property, plant and equipment, investment property and intangible assets.

(C) Other non-cash (income)/expenses consist of:

- impairment/(write-back of impairment) of property, plant and equipment, intangible assets, investment in associate, receivables, amount due from associates and joint ventures, and provision for reinstatement cost;
- write-off of property, plant and equipment, bad debts and inventories;
- (gain)/loss on disposals of property, plant and equipment and intangible assets;
- share based payment expenses; and
- unrealised foreign exchange (gain)/loss.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	External sales		Non-current assets [3]		
	2018	2017	**2018**	31.12.2017	1.1.2017
	$'000	$'000	**$'000**	$'000	
Singapore	**352,643**	340,144	**141,475**	143,559	126,153
Mainland China	**160,406**	152,405	**54,041**	55,687	57,996
Hong Kong	**50,980**	53,908	**8,582**	8,731	12,686
Rest of the world	**45,767**	53,122	**15,134**	6,672	13,245
Total	**609,796**	599,579	**219,232**	214,649	210,080

[1] Bakery operations comprise operation of bakery retail outlets as well as that operated through franchising.
[2] The business segment "Others" comprises the corporate services, treasury functions, investment holding activities and associated company.
[3] Non-current assets information presented above consist of property, plant and equipment, investment properties and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

37. DIVIDENDS

	Group and Company	
	2018	2017
	$'000	$'000
Dividends paid during the year:		
Dividends on ordinary shares		
• Final exempt (one-tier) ordinary dividend for 2017 of 1.0 cent per share (2017: dividend for 2016 of 1.0 cent per share)	**5,627**	5,627
• Interim exempt (one-tier) dividend for 2018 of 0.5 cent per share (2017: 1.0 cent per share)	**2,823**	5,627
• Special (one-tier) dividend for 2017 of 0.5 cent per share (2017: special dividend for 2017 of 1.0 cent per share)	**2,814**	5,627
	11,264	16,881
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
• Final exempt (one-tier) ordinary dividend for 2018 of 1.0 cent per share (2017: 1.0 cent per share)	**5,646**	5,627
• Special (one-tier) dividend for 2017 of 0.5 cent per share	**–**	2,814
	5,646	8,441

The dividend per share takes into account the effect of the shares split during the year.

38. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Disposal of investment in associate

On 2 January 2019, a wholly owned subsidiary, Star Food Pte Ltd entered into a sales and purchase agreement with CKE Asia Holdco (Cayman) Ltd for the disposal of the entire interest in Carl Karcher Enterprises (Cayman) Ltd ("CKE"), for a consideration of US$500,000. On completion of the transaction, the Group will have no more interest in CKE.

Acquisition of non-controlling interests in subsidiary

On 2 January 2019, a wholly owned indirect subsidiary, Megabite Hong Kong Limited entered into a sales and purchase agreement with Wingain Global Limited for the acquisition of the remaining 25% interest in Food Republic Guangzhou F&B Management Co., Ltd, for a consideration of S$150,000. On completion of the transaction, Food Republic Guangzhou F&B Management Co., Ltd will become a fully owned subsidiary of Megabite Hong Kong Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (CONT'D)

Acquisition of 50% stakes in a joint venture

On 1 January 2019, a wholly owned indirect subsidiary, BreadTalk Corporation (Thailand) Co., Ltd entered into a sales and purchase agreement with The Minor Food Group Plc. for the acquisition of remaining 50% interest in BTM (Thailand) Ltd, for a consideration of THB 160,000,000. On completion of the transaction, BTM (Thailand) Ltd will become a fully owned subsidiary of BreadTalk Corporation (Thailand) Co., Ltd.

39. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 15 March 2019.

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STATISTICS OF SHAREHOLDING

As at 1 March 2019

Issued and Fully Paid-up Capital	:	33,303,000
No. of Ordinary Shares (excluding treasury shares and subsidiary holdings)	:	563,277,100
No. of treasury shares and percentage	:	509,376 (0.09%)
No. of subsidiary holdings held and percentage	:	Nil
Class of Shares	:	Ordinary share
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	8	0.31	275	0.00
100 – 1,000	248	9.66	146,444	0.03
1,001 – 10,000	1,441	56.13	7,914,702	1.41
10,001 – 1,000,000	847	33.00	43,351,646	7.69
1,000,001 and above	23	0.90	511,864,033	90.87
TOTAL	**2,567**	**100.00**	**563,277,100**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	CITIBANK NOMINEES SINGAPORE PTE LTD	68,880,586	12.23
2.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	62,854,800	11.16
3.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	61,847,800	10.98
4.	DBS NOMINEES (PRIVATE) LIMITED	53,053,342	9.42
5.	KATHERINE LEE LIH LENG	51,084,490	9.07
6.	HONG LEONG FINANCE NOMINEES PTE LTD	40,596,700	7.21
7.	DB NOMINEES (SINGAPORE) PTE LTD	35,160,000	6.24
8.	RAFFLES NOMINEES (PTE.) LIMITED	34,384,874	6.10
9.	SBS NOMINEES PRIVATE LIMITED	24,000,000	4.26
10.	PHILLIP SECURITIES PTE LTD	21,067,800	3.74
11.	UOB KAY HIAN PRIVATE LIMITED	19,334,900	3.43
12.	GEORGE QUEK MENG TONG	17,669,770	3.14
13.	DBSN SERVICES PTE. LTD.	6,242,400	1.11
14.	LIOW SIEW PIENG	2,798,400	0.50
15.	ANDRE FRANCIS MANIAM	2,024,500	0.36
16.	BPSS NOMINEES SINGAPORE (PTE.) LTD.	1,663,822	0.30
17.	LOY KWEE TSHIR	1,468,900	0.26
18.	HSBC (SINGAPORE) NOMINEES PTE LTD	1,379,400	0.24
19.	TEO SWAY HEONG	1,360,000	0.24
20.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,352,900	0.24
	Total :	**508,225,384**	**90.23**

STATISTICS OF SHAREHOLDING

As at 1 March 2019

SUBSTANTIAL SHAREHOLDERS AS AT 1 MARCH 2019
(As recorded in the Register of Substantial Shareholders)

Substantial Shareholders	Direct Interest		Deemed Interest	
	Shares	%	Shares	%
Dr George Quek Meng Tong[(1)]	191,375,320	33.98	104,830,040	18.61
Katherine Lee Lih Leng[(1)]	104,830,040	18.61	191,375,320	33.98
Primacy Investment Limited	78,927,000	14.01	–	–
Paradice Investment Management LLC[(2)]	–	–	35,630,448	6.33
PIM US Pty Ltd (as trustee of PIM US Unit Trust)[(3)]	–	–	35,630,448	6.33
PFH (NSW) Pty Ltd (as trustee of Paradice Family Trust) [(4)]	–	–	35,630,448	6.33

Notes:

(1) Katherine Lee Lih Leng is the spouse of George Quek Meng Tong. Saved as disclosed above, there are no family relationship among our Directors and Substantial Shareholders.

(2) Paradice Investment Management LLC ("**Paradice LLC**") is a fund manager in the United States which manages various individual client portfolios under the "Global Small Mid Cap" Strategy. As fund manager, Paradice LLC has discretion and authority over the sale and purchase of the abovementioned Shares, and is also entitled to exercise the votes attached to those Shares on behalf of the underlying investor. Therefore, Paradice LLC has deemed interests in the abovementioned Shares.

(3) PIM US Pty Ltd is the appointed trustee of PIM US Unit Trust ("**Trust**"), and holds the assets of the Trust for the benefit of the Trust's unit holders, which are all the shares in Paradice LLC, who is a fund manager in the United States, managing individual client portfolios, which includes shares in the Company. Paradice LLC has the discretion and authority over the sale and purchase, and also the ability to exercise votes attached to the shares in the Company, and therefore has deemed interest in the shares.

(4) PFH (NSW) Pty Ltd is the appointed trustee of the Paradice Family Trust ("**Paradice Family Trust**") and has legal title to the assets of the Paradice Family Trust, which includes shares in Paradice investment Management Pty Ltd ("**PIMPL**"). PFH (NSW) Pty Ltd (as trustee of Paradice Family Trust) is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in PIML, the sole shareholder of PIM US Pty Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 1 March 2019 approximately 26.27% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with the Rule 723 (at least 10% held at public) of the Listing Manual of SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of BreadTalk Group Limited ("**Company**") will be held at 30 Tai Seng Street, #09-01 BreadTalk IHQ Singapore 534013 on Monday, 22 April 2019 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors' Statement of the Company and the Group for the financial year ended 31 December 2018 together with the Auditors' Report thereon.
(Resolution 1)

2. To declare a final dividend of 1.0 cent per share tax exempt (one-tier) for the financial year ended 31 December 2018. (2017: 1.0 cent)
(Resolution 2)

3. To re-elect the following Directors of the Company retiring pursuant to Regulation 107 of the Constitution of the Company:

Regulation 107

Mr. Chan Soo Sen **(Resolution 3)**
Mr. Paul Charles Kenny **(Resolution 4)**

[See Explanatory Note (i)]

4. To approve the payment of Directors' fees of S$188,256 for the financial year ended 31 December 2018. (2017: S$182,490)
(Resolution 5)

5. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 6)

6. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolution, with or without any modifications:

7. **Authority to allot and issue shares in the capital of the Company 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 pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;
(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 7)**

8. **Authority to issue shares under the BreadTalk Group Limited Employees' Share Option Scheme 2018 ("Scheme")**

That:

Pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant options under the Scheme and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme and any other share based schemes (if applicable) shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

9. **Authority to issue shares under the BreadTalk Group Limited Restricted Share Grant Plan 2018 ("Plan") (for non-controlling shareholders)**

That:

When the Remuneration Committee has decided on the grant of any awards in accordance with the provisions of the Plan, and where such awards relate to the issue of new shares, then pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to allot and/or issue from time to time such number of fully-paid shares as may be required to be allotted and/or issued pursuant to the vesting of the awards under the Plan, provided always that the aggregate number of new ordinary shares to be allotted and/or issued pursuant to the Plan and any other share based schemes (if applicable), which the Company may have in place, shall not exceed fifteen per centum (15%) of the total issued shares excluding treasury shares and subsidiary holdings in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)] **(Resolution 9)**

10. **Authority to grant awards to Participants (being controlling shareholders and their associates) pursuant to the Rules of, and issue shares under, the Plan**

That:

When the Remuneration Committee has decided on the grant of any awards in accordance with the provisions of the Plan to the controlling shareholders and/or their associates as set out below ("**the Participants**"), the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the Plan to the Participants, and where such Awards relate to the issue of new shares, then pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to allot and/or to issue such number of fully-paid shares in the Company to the Participants of awards granted by the Company under the Plan, provided always that the aggregate number of shares available to Controlling Shareholders and their associates under the Plan shall not exceed twenty five per centum (25%) of all the shares available under the Plan and that the number of shares available to each Controlling Shareholder or his associate shall not exceed ten per centum (10%) of all the shares available under the Plan. Such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the Company's next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

Shares be awarded to the following Participants as set out below:–

Name of Participant	No. of shares to be awarded
Associate of Controlling Shareholders	
Mr. Frankie Quek Swee Heng	6,990

[See Explanatory Note (v)] **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING

11. **Renewal of Share Purchase Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as ascertained as at the date of AGM of the Company) at the price of up to but not exceeding the Maximum Price as defined in paragraph 2.3.4 and 2.7.2 of the Letter to Shareholders dated 22 March 2019 ("**Letter**"), in accordance with the terms of the Share Purchase Mandate set out in the Letter, and this mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (vi)] **(Resolution 11)**

By Order of the Board

Chew Kok Liang
Shirley Tan Sey Liy
Company Secretaries
Singapore, 22 March 2019

Explanatory Notes:

(i) Mr. Chan Soo Sen will, upon re-election as Director of the Company, remain as the Independent Director, Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee of the Company and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

Mr. Paul Charles Kenny will, upon re-election as Director of the Company, remain as the Non-Executive Director of the Company.

Please refer to page 62 to 67 in the Annual Report for the detailed information for Mr. Chan Soo Sen and Mr. Paul Charles Kenny required pursuant to Rule 720(5) of the Listing Manual of the SGX-ST.

(ii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) 15% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company from time to time, and the aggregate number

NOTICE OF ANNUAL GENERAL MEETING

of ordinary shares which may be issued pursuant to the Scheme and any other share based schemes (if applicable) is limited to 15% of the total issued share capital of the Company excluding treasury shares and subsidiary holdings from time to time.

(iv) The Ordinary Resolution 9 in item 9 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next AGM, to issue from time to time such number of fully-paid shares as may be required to be issued pursuant to the vesting of the awards under the Plan subject to the maximum number of shares prescribed under the terms and conditions of the Plan. The aggregate number of ordinary shares which may be issued pursuant to the Scheme, the Plan and any other share-based schemes (if applicable) is limited to 15% of the total issued share capital of the Company excluding treasury shares and subsidiary holdings from time to time.

(v) The Ordinary Resolution 10 in item 10 above, if passed, will empower the Directors of the Company to issue shares in the Company to the associate of Controlling Shareholders, granted by the Company under the Plan. Shareholders who are eligible to participate in the Plan shall abstain from voting on Resolution 10.

The rationale for Resolution 10

Frankie Quek Swee Heng, holds an aggregate of 0.02% of the Company's shareholding (directly or indirectly). He was appointed as Head, Real Estate with effect from 1 July 2017. In his new role, Frankie Quek oversees the Group's leasing arrangements in Singapore. This includes sourcing the new locations for all of the Group's business in Singapore, fronting the Group in all leasing negotiations with the landlords for new leases and renewal of existing leases. Frankie Quek also works closely with the Group's project department on overall outlet capex investment and ensures that the Group achieves the desired return on investment. Concurrently, Frankie Quek is tasked with the management of the Group's headquarters – BreadTalk IHQ.

Frankie Quek has been serving the Group since 2005. Prior to his new role, he was appointed as CEO, ASEAN region, on 15 October 2012. Frankie Quek was involved in the formulation and implementation of the expansion plans of the Group within the ASEAN region. With his business acumen and extensive knowledge of the local food and beverage industry, he is assisting the Chairman, Dr. George Quek Meng Tong, in overseeing the growth, expansion and daily operations of the Group, with a focus on the Group's expansion within the ASEAN region. Frankie Quek has been based in Shanghai since 2005 where he has been overseeing the growing bakery and food court operations in Shanghai and Beijing. His expertise has further led to the successful expansion of the BreadTalk brand name to many ASEAN Cities through a franchise model system managed by the in-house franchise team.

By allowing him to participate in the Plan and the Scheme, the Company will have an additional tool to craft a more balanced and innovative remuneration package that will link his total remuneration to the performance of the Group. Frankie Quek will also be able to share in any future appreciation of the Company's share price that is commensurate with the Company's future growth through an increase in his shareholdings to a more significant level.

The Directors are of the view that the remuneration package of Frankie Quek is fair given his contributions to the Group. The extension of the Plan and the Scheme to Frankie Quek is consistent with the Company's objectives to motivate its employees to achieve and maintain a high level of performance and contribution which is vital to the success of the Company.

As the Plan and the Scheme serve as recognition of the past contributions of those eligible to participate in the Plan and the Scheme, as well as to secure future contributions for the Company and the Group from them, the Directors consider it important that Frankie Quek should be included in the Plan and the Scheme. The Directors consider it crucial for the Company to provide sufficient incentives which will instill a sense of commitment to the Group.

Resolution 10 seeks for the above stated reasons, shareholders' approval for the Directors decision to grant 6,990 shares to Frankie Quek in accordance with the Plan.

NOTICE OF ANNUAL GENERAL MEETING

(vi) The Ordinary Resolution 11 in item 11 above, if passed, will empower the Directors of the Company effective until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in Paragraph 2.3.4 and 2.7.2 to the Letter. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2018 are set out in greater detail in the Letter.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM (the "**Meeting**") is entitled to appoint not more than two 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 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 under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be deposited at the registered office of the Company at 30 Tai Seng Street, #09-01 BreadTalk IHQ, Singapore 534013 not less than seventy-two (72) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 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 (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 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

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

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BREADTALK GROUP LIMITED

(Company Registration No. 200302045G)
(Incorporated In the Republic of Singapore)

ANNUAL GENERAL MEETING 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 ____ (Address)
being a member/members of **BREADTALK GROUP LIMITED** (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the chairman of the meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held on Monday, 22 April 2019 at 9.30 a.m. at 30 Tai Seng Street, #09-01 BreadTalk IHQ Singapore 534013 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	**Resolutions relating to:**	**No. of votes 'For'***	**No. of votes 'Against'***
Ordinary Resolutions			
1	Audited Financial Statements for the financial year ended 31 December 2018		
2	Payment of proposed final dividend		
3	Re-election of Mr Chan Soo Sen as a Director		
4	Re-election of Mr Paul Charles Kenny as a Director		
5	Approval of Directors' fees amounting to S$188,256 for the financial year ended 31 December 2018		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors and authority to Directors to fix remuneration		
Special Business			
7	Authority to issue new shares		
8	Authority to issue shares under the BreadTalk Group Limited Employees' Share Option Scheme 2018		
9	Authority to issue shares under the BreadTalk Restricted Share Grant Plan 2018 ("**Plan**") (for non-controlling shareholders)		
10	Share award under the Plan to Mr Frankie Quek Swee Heng		
11	Renewal of Share Purchase Mandate		

**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.*

Dated this ____________ day of ____________ 2019

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

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

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 more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy. If no proportion or number of shares is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
4. 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 30 Tai Seng Street, #09-01 BreadTalk IHQ, Singapore 534013 not less than seventy-two (72) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised or in such manner as appropriate under applicable laws. Where the original instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the original power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the original instrument of proxy and must be left at the Registered Office, not less than 72 hours before the time appointed for the holding of the Meeting or the adjourned Meeting at which it is to be used failing which the instrument may be treated as invalid.

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SINGAPORE

The Company Secretary
BREADTALK GROUP LIMITED
30 Tai Seng Street
#09-01 BreadTalk IHQ
Singapore 534013

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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" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

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 seventy two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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 22 March 2019.

CORPORATE INFORMATION

DIRECTORS

- Dr George Quek Meng Tong
- Ms Katherine Lee Lih Leng
- Mr Ong Kian Min
- Mr Chan Soo Sen
- Dr Tan Khee Giap
- Mr Paul Charles Kenny

COMPANY SECRETARIES

- Chew Kok Liang
- Shirley Tan Sey Liy

REGISTERED OFFICE

30 Tai Seng Street
#09-01 BreadTalk IHQ
Singapore 534013
Tel: 6285 6116
Fax: 6285 1661

BANKERS

- China Construction Bank
- DBS Bank Ltd
- JPMorgan Chase Bank, N.A.
- Oversea-Chinese Banking Corporation Limited
- Standard Chartered Bank (Singapore) Limited
- United Overseas Bank Limited

SHARE REGISTRAR

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

AUDITORS

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

Partner in charge: Philip Ling
(since financial year ended
31 December 2016)

BREADTALK IHQ
30 TAI SENG STREET #09-01 SINGAPORE 534013

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BREADTALK GROUP LIMITED

ANNUAL REPORT 2018