# IMPORTANT NOTICE

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**IMPORTANT: You must read the following disclaimer before continuing.**

The following disclaimer applies to the attached information memorandum. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached information memorandum. In accessing the attached information memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

**Confirmation of Your Representation:** In order to be eligible to view the attached information memorandum or make an investment decision with respect to the securities, investors must not be a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")). The attached information memorandum is being sent at your request and by accepting the e-mail and accessing the attached information memorandum, you shall be deemed to have represented to us (1) that you are not resident in the United States nor a U.S. person, as defined in Regulation S under the Securities Act nor are you acting on behalf of a U.S. person, the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. and, to the extent you purchase the securities described in the attached information memorandum, you will be doing so pursuant to Regulation S under the Securities Act, and (2) that you consent to delivery of the attached information memorandum and any amendments or supplements thereto by electronic transmission. By accepting this e-mail and accessing the attached information memorandum, if you are an investor in Singapore, you (A) represent and warrant that you are either an institutional investor as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), a relevant person as defined under Section 275(2) of the SFA or a person to whom an offer, as referred to in Section 275(1A) of the SFA, is being made and (B) agree to be bound by the limitations and restrictions described herein. Any reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

The attached document has been made available to you in electronic form. You are reminded that documents or information transmitted via this medium may be altered or changed during the process of transmission and consequently none of BreadTalk Group Limited, Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank, Standard Chartered Bank (Singapore) Limited, any other Dealer(s) nor any person who controls any of them nor any of their respective directors, officers, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version.

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Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of BreadTalk Group Limited, Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank, Standard Chartered Bank (Singapore) Limited or any other Dealer(s) to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S under the Securities Act).

The attached information memorandum or any materials relating to the offering of securities do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the dealer or any affiliate of the dealer is a licensed broker or dealer in that jurisdiction, the offering of securities shall be deemed to be made by the dealers or such affiliate on behalf of BreadTalk Group Limited in such jurisdiction. The attached information memorandum may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

You are reminded that you have accessed the attached information memorandum on the basis that you are a person into whose possession this information memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.**

**Actions that You May Not Take:** If you receive this document by e-mail, you should not reply by e-mail, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

**YOU ARE NOT AUTHORISED TO, AND YOU MAY NOT, FORWARD OR DELIVER THE ATTACHED INFORMATION MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH INFORMATION MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED INFORMATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

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INFORMATION MEMORANDUM DATED 17 APRIL 2019

# BREADTALK GROUP LIMITED

(Incorporated in the Republic of Singapore on 6 March 2003)
(UEN/Company Registration No. 200302045G)

**S$500,000,000**
**Multicurrency Medium Term Note Programme**
**(the "Programme")**

This Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of notes (the "**Notes**") to be issued from time to time by BreadTalk Group Limited (the "**Issuer**") pursuant to the Programme may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and the listing of and quotation for any Notes which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST, and the listing of and quotation for any Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, its subsidiaries and/or associated companies (if any), the Programme or such Notes.

Potential investors should pay attention to the risk factors and considerations set out in the section titled "*Risk Factors*".

*Arrangers*

OCBC Bank

Standard Chartered

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# NOTICE

Oversea-Chinese Banking Corporation Limited and Standard Chartered Bank (the "**Arrangers**") have been authorised by BreadTalk Group Limited (the "**Issuer**") to arrange the S$500,000,000 Multicurrency Medium Term Note Programme (the "**Programme**") described herein. Under the Programme, the Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue Notes denominated in Singapore dollars and/or any other currencies.

This Information Memorandum contains information with regard to the Issuer, its subsidiaries and associated companies (if any), the Programme and the Notes. The Issuer confirms that this Information Memorandum contains all information with regard to the Issuer and the Group (as defined herein) and to the Notes which is material in the context of the Programme or the issue and offering of the Notes, that the information contained herein is true, accurate, complete and not misleading in all material respects, that the opinions, expectations and intentions expressed in this Information Memorandum have been carefully considered and are based on all relevant considerations and facts existing at the date of its issue and are fairly, reasonably and honestly held by the directors of the Issuer, and that there are no other facts the omission of which in the context of the Programme or the issue and offering of the Notes is likely to make any such information or expressions of opinion, expectation or intention misleading in any material respect.

**The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated by reference in, and to form part of, this Information Memorandum: (1) any annual reports or summary financial statements or audited consolidated accounts or unaudited interim and full year results or financial statements of the Issuer, its subsidiaries and associated companies (if any) and (2) any supplement or amendment to this Information Memorandum issued by the Issuer. This Information Memorandum is to be read in conjunction with (a) all such documents which are incorporated by reference herein and (b) with respect to any series or tranche of Notes, any Pricing Supplement (as defined herein) in respect of such series or tranche. Any statement contained in this Information Memorandum or in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in this Information Memorandum or in such subsequent document that is also deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.**

Copies of all documents deemed incorporated by reference herein are available for inspection at the specified office of the Issuing and Paying Agent (as defined herein).

Notes may be issued in series having one or more issue dates and the same maturity date, and on identical terms (including as to listing) except (in the case of Notes other than variable rate notes (as described under the section "Summary of the Programme")) for the issue dates, issue prices and/or the dates of the first payment of interest, or (in the case of variable rate notes) for the issue prices and rates of interest. Each series may be issued in one or more tranches on the same or different issue dates. The Notes will be issued in bearer form or registered form and may be listed on a stock exchange. The Notes will initially be represented by either a Temporary Global Note (as defined herein) in bearer form or a Permanent Global Note (as defined herein) in bearer form or a registered Global Certificate (as defined herein) which will be deposited on the relevant issue date with, or registered in the name of, or in the name of a nominee of, either CDP (as defined herein) or a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or otherwise delivered as agreed between the Issuer and the relevant Dealer(s) (as defined herein). Subject to compliance with all relevant laws, regulations and directives, the Notes may have maturities of such tenor as may be agreed between the Issuer and the relevant Dealer(s) and may be subject to redemption or purchase in whole or in part. The

Notes may bear interest at a fixed, floating, variable or hybrid rate or may not bear interest or may be such other notes as may be agreed between the Issuer and the relevant Dealer(s). The Notes will be repayable at par, at a specified amount above or below par or at an amount determined by reference to a formula, in each case with terms as specified in the Pricing Supplement issued in relation to each series or tranche of Notes. Details applicable to each series or tranche of Notes will be specified in the applicable Pricing Supplement which is to be read in conjunction with this Information Memorandum.

The maximum aggregate principal amount of the Notes to be issued, when added to the aggregate principal amount of all Notes outstanding (as defined in the Trust Deed referred to below) shall be S$500,000,000 (or its equivalent in any other currencies) or such increased amount in accordance with the terms of the Programme Agreement (as defined herein).

**In connection with the issue of any series of Notes, one or more Dealers named as stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager) in the relevant Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin at any time, on or after the date on which adequate public disclosure of the terms of the offer of the relevant series of Notes is made and, if begun, may be ended or discontinued at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant series of Notes and 60 days after the date of the allotment of the relevant series of Notes. Any stabilisation action will be conducted in accordance with the law.**

No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, either of the Arrangers or any of the Dealers, the Trustee or the Paying Agents. Save as expressly stated in this Information Memorandum, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Issuer or any of its subsidiaries or associated companies (if any). Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the issue and offering of the Notes may be used for the purpose of, or in connection with, and does not constitute an offer of, or solicitation or invitation by or on behalf of the Issuer, either of the Arrangers or any of the Dealers, the Trustee or the Paying Agents to subscribe for or purchase, any of the Notes in any jurisdiction or under any circumstances in which such offer, solicitation or invitation is unlawful, or not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Information Memorandum or any such other document or information (or any part thereof) and the offer of the Notes in certain jurisdictions may be prohibited or restricted by law. Persons who distribute or publish this Information Memorandum or any such other document or information (or any part thereof) or into whose possession this Information Memorandum or any such other document or information (or any part thereof) comes are required to inform themselves about and to observe any such prohibitions, restrictions and all applicable laws, orders, rules and regulations.

The Notes have not been and will not be registered under the Securities Act (as defined herein) or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements and restrictions. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and

transfers of the Notes and distribution of this Information Memorandum see the section "Subscription, Purchase and Distribution" herein.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme shall be deemed to constitute an offer of, or an invitation by or on behalf of the Issuer, either Arranger or any Dealer to subscribe for or purchase, any of the Notes.

This Information Memorandum and any other document or material in relation to the issue, offering or sale of the Notes have been prepared solely for the purpose of the initial sale by the relevant Dealer(s) of the Notes from time to time to be issued pursuant to the Programme. This Information Memorandum and such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the SFA and may not be relied upon by any person other than persons to whom the Notes are sold or with whom they are placed by the relevant Dealer(s) as aforesaid or for any other purpose. Recipients of this Information Memorandum shall not reissue, circulate or distribute this Information Memorandum or any part thereof (including copies thereof) in any manner whatsoever.

Neither the delivery of this Information Memorandum (or any part thereof) nor the issue, offering, purchase or sale of the Notes shall, under any circumstances, constitute a representation, or give rise to any implication, that there has been no change in the prospects, results of operations or general affairs of the Issuer or any of its subsidiaries or associated companies (if any) or in the information herein since the date hereof or the date on which this Information Memorandum has been most recently amended or supplemented.

None of the Arrangers, the Dealers, the Trustee or the Paying Agents have separately verified the information contained in this Information Memorandum. Neither of the Arrangers, any of the Dealers, the Trustee or the Paying Agents or any of their respective officers, employees or agents is making any representation, warranty or undertaking expressed or implied as to the merits of the Notes or the subscription for, purchase or acquisition thereof, the creditworthiness or financial condition or otherwise of the Issuer or its subsidiaries or associated companies (if any). Further, neither of the Arrangers or any of the Dealers, the Trustee or the Paying Agents makes any representation or warranty as to the Issuer or its subsidiaries or associated companies (if any) or as to the accuracy, reliability or completeness of the information set out herein (including the legal and regulatory requirements pertaining to Sections 274, 275 and 276 or any other provisions of the SFA) and in the documents which are incorporated by reference in, and form part of, this Information Memorandum.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the issue of the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any of the Arrangers or any of the Dealers that any recipient of this Information Memorandum or such other document or information (or such part thereof) should subscribe for or purchase any of the Notes. A prospective purchaser shall make its own assessment of the foregoing and other relevant matters including the financial condition and affairs and the creditworthiness of the Issuer, its subsidiaries and/or associated companies (if any), and obtain its own independent legal or other advice thereon, and its investment shall be deemed to be based on its own independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Issuer, its subsidiaries and/or associated companies (if any). Accordingly, notwithstanding anything herein, none of the Arrangers, the Dealers or any of their respective officers, employees or agents shall be held responsible for any loss or damage suffered or incurred by the recipients of this Information Memorandum or such other document or information (or such part thereof) as a result of or arising from anything expressly or implicitly contained in or referred to in this Information Memorandum or such other document or information (or such part thereof) and the same shall not constitute a ground for rescission of any purchase,

subscription or acquisition of any of the Notes by a recipient of this Information Memorandum or such other document or information (or such part thereof).

To the fullest extent permitted by law, neither of the Arrangers or any of the Dealers, the Trustee or the Paying Agents accepts any responsibility for the contents of this Information Memorandum or for any other statement, made or purported to be made by either of the Arrangers or any of the Dealers or on its behalf in connection with the Issuer, the Programme, or the issue and offering of the Notes. Each Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Information Memorandum or any such statement.

Any purchase, subscription or acquisition of the Notes is in all respects conditional on the satisfaction of certain conditions set out in the Programme Agreement (as defined herein) and the issue of the Notes by the Issuer pursuant to the Programme Agreement. Any offer, invitation to offer or agreement made in connection with the purchase, subscription or acquisition of the Notes or pursuant to this Information Memorandum shall (without any liability or responsibility on the part of the Issuer, either of the Arrangers, any of the Dealers, the Trustee or the Paying Agents) lapse and cease to have any effect if (for any other reason whatsoever) the Notes are not issued by the Issuer pursuant to the Programme Agreement.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

The attention of recipients of this Information Memorandum is drawn to the restrictions on resale of the Notes set out under the section "Subscription, Purchase and Distribution" on pages 132 to 136 of this Information Memorandum.

**Any person(s) who is/are invited to purchase or subscribe for the Notes or to whom this Information Memorandum is sent shall not make any offer or sale, directly or indirectly, of any Notes or distribute or cause to be distributed any document or other material in connection therewith in any country or jurisdiction except in such manner and in such circumstances as will result in compliance with any applicable laws and regulations.**

**It is recommended that persons proposing to purchase or subscribe for any of the Notes consult their own legal, financial, tax and other advisers before purchasing, subscribing for or acquiring the Notes.**

**Prospective purchasers of any of the Notes are recommended to also consult their own tax advisers concerning the tax consequences of the acquisition, ownership or disposal of Notes.**

**Prospective investors should pay attention to the risk factors set out in the section on "Risk Factors".**

**Notification under Section 309B of the SFA:** Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**Markets in Financial Instruments Directive II**

The Pricing Supplement in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or

recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**Packaged Retail Investment and Insurance Products – Prohibition of Sales to Retail Investors**

If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

# FORWARD-LOOKING STATEMENTS

All statements contained in this Information Memorandum that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would" and "could" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the expected financial position, business strategy, plans and prospects of the Issuer and/or the Group (as defined herein) (including statements as to the Issuer's and/or the Group's revenue, profitability, prospects, future plans and other matters discussed in this Information Memorandum regarding matters that are not historical facts and including the financial forecasts, profit projections, statements as to the expansion plans of the Issuer and/or the Group, expected growth in the Issuer and/or the Group and other related matters), if any, are forward-looking statements and accordingly, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer and/or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others:

- changes in general political, social and economic conditions;
- changes in currency exchange and interest rates;
- demographic changes;
- changes in competitive conditions; and
- other factors beyond the control of the Issuer and/or the Group.

Some of these factors are discussed in greater detail in this Information Memorandum under, in particular, but not limited to, the section "Risk Factors".

Given the risks and uncertainties that may cause the actual future results, performance or achievements of the Issuer or the Group to be materially different from the results, performance or achievements expected, expressed or implied by the financial forecasts, profit projections and forward-looking statements in this Information Memorandum, undue reliance must not be placed on those forecasts, projections and statements. The Issuer, the Arrangers, the Dealers, the Trustee and the Paying Agents do not represent or warrant that the actual future results, performance or achievements of the Issuer or the Group will be as discussed in those statements.

Neither the delivery of this Information Memorandum nor the issue of any Notes by the Issuer shall under any circumstances constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of the Issuer or the Group or any statement of fact or information contained in this Information Memorandum since the date of this Information Memorandum or the date on which this Information Memorandum has been most recently amended or supplemented.

Further, the Issuer, the Arrangers, the Dealers, the Trustee and the Paying Agents disclaim any responsibility, and undertake no obligation, to update or revise any forward-looking statements contained herein to reflect any changes in the expectations with respect thereto after the date of this Information Memorandum or to reflect any change in events, conditions or circumstances on which any such statements are based.

# DEFINITIONS

The following definitions have, where appropriate, been used in this Information Memorandum:

| | | |
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| "**Agency Agreement**" | : | The agency agreement dated 17 April 2019 made between (1) the Issuer, as issuer, (2) The Bank of New York Mellon, Singapore Branch, as CDP issuing and paying agent, CDP transfer agent and CDP registrar, (3) The Bank of New York Mellon, London Branch, as non-CDP issuing and paying agent and calculation agent, (4) The Bank of New York Mellon SA/NV, Luxembourg Branch, as non-CDP transfer agent and non-CDP registrar, and (5) the Trustee, as trustee, as amended, restated or supplemented from time to time. |
| "**Arrangers**" | : | Oversea-Chinese Banking Corporation Limited and Standard Chartered Bank. |
| "**Bearer Notes**" | : | Notes in bearer form. |
| "**Board**" | : | Board of Directors of the Issuer. |
| "**BreadTalk**" | : | The 'BreadTalk' brand of the Group. |
| "**BreadTalk IHQ**" | : | The Issuer's international headquarters situated at 30 Tai Seng Street, Singapore 534013. |
| "**business day**" | : | In respect of each Note, (i) a day (other than a Saturday, Sunday or gazetted public holiday) on which Euroclear, Clearstream, Luxembourg and/or the Depository, as applicable, are operating, (ii) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in the country of the Issuing and Paying Agent's specified office and (iii) (if a payment is to be made on that day) (1) (in the case of Notes denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore, (2) (in the case of Notes denominated in Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which the TARGET System is open for settlement in Euros and (3) (in the case of Notes denominated in a currency other than Singapore dollars and Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore and the principal financial centre for that currency. |
| "**CDP**" or the "**Depository**" | : | The Central Depository (Pte) Limited. |
| "**CDP Calculation Agent**" | : | The Bank of New York Mellon, Singapore Branch, or its successors in that capacity. |
| "**CDP Issuing and Paying Agent**" | : | The Bank of New York Mellon, Singapore Branch, or its successors in that capacity. |
| "**CDP Registrar**" | : | The Bank of New York Mellon, Singapore Branch, or its successors in that capacity. |

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| "**CDP Transfer Agent**" | : | The Bank of New York Mellon, Singapore Branch, or its successors in that capacity. |
| "**Certificate**" | : | A registered certificate representing one or more Registered Notes of the same Series and, save as provided in the Conditions, comprising the entire holding by a holder of Registered Notes of that Series. |
| "**CEO**" | : | Chief Executive Officer. |
| "**Clearstream, Luxembourg**" | : | Clearstream Banking S.A. and includes a reference to its successors and assigns. |
| "**Common Depositary**" | : | In relation to a Series of the Notes, a depositary common to Euroclear and Clearstream, Luxembourg. |
| "**Companies Act**" | : | Companies Act, Chapter 50 of Singapore, as amended or modified from time to time. |
| "**Conditions**" | : | In relation to the Notes of any Series, the terms and conditions applicable thereto, which shall be substantially in the form set out in Part III of Schedule 1 to the Trust Deed, as modified, with respect to any Notes represented by a Global Note or a Global Certificate, by the provisions of such Global Note or, as the case may be, Global Certificate, shall incorporate any additional provisions forming part of such terms and conditions set out in the Pricing Supplement(s) relating to the Notes of such Series and shall be endorsed on the Definitive Notes or, as the case may be, Certificates, subject to amendment and completion as referred to in the first paragraph appearing after the heading "Terms and Conditions of the Notes" as set out in Part III of Schedule 1 to the Trust Deed, and any reference to a particularly numbered Condition shall be construed accordingly. |
| "**Couponholders**" | : | The holders of the Coupons. |
| "**Coupons**" | : | The bearer coupons appertaining to an interest bearing Definitive Note. |
| "**Dealers**" | : | Persons appointed as dealers under the Programme. |
| "**Definitive Note**" | : | A definitive Bearer Note, being substantially in the form set out in Part I of Schedule 1 to the Trust Deed and having, where appropriate, Coupons and/or a Talon attached on issue. |
| "**Directors**" | : | The directors (including alternate directors, if any) of the Issuer as at the date of this Information Memorandum, unless otherwise stated. |
| "**EBITDA**" | : | Earnings before interest, tax, depreciation and amortisation. |
| "**Euro**" | : | The lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time. |

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| "**Euroclear**" | : | Euroclear Bank SA/NV. |
| "**F&B**" | : | Food and beverage. |
| "**FY**" | : | Financial year ended or ending 31 December. |
| "**Global Certificate**" | : | A global Certificate representing Registered Notes of one or more Tranches of the same Series that are registered in the name of, or in the name of a nominee of, (i) the Common Depositary, (ii) the Depository and/or (iii) any other clearing system. |
| "**Global Note**" | : | A global Note representing Bearer Notes of one or more Tranches of the same Series, being a Temporary Global Note and/or, as the context may require, a Permanent Global Note, in each case without Coupons or Talons. |
| "**Group**" | : | The Issuer and its subsidiaries. |
| "**IFRS**" | : | International Financial Reporting Standards. |
| "**IRAS**" | : | Inland Revenue Authority of Singapore. |
| "**Issuer**" | : | BreadTalk Group Limited. |
| "**Issuing and Paying Agent**" | : | The CDP Issuing and Paying Agent, the Non-CDP Issuing and Paying Agent or such other or further institutions as may from time to time be appointed by the Issuer as issuing and paying agent for the Notes and the Coupons. |
| "**ITA**" | : | Income Tax Act, Chapter 134 of Singapore, as amended or modified from time to time. |
| "**Latest Practicable Date**" | : | 1 April 2019. |
| "**MAS**" | : | The Monetary Authority of Singapore. |
| "**Non-CDP Calculation Agent**" | : | The Bank of New York Mellon, London Branch, or its sucessors in that capacity. |
| "**Non-CDP Issuing and Paying Agent**" | : | The Bank of New York Mellon, London Branch, or its successors in that capacity. |
| "**Non-CDP Registrar**" | : | The Bank of New York Mellon SA/NV, Luxembourg Branch, or its successors in that capacity. |
| "**Non-CDP Transfer Agent**" | : | The Bank of New York Mellon, SA/NV, Luxembourg Branch, or its successors in that capacity. |
| "**Noteholders**" | : | The holders of the Notes. |
| "**Notes**" | : | The notes issued or to be issued by the Issuer under the Programme. |
| "**Paying Agents**" | : | The Issuing and Paying Agent or such other or further institutions as may from time to time be appointed by the Issuer as paying agent for the Notes and Coupons. |

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| "**Permanent Global Note**" | : | A Global Note representing Bearer Notes of one or more Tranches of the same Series, either on issue or upon exchange of interests in a Temporary Global Note, being substantially in the form set out in Schedule 3 to the Trust Deed. |
| "**PRC**" or "**Mainland China**" | : | People's Republic of China, excluding Hong Kong Special Administrative Region and Macau Special Administrative Region for the purposes of this Information Memorandum. |
| "**Pricing Supplement**" | : | In relation to any Tranche or Series, a pricing supplement supplemental to this Information Memorandum, specifying the relevant issue details in relation to such Tranche or, as the case may be, Series, substantially in the form of Appendix 2 to the Programme Agreement. |
| "**Programme**" | : | The S$500,000,000 Multicurrency Medium Term Note Programme of the Issuer. |
| "**Programme Agreement**" | : | The programme agreement dated 17 April 2019 made between (1) the Issuer, as issuer, (2) the Arrangers, as arrangers, and (3) Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank and Standard Chartered Bank (Singapore) Limited, as dealers, as amended, varied or supplemented from time to time. |
| "**Registered Notes**" | : | Notes in registered form. |
| "**Securities Act**" | : | Securities Act of 1933 of the United States, as amended or modified from time to time. |
| "**Series**" | : | (1) (In relation to Notes other than variable rate notes) a Tranche, together with any further Tranche or Tranches, which are (a) expressed to be consolidated and forming a single series and (b) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of (in the case of Notes other than variable rate notes) interest and (2) (in relation to variable rate notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest. |
| "**SESDAQ**" | : | Stock Exchange of Singapore Dealing and Automated Quotation System. |
| "**SFA**" or "**Securities and Futures Act**" | : | Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time. |
| "**SGX-ST**" | : | Singapore Exchange Securities Trading Limited. |
| "**Shares**" | : | The ordinary shares in the capital of the Issuer. |
| "**sqf**" | : | Square feet. |
| "**sqm**" | : | Square metres. |

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| "**subsidiary**" | : | Any company which is for the time being a subsidiary (within the meaning of Section 5 of the Companies Act). |
| "**Talons**" | : | Talons for further Coupons or, as the context may require, a specific number of them and includes any replacement Talons issued pursuant to the Conditions. |
| "**TARGET System**" | : | The Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto. |
| "**Temporary Global Note**" | : | A Global Note representing Bearer Notes of one or more Tranches of the same Series on issue, being substantially in the form set out in Schedule 2 of the Trust Deed. |
| "**Tranche**" | : | Notes which are identical in all respects (including as to listing). |
| "**Trust Deed**" | : | The trust deed dated 17 April 2019 made between (1) the Issuer, as issuer, and (2) the Trustee, as trustee, as amended, restated or supplemented from time to time. |
| "**Trustee**" | : | The Bank of New York Mellon, Singapore Branch. |
| "**United States**" or "**U.S.**" | : | United States of America. |
| "**S$**" and "**cents**" | : | Singapore dollars and cents respectively. |
| "**Y/Y**" | : | Year-over-year. |
| "**%**" or "**per cent.**" | : | Per cent. |

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations. Any reference to a time of day in this Information Memorandum shall be a reference to Singapore time unless otherwise stated. Any reference in this Information Memorandum to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the SFA or any statutory modification thereof and used in this Information Memorandum shall, where applicable, have the meaning ascribed to it under the Companies Act or, as the case may be, the SFA.

# CORPORATE INFORMATION

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| Board of Directors of the Issuer | : | Dr George Quek Meng Tong<br>Ms Katherine Lee Lih Leng<br>Mr Ong Kian Min<br>Dr Tan Khee Giap<br>Mr Chan Soo Sen<br>Mr Paul Charles Kenny |
| Company Secretaries of the Issuer | : | Chew Kok Liang and Shirley Tan Sey Liy |
| Registered Office of the Issuer | : | 30 Tai Seng Street<br>#09-01<br>BreadTalk IHQ<br>Singapore 534013 |
| Auditors to the Issuer | : | Ernst & Young LLP<br>One Raffles Quay<br>North Tower Level 18<br>Singapore 048583 |
| Arrangers of the Programme | : | Oversea-Chinese Banking Corporation Limited<br>63 Chulia Street<br>#03-05 OCBC Centre East<br>Singapore 049514<br><br>Standard Chartered Bank<br>Marina Bay Financial Centre (Tower 1)<br>8 Marina Boulevard, Level 20<br>Singapore 018981 |
| Legal Advisers to the Arrangers | : | Allen & Gledhill LLP<br>One Marina Boulevard #28-00<br>Singapore 018989 |
| Legal Advisers to the Issuer | : | RHTLaw Taylor Wessing LLP<br>Six Battery Road #10-01<br>Singapore 049909 |
| Legal Advisers to the Trustee, the CDP Issuing and Paying Agent, the Non-CDP Issuing and Paying Agent, the CDP Registrar, the Non-CDP Registrar, the CDP Transfer Agent and the Non-CDP Transfer Agent | : | Allen & Gledhill LLP<br>One Marina Boulevard #28-00<br>Singapore 018989 |
| CDP Issuing and Paying Agent, CDP Transfer Agent, CDP Registrar and CDP Calculation Agent | : | The Bank of New York Mellon, Singapore Branch<br>One Temasek Avenue<br>#02-01 Millenia Tower<br>Singapore 039192 |
| Non-CDP Issuing and Paying Agent and Non-CDP Calculation Agent | : | The Bank of New York Mellon, London Branch<br>One Canada Square<br>London E14 5AL<br>United Kingdom |

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| Non-CDP Registrar and Non-CDP Transfer Agent | : | The Bank of New York Mellon SA/NV, Luxembourg Branch<br>Vertigo Building-Polaris<br>2-4, rue Eugène Ruppert<br>L-2453 Luxembourg |
| Trustee for the Noteholders | : | The Bank of New York Mellon, Singapore Branch<br>One Temasek Avenue<br>#02-01 Millenia Tower<br>Singapore 039192 |

## SUMMARY OF THE PROGRAMME

The following summary is derived from, and should be read in conjunction with, the full text of this Information Memorandum (and any relevant supplement to this Information Memorandum), the Trust Deed, the Agency Agreement and the relevant Pricing Supplement.

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| Issuer | : | BreadTalk Group Limited. |
| Arrangers | : | Oversea-Chinese Banking Corporation Limited and Standard Chartered Bank. |
| Dealers | : | Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank, Standard Chartered Bank (Singapore) Limited and/or such other Dealers as may be appointed by the Issuer in accordance with the Programme Agreement. |
| Trustee | : | The Bank of New York Mellon, Singapore Branch. |
| CDP Issuing and Paying Agent, CDP Transfer Agent, CDP Registrar and CDP Calculation Agent | : | The Bank of New York Mellon, Singapore Branch. |
| Non-CDP Issuing and Paying Agent and Non-CDP Calculation Agent | : | The Bank of New York Mellon, London Branch. |
| Non-CDP Transfer Agent and Non-CDP Registrar | : | The Bank of New York Mellon SA/NV, Luxembourg Branch. |
| Description | : | S$500,000,000 Multicurrency Medium Term Note Programme. |
| Programme Size | : | The maximum aggregate principal amount of the Notes outstanding at any time shall be S$500,000,000 (or its equivalent in other currencies) or such higher amount as may be increased in accordance with the terms of the Programme Agreement. |
| Currency | : | Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in Singapore dollars or any other currency agreed between the Issuer and the relevant Dealer(s). |
| Method of Issue | : | Notes may be issued from time to time under the Programme on a syndicated or non-syndicated basis. Each Series may be issued in one or more Tranches, on the same or different issue dates. The issue size for each Series shall be agreed between the Issuer and the relevant Dealer(s). The specific terms of each Series or Tranche will be specified in the relevant Pricing Supplement. |
| Issue Price | : | Notes may be issued at par or at a discount, or premium, to par. |
| Tenor | : | Subject to compliance with all relevant laws, regulations and directives, Notes may have maturities of such tenor as may be agreed between the Issuer and the relevant Dealer(s). |

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| Redemption on Maturity | : | Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount on the maturity date shown on its face. |
| Interest Basis | : | Notes may bear interest at fixed, floating, variable or hybrid rates or such other rates as may be agreed between the Issuer and the relevant Dealer(s) or may not bear interest. |
| Fixed Rate Notes | : | Fixed Rate Notes will bear a fixed rate of interest which will be payable in arrear on specified dates and at maturity. |
| Floating Rate Notes | : | Floating Rate Notes which are denominated in Singapore dollars will bear interest to be determined separately for each Series by reference to S$ SIBOR or S$ Swap Rate (or in any other case such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin. Interest periods in relation to the Floating Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue.<br><br>Floating Rate Notes which are denominated in other currencies will bear interest to be determined separately for each Series by reference to such other benchmark as may be agreed between the Issuer and the relevant Dealer(s). |
| Variable Rate Notes | : | Variable Rate Notes will bear interest at a variable rate determined in accordance with the Conditions. Interest periods in relation to the Variable Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue. |
| Hybrid Notes | : | Hybrid Notes will bear interest, during the fixed rate period to be agreed between the Issuer and the relevant Dealer(s), at a fixed rate of interest which will be payable in arrear on specified dates and, during the floating rate period to be agreed between the Issuer and the relevant Dealer(s), at the rate of interest to be determined by reference to S$ SIBOR or S$ Swap Rate (or such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin (provided that if the Hybrid Notes are denominated in a currency other than Singapore dollars, such Hybrid Notes will bear interest to be determined separately by reference to such benchmark as may be agreed between the Issuer and the relevant Dealer(s)), in each case payable at the end of each interest period to be agreed between the Issuer and the relevant Dealer(s). |

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| Zero Coupon Notes | : | Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest other than in the case of late payment. |
| Form and Denomination of the Notes | : | The Notes will be issued in bearer form or registered form and in such denominations as may be agreed between the Issuer and the relevant Dealer(s). Each Tranche or Series of Bearer Notes may initially be represented by a Temporary Global Note or a Permanent Global Note. Each Temporary Global Note may be deposited on the relevant issue date with CDP, the Common Depositary and/or any other agreed clearing system and will be exchangeable, upon request as described therein, either for a Permanent Global Note or Definitive Notes (as indicated in the applicable Pricing Supplement). Each Permanent Global Note may be exchanged, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole (but not in part) for Definitive Notes upon the terms therein. Each Tranche or Series of Registered Notes will initially be represented by a Global Certificate. Each Global Certificate may be registered in the name of, or in the name of a nominee of, CDP, the Common Depositary and/or any other agreed clearing system. Each Global Certificate may be exchanged, upon request as described therein, in whole (but not in part) for Certificates upon the terms therein. Save as provided in the Conditions, a Certificate shall be issued in respect of each Noteholder's entire holding of Registered Notes of one Series. |
| Custody of the Notes | : | Notes may be cleared through CDP, Euroclear and/or Clearstream, Luxembourg or such other clearing system as may be agreed between the Issuer and the relevant Dealer(s). Notes which are to be cleared through CDP are required to be kept with CDP as authorised depository. Notes which are to be cleared through Euroclear and/or Clearstream, Luxembourg are required to be kept with the Common Depositary for Euroclear and/or Clearstream, Luxembourg. |
| Status of the Notes | : | The Notes and Coupons of all Series will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer. |
| Optional Redemption and Purchase | : | If so provided on the face of the Note and the relevant Pricing Supplement, Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the Noteholders. Further, if |

so provided on the face of the Note and the relevant Pricing Supplement, Notes may be purchased by the Issuer (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the Noteholders.

Redemption for Taxation Reasons : If so provided on the face of the Note and the relevant Pricing Supplement, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Redemption Amount or (in the case of Zero Coupon Notes) Early Redemption Amount (as defined in Condition 6(i)) (together with interest accrued to (but excluding) the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement, and (ii) such obligations cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Negative Pledge : The Issuer has covenanted with the Trustee in the Trust Deed that so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Principal Subsidiaries (as defined in Condition 10) will, create or have outstanding any security over the whole or any part of its undertakings, assets, property or revenues, present or future, save for:

(a) liens or rights of set-off arising solely by operation of law (or by an agreement evidencing the same), in either case, in respect of indebtedness which either (1) has been due for less than 30 days or (2) is being contested in good faith and by appropriate means;

(b) any security existing over any of its assets and disclosed in writing to the Trustee on or prior to

the date of the Trust Deed and any security to be created over such assets in connection with the refinancing of the indebtedness secured by such existing security, provided that, in each case, the principal amount secured by such security shall not be increased without the prior approval of the Noteholders by way of Extraordinary Resolution;

(c) any security over any of its assets acquired, developed or redeveloped, renovated or refurbished by it after the date of the Trust Deed for the sole purpose of financing the acquisition (including acquisition by way of acquisition of or subscription for the securities of the company or entity owning (whether directly or indirectly) the underlying asset), development or redevelopment, renovation or refurbishment of such assets or any refinancing (including by way of project financing) thereof and, in each case, securing a principal amount not exceeding the cost of that acquisition, development or redevelopment, renovation or refurbishment;

(d) pledges of equipment and assets acquired in its ordinary course of business which are required for its day to day operations, the related documents of title and/or other related documents arising in the ordinary course of its business as security only for indebtedness to a bank or financial institution directly relating to such equipment, assets or documents on or over which that pledge exists;

(e) any security created prior to and subsisting at the time of the acquisition of any asset by it after the date of the Trust Deed securing credit facilities extended by banks and financial institutions to the Group, provided that the amount secured by any such security may not exceed the cost of acquisition of such asset;

(f) pledges of cash or charge over moneys in the bank accounts created to secure its liabilities for the purpose of obtaining working capital facilities granted in the ordinary course of business;

(g) any security created to secure its liabilities in respect of letters of credit, performance bonds and/or bank guarantees issued in the ordinary course of its business;

(h) any security created over any asset for the purposes of securing credit facilities to be applied towards the acquisition of another asset,

provided that the amount secured by such security shall not exceed 80 per cent. of the then current market value of such asset (as determined on the basis of the most recent valuation report prepared by an independent professional valuer of good repute which is to be delivered by the Issuer to the Trustee at the relevant time);

(i) any security over any assets acquired, developed, redeveloped, renovated or refurbished through any collaboration with Perennial Real Estate Holdings Ltd or any of their affiliated entities, for the sole purpose of financing investments in any developments undertaken jointly or in association with them and, in each case, securing a principal amount not exceeding the cost of that acquisition, development, redevelopment, renovation or refurbishment; and

(j) any other security which has been approved by the Noteholders by way of an Extraordinary Resolution.

Financial Covenants : The Issuer has covenanted with the Trustee in the Trust Deed that for so long as any of the Notes or Coupons remains outstanding, it will ensure that:

(i) the Consolidated Tangible Net Worth (as defined in the Conditions) shall not at any time be less than S$75,000,000;

(ii) the ratio of Consolidated EBITDA (as defined in the Conditions) to Consolidated Interest Expense (as defined in the Conditions) shall not at any time be less than 3.5 :1;

(iii) the ratio of Consolidated Secured Debt (as defined in the Conditions) to Consolidated Total Assets (as defined in the Conditions) shall not at any time exceed 0.5 : 1; and

(iv) the ratio of Consolidated Total Borrowings (Net of Cash) (as defined in the Conditions) to Consolidated Tangible Net Worth shall not at any time exceed 3.0 : 1.

Events of Default : See Condition 10.

Taxation : All payments in respect of the Notes and the Coupons by the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is

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| | | required by law. In such event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, save for certain exceptions. For further details, please see the section on "Taxation" herein. |
| Listing | : | Each Series of the Notes may, if so agreed between the Issuer and the relevant Dealer(s), be listed on the SGX-ST or any other stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s), subject to all necessary approvals having been obtained.<br><br>If the application to the SGX-ST to list a particular Series of Notes is approved, for so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of at least S$200,000 (or its equivalent in other currencies). |
| Selling Restrictions | : | For a description of certain restrictions on offers, sales and deliveries of Notes and the distribution of offering material relating to the Notes, see the section on "Subscription, Purchase and Distribution" herein. Further restrictions may apply in connection with any particular Series or Tranche of Notes. |
| Governing Law | : | The Programme and any Notes issued under the Programme will be governed by, and construed in accordance with, the laws of Singapore. |

# TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. Unless otherwise stated, all capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme. Details of the relevant Series are shown on the face of the relevant Notes and in the relevant Pricing Supplement.*

The Notes are constituted by a Trust Deed (as amended, varied or supplemented from time to time, the "**Trust Deed**") dated 17 April 2019 made between (1) BreadTalk Group Limited (the "**Issuer**"), as issuer, and (2) The Bank of New York Mellon, Singapore Branch (the "**Trustee**", which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as trustee for the Noteholders (as defined below), and (where applicable) the Notes are issued with the benefit of a deed of covenant (as amended, varied or supplemented from time to time, the "**Deed of Covenant**") dated 17 April 2019, relating to the Notes cleared or to be cleared through the CDP System (as defined in the Trust Deed) ("**CDP Notes**") executed by the Issuer. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. The Issuer has entered into an Agency Agreement (as amended, varied or supplemented from time to time, the "**Agency Agreement**") dated 17 April 2019 made between (1) the Issuer, as issuer, (2) The Bank of New York Mellon, Singapore Branch, as issuing and paying agent (in such capacity, the "**CDP Issuing and Paying Agent**"), transfer agent (in such capacity, the "**CDP Transfer Agent**"), registrar (in such capacity, the "**CDP Registrar**") and calculation agent (in such capacity, the "**CDP Calculation Agent**") in respect of the CDP Notes, (3) The Bank of New York Mellon, London Branch, as issuing and paying agent in respect of Notes cleared or to be cleared through Euroclear (as defined below) and/or Clearstream, Luxembourg (as defined below) ("**Non-CDP Notes**") (in such capacity, the "**Non-CDP Issuing and Paying Agent**" and, together with the CDP Issuing and Paying Agent and any other issuing and paying agents that may be appointed, the "**Issuing and Paying Agents**" and the Issuing and Paying Agents together with any other paying agents, the "**Paying Agents**") and as calculation agent in respect of the Non-CDP Notes (in such capacity, the "**Non-CDP Calculation Agent**"), (4) The Bank of New York Mellon SA/NV, Luxembourg Branch, as transfer agent in respect of Non-CDP Notes (in such capacity, the "**Non-CDP Transfer Agent**" and, together with the CDP Transfer Agent and any other transfer agents that may be appointed, the "**Transfer Agents**") and registrar in respect of Non-CDP Notes (in such capacity, the "**Non-CDP Registrar**" and, together with the CDP Registrar, the "**Registrars**"), and (5) the Trustee, as trustee for the Noteholders. The Noteholders and the holders (the "**Couponholders**") of the coupons (the "**Coupons**") appertaining to the interest-bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") are bound by and are deemed to have notice of all of the provisions of the Trust Deed, the Agency Agreement and the Deed of Covenant.

For the purposes of these Conditions, all references to (a) the Issuing and Paying Agent shall, in the case of a Series (as defined below) of CDP Notes, be deemed to be a reference to the CDP Issuing and Paying Agent and, in the case of a Series of Non-CDP Notes, be deemed to be a reference to the Non-CDP Issuing and Paying Agent, (b) the Calculation Agent shall, in the case of a Series of CDP Notes, be deemed to be a reference to the CDP Calculation Agent and, in the case of a Series of Non-CDP Notes, be deemed to be a reference to the Non-CDP Calculation

Agent, (c) the Registrar shall, in the case of a Series of CDP Notes, be deemed to be a reference to the CDP Registrar and, in the case of a Series of Non-CDP Notes, be deemed to be a reference to the Non-CDP Registrar, and (d) the Transfer Agent shall, in the case of a Series of CDP Notes, be deemed to be a reference to the CDP Transfer Agent and, in the case of a Series of Non-CDP Notes, be deemed to be a reference to the Non-CDP Transfer Agent, and (unless the context otherwise requires) all such references shall be construed accordingly. Copies of the Trust Deed, the Agency Agreement and the Deed of Covenant are available for inspection (upon prior written request and satisfactory proof of holdings) at the principal office of the Trustee for the time being and at the respective specified offices of the Paying Agents for the time being.

## 1. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

(i) The Notes of the Series of which this Note forms part (in these Conditions, the "**Notes**") are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"), in each case in the Denomination Amount shown hereon. In the case of Registered Notes, such Notes are in the Denomination Amount shown hereon, which may include a minimum denomination and higher integral multiples of a smaller amount, in each case, as specified in the applicable Pricing Supplement

(ii) This Note is a Fixed Rate Note, a Floating Rate Note, a Variable Rate Note, a Hybrid Note or a Zero Coupon Note, a combination of any of the foregoing or any other type of Note (depending upon the Interest Basis shown on its face).

(iii) Bearer Notes are serially numbered and issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to default interest referred to in Condition 7(h)) in these Conditions are not applicable.

(iv) Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

(b) Title

(i) Subject as set out below, title to the Bearer Notes and the Coupons and, where applicable, Talons appertaining thereto shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**").

(ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft, loss or forgery thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.

(iii) For so long as any of the Notes is represented by a Global Note (as defined below) or, as the case may be, a Global Certificate (as defined below), and such Global Note or Global Certificate is held by a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**")

and/or The Central Depository (Pte) Limited (the "**Depository**") and/or any other clearing system, each person who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg, the Depository and/or such other clearing system as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg, the Depository and/or such other clearing system as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Transfer Agents, the Registrars, the Calculation Agents, all other agents of the Issuer and the Trustee as the holder of such principal amount of Notes other than with respect to the payment of principal, premium, interest, distribution, redemption, purchase and/or any other amounts in respect of the Notes, for which purpose the bearer of the Global Note or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Paying Agents, the Transfer Agents, the Registrars, the Calculation Agents, all other agents of the Issuer and the Trustee as the holder of such Notes in accordance with and subject to the terms of the Global Note or, as the case may be, the Global Certificate (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly). Notes which are represented by the Global Note or, as the case may be, the Global Certificate and held by Euroclear, Clearstream, Luxembourg, the Depository and/or such other clearing system will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, the Depository and/or such other clearing system.

(iv) In these Conditions, "**Global Note**" means the relevant Temporary Global Note representing each Series or the relevant Permanent Global Note representing each Series, "**Global Certificate**" means the relevant Global Certificate representing each Series that is registered in the name of, or in the name of a nominee of, (1) a common depositary for Euroclear and/or Clearstream, Luxembourg, (2) the Depository and/or (3) any other clearing system, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be) and "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be), "**Series**" means (A) (in relation to Notes other than Variable Rate Notes) a Tranche, together with any further Tranche or Tranches, which are (aa) expressed to be consolidated and forming a single series and (bb) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of interest and (B) (in relation to Variable Rate Notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest and "**Tranche**" means Notes which are identical in all respects (including as to listing).

(v) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

## 2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Denomination Amount may not be exchanged for Bearer Notes of another Denomination Amount. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** Subject to Conditions 2(e) and 2(f) below, one or more Registered Notes may be transferred (in the authorised denominations set out herein) upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or such other Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer and the Registrar, with the prior approval (in the case of any regulation proposed by the Issuer) of the Trustee, the Transfer Agent and the Registrar and (in the case of any regulation proposed by the Registrar) of the Issuer and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption or Purchase in Respect of Registered Notes:** In the case of an exercise of the Issuer's or Noteholders' option in respect of, or a partial redemption or purchase of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed or purchased. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any other Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(b) or 2(c) shall be available for delivery within five business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(b)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or such other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day other than a Saturday, Sunday or gazetted public holiday on which banks are open for business in the place of the specified office of the Registrar or the other relevant Transfer Agent (as the case may be).

(e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the other Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require) in respect of tax or charges.

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(c), (ii) after any such Note has been called for redemption or (iii) during the period of 15 days ending on (and including) any Record Date (as defined in Condition 7(b)).

## 3. STATUS

The Notes and Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer. The Notes and Coupons shall at all times rank *pari passu* and rateably without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.

## 4. NEGATIVE PLEDGE, FINANCIAL AND OTHER COVENANTS

(a) Negative Pledge

The Issuer has covenanted with the Trustee in the Trust Deed that so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Principal Subsidiaries (as defined in Condition 10) will, create or have outstanding any security over the whole or any part of its undertakings, assets, property or revenues, present or future, save for:

(i) liens or rights of set-off arising solely by operation of law (or by an agreement evidencing the same), in either case, in respect of indebtedness which either (1) has been due for less than 30 days or (2) is being contested in good faith and by appropriate means;

(ii) any security existing over any of its assets and disclosed in writing to the Trustee on or prior to the date of the Trust Deed and any security to be created over such assets in connection with the refinancing of the indebtedness secured by such existing security, provided that, in each case, the principal amount secured by such security shall not be increased without the prior approval of the Noteholders by way of Extraordinary Resolution;

(iii) any security over any of its assets acquired, developed or redeveloped, renovated or refurbished by it after the date of the Trust Deed for the sole purpose of financing the acquisition (including acquisition by way of acquisition of or subscription for the securities of the company or entity owning (whether directly or indirectly) the underlying asset), development or redevelopment, renovation or refurbishment of such assets or any refinancing (including by way of project financing) thereof and, in each case, securing a principal amount not exceeding the cost of that acquisition, development or redevelopment, renovation or refurbishment;

(iv) pledges of equipment and assets acquired in its ordinary course of business which are required for its day to day operations, the related documents of title and/or other related documents arising in the ordinary course of its business as security only for indebtedness to a bank or financial institution directly relating to such equipment, assets or documents on or over which that pledge exists;

(v) any security created prior to and subsisting at the time of the acquisition of any asset by it after the date of the Trust Deed securing credit facilities extended by banks and financial institutions to the Group (as defined in the Trust Deed), provided that the amount secured by any such security may not exceed the cost of acquisition of such asset;

(vi) pledges of cash or charge over moneys in the bank accounts created to secure its liabilities for the purpose of obtaining working capital facilities granted in the ordinary course of business;

(vii) any security created to secure its liabilities in respect of letters of credit, performance bonds and/or bank guarantees issued in the ordinary course of its business;

(viii) any security created over any asset for the purposes of securing credit facilities to be applied towards the acquisition of another asset, provided that the amount secured by such security shall not exceed 80 per cent. of the then current market value of such asset (as determined on the basis of the most recent valuation report prepared by an independent professional valuer of good repute which is to be delivered by the Issuer to the Trustee at the relevant time);

(ix) any security over any assets acquired, developed, redeveloped, renovated or refurbished through any collaboration with Perennial Real Estate Holdings Ltd or any of their affiliated entities, for the sole purpose of financing investments in any developments undertaken jointly or in association with them and, in each case, securing a principal amount not exceeding the cost of that acquisition, development, redevelopment, renovation or refurbishment; and

(x) any other security which has been approved by the Noteholders by way of an Extraordinary Resolution.

(b) Financial Covenants

The Issuer has covenanted with the Trustee in the Trust Deed that for so long as any of the Notes or Coupons remains outstanding, it will ensure that:

(i) the Consolidated Tangible Net Worth shall not at any time be less than S$75,000,000;

(ii) the ratio of Consolidated EBITDA to Consolidated Interest Expense shall not at any time be less than 3.5:1;

(iii) the ratio of Consolidated Secured Debt to Consolidated Total Assets shall not at any time exceed 0.5:1; and

(iv) the ratio of Consolidated Total Borrowings (Net of Cash) to Consolidated Tangible Net Worth shall not at any time exceed 3.0:1.

For the purposes of these Conditions:

(1) "**Consolidated EBITDA**" means, in relation to any period, the aggregate of the net earnings of the Group on its ordinary activities during such period before taking into account Consolidated Interest Expense and income tax expense but making adjustments thereto by adding back depreciation charged and amount attributable to amortisation of goodwill and other intangibles to the extent deducted in arriving at such earnings on ordinary activities during such period;

(2) "**Consolidated Interest Expense**" means, in relation to any period, the consolidated aggregate amount of interest, commission, discounts, guarantee fees and other fees or charges incurred, paid or payable by the Group in connection with all indebtedness during that period;

(3) "**Consolidated Secured Debt**" means, at any time, the portion of Consolidated Total Liabilities secured by any security interest over any asset of the Group;

(4) "**Consolidated Tangible Net Worth**" means, at any time, the amount (expressed in Singapore dollars) for the time being, calculated in accordance with generally accepted accounting principles in Singapore, equal to the aggregate of:

(A) the share capital of the Issuer for the time being issued and paid-up; and

(B) the amounts standing to the credit of the capital and revenue reserves (including profit and loss account) of the Group on a consolidated basis,

all as shown in the then latest audited or, as the case may be, unaudited consolidated balance sheet of the Group but after:

(I) making such adjustments as may be appropriate in respect of any variation in the issued and paid-up share capital and the capital and revenue reserves set out in paragraph (B) above of the Group since the date of the latest audited or, as the case may be, unaudited consolidated balance sheet of the Group;

(II) excluding any sums set aside for future taxation; and

(III) deducting:

(aa) an amount equal to any distribution by any member of the Group out of profits earned prior to the date of the latest audited or, as the case may be, unaudited consolidated balance sheet of the Group and which have been declared, recommended or made since that date except so far as provided for in such balance sheet and/or paid or due to be paid to members of the Group;

(bb) all goodwill and other intangible assets; and

(cc) any debit balances on consolidated profit and loss account,

and so that no amount shall be included or excluded more than once;

(5) "**Consolidated Total Assets**" means, at any particular time, the consolidated amount of the book values of all the assets of the Group, determined as assets in accordance with generally accepted accounting principles in Singapore;

(6) "**Consolidated Total Borrowings**" means, at any time, in relation to the Group, an amount (expressed in Singapore dollars) for the time being calculated on a consolidated basis, in accordance with generally accepted accounting principles in Singapore, equal to the aggregate of:

(A) bank overdrafts and all other indebtedness in respect of any borrowings of any member of the Group;

(B) the principal amount of the Notes or any bonds or debentures of any member of the Group whether issued for cash or a consideration other than cash;

(C) the liabilities of the Issuer under the Trust Deed or the Notes;

(D) any redeemable preference shares issued by any member of the Group (other than those shares which are regarded as equity as reflected in the latest audited or, as the case may be, unaudited consolidated balance sheet of the Group),

and where such aggregate amount fails to be calculated, no amount shall be taken into account more than once in the same calculation;

(7) "**Consolidated Total Borrowings (Net of Cash)**" means Consolidated Total Borrowings less any amount reflected as cash and cash equivalents (including, without limitation, any pledged deposits) as reflected in the then latest audited or, as the case may be, unaudited consolidated balance sheet of the Group;

(8) "**Consolidated Total Liabilities**" means the aggregate of Consolidated Total Borrowings plus, insofar as not already taken into account, all other liabilities of the Group calculated in accordance with generally accepted accounting principles in Singapore, including:

(A) current creditors, proposed dividends and taxation payable within 12 months;

(B) the principal amount raised by acceptances under any acceptance credit in favour of any member of the Group;

(C) the face amount of any bills of exchange (other than cheques) or other instruments upon which any member of the Group is liable as drawer, acceptor or endorser;

(D) all actual and contingent liabilities of whatsoever nature of any member of the Group including, without limitation, the maximum premium payable on a redemption of any debenture or other indebtedness of any member of the Group and all actual and contingent liabilities of any other person (including the par value of any shares and the principal amount of any debentures or any person) to the extent that such liabilities, shares or debentures are directly or indirectly guaranteed or secured by or are, directly or indirectly, the subject of an indemnity given by, or with a right of recourse against, any member of the Group;

(E) the aggregate of the principal amounts outstanding under all agreements or transactions entered into by any member of the Group for leasing, hire purchase, conditional sale or purchase on deferred terms, or provision of funds in support of obligations of third parties and similar transactions in relation to any property (other than land), and any other amounts due to creditors other than current creditors (other than in relation to land);

(F) amounts standing to the credit of any deferred tax account or tax equalisation reserve; and

(G) any amount proposed to be distributed to shareholders (other than any member of the Group),

provided that no liabilities shall be included in a calculation of Consolidated Total Liabilities more than once.

**5. (I) INTEREST ON FIXED RATE NOTES**

(a) Interest Rate and Accrual

Each Fixed Rate Note bears interest on its principal amount outstanding from the Interest Commencement Date (as defined in Condition 5(II)(e)) in respect thereof and as shown on the face of such Note at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of such Note in

each year and on the Maturity Date shown on the face of such Note if that date does not fall on an Interest Payment Date.

The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date (and if the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the Maturity Date falls before the date on which the first payment of interest would otherwise be due. If the Maturity Date is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the Interest Commencement Date, as the case may be) to the Maturity Date will amount to the Final Broken Amount shown on the face of the Note.

Interest will cease to accrue on each Fixed Rate Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount shown on the face of the Note is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(I) to the Relevant Date (as defined in Condition 8).

(b) Calculations

In the case of a Fixed Rate Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction (as defined in Condition 5(II)(e)) shown on the face of the Note. The amount of interest payable per Calculation Amount (as defined in Condition 5(II)(e)) for any Fixed Rate Interest Period in respect of any Fixed Rate Note shall be calculated by multiplying the product of the Interest Rate and the Calculation Amount, by the Day Count Fraction shown on the face of the Note and rounding the resultant figure to the nearest sub-unit of the Relevant Currency (as defined in Condition 5(II)(e)).

In these Conditions, "**Fixed Rate Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

**(II) INTEREST ON FLOATING RATE NOTES OR VARIABLE RATE NOTES**

(a) Interest Payment Dates

Each Floating Rate Note or Variable Rate Note bears interest on its principal amount outstanding from the Interest Commencement Date in respect thereof and as shown on the face of such Note, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period (as defined below) on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (and which corresponds numerically with such preceding Interest Payment Date or the Interest Commencement Date, as the case may be), provided that the Agreed Yield (as defined in Condition 5(II)(c)) in respect of any Variable Rate Note for any Interest Period relating to that Variable Rate Note shall be payable on the first day of that Interest Period. If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day

that is not a business day, then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an "**Interest Period**".

Interest will cease to accrue on each Floating Rate Note or Variable Rate Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(II) to the Relevant Date.

(b) Rate of Interest – Floating Rate Notes

(i) Each Floating Rate Note bears interest at a floating rate determined by reference to a Benchmark as stated on the face of such Floating Rate Note, being (in the case of Notes which are denominated in Singapore dollars) SIBOR (in which case such Note will be a SIBOR Note) or Swap Rate (in which case such Note will be a Swap Rate Note) or in any other case (or in the case of Notes which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Note.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Note. The "**Spread**" is the percentage rate per annum specified on the face of such Note as being applicable to the rate of interest for such Note. The rate of interest so calculated shall be subject to Condition 5(V)(a) below.

The rate of interest payable in respect of a Floating Rate Note from time to time is referred to in these Conditions as the "**Rate of Interest**".

(ii) The Rate of Interest payable from time to time in respect of each Floating Rate Note will be determined by the Calculation Agent on the basis of the following provisions:

(1) in the case of Floating Rate Notes which are SIBOR Notes:

(A) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSIRFIX01 Page under the column headed "ABS SIBOR FIX – SIBOR AND SWAP OFFER RATES – RATES AT 11:00 HRS SINGAPORE TIME" and under the column headed "SGD SIBOR" (or such other

replacement page thereof for the purpose of displaying SIBOR or such other Screen Page (as defined below) as may be provided hereon) and as adjusted by the Spread (if any);

(B) if on any Interest Determination Date, no such rate appears on the Reuters Screen ABSIRFIX01 Page under the column headed "SGD SIBOR" (or such other replacement page as aforesaid) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page under the column headed "SGD SIBOR" (or such other replacement page thereof for the purpose of displaying SIBOR or such other Screen Page as may be provided hereon) and as adjusted by the Spread (if any);

(C) if on any Interest Determination Date, no such rate appears on the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page under the column headed "SGD SIBOR" (or such other replacement page as aforesaid) or if the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page (or such other replacement page as aforesaid) is unavailable for any reason, the Calculation Agent will request the principal Singapore offices of each of the Reference Banks to provide the Calculation Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to four decimal places) of such offered quotations and as adjusted by the Spread (if any), as determined by the Calculation Agent;

(D) if on any Interest Determination Date, two but not all the Reference Banks provide the Calculation Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (C) above on the basis of the quotations of those Reference Banks providing such quotations;

(E) if on any Interest Determination Date, one only or none of the Reference Banks provides the Calculation Agent with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any); and

(F) if the Calculation Agent is unable to determine the Rate of Interest for an Interest Period in accordance with paragraphs (b)(ii)(1)(A) to (b)(ii)(1)(E) above, the Rate of Interest for such Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which

paragraph (b)(ii)(1)(A), (b)(ii)(1)(B), (b)(ii)(1)(C), (b)(ii)(1)(D) or (b)(ii)(1)(E) above shall have applied;

(2) in the case of Floating Rate Notes which are Swap Rate Notes:

(A) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period as being the rate which appears on the Reuters Screen ABSFIX01 Page under the caption headed "SGD SOR rates as of 11:00 hrs London Time" and under the column headed "SGD SOR" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period and as adjusted by the Spread (if any);

(B) if on any Interest Determination Date, no such rate is quoted on Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) or the Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period as being the rate which appears on the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page under the column headed "SGD Swap Offer" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period and as adjusted by the Spread (if any);

(C) if on any Interest Determination Date, no such rate is quoted on Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page (or such other replacement page as aforesaid) or Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page (or such other replacement page as aforesaid) is unavailable for any reason, the Calculation Agent will determine the Rate of Interest for such Interest Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to four decimal places)) for a period equal to the duration of such Interest Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as may be agreed between the Calculation Agent and the Issuer and as adjusted by the Spread (if any);

(D) if on any Interest Determination Date, the Calculation Agent is otherwise unable to determine the Rate of Interest under paragraphs (b)(ii)(2)(A) and (b)(ii)(2)(B) above or if no agreement on the relevant authority is reached between the Calculation Agent and the Issuer under paragraph b(ii)(2)(C) above, the Rate of Interest shall be determined by the Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates quoted by the Singapore offices of the Reference Banks or those of them (being at least two in number) to the Calculation Agent at or about 11.00 a.m. (Singapore time) on the first business day following such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other

requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate and as adjusted by the Spread (if any), or if on such day one only or none of the Singapore offices of the Reference Banks provides the Calculation Agent with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the prime lending rates for Singapore dollars quoted by the Singapore offices of the Reference Banks at or about 11.00 a.m. (Singapore time) on such Interest Determination Date and as adjusted by the Spread (if any); and

(E) if the Calculation Agent is unable to determine the Rate of Interest for an Interest Period in accordance with paragraphs (b)(ii)(2)(A) to (b)(ii)(2)(D) above, the Rate of Interest for such Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which paragraph (b)(ii)(2)(A), (b)(ii)(2)(B), (b)(ii)(2)(C) or (b)(ii)(2)(D) above shall have applied;

(3) in the case of Floating Rate Notes which are not SIBOR Notes or Swap Rate Notes or which are denominated in a currency other than Singapore dollars, the Calculation Agent will determine the Rate of Interest in respect of any Interest Period at or about the Relevant Time on the Interest Determination Date in respect of such Interest Period as follows:

(A) if the Primary Source (as defined below) for the Floating Rate Notes is a Screen Page, subject as provided below, the Rate of Interest in respect of such Interest Period shall be:

(aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or

(bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page, in each case appearing on such Screen Page at the Relevant Time on the Interest Determination Date,

and as adjusted by the Spread (if any);

(B) if the Primary Source for the Floating Rate Notes is Reference Banks or if paragraph (b)(ii)(3)(A)(aa) applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Interest Determination Date or if paragraph (b)(ii)(3)(A)(bb) applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to four decimal places) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Interest Determination Date and as adjusted by the Spread (if any);

(C) if paragraph (b)(ii)(3)(B) applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, the

Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date; and

(D) if the Calculation Agent is unable to determine the Rate of Interest for an Interest Period in accordance with paragraphs (b)(ii)(3)(A) to (b)(ii)(3)(C) above, the Rate of Interest for such Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which paragraph (b)(ii)(3)(A), (b)(ii)(3)(B) or (b)(ii)(3)(C) above shall have applied.

(iii) On the last day of each Interest Period, the Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.

(iv) For the avoidance of doubt, in the event that the Rate of Interest as determined in accordance with the foregoing in relation to any Interest Period is less than zero, (subject to any applicable Minimum Rate of Interest) the Rate of Interest in relation to such Interest Period shall be equal to zero.

(c) Rate of Interest – Variable Rate Notes

(i) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this paragraph (c). The interest payable in respect of a Variable Rate Note on the first day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "**Agreed Yield**" and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "**Rate of Interest**".

(ii) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall, subject as referred to in paragraph (c)(iv) below, be determined as follows:

(1) not earlier than 9.00 a.m. (Singapore time) on the ninth business day nor later than 3.00 p.m. (Singapore time) on the third business day prior to the commencement of each Interest Period, the Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:

(A) whether interest in respect of such Variable Rate Note is to be paid on the first day or the last day of such Interest Period;

(B) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Rate of Interest for such Variable Rate Note for such Interest Period shall be zero); and

(C) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest Period (an "**Agreed Rate**") and, in the event of the Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such Agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and

(2) if the Issuer and the Relevant Dealer shall not have agreed either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Singapore time) on the third business day prior to the commencement of such Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in (1) above, the Rate of Interest for such Variable Rate Note for such Interest Period shall automatically be the rate per annum equal to the Fall Back Rate (as defined below) for such Interest Period.

(iii) The Issuer has undertaken in the Agency Agreement that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined, but not later than 10.30 a.m. (Singapore time) on the next following business day:

(1) notify the CDP Issuing and Paying Agent, the Non-CDP Paying Agent (if applicable) and the Calculation Agent of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period; and

(2) cause such Agreed Yield or, as the case may be, Agreed Rate for such Variable Rate Note to be notified by the Issuing and Paying Agent to the relevant Noteholder at its request.

(iv) For the purposes of sub-paragraph (ii) above, the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note or no Relevant Dealer in respect of the Variable Rate Note(s) shall be the rate (the "**Fall Back Rate**") determined by reference to a Benchmark as stated on the face of such Variable Rate Note(s), being (in the case of Variable Rate Notes which are denominated in Singapore dollars) SIBOR (in which case such Variable Rate Note(s) will be SIBOR Note(s)) or Swap Rate (in which case such Variable Rate Note(s) will be Swap Rate Note(s)) or (in any other case or in the case of Variable Rate Notes which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Variable Rate Note(s).

Such rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Variable Rate Note. The "**Spread**" is the percentage rate per annum specified on the face of such Variable Rate Note as being applicable to the rate of interest for such Variable Rate Note. The rate of interest so calculated shall be subject to Condition 5(V)(a) below.

The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Calculation Agent in accordance with the provisions of Condition 5(II)(b)(ii) above (*mutatis mutandis*) and references therein to "**Rate of Interest**" shall mean "**Fall Back Rate**".

(v) If interest is payable in respect of a Variable Rate Note on the first day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Agreed Yield applicable to such Variable Rate Note for such Interest Period on the first day of such Interest Period. If interest is payable in respect of a Variable Rate Note on the last day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Interest Amount for such Variable Rate Note for such Interest Period on the last day of such Interest Period.

(vi) For the avoidance of doubt, in the event that the Rate of Interest as determined in accordance with the foregoing in relation to any Interest Period is less than zero, (subject to any applicable Minimum Rate of Interest) the Rate of Interest in relation to such Interest Period shall be zero.

(d) Minimum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with Condition 5(II)(b) or Condition 5(II)(c) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

(e) Definitions

As used in these Conditions:

"**Benchmark**" means the rate specified as such in the applicable Pricing Supplement;

"**business day**" means, in respect of each Note, (i) a day (other than a Saturday, Sunday or gazetted public holiday) on which Euroclear, Clearstream, Luxembourg and/or the Depository, as applicable, are operating, (ii) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in the country of the relevant Paying Agent's specified office and (iii) (if a payment is to be made on that day) (1) (in the case of Notes denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore, (2) (in the case of Notes denominated in Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which the TARGET System is open for settlement in Euros and (3) (in the case of Notes denominated in a currency other than Singapore dollars and Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore and in the principal financial centre for that currency;

"**Calculation Amount**" means the amount specified as such on the face of any Note, or if no such amount is so specified, the Denomination Amount of such Note as shown on the face thereof;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with Condition 5:

(i) if "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period divided by 365 (or, if any portion of that Fixed Rate Interest Period or, as the case may be, Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Fixed Rate Interest Period or, as the case may be, Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Fixed Rate Interest Period or, as the case may be, Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period in respect of which payment is being made divided by 360;

(iii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate

Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period in respect of which payment is being made divided by 365; and

(iv) if "30/360" is specified in the applicable Pricing Supplement, the number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Fixed Rate Interest Period or, as the case may be, the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Fixed Rate Interest Period or, as the case may be, the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Fixed Rate Interest Period or, as the case may be, the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Fixed Rate Interest Period or, as the case may be, the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Fixed Rate Interest Period or, as the case may be, the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Fixed Rate Interest Period or, as the case may be, the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

"**Euro**" means the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified as the Interest Commencement Date on the face of such Note;

"**Interest Determination Date**" means, in respect of any Interest Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Note;

"**Issue Date**" means the date specified as such in the applicable Pricing Supplement;

"**Primary Source**" means the Screen Page specified as such in the applicable Pricing Supplement and (in the case of any Screen Page provided by any information service other than the Bloomberg agency or the Reuters Monitor Money Rates Service ("**Reuters**")) agreed to by the Calculation Agent;

"**Reference Banks**" means the institutions specified as such in the applicable Pricing Supplement or, if none, three financial institutions of international repute selected by the Calculation Agent;

"**Relevant Currency**" means the currency in which the Notes are denominated;

"**Relevant Dealer**" means, in respect of any Variable Rate Note, the Dealer party to the Programme Agreement specified in the Pricing Supplement with whom the Issuer has concluded or is negotiating an agreement for the issue of such Variable Rate Note pursuant to the Programme Agreement;

"**Relevant Financial Centre**" means, in the case of interest to be determined on an Interest Determination Date with respect to any Floating Rate Note or Variable Rate Note, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

"**Relevant Rate**" means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Interest Period;

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

"**Screen Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Bloomberg agency and Reuters) as may be specified hereon for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

**(III) INTEREST ON HYBRID NOTES**

(a) Interest Rate and Accrual

Each Hybrid Note bears interest on its principal amount outstanding from the Interest Commencement Date in respect thereof and as shown on the face of such Note.

(b) Fixed Rate Period

(i) In respect of the Fixed Rate Period shown on the face of such Note, each Hybrid Note bears interest on its principal amount outstanding from the first day of the Fixed Rate Period at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of the Note in each year and on the last day of the Fixed Rate Period if that date does not fall on an Interest Payment Date.

(ii) The first payment of interest will be made on the Interest Payment Date next following the first day of the Fixed Rate Period (and if the first day of the Fixed Rate Period is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the last day of the Fixed Rate Period falls before the date on which the first payment of interest would otherwise be due. If the last day of the Fixed Rate Period is not an Interest Payment Date,

interest from the preceding Interest Payment Date (or from the first day of the Fixed Rate Period, as the case may be) to the last day of the Fixed Rate Period will amount to the Final Broken Amount shown on the face of the Note.

(iii) Where the due date of redemption of any Hybrid Note falls within the Fixed Rate Period, interest will cease to accrue on the Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of principal (or the Redemption Amount, as the case may be) is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(III) to the Relevant Date.

(iv) In the case of a Hybrid Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction shown on the face of such Hybrid Note during the Fixed Rate Period.

(c) Floating Rate Period

(i) In respect of the Floating Rate Period shown on the face of such Note, each Hybrid Note bears interest on its principal amount outstanding from the first day of the Floating Rate Period, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the first day of the Floating Rate Period (and which corresponds numerically with such preceding Interest Payment Date or the first day of the Floating Rate Period, as the case may be). If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day, then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (A) such date shall be brought forward to the immediately preceding business day and (B) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

(ii) The period beginning on (and including) the first day of the Floating Rate Period and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an "**Interest Period**".

(iii) Where the due date of redemption of any Hybrid Note falls within the Floating Rate Period, interest will cease to accrue on the Note from the due date for redemption thereof unless, upon due presentation thereof, payment of principal (or the Redemption Amount, as the case may be) is improperly withheld or refused, in

which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(III) to the Relevant Date.

(iv) The provisions of Condition 5(II)(b) shall apply to each Hybrid Note during the Floating Rate Period as though references therein to Floating Rate Notes are references to Hybrid Notes.

**(IV) ZERO COUPON NOTES**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note (determined in accordance with Condition 6(h)). As from the Maturity Date, the rate of interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6(h)).

**(V) CALCULATIONS**

(a) Determination of Rate of Interest and Calculation of Interest Amounts

The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable (the "**Interest Amounts**") in respect of each Calculation Amount of the relevant Floating Rate Notes, Variable Rate Notes or (where applicable) Hybrid Notes for the relevant Interest Period. The amount of interest payable per Calculation Amount in respect of any Floating Rate Note, Variable Rate Note or (where applicable) Hybrid Note shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount, by the Day Count Fraction shown on the Note and rounding the resultant figure to the nearest sub-unit of the Relevant Currency. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(b) Notification

The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Issuing and Paying Agent, the Trustee and the Issuer not later than four business days after the Interest Determination Date. In the case of Floating Rate Notes, if so required by the Issuer, the Calculation Agent will also cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Payment Date to be notified to Noteholders in accordance with Condition 16 as soon as possible after their determination but in no event later than the fourth business day thereafter. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period by reason of any Interest Payment Date not being a business day. If the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes become due and payable under Condition 10, the Rate of Interest and Interest Amounts payable in respect of the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest and Interest Amounts need to be made unless the Trustee requires otherwise.

(c) Failure to Determine or Calculate Rate of Interest or Interest Amount

If the Calculation Agent does not at any material time determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, the Issuer will, in consultation with the Trustee and by no later than the end of the relevant Interest Period, appoint another bank with an office in the Relevant Financial Centre to act as such in its place. In doing so, such bank shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances. In the event that the Issuer fails to appoint another bank with an office in the Relevant Financial Centre to determine such Rate of Interest or Interest Amount by the end of the relevant Interest Period, the Notes will, for the relevant Interest Period, bear interest at the rate in effect for the last preceding Interest Period to which Condition 5(II) or, as the case may be, Condition 5(III)(c) above shall have applied and the Issuing and Paying Agent will determine the relevant Interest Amount. For the avoidance of doubt, nothing in this Condition shall discharge or release the Issuer or the Calculation Agent from their respective duties and obligations set out in the Agency Agreement and/or the Trust Deed.

(d) Calculation Agent and Reference Banks

The Issuer will procure that, so long as any Floating Rate Note, Variable Rate Note or Hybrid Note remains outstanding, there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Note, Variable Rate Note, Hybrid Note or Zero Coupon Note remains outstanding, there shall at all times be a Calculation Agent. If any Reference Bank or Calculation Agent (acting through its relevant office) is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Calculation Agent may not resign from its duties without a successor having been appointed as aforesaid.

## 6. REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, this Note will be redeemed at its Redemption Amount on the Maturity Date shown on its face (if this Note is shown on its face to be a Fixed Rate Note, Hybrid Note (during the Fixed Rate Period) or Zero Coupon Note) or on the Interest Payment Date falling in the Redemption Month shown on its face (if this Note is shown on its face to be a Floating Rate Note, Variable Rate Note or Hybrid Note (during the Floating Rate Period)).

So long as the Notes are listed on any Stock Exchange (as defined in the Trust Deed), the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of Notes.

(b) Redemption at the Option of Noteholders

(i) If so provided hereon, the Issuer shall, at the option of the holder of any Note, redeem such Note on the date or dates so provided at its Redemption Amount, together with interest accrued (if any) to (but excluding) the date fixed for redemption. To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with the Issuing and Paying Agent or any other Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing

such Note(s) with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from the Issuing and Paying Agent, any other Paying Agent, the Registrar, any other Transfer Agent or the Issuer (as applicable) within the Noteholders' Redemption Option Period shown on the face hereof. Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(ii) If on any date, (1) the shares of the Issuer cease to be traded on the SGX-ST, or (2) trading in the shares of the Issuer on the SGX-ST is suspended for more than 10 Business Days on which normal trading of securities on the SGX-ST is carried out (each, a "**Trading Disruption Event**"), the Issuer shall, at the option of the holder of any Note, redeem such Note at its Redemption Amount (together with interest accrued to the date fixed for redemption) on the date (or, if such date is not a business day, on the immediately preceding business day) falling 45 days after (in the case of (A)) the date of cessation of trading or (in the case of (B)) the day immediately following the expiry of the 10 Business Day period (each, an "**Effective Date**").

The Issuer shall, as soon as possible but in any event within five business days from the Effective Date, give notice to the Trustee, the Issuing and Paying Agent and the Noteholders in accordance with Condition 16, which notice shall specify:

(1) the date on which the cessation or, as the case may be, suspension, of trading of the shares of the Issuer commenced;

(2) the date by which the Exercise Notice must be given;

(3) the date on which and the method by which the Redemption Amount will be paid;

(4) the names and specified offices of the Issuing and Paying Agent, the Calculation Agent and (in the case of Registered Notes) the Registrar and Transfer Agent; and

(5) such other information as the Trustee may reasonably require,

provided that any failure by the Issuer to give such notice shall not prejudice any Noteholder of such option. For the avoidance of doubt, the Trustee shall not be required to take any steps to ascertain whether the Trading Disruption Event or any event which could lead to the occurrence of the Trading Disruption Event has occurred and shall not be responsible or liable to Noteholders for any loss arising from any failure to do so.

To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons) with the Issuing and Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or Transfer Agent at its specified office, together with an Exercise Notice in the form obtainable from the Issuing and Paying Agent, the Registrar or Transfer Agent (as applicable), no later than the date falling 30 days after the date of the Notice.

Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(c) Redemption at the Option of the Issuer

If so provided hereon, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer's Redemption Option Period shown on the face hereof, redeem

all or, if so provided, some of the Notes at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount, together with interest accrued (if any) to (but excluding) the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be agreed between the Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Notes are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of such Notes.

(d) Purchase at the Option of Issuer

If so provided hereon, the Issuer shall have the option to purchase all or any of the Fixed Rate Notes, Floating Rate Notes, Variable Rate Notes or Hybrid Notes at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Noteholders shall be bound to sell such Notes to the Issuer accordingly. To exercise such option, the Issuer shall give irrevocable notice to the Noteholders within the Issuer's Purchase Option Period shown on the face hereof. Such Notes may be held, resold or surrendered to the Issuing and Paying Agent or, as the case may be, the Registrar for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

In the case of a purchase of some only of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be purchased, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws. So long as the Notes are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any purchase of such Notes.

(e) Purchase at the Option of Noteholders

(i) Each Noteholder shall have the option to have all or any of his Variable Rate Notes purchased by the Issuer at their Redemption Amount on any Interest Payment Date and the Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, a Noteholder shall deposit (in the case of Bearer Notes) such Variable Rate Notes to be purchased (together with all unmatured Coupons and unexchanged Talons) with the Issuing and Paying Agent or any other Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Variable Rate Note(s) to be purchased with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent, any Paying Agent, the Registrar or any other Transfer Agent (as applicable) within the Noteholders' VRN Purchase Option Period shown on the face hereof. Any Variable Rate Notes or Certificates representing such Variable Rate Notes so deposited

may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Such Variable Rate Notes or Certificates representing such Variable Rate Notes may be held, resold or surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Variable Rate Note (together with all unmatured Coupons and unexchanged Talons) to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Variable Rate Notes to the Registrar. The Variable Rate Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

(ii) If so provided hereon, each Noteholder shall have the option to have all or any of his Fixed Rate Notes, Floating Rate Notes or Hybrid Notes purchased by the Issuer at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Issuer will purchase such Notes accordingly. To exercise such option, a Noteholder shall deposit (in the case of Bearer Notes) such Note to be purchased (together with all unmatured Coupons and unexchanged Talons) with the Issuing and Paying Agent or any other Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note(s) to be purchased with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent, any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Noteholders' Purchase Option Period shown on the face hereof. Any Notes or Certificates so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Such Notes may be held, resold or surrendered for cancellation, in the case of Bearer Notes, by surrendering such Note (together with all unmatured Coupons and unexchanged Talons) to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

(f) Redemption for Taxation Reasons

If so provided hereon, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Redemption Amount or (in the case of Zero Coupon Notes) Early Redemption Amount (as determined in accordance with Condition 6(h) below) (together with interest accrued to (but excluding) the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement, and (ii) such obligations cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(f), the Issuer shall deliver to the Issuing and Paying Agent a certificate signed by two duly authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer has or is likely to become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely on such certification as sufficient evidence that the satisfaction of conditions precedent to the right of the Issuer so to redeem has occurred, in which event it shall be conclusive and binding on the Noteholders.

(g) Purchases

The Issuer or any of its subsidiaries may at any time purchase Notes at any price (provided that they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is in compliance with all relevant laws, regulations and directives.

Notes purchased by the Issuer or any of its subsidiaries may be surrendered by the purchaser through the Issuer to, in the case of Bearer Notes, the Issuing and Paying Agent and, in the case of Registered Notes, the Registrar for cancellation or may at the option of the Issuer or relevant subsidiary be held or resold.

For the purposes of these Conditions, "**directive**" includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

(h) Early Redemption of Zero Coupon Notes

(i) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or formula, upon redemption of such Note pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(ii) Subject to the provisions of Condition 6(h)(iii), the Amortised Face Amount of any such Note shall be the scheduled Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(iii) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in Condition 6(h)(ii) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance

with this Condition 6(h)(iii) will continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Redemption Amount of such Note on the Maturity Date together with any interest which may accrue in accordance with Condition 5(IV).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown on the face of the Note.

(i) Cancellation

All Notes purchased by or on behalf of the Issuer and/or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent at its specified office and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes or Certificates so surrendered for cancellation may not be reissued or resold.

## 7. PAYMENTS

(a) Principal and Interest in respect of Bearer Notes

Payments of principal and interest (which shall include the Redemption Amount and the Early Redemption Amount) in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Notes or Coupons, as the case may be, at the specified office of any Paying Agent by transfer to an account maintained by the holder in that currency with, a bank in the principal financial centre for that currency.

(b) Principal and Interest in respect of Registered Notes

(i) Payments of principal in respect of Registered Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).

(ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made by transfer to an account maintained by the holder in that currency with, a bank in the principal financial centre for that currency.

(c) Payments subject to law etc.

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) Appointment of Agents

The CDP Issuing and Paying Agent, the Non-CDP Issuing and Paying Agent, the Calculation Agent, the CDP Transfer Agent, the Non-CDP Transfer Agent, the CDP Registrar and the Non-CDP Registrar initially appointed by the Issuer and their specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of the Issuing and Paying Agent, the Non-CDP Issuing and Paying Agent, any other Paying Agent, the CDP Transfer Agent, the Non-CDP Transfer Agent, any other Transfer Agent, the CDP Registrar, the Non-CDP Registrar and the Calculation Agent and to appoint additional or other Paying Agents, Transfer Agents, Registrars and Calculation Agents; provided that it will at all times maintain (i) an Issuing and Paying Agent having a specified office in Singapore and (in the case of Non-CDP Notes) a Non-CDP Issuing and Paying Agent, as the case may be, (ii) a Transfer Agent in relation to Registered Notes, (iii) a Registrar in relation to Registered Notes and (iv) a Calculation Agent where the Conditions so require.

Notice of any such change of appointment or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 16.

The Agency Agreement may be amended by the Issuer, the CDP Issuing and Paying Agent, the Non-CDP Issuing and Paying Agent, the CDP Transfer Agent, the Non-CDP Transfer Agent, the CDP Registrar, the Non-CDP Registrar and the Trustee, without the consent of the holder of any Note or Coupon, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which the Issuer, the CDP Issuing and Paying Agent, the Non-CDP Issuing and Paying Agent, the CDP Transfer Agent, the Non-CDP Transfer Agent, the CDP Registrar, the Non-CDP Registrar and the Trustee may mutually deem necessary or desirable and which shall not be materially prejudicial to the interests of the Noteholders and Couponholders.

(e) Unmatured Coupons and Unexchanged Talons

(i) Bearer Notes which comprise Fixed Rate Notes and Hybrid Notes should be surrendered for payment together with all unmatured Coupons (if any) relating to such Notes (and, in the case of Hybrid Notes, relating to interest payable during the Fixed Rate Period), failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within the prescription period relating thereto under Condition 9.

(ii) Subject to the provisions of the relevant Pricing Supplement upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Variable Rate Note or Hybrid Note, unmatured Coupons relating to such Note (and, in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period) (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note comprising a Floating Rate Note, Variable Rate Note or Hybrid Note is presented for redemption without all unmatured Coupons, and

where any Bearer Note is presented for redemption without any unexchanged Talon relating to it (and, in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period), redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption or repayment of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate.

(f) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(g) Non-business days

Subject as provided in the relevant Pricing Supplement and/or in these Conditions, if any date for the payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) Default Interest

If on or after the due date for payment of any sum in respect of the Notes, payment of all or any part of such sum is not made against due presentation of the Notes or, as the case may be, the Coupons, the Issuer shall pay interest on the amount so unpaid from such due date up to the day of actual receipt by the relevant Noteholders or, as the case may be, Couponholders (as well after as before judgment) at a rate per annum determined by the Issuing and Paying Agent to be equal to two per cent. per annum above (in the case of a Fixed Rate Note or a Hybrid Note during the Fixed Rate Period) the Interest Rate applicable to such Note, (in the case of a Floating Rate Note or a Hybrid Note during the Floating Rate Period) the Rate of Interest applicable to such Note or (in the case of a Variable Rate Note) the variable rate by which the Agreed Yield applicable to such Note is determined or, as the case may be, the Rate of Interest applicable to such Note, or in the case of a Zero Coupon Note, as provided for in the relevant Pricing Supplement. So long as the default continues then such rate shall be re-calculated on the same basis at intervals of such duration as the Issuing and Paying Agent may select, save that the amount of unpaid interest at the above rate accruing during the preceding such period shall be added to the amount in respect of which the Issuer is in default and itself bear interest accordingly. Interest at the rate(s) determined in accordance with this paragraph shall be calculated on the Day Count Fraction shown on the face of the Note and the actual number of days elapsed, shall accrue on a daily basis and shall be immediately due and payable by the Issuer.

## 8. TAXATION

All payments in respect of the Notes and Coupons by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having

power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented (or in respect of which the Certificate representing it is presented) for payment:

(a) by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges by reason of his being connected with Singapore otherwise than by reason only of the holding of such Note or Coupon or the receipt of any sums due in respect of such Note or Coupon (including, without limitation, the holder being a resident of, or a permanent establishment in, Singapore); or

(b) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders in accordance with Condition 16 that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Redemption Amounts, Early Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 6, "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 and any reference to "**principal**" and/or "**premium**" and/or "**Redemption Amounts**" and/or "**interest**" and/or "**Early Redemption Amounts**" shall be deemed to include any additional amounts which may be payable under these Conditions.

## 9. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within three years from the appropriate Relevant Date for payment.

## 10. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs the Trustee at its discretion may (but is not obliged to), and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, in each case subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, give notice in writing to the Issuer that the Notes are immediately repayable, whereupon the Redemption Amount of such Notes or (in the case of Zero Coupon Notes) the Early Redemption Amount of such Notes together with accrued interest to the date of payment shall immediately become due and payable:

(a) the Issuer does not pay any principal amount payable by it under any of the Notes when due or does not pay any interest amount payable by it under any of the Notes when due and such default continues for a period of five business days after the due date;

(b) the Issuer fails to perform or observe any one or more of its obligations (other than the payment obligation referred to in paragraph (a)) under any of the Transaction Documents (as defined in the Trust Deed) or any of the Notes, and if the default is capable of remedy, it is not remedied within 30 days of its occurrence;

(c) any representation, warranty or statement made by the Issuer in the Transaction Documents or any of the Notes or in any document delivered under the Transaction Documents or any of the Notes is not complied with in any respect or is or proves to have been incorrect in any respect when made or deemed repeated, and if that non-compliance is capable of remedy, it is not remedied within 30 days of its occurrence;

(d) (i) (1) (A) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries in respect of borrowed moneys is or is declared to be or is capable of being rendered due and payable prior to its stated maturity by reason of any actual or potential default, event of default or any analogous event (however described), (B) any such indebtedness of the Issuer or any of its Principal Subsidiaries in respect of borrowed moneys is not paid when due or, as the case may be, within any applicable grace period in any agreement relating to that indebtedness, or (2) any facility relating to any such indebtedness is declared to be or is cancelled or terminated before its normal expiry date or any person otherwise entitled to use any such facility is not so entitled, by reason of any actual default, event of default or any analogous event (howsoever described); or

(ii) the Issuer or any of its Principal Subsidiaries fails to pay when properly called upon to do so, any amount payable by it under any guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that no Event of Default will occur under this Condition 10(d) unless and until the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(d) have occurred equals or exceeds S$5,000,000 or its equivalent in other currencies;

(e) the Issuer or any of its Principal Subsidiaries (i) ceases or threatens to cease to carry on all or a material part of its business, operations and undertakings as carried on at the date hereof or (ii) disposes or threatens to dispose of all or a material part of its property or assets (in each case, under (i) and (ii), otherwise than for the purposes of such a reconstruction, amalgamation, reorganisation, merger or consolidation as stated in Condition 10(f) or as permitted under Clause 16.25 of the Trust Deed);

(f) any meeting is convened, or any petition or originating summon is presented or an order is made, an effective resolution is passed or, as the case may be, an application or petition is made by the Issuer or any of its Principal Subsidiaries, for the winding-up of the Issuer or any of its Principal Subsidiaries (except, in the case of a Principal Subsidiary only, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation not involving bankruptcy or insolvency or on terms approved by Noteholders by way of an Extraordinary Resolution before that event occurs) or for the appointment of a liquidator (including a provisional liquidator), receiver, judicial manager, trustee, administrator, agent or similar officer of the Issuer or any of its Principal Subsidiaries or over a material part of the assets of the Issuer or any of its Principal Subsidiaries;

(g) the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by the law of or a court in the applicable jurisdictions to be) insolvent or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or any material part of (or of a particular type of) its indebtedness, begins negotiations or takes any proceeding for the deferral, rescheduling or other readjustment of all or any material part of (or of a particular type of) its indebtedness (or of any material part which it will or might otherwise be unable to pay when due), applies for a moratorium in respect of or affecting all or any material part of its indebtedness or proposes or makes a general assignment or an arrangement or scheme or composition with or for the benefit of the relevant creditors or a moratorium is agreed, effected, declared or otherwise arises in

respect of or affecting all or any material part of (or of a particular type of) the indebtedness or property of the Issuer or any of its Principal Subsidiaries;

(h) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the properties or assets of the Issuer or any of its Principal Subsidiaries and is not removed, dismissed or discharged within 30 days;

(i) any security on or over the whole or any material part of the assets of the Issuer or any of its Principal Subsidiaries becomes enforceable or any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person);

(j) any step is taken by any governmental authority or agency with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or any material part of the assets of the Issuer or any of its Principal Subsidiaries;

(k) any action, condition or thing (including the obtaining of any necessary consent) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under each of the Transaction Documents and the Notes, (ii) to ensure that those obligations are valid, legally binding and enforceable, (iii) to ensure that those obligations rank and will at all times rank in accordance with Condition 2 or (iv) to make the Transaction Documents and the Notes admissible in evidence in the courts of Singapore is not taken, fulfilled or done, or any such consent ceases to be in full force and effect without modification or any condition in or relating to any such consent is not complied with (unless that consent or condition is no longer required or applicable);

(l) it is or will become unlawful or illegal for the Issuer to observe, perform or comply with any one or more of its obligations under the Notes or any Transaction Document to which the Issuer is a party;

(m) (i) any of the Transaction Document to which it is a party or the Notes ceases or is claimed by the Issuer to cease at any time and for any reason to constitute legal and valid obligations of the Issuer, binding upon it in accordance with its terms; or

(ii) any applicable law, directive, order or judgment is enacted, promulgated or entered, the effect of which would be to render any Transaction Document to which the Issuer is a party unenforceable;

(n) any litigation, arbitration or administrative proceeding (other than those of a frivolous or vexatious nature and discharged or stayed within 30 days of its commencement) is current or pending against the Issuer or any of its Principal Subsidiaries (i) to restrain the entry into, exercise of any of the rights and/or the performance or enforcement of or compliance with any of the obligations of the Issuer under the Transaction Documents to which it is a party or any of the Notes or (ii) which has or is likely to have a material adverse effect on the Issuer or the Group;

(o) any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in Conditions 10 (e), (f), (g), (h), (i) or (j); and

(p) the Issuer or any of its Principal Subsidiaries is declared by the Minister of Finance to be a declared company under the provisions of Part IX of the Companies Act (as defined in the Trust Deed).

In these Conditions:

(aa) "**Principal Subsidiary**" means, at any particular time, any subsidiary of the Issuer:

(I) whose total assets, as shown by the accounts of such subsidiary (consolidated in the case of a corporation which itself has subsidiaries), based upon which the latest audited consolidated accounts of the Group have been prepared, are at least five per cent. of the total assets of the Group as shown by such audited consolidated accounts; or

(II) whose total revenue, as shown by the accounts of such subsidiary (consolidated in the case of a corporation which itself has subsidiaries), based upon which the latest audited consolidated accounts of the Group have been prepared, is at least five per cent. of the total revenue of the Group as shown by such audited consolidated accounts,

provided that if any such subsidiary (the "**transferor**") shall at any time transfer the whole or any part of its business, undertaking or assets to another subsidiary or the Issuer (the "**transferee**") then:

(AA) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary; and

(BB) if a part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary.

Any subsidiary which becomes a Principal Subsidiary by virtue of (AA) above or which remains or becomes a Principal Subsidiary by virtue of (BB) above shall continue to be a Principal Subsidiary until the date of issue of the first audited consolidated accounts of the Group prepared as at a date later than the date of the relevant transfer which show the assets or, as the case may be, the revenue as shown by the accounts of such subsidiary (consolidated in the case of a corporation which itself has subsidiaries), based upon which such audited consolidated accounts have been prepared, to be less than five per cent. of the total assets or, as the case may be, the total revenue of the Group, as shown by such audited consolidated accounts. A report by the Auditors (as defined in the Trust Deed), who shall also be responsible for producing any pro-forma accounts required for the above purposes, that in their opinion a subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive; and

(bb) "**subsidiary**" has the meaning ascribed to it in Section 5 of the Companies Act, Chapter 50 of Singapore.

## 11. ENFORCEMENT OF RIGHTS

At any time after an Event of Default has occurred (which has not been waived) or after the Notes shall have become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce repayment of the Notes, together with accrued interest, or any provision of the Transaction Documents, but it shall not be bound to take any such proceedings unless (a) it shall have been so requested in writing by holders of not less than 25 per cent. in principal amount of the Notes outstanding or so directed by an Extraordinary Resolution and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee,

having become bound to do so, fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

## 12. MEETING OF NOTEHOLDERS AND MODIFICATIONS

The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes) or any of the provisions of the Trust Deed.

The Trustee or the Issuer at any time may, and the Trustee upon the request in writing by Noteholders holding not less than 15 per cent. of the principal amount of the Notes of any Series for the time being outstanding and after being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses shall, convene a meeting of the Noteholders of that Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders of the relevant Series (save where provided to the contrary in the Trust Deed and these Conditions), whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (b) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (c) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates of interest or the basis for calculating any Interest Amount in respect of the Notes, (d) to vary any method of, or basis for, calculating the Redemption Amount or the Early Redemption Amount including the method of calculating the Amortised Face Amount, (e) to vary the currency or currencies of payment or denomination of the Notes, (f) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (g) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, will only be binding if passed at a meeting of the Noteholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification (subject to certain exceptions mentioned in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of any of these Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification, waiver or authorisation which in its opinion is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of Singapore law or applicable law or is required by Euroclear and/or Clearstream, Luxembourg and/or Depository and/or any other clearing system in which the Notes may be held. Any such modification, waiver or authorisation shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the

jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

These Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

For the purpose of ascertaining the right to attend and vote at any meeting of the Noteholders convened for the purpose of and in relation to Conditions 10, 11 and 12 and Clauses 9.2 and 27 of and Schedule 5 to the Trust Deed, those Notes (if any) which are beneficially held by, or are held on behalf of, the Issuer and any of its subsidiaries and not cancelled shall (unless and until ceasing to be so held) be disregarded when determining whether the requisite quorum of such meeting has been met and any votes cast or purported to be cast at such meeting in respect of such Notes shall be disregarded and be null and void.

## 13. REPLACEMENT OF NOTES, CERTIFICATES, COUPONS AND TALONS

Should any Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates), or at the specified office of such other Paying Agent or, as the case may be, Transfer Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders in accordance with Condition 16, on payment by the claimant of costs, expenses and duties incurred in connection with the replacement and on such terms as to evidence, undertaking, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note, Certificate, Coupon or Talon) and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

## 14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding notes of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition 14 and forming a single series with the Notes. Any further notes forming a single series with the outstanding notes of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other series where the Trustee so decides.

## 15. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed also contains a provision entitling the Trustee or any corporation related to it to enter into business transactions with the Issuer or any of the respective related corporations or affiliates of the Issuer without accounting to the Noteholders or Couponholders for any profit resulting from such transactions.

Each Noteholder and Couponholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Noteholder and Couponholder shall not rely on the Trustee in respect thereof.

## 16. NOTICES

Notices to the holders of Registered Notes shall be in the English language or, if not in the English language, accompanied by a certified translation into the English language, and shall be valid if mailed to them at their respective addresses in the Register and shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or Sunday) after the date of mailing. Notwithstanding the foregoing, notices to the holders of Notes will be valid if published in a leading newspaper of general circulation in Singapore (or, if the holders of any Series of Notes can be identified, notices to such holders will also be valid if they are given to each of such holders). It is expected that such publication will be made in *The Business Times*. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above.

In the case where the Issuer is listed on the SGX-ST or where the Notes are listed on the SGX-ST, notices to the holders of such Notes shall also be valid if made by way of an announcement on the SGX-ST. Any such notice shall be deemed to have been given to the Noteholders on the date on which the said notice was uploaded as an announcement on the SGX-ST. Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition 16. In the case where notices to holders of Notes are made by more than one of the prescribed forms above, notice would be deemed to have been given on the first date in which the notices were validly given in accordance with the paragraphs above.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held in its or their entirety on behalf of Euroclear, Clearstream, Luxembourg and/or the Depository, there may be substituted for such publication in such newspapers the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or (subject to the agreement of the Depository) the Depository for communication by it to the Noteholders, except that if the Notes are listed on the SGX-ST and the rules of such exchange so require, notice will in any event be given or published in accordance with the previous paragraph. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or the Depository.

Notices to be given by any Noteholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same, together with the relevant Note or Notes, with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Certificates). Whilst the Notes are represented by a Global Note or a Global Certificate, such notice may be given by any Noteholder to the Issuing and Paying Agent or, as the case may be, the Registrar through Euroclear, Clearstream, Luxembourg and/or the Depository in such manner as the Issuing and Paying Agent or, as the case may be, the Registrar and Euroclear, Clearstream, Luxembourg and/or the Depository may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where the identities and addresses of all the Noteholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given when received at such addresses.

## 17. GOVERNING LAW AND JURISDICTION

(a) Governing Law: The Trust Deed, the Notes and the Coupons are governed by, and shall be construed in accordance with, the laws of Singapore.

(b) Jurisdiction: The courts of Singapore are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, any Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Notes or the Coupons may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) No Immunity: The Issuer agrees that in any legal action or proceedings arising out of or in connection with the Trust Deed, the Notes or the Coupons against it or any of its assets, no immunity from such legal action or proceedings (which shall include, without limitation, suit, attachment prior to award, other attachment, the obtaining of an award, judgment, execution or other enforcement) shall be claimed by or on behalf of the Issuer or with respect to any of its assets and irrevocably waives any such right of immunity which it or its assets now have or may hereafter acquire or which may be attributed to it or its assets and consents generally in respect of any such legal action or proceedings to the giving of any relief or the issue of any process in connection with such action or proceedings including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order, award or judgment which may be made or given in such action or proceedings.

## 18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

# SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

## 1. Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or CDP.

Upon the initial deposit of a Global Note with the Common Depositary or CDP, or registration of a Global Certificate in the name of (i) any nominee for Euroclear and Clearstream, Luxembourg, and/or (ii) CDP and delivery of the relevant Global Certificate to the Common Depositary or CDP (as the case may be), the relevant clearing system will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

## 2. Relationship of Accountholders with Clearing Systems

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, CDP or any other clearing system (each an "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, CDP or such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, CDP or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

## 3. Exchange

### 3.1 Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder:

(i) not later than the Exchange Date, for bearer Notes in definitive form ("**Definitive Notes**") in an aggregate principal amount equal to the principal amount of the Temporary Global Note submitted for exchange; and

(ii) on or after the Exchange Date, in whole or in part from time to time by its presentation and, on exchange in full, surrender to or to the order of the relevant Paying Agent for interests in the Permanent Global Note in an aggregate principal amount equal to the principal amount of the Temporary Global Note submitted for exchange provided that, in the case of any part of a Note submitted for exchange for a permanent Global Note, there shall have been Certification (as defined in the Trust Deed) with respect to such nominal amount submitted for such exchange dated no earlier than the Exchange Date.

### 3.2 Permanent Global Notes

Each Permanent Global Note will be exchangeable, on or after its Exchange Date, in whole but not in part, free of charge to the holder, for Definitive Notes:

(i) if the Permanent Global Note is held by or on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if the Permanent Global Note is held by or on behalf of CDP and (a) an event of default, enforcement event or analogous event entitling an Accountholder (as defined in the Trust Deed) or the Trustee to declare the Notes to be due and payable as provided in the Conditions has occurred and is continuing, (b) CDP is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise), (c) CDP has announced an intention to permanently cease business and no alternative clearing system is available or (d) CDP has notified the Issuer that it is unable or unwilling to act as depository for the Notes and to continue performing its duties as set out in the conditions for the provision of depository services and no alternative clearing system is available.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Denomination Amount(s) only. A Noteholder who holds a principal amount of less than the minimum Denomination Amount will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Denominations Amount(s).

### 3.3 Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg, CDP or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by a Global Certificate pursuant to Condition 2(b) may only be made:

(a) in whole but not in part, if the Notes represented by the Global Certificate are held on behalf of Euroclear, Clearstream, Luxembourg, or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so;

(b) in whole but not in part if the Notes represented by the Global Certificate are held by or on behalf of CDP and:

  (i) an event of default, enforcement event or analogous event entitling an Accountholder (as defined in the Trust Deed) or the Trustee to declare the Notes to be due and payable as provided in the Conditions has occurred and is continuing;

  (ii) CDP is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise);

(iii) CDP has announced an intention to permanently cease business and no alternative clearing system is available;

(iv) CDP has notified the Issuer that it is unable or unwilling to act as depository for the Notes and to continue performing its duties as set out in the Conditions for the provision of depository services and no alternative clearing system is available; or

(c) in whole or in part, if the Notes represented by the Global Certificate are not cleared through CDP, with the consent of the Issuer,

provided that, in the case of a transfer pursuant to paragraph 3.3(a) or 3.3(c) above, the holder of the Notes represented by the Global Certificate has given the relevant Registrar not less than 60 days' notice at its specified office of such holder's intention to effect such transfer. Where the holding of Notes represented by the Global Certificate is only transferable in whole, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the relevant Registrar that it is, or is acting as a nominee for, Euroclear or Clearstream, Luxembourg, CDP or an Alternative Clearing System.

**3.4 Delivery of Notes**

Any exchange for a Permanent Global Note may be effected on or after an Exchange Date by the holder of the Permanent Global Note surrendering the Permanent Global Note to or to the order of the relevant Paying Agent. In exchange for the Permanent Global Note, the Issuer shall deliver, or procure the delivery of, duly executed and authenticated Definitive Notes in an aggregate principal amount equal to the principal amount of the Permanent Global Note submitted for exchange (if appropriate, having attached to them all Coupons and, where appropriate, Talons in respect of interest that have not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and substantially in the form set out in the Trust Deed. Upon exchange (or payment) in whole the Permanent Global Note shall be deemed fully paid and shall be cancelled by the relevant Paying Agent and, unless otherwise instructed by the Issuer, the cancelled Permanent Global Note shall be returned to the Issuer.

Upon the whole or part of a Temporary Global Note being exchanged for a Permanent Global Note, the Permanent Global Note shall be exchangeable in accordance with its terms for Definitive Notes. The Definitive Notes for which the Temporary Global Note may be exchangeable shall be duly executed and authenticated, shall have attached to them all Coupons in respect of interest that has not already been paid on the Temporary Global Note and shall be substantially in the form set out in the Trust Deed. Upon any exchange of a Temporary Global Note for an equivalent interest in the Permanent Global Note or Definitive Notes, the portion of the principal amount so exchanged shall be endorsed by or on behalf of the relevant Paying Agent in the relevant Schedule to the Temporary Global Note, whereupon the principal amount hereof shall be reduced for all purposes by the amount so exchanged and endorsed. Upon exchange (or payment) in whole, the Temporary Global Note shall be deemed fully paid and shall be cancelled by the relevant Paying Agent and, unless otherwise instructed by the Issuer, the cancelled Temporary Global Note shall be returned to the Issuer.

**3.5 Exchange Date**

"**Exchange Date**" means, in relation to a Temporary Global Note (a) the date falling three calendar months after its issue date where exchangeable for Definitive Notes; or (b) the day falling after the expiry of 40 days after its issue date where exchangeable for interests in the Permanent Global Note; and, in relation to a Permanent Global Note, a day falling not less

than 60 days after that on which the notice requiring exchange is given and on which commercial banks are open for business in the city in which the specified office of the relevant Paying Agent is located and in the city in which the relevant clearing system is located.

**4. Amendment to Conditions**

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Information Memorandum. The following is a summary of certain of those provisions:

**4.1 Payments**

(a) Permanent Global Note

No person shall be entitled to receive any payment in respect of the Notes represented by a Permanent Global Note that falls due on or after the Exchange Date unless, upon due presentation of the Permanent Global Note for exchange, delivery of Definitive Notes is improperly withheld or refused by or on behalf of the Issuer or the Issuer does not perform or comply with any one or more of what are expressed to be its obligations under any Definitive Notes.

Payments in respect of the Permanent Global Note shall be made to its holder against presentation and (if no further payment falls to be made on it) surrender of it and at the specified office of the relevant Paying Agent or of any paying agent provided for in the Conditions. A record of each such payment shall be endorsed on the Principal or Interest Schedule of the Permanent Global Note, as appropriate, by the relevant Paying Agent, which endorsement shall (until the contrary is proved) be *prima facie* evidence that the payment in question has been made.

(b) Temporary Global Note

No person shall be entitled to receive any payment in respect of the Notes represented by a Temporary Global Note that falls due on or after the Exchange Date unless, upon due presentation of the Temporary Global Note for exchange, delivery of (or, in the case of a subsequent exchange, due endorsement of) the Permanent Global Note or the Definitive Notes is improperly withheld or refused by or on behalf of the Issuer.

Payments due in respect of a Note before the Exchange Date shall only be made in relation to such principal amount of the Temporary Global Note with respect to which there shall have been Certification (as defined in the Trust Deed) dated no earlier than such due date for payment.

Any payments that are made in respect of the Temporary Global Note shall be made to its holder against presentation and (if no further payment falls to be made on it) surrender of it at the specified office of the relevant Paying Agent or of any other paying agent provided for in the Conditions.

If any payment in full of principal is made in respect of any Note represented by the Temporary Global Note, the portion of the Temporary Global Note representing such Note shall be cancelled and the amount so cancelled shall be endorsed by or on behalf of the relevant Paying Agent in the principal schedule of the Temporary Global Note (such endorsement being *prima facie* evidence that the payment in question has been made) whereupon the principal amount hereof shall be reduced for all purposes by the amount so cancelled and endorsed. If any other payments are made in respect of the

Notes represented by the Temporary Global Note, a record of each such payment shall be endorsed by or on behalf of the relevant Paying Agent on such payment schedule of the Temporary Global Note (such endorsement being prima facie evidence that the payment in question has been made).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through CDP) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Record Date (as defined in the relevant Global Certificate).

In respect of Notes to be cleared through Euroclear or Clearstream, Luxembourg, the relevant Global Certificate will provide that the "**Record Date**" shall be the close of business (in the relevant clearing system) on the business day before the due date for such payment where "**business day**" means a day on which the relevant clearing system is open for business.

All payments in respect of Notes represented by a Global Certificate held through CDP will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Record Date (as defined in the relevant Global Certificate).

**4.2 Prescription**

Claims in respect of principal and interest (as defined in the Conditions) for Notes that are represented by a Permanent Global Note shall become void unless it is presented for payment within a period of three years from the relevant Relevant Date (as defined in Condition 8).

**4.3 Meetings**

The holder of a Permanent Global Note shall (unless such Permanent Global Note represents only one Note) be treated as one person, and the holder of the Notes represented by a Global Certificate shall (unless such Global Certificate represents only one Note) be treated as two persons, for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note or the Notes represented by a Global Certificate shall be treated as having one vote in respect of each principal amount of Notes equal to the minimum Denomination Amount of the Notes for which the Permanent Global Note or the Notes represented by a Global Certificate may be exchanged.

**4.4 Cancellation**

Cancellation of any Note represented by a Permanent Global Note or Temporary Global Note that is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Permanent Global Note or Temporary Global Note representing such Note on its presentation to or to the order of the relevant Paying Agent for endorsement in the relevant schedule of such Permanent Global Note or Temporary Global Note.

**4.5 Purchase**

Notes represented by a Permanent Global Note may only be purchased by the Issuer or any of its related corporations if they are purchased together with the right to receive all future payments of interest thereon.

**4.6 Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note shall be exercised by the Issuer giving notice to

the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required.

**4.7 Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the holder of the Permanent Global Note giving notice to the relevant Paying Agent within the time limits relating to the deposit of Notes with the relevant Paying Agent set out in the Conditions substantially in the form of the notice available from the relevant Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the principal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the relevant Paying Agent for notation accordingly.

**4.8 Trustee's Powers**

The Trustee may call for any certificate or other document to be issued by Euroclear, Clearstream, Luxembourg, CDP or an Alternative Clearing System as to the principal amount of Notes held in such clearing system standing to the account of any person. Any such certificate or other document shall be conclusive and binding for all purposes. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by such clearing system and subsequently found to be forged or not authentic.

In considering the interests of Noteholders while any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information, reports or certifications provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders or participants with entitlements to such Global Note or Global Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

**4.9 Notices**

Notices required to be given in respect of the Notes represented by a Global Note or a Global Certificate may be given by their being delivered (so long as the Global Note or Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg, CDP or any other clearing system) to Euroclear, Clearstream, Luxembourg, (subject to the agreement of CDP) CDP or, as the case may be, such other clearing system or otherwise to the holder of the Global Note or Global Certificate rather than by publication or direct notification to the Noteholders as required by the Conditions, except that so long as the Notes are listed on the SGX-ST and the rules of that exchange so require, notices in respect of such Notes shall also be published in a leading daily newspaper in the English language having general circulation in Singapore (which is expected to be *The Business Times*) (unless a waiver is obtained from such exchange).

**4.10 General**

Any reference herein to the Paying Agent and the Registrar shall be deemed to refer to The Bank of New York Mellon, Singapore Branch as issuing and paying agent and registrar in relation to Notes cleared through CDP; and to The Bank of New York Mellon, London Branch, as paying agent in relation to Notes other than those cleared through CDP; and The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar, in relation to Registered Notes other than those cleared through CDP.

# THE ISSUER

## 1. INTRODUCTION AND OVERVIEW

### Introduction

The Issuer was incorporated in Singapore on 6 March 2003 as a public limited liability company. The Issuer was initially listed on SESDAQ on 13 June 2003 and subsequently transferred to the Main Board of the SGX-ST on 11 June 2009. The principal activity of the Issuer is that of investment holding and provision of management services.

As at the Latest Practicable Date, the Issuer has 563,786,476 issued shares (including 509,376 treasury shares) and an issued share capital of S$33,303,000, and has a market capitalisation of approximately S$461,800,000.00.

### Key Milestones

Over the years, the Group has expanded rapidly to become a household F&B brand owner and operator that has established its mark in Asia and beyond with its Bakery Division, Food Atrium Division, Restaurant Division and 4orth Division, alongside the Group's real estate investments. The key milestones from the commencement of its operations up to the Latest Practicable Date are as follows:

| Applicable Year | Key Milestones |
|---|---|
| 2000 | – BreadTalk Pte Ltd was incorporated as a principal subsidiary on 24 April 2000, founded by the Group Chairman, Dr George Quek, and the Group Deputy Chairman, Ms Katherine Lee, as a F&B operator.<br>– First BreadTalk retail outlet in Singapore commenced business on 1 July 2000 at the Parco Bugis Junction shopping centre.<br>– Second BreadTalk retail outlet in Singapore opened in December 2000 at the Novena Square shopping centre. |
| 2001 | – Opened an additional five BreadTalk retail outlets in Singapore.<br>– Set up central production kitchen in Singapore and relocated corporate headquarters to a central location in KA Foodlink, Kampong Ampat, Singapore in September 2001. |
| 2002 | – The BreadTalk bakery business expanded to 20 retail outlets in Singapore. |
| 2003 | – Issuer was listed on SESDAQ.<br>– First overseas BreadTalk retail outlet opened in Jakarta, Indonesia.<br>– Set up the Group's headquarters in Mainland China and opened the first BreadTalk retail outlet in Shanghai, PRC. |
| 2004 | – Opened the first BreadTalk retail outlet in the Glorietta 4 shopping centre in Makati City, the Philippines.<br>– Brought the Din Tai Fung brand restaurants to Singapore as a franchised brand. |
| 2005 | – Launched the Food Republic brand at Wisma Atria, the first thematic food atrium in Singapore.<br>– Launched the first Toast Box brand with its signature coffee (the "Nanyang kopi") and specialised toast products. |

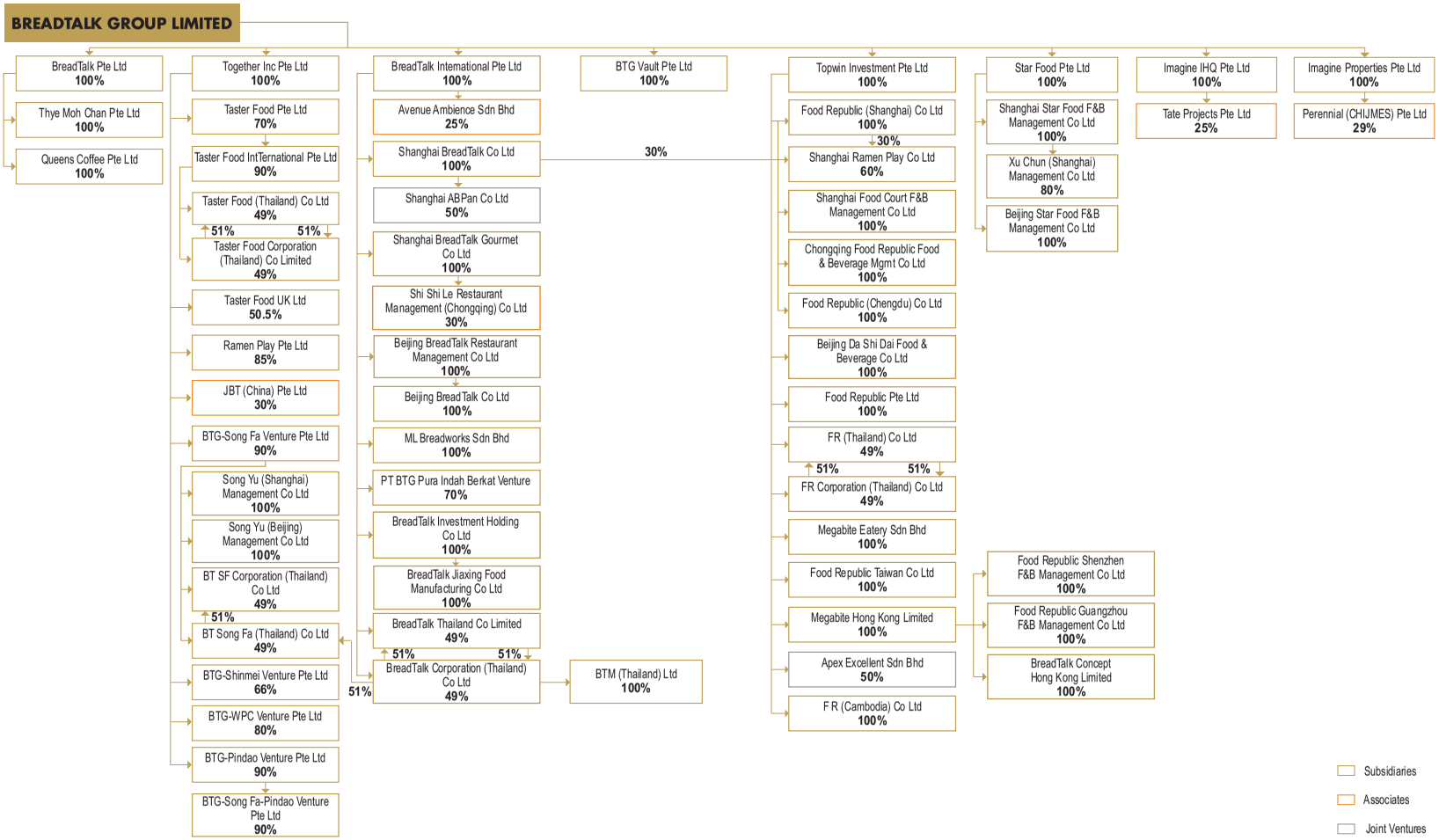
| Applicable Year | Key Milestones |
|---|---|
| 2007 | – Celebrated its 100th store worldwide opening in Shanghai, PRC.<br>– Launched the first Food Republic food atrium in Kuala Lumpur, Malaysia. |
| 2008 | – Launched brand new design concept store for its BreadTalk brand at the CityLink Mall shopping centre in Singapore. The new concept featured see-through kitchens which showcased the expertise of BreadTalk brand's bakers. As part of this revamp, 100 new bread designs were also created by the research and development team in consultation with international chefs and food consultants from France, Japan, Spain and Taiwan.<br>– Opened inaugural stores under the BreadTalk brand in Oman.<br>– Launched "The Icing Room" brand cake shops (with Design-It-Yourself cakes concept) in Singapore. |
| 2009 | – Signed a master franchise agreement with Bahraini partner Pan Arabian Gourmet, which would allow Pan Arabian Gourmet to sub-franchise BreadTalk retail outlets across 12 countries in the Middle East.<br>– Launched the Bread Society brand premium bakery at the ION Orchard shopping centre in Singapore.<br>– Partnered with Japanese Sanpou Group to launch RamenPlay noodle restaurant in Singapore.<br>– Obtained franchise for premium Californian fast food brand – Carl's Jr. to operate in Mainland China. |
| 2010 | – Celebrated ten years of innovation with seven brands, 448 outlets spanning 13 countries in Asia and the Middle East. |
| 2011 | – Entered into a joint venture with Ajinomoto Bakery Co., Ltd to manufacture and sell frozen dough for bread and Danish pastries to bakery outlets within the PRC. |
| 2012 | – Launched the "Generation 4" concept of the BreadTalk brand in Shanghai at the Metro City and Kodak Cinema World complexes on 25 September 2012. The concept included both a fresh new look and another original line-up of new breads.<br>– Acquired a new bakery brand, Thye Moh Chan. The flagship Thye Moh Chan outlet was launched at the Chinatown Point shopping centre, Singapore in November 2012. |
| 2013 | – Officially opened its S$67 million international headquarters (BreadTalk IHQ) at Tai Seng Street, Singapore. |
| 2014 | – Acquired an office space located at No. 258 Longqi Road, Shanghai Xuhui District, PRC.<br>– Invested in a joint venture company, BTM (Thailand) Ltd with Minor Food Group in Thailand. |
| 2016 | – Divestment of 112 Katong for S$16 million.<br>– BreadTalk Group secured the franchise right to operate Din Tai Fung in the United Kingdom. |

| Applicable Year | Key Milestones |
|---|---|
| 2017 | – Divestment of 111 Somerset for S$26.5 million.<br>– Joint venture with Song Fa Holdings to operate Song Fa Bak Kut Teh brands of restaurant in Mainland China and Thailand with the joint venture company as franchisee.<br>– Purchase of a shophouse located at 22/22A Lorong Mambong, Singapore for the Group's F&B operations.<br>– Expanded BreadTalk bakery chain to Delhi and National Capital Region in India, with entry into franchise agreement with Bakekneads LLP, a member of Som Datt. |
| 2018 | – Opened first Song Fa Bak Kut Teh restaurant in Shanghai, PRC at the iconic Jing An Kerry Centre.<br>– Joint venture with consortium of investors led by Perennial Real Estate Holdings Ltd to invest in large-scale and predominantly healthcare integrated mixed-used developments connected to high speed railways stations in the PRC.<br>– Formed joint venture company BTG-Shinmei Venture with 115-year-old Japanese trading company Shinmei Co Ltd, for strategic partnership in trading of soft commodities and food products and F&B opportunities.<br>– Joint venture with Wu Pao Chun Food Ltd to operate the Wu Pao Chun Taiwanese bakery brand in Beijing, Shanghai, Shenzhen and Guangzhou, PRC.<br>– Formed joint venture company PT BTG-Pura Indah Berkat Venture with PT Pura Indah Berkat to operate the Toast Box chain of outlets in Indonesia.<br>– Opened Food Republic's first direct operated restaurant "Sergeant Kitchen" in Bangkok, Thailand.<br>– Entered into joint venture in relation to the operation of the Din Tai Fung brand of restaurants in the United Kingdom.<br>– Formed joint venture company BTG-Pindao Venture Pte Ltd with Shenzhen Pindao Food & Beverage Management Co Ltd to operate and manage the popular tea beverage brands Nayuki and Tai Gai in Singapore and Thailand, with a first right of refusal to operate in Malaysia, Indonesia and the Philippines.<br>– Opened second Song Fa Bak Kut Teh outlet in Shanghai iAPM mall<br>– Tripartite alliance of BTG-Pindao Venture Pte Ltd and Song Fa Holdings to operate Song Fa Bak Kut Teh in Shenzhen and Guangzhou, PRC.<br>– Incorporated a wholly-owned subsidiary in Cambodia for the management of food courts and for F&B as part of the Group's expansionary plans within the region.<br>– Opened the first Tai Gai flagship store at NEX Serangoon shopping mall, Singapore.<br>– Joint venture with Wu Pao Chun Food Ltd to operate the Wu Pao Chun brand of bakeries in Singapore and Hong Kong.<br>– Opened the first Nayuki store at Vivocity shopping mall, Singapore.<br>– Opened the first Wu Pao Chun bakery store at Xintiandi Plaza, Shanghai. |

| Applicable Year | Key Milestones |
|---|---|
| 2019 | – Opened Song Fa Bak Kut Teh outlets in Shanghai IFC Mall, Beijing APM Mall, and Bangkok Central World Mall.<br>– Acquired 50% interest in BTM (Thailand) Ltd held by the Minor Food Group Plc.<br>– Divestment of the entire associate interest in Carl Karcher Enterprises (Cayman) Ltd and the exit of the Carl's Jr joint venture investment in China.<br>– Acquired the remaining 25% stake in Food Republic Guangzhou F&B Management Co Ltd as part of the Group's consolidation exercise.<br>– Acquired a strategic interest in NPPG (Thailand) Public Company Limited to strengthen the Group's retail F&B management capabilities and gain access to a strong network of local partners with expertise in the large scale food production and distribution space. |

## 2. GROUP STRUCTURE

The corporate structure of the Issuer and its subsidiaries, joint venture companies and associated companies as at the Latest Practicable Date is set out below. Please also refer to pages 69 to 83 of this Information Memorandum for information on the business segment and principal activity of each subsidiary, joint venture company and associated company.



## 3. BUSINESS

### Overview

The businesses of the Group can be broadly categorised into the following divisions:

(a) Bakery Division;

(b) Restaurant Division;

(c) Food Atrium Division;

(d) 4orth Division;

(e) Real Estate Investments; and

(f) Others.

*Distinctive F&B Brand Owner and Operator*

As at the date of this Information Memorandum, the Group's key proprietary brands are:

| **Bakery Division** | |
|---|---|
| BreadTalk® | "BreadTalk" brand (for its bakery operations) |
| TOAST BOX 土司工坊 | "Toast Box" brand (for its Asian café operations) |
| breadsociety | "Bread Society" brand (for its bakery boutique operations) |
| the icing room 蛋糕细语 | "The Icing Room" brand (for its creative-concept cake shop) |
| 泰发record thye moh chan | "Thye Moh Chan" brand (for its confectionery operations) |
| **Food Atrium Division** | |
| food republic 大食代 | "Food Republic" brand (for its food atrium operations) |
| FOOD OPERA 食代館 | "Food Opera" brand (for its food atrium operations) |

| Food Atrium Division | |
|---|---|
|  | "Sergeant Kitchen" brand (for its food atrium operations in Bangkok, Thailand) |
| **Restaurant Division** | |
|  | "Din Tai Fung" brand (for its restaurant operations in Singapore, Thailand and the United Kingdom) |
| **4orth Division** | |
|  | "Nayuki" brand (for its tea beverage operations in Singapore and Thailand) |
|  | "Sō" brand (for its Japanese Ramen restaurant operations) |
|  | "Song Fa Bak Kut Teh" brand (for its restaurant operations in Shanghai which opened in 2018, to be followed by restaurants in Thailand, Beijing, Shenzhen and Guangzhou) |
|  | "Tai Gai" brand (for its tea beverage operations in Singapore and Thailand) |
|  | "Wu Pao Chun Taiwanese Bakery" brand (for its bakery operations in Beijing, Shanghai, Shenzhen and Guangzhou, PRC) |

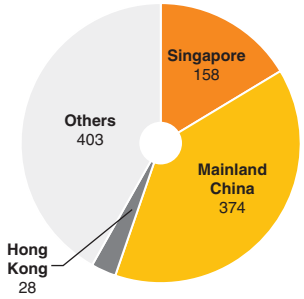
As at the date of this Information Memorandum, the following brands form a part of the Group's business and are operated by the Group's joint venture partners:

| Others | |
|---|---|
|  | "Sanpoutei Ramen" brand in Singapore |
|  | "Jumbo Seafood" brand in Shanghai, Jiangsu, Zhejiang and Anhui, PRC |

*Geographical Reach*

With an existing global staff strength of over 7,000 employees, the Group operates close to 1,000 F&B outlets across 16 countries in Asia, Middle East and the United Kingdom as at the Latest Practicable Date.

***Number of Outlets by Geography***



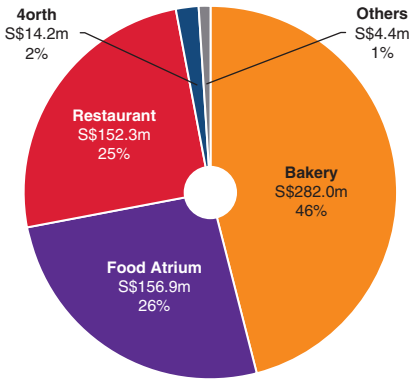

***Number of Outlets by Business Segment***

| Segment | FY18 | FY17 | Net Increase/ (Decrease) |
|---|---|---|---|
| **Bakery** | **863** | **871** | **(8)** |
| Direct Operated Stores | 221 | 240 | (19) |
| Franchise | 642 | 631 | 11 |
| **Food Atrium** | **60** | **55** | **5** |
| Food Courts | 55 | 53 | 2 |
| Direct Operated Restaurants | 5 | 2 | 3 |
| **Restaurant** | **28** | **25** | **3** |
| Din Tai Fung | 28 | 25 | 3 |
| **4orth** | **12** | **5** | **7** |
| Sō# | 5 | 5 | 0 |
| TaiGai | 1 | 0 | 1 |
| Nayuki | 1 | 0 | 1 |
| Song Fa | 4 | 0 | 4 |
| Wu Pao Chun | 1 | 0 | 1 |
| **Total** | **963** | **956** | **7** |

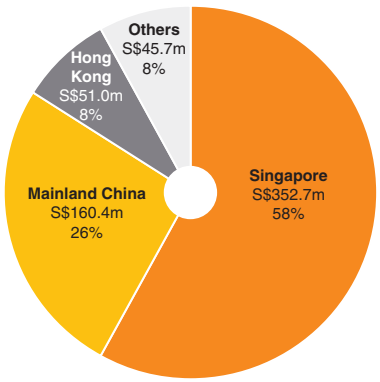
# Rebranded from Ramen Play in first quarter FY2017

***Revenue Breakdown***

***Revenue by Business Segment***




***Revenue by Region***



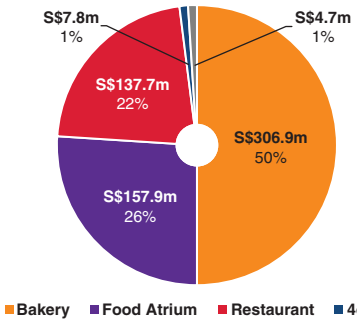

**FY2018 Revenue**
**S$609.8 million**

The breakdown in revenue contribution by each of the Group's principal business segments expressed as a percentage of total revenue of the Group for FY2016, FY2017 and FY2018 are set out in the pie charts below:

***Revenue Breakdown by Business Segment***

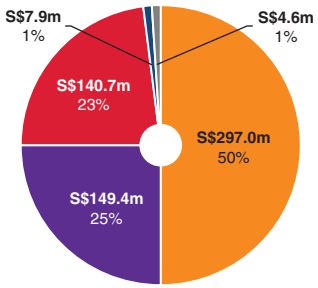
**FY2016**

**S$615.0 million**



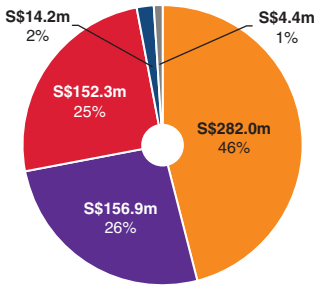

**FY2017**

**S$599.6 million**




**FY2018**

**S$609.8 million**

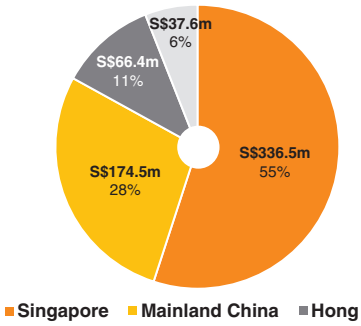



The breakdown in revenue contribution by geographical segments expressed as a percentage of total revenue of the Group for FY2016, FY2017 and FY2018 are set out in the pie charts below:

***Revenue Breakdown by Geography***

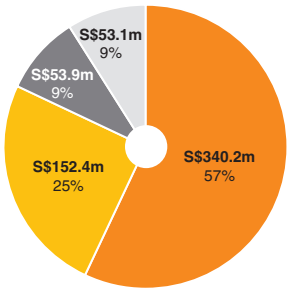
**FY2016**

**S$615.0 million**



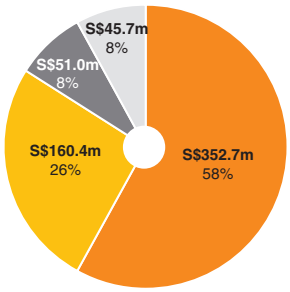

**FY2017**

**S$599.6 million**




**FY2018**

**S$609.8 million**




## (a) Bakery Division

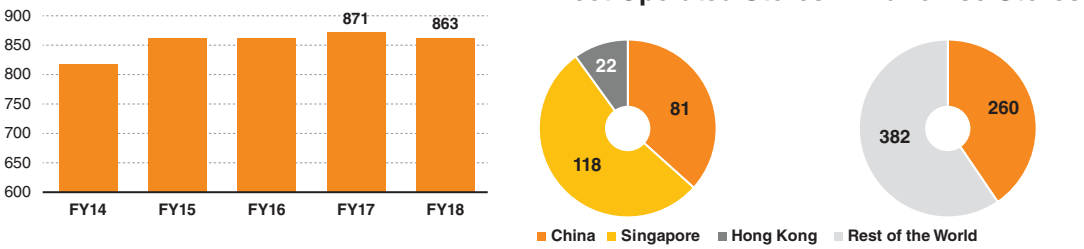
As at the date of this Information Memorandum, the key brands used under the Group's Bakery Division operations are the Group's proprietary brands, being BreadTalk, Toast Box, The Icing Room and Bread Society, as well as Thye Moh Chan which the Group acquired in 2012.

The Bakery Division's contribution to the Group's revenue in percentage terms for FY2018, FY2017 and FY2016 are 46%, 50% and 50% respectively.

A breakdown of the Bakery Division's revenue growth is set out as follows:

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| **Revenue (million)** | 306.9 | 297.0 | 282.0 |
| **Growth (%)** | -0.3 | -3.2 | -5.1 |

A breakdown of the Bakery Division's outlet growth and FY2018 distribution by geography is set out as follows:




A breakdown of the Bakery Division's EBITDA and EBITDA Margin is set out as follows:

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| **EBITDA (million)** | 29.2 | 23.0 | 22.5 |
| **Growth (%)** | 30.5 | -21.1 | -2.2 |
| **EBITDA Margin (%)** | 9.5 | 7.8 | 8.0 |

In FY2018, the number of outlets in the Group's Bakery Division decreased to 863, compared to 871 in FY2017, as the Group opened more new outlets in Indonesia, the Philippines and Vietnam, while closing outlets in Mainland China.

As at the Latest Practicable Date, the Group's total number of retail outlets under the Bakery Division is 863, of which 221 are directly owned and operated by the Group, with a further 642 of the retail outlets operated by franchisees in Mainland China, Indonesia, Cambodia, Myanmar, the Philippines, Malaysia, Vietnam, Bahrain, Kuwait, Saudi Arabia, Oman, India and Sri Lanka.

As at the Latest Practicable Date, the retail outlets are located as follows:

| Territory/Region | Number of Outlets |
|---|---|
| Mainland China | 338 |
| Southeast Asia (excluding Singapore)* | 349 |
| Singapore | 118 |
| Hong Kong | 22 |
| Others# | 36 |
| **Total** | **863** |

* Cambodia, Indonesia, Thailand, the Philippines, Malaysia, Myanmar and Vietnam.

\# Bahrain, Kuwait, Oman, Saudi Arabia, Sri Lanka, India and Taiwan.

***"BreadTalk" Brand***

BreadTalk was developed by the Group and was launched in Singapore in July 2000. It offers a wide selection of bread and cakes. Its first retail outlet commenced business on

1 July 2000 at the Parco Bugis Junction shopping centre in Singapore and attracted many customers with its signature "Flosss" bun, which is a sweet cream-filled bun topped with a layer of pork floss. The "Flosss" bun has remained one of BreadTalk's best sellers.

BreadTalk has since become a distinctive Singapore brand. Each BreadTalk retail outlet bears a clear glass, clean cut look and its signature transparent kitchens allow customers to view the baking process and which also serve to emphasise the freshness of BreadTalk's products.

Being the brand which laid the foundation for the Group, BreadTalk has been, and continues to be, a pillar of the Group. As at the Latest Practicable Date, BreadTalk offers a wide variety of over 100 kinds of bread and cakes.

Mainland China remains the primary overseas market for the BreadTalk brand. The brand has a presence in many first and second tier cities in Mainland China and as at the Latest Practicable Date, BreadTalk can be found in 26 cities in Mainland China.

In May 2016, BreadTalk entered into a franchise agreement with Myanmar Bakery Co., Ltd., a member of the Shwe Taung Group, one of Myanmar's leading conglomerates, to establish the BreadTalk bakery chain in Myanmar. This partnership combines the strength of BreadTalk's creative branding and product concept with the Shwe Taung Group's extensive consumer base and business network, as well as its wide real estate footprint in Myanmar. The Group's first BreadTalk outlet in Yangon opened in March 2017.

In December 2017, BreadTalk entered into a franchise agreement with Bakekneads LLP, a member of the Som Datt group of companies ("**Som Datt**"), to establish the BreadTalk bakery chain in Delhi and National Capital Region in India. The partnership combines BreadTalk's strengths in creative branding and product concepts with the extensive business network of Som Datt – an infrastructure and construction conglomerate in India. The Group opened its flagship store in Delhi in October 2018 to offer a wide range of products favoured by the Indian market.

As at the Latest Practicable Date, the Group has 747 BreadTalk retail outlets across Singapore, Indonesia, the Philippines, Myanmar, Cambodia, Thailand, Malaysia, Vietnam, Sri Lanka, Mainland China, Hong Kong, Kuwait, Bahrain, Oman, India and Saudi Arabia of which 630 outlets are franchised.

***"Toast Box" Brand***

The "Toast Box" brand ("**Toast Box**") was developed by the Group and was launched in Singapore in October 2005 to recreate the atmosphere of local "Nanyang" coffee shops of the 1960s and 1970s. The first Toast Box outlet opened in December 2005 as a food stall unit of the Food Republic food atrium in the Wisma Atria shopping centre in Singapore. "Nanyang Kopi" (or traditional 'pulled' local coffee) is a signature beverage at Toast Box's retail outlets. Other items on Toast Box's menu include traditional local offerings such as different varieties of local coffee and tea beverages and specialised local food items (e.g. "peanut thick toast", "mee siam", "nasi lemak" and soft-boiled eggs).

The Group strives to ensure that Toast Box remains equally relevant to the younger demographics through social media such as Facebook, by organising regular coffee appreciation workshops and by introducing new items to appeal to their different lifestyle preferences and tastes.

In June 2016, Toast Box opened its first standalone flagship store in Taiwan. Located at street level along a strategic tourist belt in Xinyi District, the Group's new Toast Box

outlet offers a delectable dining option with Asian flavours that would appeal to locals and tourists in the busy shopping district.

In March 2018, the Group entered into a 70%-30% joint venture with PT Pura Indah Berkat to establish PT BTG-Pura Indah Berkat Venture, which will operate the Toast Box chain of outlets in the Indonesian archipelago. This strategic partnership combines the Group's experience in managing and developing franchisee relationships with PT Pura Indah Berkat's strong understanding of consumer preferences in Indonesia. PT Pura Indah Berkat has been managing the popular Toast Box outlet at the Soekarno-Hatta International Airport Terminal 3, and opened the first Toast Box outlet in central Jakarta in January 2019.

As at the Latest Practicable Date, the Group has 103 Toast Box retail outlets across Singapore, Mainland China, Hong Kong, Taiwan, Malaysia and Indonesia, of which 10 outlets are franchised.

***"The Icing Room" Brand***

The "The Icing Room" brand ("**The Icing Room**") was developed by the Group and was launched as a patisserie in Singapore in December 2008 to offer a wide range of cakes and which also allows customers the freedom to create their own customised designs and decorations on the cakes.

The Icing Room distinguishes itself from conventional bakers' confectioneries by offering 'Design-It-Yourself' cake-decorative personalisation services. With a slew of decorative designs and toppings to choose from, customers can craft unique creations by adding their personal touches to ready-made, hand-baked cakes.

As at the Latest Practicable Date, the Group has two The Icing Room retail outlets in Singapore.

***"Bread Society" Brand***

The "Bread Society" brand ("**Bread Society**") was developed by the Group and was launched in Singapore in July 2009 to target a different sector of customers with offerings of premium bread and pastries.

Conceptualised to be an upmarket bakery boutique that encompasses an artisanal theme, Bread Society offers an extensive selection of over 50 kinds of European inspired breads and pastries freshly baked on the premises and using premium and healthier ingredients such as dark rye, wholemeal flour and wheatgrass.

In 2013, the Group launched the first overseas Bread Society retail outlet in Shanghai iAPM Mall shopping centre, PRC. Also in 2013, the Group launched a new concept, Bread Society Cafe, as an extension of its Bread Society brand. Bread Society Cafe is a sit-down cafe which serves all-day brunch and desserts offerings.

As at the Latest Practicable Date, the Group has six Bread Society retail outlets in Mainland China, of which two outlets are franchised.

***"Thye Moh Chan" Brand***

The Group acquired the historic family-run Thye Moh Chan business in Singapore in April 2012, thus adding another brand to its brand portfolio. Thye Moh Chan is a 70 year-old business that specialises in traditional handcrafted Teochew confections, such as their signature '*tao sar piah'* (pastry with mung bean paste).

The Group seeks to preserve the original quality and authenticity of the confections by keeping to the original recipes and engaging the existing chefs as consultants. At the same time, the Group also seeks to introduce a modern touch to marketing the brand by introducing new flavours to the confections and also re-packaging the products in a tasteful contemporary style to be more visually appealing to the older and younger demographics. Thye Moh Chan continues to offer its signature Sweet or Salty Tau Sar flaky-skinned mooncakes, with the addition of two exclusive flavours – Mao Shan Wang Durian and Teochew Yam with Salted Egg – during the Mid-Autumn Festival.

As at the Latest Practicable Date, the Group has three Thye Moh Chan retail outlets in Singapore, located in the Chinatown Point shopping centre, Paragon shopping centre and TANGS at Tang Plaza.

**(b) Restaurant Division**

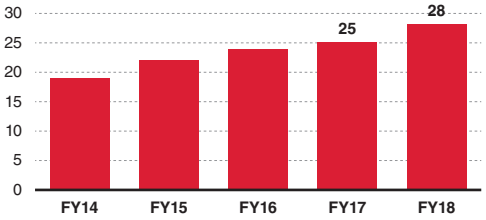
As at the date of this Information Memorandum, Din Tai Fung is the sole brand under the Restaurant Division. The Group has the franchise rights to operate the Din Tai Fung brand of restaurants in Singapore, Thailand and the United Kingdom.

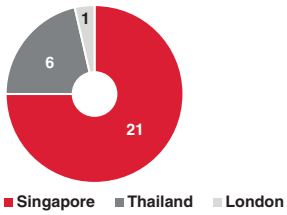
The Restaurant Division's contribution to the Group's revenue in percentage terms for FY2018, FY2017 and FY2016 are 25%, 23% and 22% respectively.

A breakdown of the Restaurant Division's revenue growth is set out as follows:

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| **Revenue (million)** | 137.7 | 140.7 | 152.3 |
| **Growth (%)** | 4.4 | 2.2 | 8.2 |

A breakdown of the Restaurant Division's outlet growth and FY2018 distribution by geography is set out as follows:




A breakdown of the Restaurant Division's EBITDA and EBITDA Margin is set out as follows:

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| **EBITDA (million)** | 29.5 | 30.1 | 28.1 |
| **Growth (%)** | -11.7 | 2.1 | -6.6 |
| **EBITDA Margin (%)** | 21.4 | 21.4 | 18.5 |

As at the Latest Practicable Date, the Group has a total of 28 restaurants under the Group's management located in different territories as follows:

| Territory/Region | Number of Outlets |
|---|---|
| Singapore | 21 |
| Thailand | 6 |
| United Kingdom | 1 |
| **Total** | **28** |

*"Din Tai Fung" Brand*

In August 2003, the Group, through its 70% held joint venture entity, Taster Food Pte. Ltd. ("**Taster**"), obtained the franchise rights under a franchise agreement with Din Tai Fung Co., Ltd ("**DTF**") to operate restaurants in Singapore under the "Din Tai Fung" brand ("**Din Tai Fung**"). DTF also holds a 10% interest in Taster while the remaining 20% in Taster is held by a Taiwanese individual. In 2010, the Group secured the franchise rights to operate the Din Tai Fung brand of restaurants in Thailand under its 60.5% owned subsidiary, Taster Food (Thailand) Co., Ltd. and in 2017, the Group further secured the franchise rights to operate the Din Tai Fung brand of restaurants in the United Kingdom under its 50.5% owned subsidiary, Taster Food UK Limited.

The Din Tai Fung chain of restaurants has its origins from Taiwan more than 40 years ago and the signature items on its menu include '*xiao long bao*' (steamed pork dumplings) and steamed chicken soup. It has been rated by The New York Times as one of the world's top ten restaurants in 1993 and the restaurant's first Hong Kong branch at Tsim Sha Tsui, Silvercord Branch, was awarded one Michelin star by the Hong Kong and Macau 2010 edition of the Michelin Guide.

As at the Latest Practicable Date, the Group operates 28 Din Tai Fung restaurants, comprising 21 in Singapore, six in Thailand and one in the United Kingdom.

**(c) Food Atrium Division**

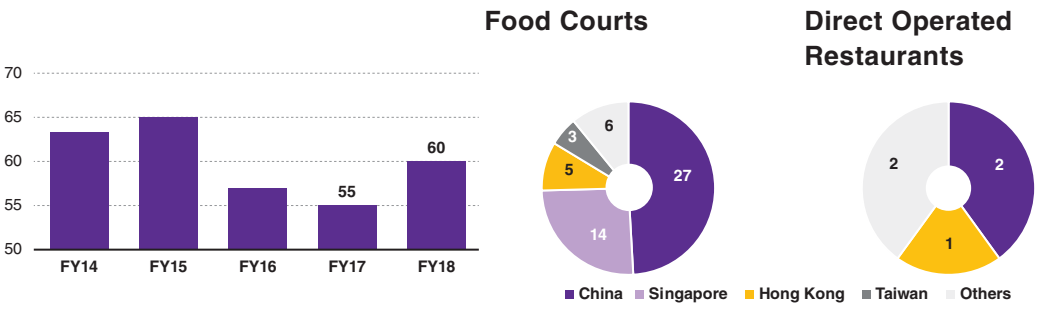
The Group's Food Atrium Division operates under the "Food Republic" brand.

The Food Atrium Division's contribution to the Group's revenue in percentage terms for FY2018, FY2017 and FY2016 are 26%, 25% and 26% respectively.

A breakdown of the Food Atrium Division's revenue growth is set out as follows:

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| **Revenue (million)** | 157.9 | 149.3 | 156.9 |
| **Growth (%)** | -8.8 | -5.4 | 5.0 |

A breakdown of the Food Atrium Division's outlet growth and FY2018 distribution by geography is set out as follows:




A breakdown of the Food Atrium Division's EBITDA and EBITDA Margin is set out as follows:

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| **EBITDA (million)** | 16.6 | 25.1 | 31.2 |
| **Growth (%)** | -7.4 | 51.6 | 24.3 |
| **EBITDA Margin (%)** | 10.5 | 16.8 | 19.9 |

As at the Latest Practicable Date, the Group has a total of 55 food atriums and five direct operated restaurants under the Group's management located in different countries as follows:

| Territory/Region | Number of Food Courts | Number of Direct Operated Restaurants |
|---|---|---|
| Mainland China | 27 | 2 |
| Singapore | 14 | – |
| Hong Kong | 5 | 1 |
| Taiwan | 3 | – |
| Southeast Asia (excluding Singapore)* | 6 | 2 |
| **Total** | **55** | **5** |

* Cambodia, Thailand, and Malaysia.

***"Food Republic" Brand***

The Group began its foray into the food atrium business with its acquisition of the award-winning "*dashidai*" (大食代) food atrium chain in Mainland China.

Since then, the Group has re-invented the brand under a new brand name "Food Republic" which offers a new concept of food court dining with each Food Republic food atrium offering a thematic dining proposition. Food Republic's strategy is to bring quality local hawker and street style food options at affordable prices under one roof and to encourage the appreciation of the indigenous culture of the country through distinctive flavours of its food and the craftsmanship of its hawkers.

As an extension of the Food Republic brand, the Group also conceptualised the premium Food Opera food atriums in July 2009 which offer more restaurant-style F&B selections for diners looking for a more comfortable ambience.

In 2013, the Group's operations in Mainland China expanded with eight new food atriums in Beijing, Shanghai, Chengdu, Nanjing and Hong Kong. Significantly, the Group managed to secure strategic locations to position these food atriums, such as the Super Brand Mall shopping centre in Shanghai's Pudong Lujiazui financial trade zone and the new luxury shopping centre, Galeries Lafayette, located in Beijing's vibrant Xidan shopping district. In Singapore, three new outlets were added at the Westgate Mall, City Square Mall shopping centres and BreadTalk IHQ.

In 2016, the Group opened two new dining outlets in Shanghai – at the newly opened Shanghai Disney Resort and the CapitaMall Qibao shopping centre. In 2016 also, the Group successfully launched the tap and go payment system at all its food courts in Singapore, making the Group the first food atrium in Southeast Asia to accept contactless payment.

In 2017, after two months of refurbishment, Food Republic's flagship outlet at Wisma Atria in Singapore unveiled a revitalised theme in November. Adapting impressions of Nanyang in the 70s to 80s, the food court now comes with refreshed interior décor, bigger stall areas and a brighter ambience.

The Food Republic outlet in Central Rama 9, Bangkok, was also refreshed with new food stalls.

In 2018, the Group made its entry into the Cambodia market with the opening of its first outlet in AEON MALL Sen Sok City.

**(d) 4orth Division**

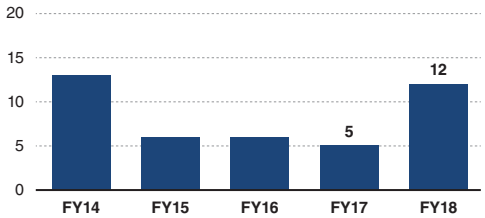
The 4orth Division is a new business division which started in 2017. It serves as a platform where new F&B concepts are conceptualised and incubated, to provide the Group with new growth drivers. The 4orth Division also focuses on identifying good potential F&B brands and players that are already in the various markets that the Group operates in, where joint ventures and/or franchising arrangements can be formed to take these brands to the other geographies where the Group has a presence in.

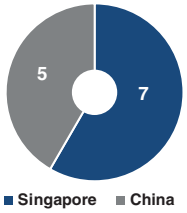
The 4orth Division's contribution to the Group's revenue in percentage terms for FY2018, FY2017 and FY2016 are 1%, 1% and 2% respectively.

A breakdown of the 4orth Division's revenue growth is set out as follows:

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| **Revenue (million)** | 7.8 | 7.9 | 14.2 |
| **Growth (%)** | - 30.9 | 0.3 | 8.2 |

A breakdown of the 4orth Division's outlet growth and FY2018 distribution by geography is set out as follows:




A breakdown of the 4orth Division's EBITDA and EBITDA Margin is set out as follows:

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| **EBITDA (million)** | 0.3 | 0.5 | - 2.9 |
| **Growth (%)** | not meaningful | 91.7 | - 643.0 |
| **EBITDA Margin (%)** | 3.5 | 6.8 | - 20.4 |

As at the Latest Practicable Date, the Group has a total of 12 outlets under the Group's management located in different countries as follows:

| Territory/Region | Number of Outlets |
|---|---|
| Mainland China | 5 |
| Singapore | 7 |
| **Total** | **12** |

***"Sō" Brand***

The Group embarked on a revamp exercise for the RamenPlay brand in late 2016 with the streamlining of its menu and price points to better appeal to the mass market. The rebranding of all five outlets was completed in September 2017.

"Sō" is positioned as a specialty ramen restaurant offering five delectable broths, simmered for hours to a rich flavour. The ramen is made with premium wheat flour. To create delicious rice dishes, "Sō" uses premium Koshihikari rice that is grown in Niigata, Japan.

The "Sō" brand was successfully launched on 31 March 2017 with the conversion of the former RamenPlay outlet at the NEX Serangoon shopping centre.

The Group currently operates five "Sō" outlets in Singapore, in the NEX Serangoon, Novena Square and Bedok Mall shopping centres, BreadTalk IHQ and Resorts World Sentosa.

***"Song Fa" Brand***

On 3 July 2017, the Group, through its wholly owned subsidiary, Together Inc. Pte Ltd, entered into a joint venture agreement with Song Fa Holdings Pte Ltd ("**Song Fa**") to incorporate BTG-Song Fa Venture Pte. Ltd. ("**BTG-Song Fa**"). BTG-Song Fa has entered into a franchise agreement with Song Fa pursuant to which BTG-Song Fa will operate the Song Fa Bak Kut Teh brand of restaurants in Thailand, as well as in four major cities in Mainland China – Beijing, Shanghai, Shenzhen and Guangzhou.

The partnership combines the Group's strengths in business development, central kitchen management and frontline execution with Song Fa's experience to deliver its fall-off-the-bone tender pork ribs immersed in its flavourful, spice-infused hot broth and dining experience to its customers.

In January 2018, the Group opened its first Song Fa Bak Kut Teh restaurant under BTG-Song Fa in Shanghai at the iconic Jing An Kerry Centre. In June, the Group opened the second Song Fa Bak Kut Teh outlet in Shanghai iAPM mall. In July 2018, BTG-Pindao Venture (the Group's joint venture vehicle with Shenzhen Pindao Food & Beverage Management Co Ltd) entered into a joint venture agreement with Song Fa to incorporate BTG-Song Fa-Pindao Venture Pte Ltd, to take over the role of operating and managing the Song Fa Bak Kut Teh brand of restaurants in Shenzhen and Guangzhou, the PRC.

***"TaiGai" and "Nayuki" Brands***

In May 2018, the Group entered into a joint venture agreement with Shenzhen Pindao Food & Beverage Management Co Ltd to incorporate BTG-Pindao Venture Pte. Ltd., to operate and manage the popular tea beverage brands TaiGai (台盖) and Nayuki (奈雪) in Singapore and Thailand, with a first right of refusal to operate in Malaysia, Indonesia, and Philippines.

TaiGai and Nayuki were both established in China in 2015, and have since been established as premium and trendy concepts. The popularity of the beverages has boosted the expansion of the brand to more than 60 stores across China.

In September 2018, the first TaiGai flagship store opened at NEX Serangoon shopping mall, located in the north-eastern region of Singapore and which serves as the social and recreational hub for residents living in the area. The establishment of TaiGai in Singapore is set to liven up the current specialty tea market with TaiGai's signature offerings and healthier tea options.

In December 2018, the first Nayuki store opened at Vivocity shopping mall in Singapore.

***"Wu Pao Chun" Brand***

In March 2018, the Group entered into a joint venture agreement with Wu Pao Chun Food Ltd to develop and operate the world-renowned Taiwanese bakery brand in

Beijing, Shanghai, Shenzhen and Guangzhou, in the PRC. The first Wu Pao Chun bakery under the joint venture was opened in Shanghai in December 2018.

In September 2018, the Group partnered with Wu Pao Chun Food Ltd again in a second joint venture, to operate the bakery brand in Singapore and Hong Kong. The first Wu Pao Chun bakery under this second joint venture is expected to open in Capitol Piazza in Singapore in 2019.

This partnership combines the Group's strengths in business development and scalable operations management with Mr Wu Pao Chun's versatile baking experience. Some of his more notable accolades include winning the 2010 Masters de la Boulangerie and World's Best Baker in the International Union of Bakers and Confectioners International Competition of Young Bakers. He was also conferred a medal by the Elite de la Boulangerie Internationale 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.

**(e) Real Estate Investments**

The Group started its property investment arm in November 2009. Imagine Properties Pte. Ltd. ("**IPPL**") was incorporated in Singapore in 2009 as a wholly-owned subsidiary of the Issuer and remains the primary vehicle for the Group's property investments.

The Group's property investment strategy is to derive some long-term investment returns, which will provide the Group with an alternative source of recurring income through rental yield and capital appreciation in the investment properties in the future. Such investments also serve as a hedge against rising rental costs. This also gives the Group the advantage of securing prime locations for its retail outlets or restaurants at these properties.

In January 2018, IPPL joined a consortium of investors to establish a joint venture company, Perennial HC Holdings Pte Ltd, in which it currently holds a 5% stake. The objective of the joint venture is to invest in, acquire and develop large-scale and predominantly healthcare integrated mixed-used developments, which are connected to high speed railways stations in the provincial capitals in the PRC and other strong tier one and two cities. The Group may further explore potential F&B businesses within these healthcare real estate developments when the projects are completed.

As at the Latest Practicable Date, the Group has invested in the following properties:

| Property/Development | Investment Value (S$ million) |
|---|---|
| No. 258 Longqi Road, Shanghai | 22.25 |
| Beijing Tongzhou Integrated Development (Phase 1) | 23.08 |
| Beijing Tongzhou Integrated Development (Phase 2) | 9.62 |
| CHIJMES | 16.82 |
| AXA Tower | 24.06 |
| 22/22A Lorong Mambong | 17.50 |
| Healthcare Integrated Mixed-use Developments in Mainland China | 9.43 |
| Majiabang Healthy Foods Town, Jiaxing, Zhejiang Province, the PRC | 40.90 |

**No. 258 Longqi Road, Shanghai, the PRC**

On 31 July 2014, the Group (through its wholly-owned subsidiary) acquired a 50-year leasehold office space located at No. 258 Longqi Road, Shanghai Xuhui District, PRC. The investment would allow the Group to allay rental cost pressure on the Group's office

premises and allow the Group to consolidate its employees in Shanghai into a single office location while catering for any potential expansion of the Group's Shanghai operations. Currently, the property is fully leased out to third party tenants while the Group identifies the appropriate timing for the consolidation.

**Beijing Tongzhou Integrated Development ("BJTZ"), the PRC**

BJTZ is located in Tongzhou city, less than 20 kilometres from the Beijing city centre. It is currently being developed as an alternative business district to Beijing and is expected to comprise retail, office and residential spaces. The development of BJTZ is being done in phases with the Group investing approximately S$34.5 million in both Phases 1 and 2. Based on the Group's investment and commitment to BJTZ, the Group has a right of first refusal on the selection of location of retail outlets.

**CHIJMES, Singapore**

CHIJMES is owned by PRE 8 Investments Pte. Ltd. which is in turn owned by Perennial (Chijmes) Pte. Ltd. ("**PCPL**"). IPPL has subscribed for bonds and ordinary shares in the capital of PCPL amounting to S$18.0 million.

CHIJMES is an award-winning gazetted national monument recognised by the United Nations Educational, Scientific and Cultural Organisation (UNESCO) and iconic heritage landmark. It is situated across the City Hall Mass Rapid Transit ("**MRT**") Station and enjoys prominent frontage along Victoria Street, North Bridge Road and Bras Basah Road. CHIJMES experiences high footfall as a result of its prominent location.

**AXA Tower, Singapore**

AXA Tower enjoys three major frontages along Shenton Way, Anson Road and Maxwell Road, and is connected via an underground pedestrian link to Tanjong Pagar MRT Station.

An Asset Enhancement Initiative was undertaken in 2017 at a cost of S$140 million for a major enhancement programme which includes increasing the retail footprint, building a two-storey annex block measuring about 32,000 sqf to house medical suites, enhancing the main office lobby and drop-off points, and strata sale of the office spaces.

As at 31 July 2017, Perennial Real Estate Holdings Limited ("**Perennial**") together with Perennial's consortium of investors, are considering the enbloc sale of AXA Tower at no less than S$1.65 billion.

**22/22A Lorong Mambong, Singapore**

In 18 December 2017, the Group acquired a 2,350 sqf freehold shop house located amidst Holland Village, Singapore. The purchase consideration for the shop house was S$16.2 million and the purchase is part of the Group's property investment strategy for long-term investment returns.

**Healthcare Integrated Mixed-use Developments in Mainland China**

As part of the Group's joint venture with Perennial, the joint venture invests in, acquires and develops large-scale and predominantly healthcare integrated mixed-used developments. Positioned as one-stop regional healthcare hubs, each healthcare integrated mixed-use development project, measuring between 300,000 sqm to 800,000 sqm in total gross floor area, is expected to host healthcare real estate featuring core medical/healthcare facilities including various types of specialised hospital facilities.

The healthcare integrated mixed-use development projects are also expected to comprise other real estate components such as hotels, retail, serviced apartments,

offices, and small office home offices to support a multitude of communities, including residents of the city and from other cities within the province, patients and customers, medical and healthcare professionals, as well as other local and international patrons from the medical, business and tourism industries.

This proposed investment is an opportunity for the Group to participate in the healthcare real estate development market in Mainland China, riding on the substantial expertise and experience of the joint venture partners.

**Majiabang Healthy Foods Town, Jiaxing, Zhejing Province, the PRC**

In October 2018, the Group acquired a 50-year leasehold land with an area of 27,333 sqm, located in the Majiabang Healthy Foods Town. The property is located within the Jiaxing Economic and Technological Development Zone in the Zhejiang Province, which has a focus on high-end food processing. The investment is intended to allow the Group to increase its production capacity as well as more effectively consolidate its central kitchen and production operations across all business divisions into a single centralised facility. The centralised production facility will also allow the Group to better support its franchise partners across China.

**(f) Others**

***"Sanpoutei Ramen" Brand***

Sanpoutei Ramen is a ramen brand that the Group operates under its joint venture with Sanpou Co., Ltd in Japan. The Niigata-originated brand is well known for its Shoyu Ramen. As at the Latest Practicable Date, the Group operates two Sanpoutei Ramen restaurants in Singapore located at Holland Village and the Shaw Lido shopping centre respectively.

***"Jumbo Seafood" Brand***

In 2012, the Group (via its wholly-owned subsidiary Together Inc Pte. Ltd.) entered into a 30%-70% joint venture agreement with Jumbo F&B Services Pte Ltd to incorporate JBT (China) Pte Ltd ("**JBT (China)**"). JBT (China)'s wholly-owned subsidiary ("**JBT Subsidiary**") operates restaurants under the Jumbo Seafood brand in agreed territories in Mainland China pursuant to a license agreement entered into between JBT Subsidiary and Jumbo Group of Restaurants Pte Ltd. As at the Latest Practicable Date, the Group remains a 30% shareholder of JBT (China).

***Supply Chain Management***

In December 2017, the Group entered into a 66% stake in a joint venture with 115-year old Japanese trading firm Shinmei Co Ltd for the sourcing, procurement and supply of flour, rice, sugar, dairy, seafood and product packaging for its F&B businesses, franchisees and joint venture partners.

The Group aims to deliver new food concepts under the F&B aspect of the partnership, while the procurement aspect will similarly support the Group as its dedicated supply chain partner. This two-pronged collaboration allows the Group to optimise its supply chain, achieve significant cost savings through economies of scale as well as drive new revenue streams across the Group's businesses.

## 4. COMPETITIVE STRENGTHS

The Group believes that its competitive strengths are as follows:

- ***Strong branding with creative differentiation***

  The Group has a portfolio of 13 creative brands (excluding Sanpoutei Ramen and Jumbo Seafood) which have provided an alternative as to how consumers view their daily staples.

  The Group prides itself on delighting consumers with its blend of unique concepts that have led new food cultures across its Bakery, Restaurant, Food Atrium and 4orth divisions. The Group seeks to do things in a distinctive way as it injects creative differentiation in its retail concepts.

  Having garnered consumer and industry accolades alike from a multitude of international bodies, the Group's strong brands have led the way in retail trends to bring a unique concept to customers.

- ***Synergy across business divisions***

  The synergy of each unique yet complimentary divisions of the Group allows it to remain committed to its core F&B business. The synergies across the different divisions of the Group allow it to extract greater value from pooled resources and technical know-hows. This allows for greater revenue to be generated as the Group is able to eliminate and streamline redundant processes, resulting in significant cost reduction. Accordingly, the Group can operate its F&B business on a greater efficiency and scale.

- ***Constant product innovation***

  Recognising that its customers have evolving tastes, the Group's research and development team introduces new seasonal collections launched every few months to cater to customers' changing taste buds.

  Working alongside the research and development team, the Group's team of chefs seeks to identify and keep up with evolving trends by developing new recipes for customers to savour.

  Working with an international line-up of consultants from Japan, France, Germany and Spain, the Group aims to bring customers a combination of Asian and Western influences.

- ***Centralised facilities at BreadTalk IHQ***

  In June 2013, the Group launched the opening of its new international headquarters, BreadTalk IHQ, located at Tai Seng Street, Paya Lebar, in Singapore. The ten-storey BreadTalk IHQ building occupies a land area of approximately 6,722.3 sqm and houses the Group's corporate offices, research and development laboratories, BreadTalk Academy, warehousing facilities and central kitchens of its various F&B businesses. This facilitates the centralisation of operations together with supporting functions, allowing for a more comprehensive and consolidated support for the Group's expansion plans. For more information on the Group's next phase of general expansion, please see the section below titled "*Business Strategies*".

  The large-scale manufacturing capabilities within BreadTalk IHQ, together with the automated and fully equipped facilities, supply all of the Group's retail outlets with specialised ingredients (namely, flour mixes and frozen dough) needed for the

preparation of the Group's brand products. The in-house research and development facilities in BreadTalk IHQ further provide a creative think tank environment to the Group.

- ***Strong partnership network in Asia***

  With a presence in 16 countries spread across Asia, Middle East and the United Kingdom as at the Latest Practicable Date, the Group's global network of estate managers, procurement supply chains and international partners lend the Group the competitive edge to further expand its business in very strategic locations. Having built strong relationships with local networks especially in Mainland China, the Group's business growth has been fuelled by strong relationship management and professional expertise in these countries.

- ***Established relationships with landlords***

  The Group has established a large and reliable network of landlord relationships which ensures that the Group is amongst the first port of call by landlords seeking anchor F&B operators for their developments. The Group's portfolio of brands also gives the Group reasonable bargaining power when it comes to securing favourable rental terms, as well as locations within the developments.

- ***Experienced management team***

  Headquartered in Singapore, the Group is led by its Chairman, Dr George Quek, who has over 30 years of experience in the F&B industry. The senior management team also comprises professionals with diverse financial, retail and F&B backgrounds, thereby providing a holistic wealth and depth of experience to the Group. Supported by the Independent Directors of the Group and a multi-national team of consultants and professionals, the Group's management expertise and portfolio is further enhanced. For more information on the Group's management, please see the section below titled "*Directors and Management of the Issuer*".

- ***In-house training capability at the BreadTalk Academy***

  The Group's in-house training facility, BreadTalk Academy, is situated within BreadTalk IHQ and plays an integral role in developing a career and training roadmap for the Group's management as well as technical and retail staff. BreadTalk Academy also has a talent management division to develop tailored courses for senior management such as strategic thinking. BreadTalk Academy helps ensure that service standards of staff within the Group are maintained within the Group's overall supervision. Supported by the Singapore Workforce Development Agency, BreadTalk Academy focuses on three key areas: research and development as well as technical training for its culinary teams, retail and service-quality training for its staff in store operations, and leadership courses for management. It also has programmes to equip its overseas franchise staff with the knowledge and skills to support the Group's international franchise operations.

## 5. BUSINESS STRATEGIES

The Group's business strategies are as follows:

- ***To broaden and deepen the Group's expansion efforts***

  As at the Latest Practicable Date, the Group's F&B retail outlets (including franchises) can be found in 16 countries, including Singapore, Mainland China, Hong Kong, Thailand and Indonesia. The Group intends to continue to expand its F&B business operations regionally through the opening of more retail outlets, joint ventures and/or franchising in existing cities and territories in which it already has a presence as well as

other cities and territories which the Group has not yet ventured into. The Group's macro strategy is to deepen its reach in its core markets of Singapore, Thailand, Hong Kong and Mainland China and to grow the contribution of its overseas revenue over the next few years to over 50% of the Group's total revenue. In November 2016, the Group secured the franchise right to operate the Din Tai Fung brand of restaurants in the United Kingdom, marking its entry into the United Kingdom market. The first United Kingdom Din Tai Fung outlet opened in December 2018. The Group will also continue to explore new markets or new cities in existing markets, through directly operated outlets, franchises or joint ventures.

- ***To continuously refresh the Group's F&B concepts to improve productivity and reduce wastage***

  In order to continue to capture customers' attention and interest, the Group is constantly looking at refurbishing and refreshing its F&B outlets at specific milestones to inject a fresh new look with different concepts. Recent examples are highlighted below.

  Bakery Division: In November 2015, BreadTalk launched its first global new store concept offering over 50 new products at the Vivocity shopping centre, Singapore, and embarked on digital transformation initiatives to improve productivity and reduce food wastage. A progressive roll-out of this new store concept will follow across other BreadTalk outlets in Singapore and those overseas in Mainland China, Thailand and Hong Kong.

  Following the first conversion of RamenPlay into Sō in March 2017, the 4orth Division has successfully revamped all five outlets on its portfolio by September 2017, with each outlet generating significantly higher revenue than before. Food wastage has also been significantly reduced with the streamlining of the product range, contributing to higher profit margins for the Group.

- ***To focus on turning around underperforming outlets, improving performance of existing outlets and instilling greater discipline with regard to capital expenditure***

  The Group will focus on turning around underperforming outlets over the next 12 months against a more challenging macro-economic environment in Mainland China.

  The Group will instil greater discipline with regard to its capital expenditure to ensure that investments spent on new outlets and outlet refurbishments will translate to better returns commensurate with its cost of capital.

  The Group has critically evaluated its portfolio of underperforming outlets in FY2016 and has identified outlets that have the opportunity to be turned around as well as those that the Group has decided to close down. As part of this effort, most of the Group's outlets that needed to be terminated prematurely have been completed in FY2016 with the respective asset impairment booked in FY2016.

  The Group will continue to focus on improving the profitability of existing outlets, turn around any remaining underperforming outlets, and instil greater discipline with regard to capital expenditure.

  Since the beginning of FY2017, an Investment Committee has been formed which convenes regularly every month where outlet opening proposals are tabled with the respective financial and operational evaluations presented for the committee's review and approval. Capital expenditure decisions are measured against financial returns targets and commercial benefits.

- ***To enhance cost efficiency and improve margin via a thorough review of the Group's supply chain management***

  The Group has put in place plans to improve the management of its supply chain processes to achieve better cost efficiency. Cost savings have been achieved in respect of the various raw materials and packaging used by the Group.

  The Group is in the process of further consolidating its procurement processes, streamlining its production flow and reviewing its inventory management and logistical support to achieve greater cost savings.

- ***To invest in technology to improve productivity, to tap e-commerce opportunities and to deepen customer engagement***

  The Group will continue to invest technology to ensure that its business model continues to thrive in an increasingly digital world. To keep pace with the phenomenal growth of e-commerce and to deepen customer engagement, the Group successfully launched its digital rewards mobile app "BreadTalk Rewards" on 12 December 2017. The introduction of this app enables its customers to enjoy special value deals while enjoying their favourite products at BreadTalk and Toast Box. Through the app, the Group hopes to reach out to younger consumers who are more digitally savvy.

  The Group will continue to invest in technology and automation that can help the Group improve productivity, reduce costs and address its manpower and training requirements. More importantly, these investments in essential infrastructure lay a strong foundation for the Group's long-term sustainable growth.

## 6. AWARDS AND ACCOLADES

From the commencement of the Group's operations up to the Latest Practicable Date, the Group has garnered numerous awards and accolades for its brands, as outlined below:

| Applicable Year | Awards and Accolades |
|---|---|
| 2002 | – Received the Singapore Prestige Brand Award ("**SPBA**") Most Promising Brand Award and voted by consumers as the Most Popular Brand (the Association of Small and Medium Enterprises ("**ASME**") and Lianhe Zaobao news publication).<br>– Dr George Quek won the Entrepreneur of the Year Award (ASME and the Rotary Club).<br>– Ranked No.1 in the Enterprise 50 Startup Award (Accenture and the Business Times newspapers). |
| 2003 | – Received the SPBA Distinctive Brand Award (ASME and Lianhe Zaobao news publication). |
| 2004 | – Winner in the Design for Asia Award (Hong Kong Design Centre).<br>– Received the SPBA Silver Award 2004 (ASME and Lianhe Zaobao news publication).<br>– Received the Most Transparent Company Award from Securities Investors Association (Singapore) ("**SIAS**") Investor's Choice Award.<br>– Received the "Silver Award" Singapore Promising Brand Award from SIAS Investor's Choice Award. |

| Applicable Year | Awards and Accolades |
|---|---|
| 2005 | – Won the SPBA Most Popular Brand, Most Distinctive Brand and Gold Award 2005 (ASME and Lianhe Zaobao news publication) and the CitiBusiness Regional Brand Award, SPBA, for brand success in foreign territories.<br>– Received the Most Transparent Company Award – SESDAQ Category Runner-up.<br>– Received the Most Transparent Company Award from SIAS Investor's Choice Award.<br>– Received the "Gold Award" Singapore Promising Brand Award from SIAS Investor's Choice Award.<br>– Emerged as a finalist in the Franchisor of the Year Award 2005 (Franchising and Licensing Association of Singapore). |
| 2006 | – BreadTalk received the Five Star Diamond Brand and Diamond Award (World Brand Laboratory in Shanghai).<br>– Dr George Quek won the Emerging Entrepreneur Category of the Entrepreneur of the Year Awards 2006, organised by Ernst and Young, Singapore.<br>– BreadTalk received the Singapore Promising Brand Award 2006 at the SPBA 2006 (ASME and Lianhe Zaobao news publication). |
| 2007 | – Received the Most Transparent Company Award – SESDAQ Category Winner.<br>– Received the Most Transparent Company Award from SIAS Investor's Choice Award. |
| 2008 | – The Food Republic brand was named Overall Winner of Promising Brands in SPBA.<br>– Received the Most Transparent Company Award – Catalist Category Runner-up.<br>– Received the Most Transparent Company Award from SIAS Investor's Choice Award. |
| 2009 | – Emerged as a finalist in the Emerging Market Retailer of the Year Category at the World Retail Awards, Spain.<br>– Listed by Brand Finance as one of the Top 100 brands in Singapore.<br>– Toast Box was named Overall Winner of Promising Brands in SPBA (ASME and Lianhe Zaobao news publication). |
| 2010 | – Listed by Brand Finance as one of the Top 100 Brands in Singapore. |
| 2011 | – BreadTalk received the Overall Winner, Winner of the Most Popular Brand, Regional Brands Category in SPBA.<br>– Listed by Brand Finance as one of the Top 100 Brands in Singapore. |
| 2012 | – BreadTalk received the Five Star Diamond Brand and Diamond Award (World Brand Laboratory in Shanghai). |

| Applicable Year | Awards and Accolades |
|---|---|
| | – The Group received the Avant Garde award by SME One Asia Awards in Singapore.<br>– Listed by Brand Finance as one of the Top 100 Brands in Singapore.<br>– Conferred the World Brand Laboratory Award in Mainland China.<br>– Received the "Food Integrity and Quality Trust" Award from the China Association for Quality Inspection.<br>– Recognised under the "Shanghai Premium Foods" for its "Fire Flosss" by the Shanghai Sugar Association, China. |
| 2013 | – Toast Box was voted Asia's "Top Brand" in the Asian Café category by the Influential Brands Awards.<br>– Din Tai Fung was voted Asia's "Top Brand" in the Asian Restaurant category by Influential Brands Awards and "Best Chinese Restaurant" in the AsiaOne People's Choice Awards.<br>– BreadTalk's Generation 4 store concept in Shanghai won two awards, namely, the "Successful Design Award" from Shanghai Industrial Design Association and the "Five Star Diamond Award" from World Brand Laboratory, both in Mainland China.<br>– BreadTalk was named Overall Winner of the "Most Popular Brand" for the Regional Brands Category by the SPBA.<br>– Dr George Quek won the Business Personality of the Year Award (Midas Touch Asia).<br>– The Group's ranking in Brand Finance's Top 100 Singapore Brands Report improved from 70th in 2012 to 63rd in 2013. |
| 2014 | – Listed by Brand Finance as one of the Top 100 Brands in Singapore.<br>– Named as the Growth Market Retailer of the Year at the World Retail Awards.<br>– BreadTalk's Generation 4 store concept in Shanghai won the "Successful Design Award" from Shanghai Industrial Design Association.<br>– BreadTalk was named Asia's "Top Brand" in the Pastry category by the Influential Brands Awards.<br>– BreadTalk was named "Brand of the Year" in the Bakery category by the prestigious World Branding Awards.<br>– For the second consecutive year, Toast Box was voted Asia's "Top Brand" in the Asian Café category by the Influential Brands Awards.<br>– Food Republic was named Asia's "Top Brand" in the Food Court category by the Influential Brands Awards.<br>– Din Tai Fung was voted Asia's "Top Brand" in the Asian Restaurant category by the Influential Brands Awards for the second consecutive year. |

| Applicable Year | Awards and Accolades |
|---|---|
| | – BreadTalk, Toast Box, The Icing Room and Bread Society was awarded the "Singapore Service Class (S-Class) Status" by SPRING Singapore.<br>– Received the Most Transparent Company Award from SIAS Investor's Choice Award. |
| 2015 | – Listed by Brand Finance as one of the Top 50 Brands in Singapore.<br>– BreadTalk was named Asia's "Top Brand" in the Franchise category by the Influential Brands Awards.<br>– BreadTalk is named Asia's "Top Brand" in the Bakery category by the Influential Brands Awards.<br>– For the second consecutive year, Food Republic was named Asia's "Top Brand" in the Food Court category by the Influential Brands Awards.<br>– Toast Box was voted the "Top Brand (Cafe Category)" in the Influential Brands study on "Generation Y" customers commissioned by Influential Brands, a member of the Brand Alliance Group for the third consecutive year.<br>– Din Tai Fung is voted Asia's "Top Brand" in the Asian Restaurant category by the Influential Brands Awards for the third consecutive year.<br>– BreadTalk received the Five Star Diamond Brand and Diamond Award (World Brand Laboratory in Shanghai). |
| 2016 | – Listed by Brand Finance as one of the Top 50 Brands in Singapore.<br>– Conferred the "Five Star Diamond Brand Award" by the World Brand Laboratory Award and the "CCFA Retail Innovation Award" by the China Chain Store & Franchise Association.<br>– For the second consecutive year, BreadTalk was named Asia's "Top Brand" in the Bakery category by the Influential Brands Awards.<br>– BreadTalk was named "Brand of the Year" in the Bakery category at the prestigious World Branding Awards for the second time.<br>– Din Tai Fung was voted Asia's "Top Brand" in the Asian Restaurant category by Influential Brands for the fourth consecutive year.<br>– Dr George Quek won the CEO Brand Leader of the Year Award, organised by Influential Brands. |
| 2017 | – For the third consecutive year, BreadTalk was named "Brand of the Year" in the Bakery category at the prestigious World Branding Awards.<br>– For the third consecutive year, BreadTalk was named Asia's "Top Brand" in the Bakery category at the Influential Brands Award. |

| Applicable Year | Awards and Accolades |
|---|---|
| | – Din Tai Fung was voted Asia's "Top Brand" in the Asian Restaurant category by the Influential Brands Awards for the fifth consecutive year.<br>– Din Tai Fung clinched the Gold award at the 2017 Reader's Digest "Trusted Brand Awards".<br>– BreadTalk clinched the Platinum award at the 2017 Reader's Digest "Trusted Brand Awards".<br>– Din Tai Fung was awarded the "Excellent Service Award" by SPRING Singapore.<br>– BreadTalk was awarded the "Food Safety Excellence Awards (Grade 'A' Certification) by AVA Singapore<br>– The Group was ranked 56th in Brand Finance's Top 100 Singapore Brands Report.<br>– BreadTalk received the "Enabling Employers Award" for its inclusive workplace practices and commitment to hiring and rehabilitating people with disabilities.<br>– BreadTalk's Human Resource team was awarded the "HRD Best HR Team" award by the HRD Magazine. |
| 2018 | – For the fourth consecutive year, BreadTalk was named "Brand of the Year" in the Bakery category by the prestigious World Branding Awards.<br>– BreadTalk clinched the Marketing3.0 – Asia Marketing Excellence Award by the Asia Marketing Federation<br>– Din Tai Fung clinched the Gold award at the 2018 Reader's Digest "Trusted Brand Awards".<br>– Din Tai Fung was awarded the "Excellent Service Award" by SPRING Singapore.<br>– BreadTalk was conferred the "Five Star Diamond Brand Award" by the World Brand Laboratory Award<br>– Listed by Brand Finance as one of the Top 50 Brands in Singapore.<br>– Toast Box was named Most Popular Established Brand Overall Winner, Established Brand Winner and Established Brand of the "Most Popular Brand" for the Regional Brands Category by the SPBA. |

## 7. DIRECTORS AND MANAGEMENT OF THE ISSUER

### Board of Directors of the Issuer

Information on the business and working experience of each of the Directors of the Issuer is set out below:

**Dr George Quek Meng Tong**
*Chairman*

Dr Quek, founder of the Group, was appointed to the Board on 6 March 2003 and last re-elected on 20 April 2018. Having led and grown the Group to its current scale, Dr Quek continues to drive the Group's strategic direction and development into the future.

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

In 2000, he started the bakery business with BreadTalk Pte Ltd and eventually brought it to list on the SGX-ST in 2003 while creating a household name. Dr Quek 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.

Dr Quek holds a Doctorate in Business Administration (Honorary) from Wisconsin International University, United States of America ("**USA**").

**Ms Katherine Lee Lih Leng**
*Deputy Chairman*

Ms Lee was appointed to the Board on 6 March 2003 and last re-elected on 20 April 2017.

As a co-founder of the Group, Ms Lee 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.

Ms Lee 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 of more than 20 F&B outlets in Taiwan.

**Dr Tan Khee Giap**
*Independent Director*

Dr Tan was appointed to the Board on 1 October 2010 and last re-elected on 22 April 2017. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee. Dr Tan is currently Co-Director of Asia Competitiveness Institute and an Associate Professor of Public Policy at the Lee Kuan Yew School of Public Policy at the National University of Singapore. He is also the Chair of Singapore National Committee for Pacific Economic Cooperation. He holds directorships in a few listed companies in Singapore. Dr Tan graduated with a Ph.D from the University of East Anglia in 1987. He has consulted extensively with various government ministries, statutory boards and government-linked companies of the Singapore government. Dr Tan has served as a member of the Resource Panel of the Government Parliamentary Committee for Transport and Government Parliamentary Committee for Finance and Trade since 2007.

**Mr Ong Kian Min**
*Lead Independent Director*

Mr Ong was appointed to the Board on 30 April 2003 and last re-elected on 20 April 2018. He is the Lead Independent Director, Chairman of the Audit Committee and Nominating Committee, and member of the Remuneration Committee of the Issuer.

He was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. In his more than 20 years of legal practice, he focused on corporate and commercial law such as mergers and acquisitions, joint ventures, and restructuring and corporate finance. In addition to practising as a consultant with Drew & Napier LLC, a leading

Singapore law firm, he is a senior adviser of Alpha Advisory Pte. Ltd. (a corporate advisory firm) and an executive director of Kanesaka Sushi Private Limited, which owns and operates Japanese fine-dining restaurants in the region. He is also non-executive chairman of Hupsteel Ltd and serves as independent non-executive director of several other Singapore listed companies.

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

**Mr Chan Soo Sen**
*Independent Director*

Mr Chan was appointed to the Board on 15 August 2006 and last re-elected on 20 April 2016. He is the Chairman of the Remuneration Committee, as well as member of the Audit Committee and Nominating Committee of the Issuer.

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

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

**Mr Paul Charles Kenny**
*Non-Executive Director*

Mr Kenny was appointed to the Board on 1 March 2016. Mr Kenny is also the CEO of Minor Food Group Plc where he is responsible for driving its overall strategic direction and growth.

Mr Kenny also serves as a Director of Select Service Partner Limited, Oaks Hotel & Resorts Limited, The Minor (Beijing) Restaurant Management, Minor DKL Food Group Pty. Ltd. And Liwa Minor Food & Beverage LLC.

Mr Kenny completed the General Management Programme offered by Ashridge Management College in England, the United Kingdom and is a graduate of the Director Certificate Program (DCP) Class 28/2003, Thai Institute of Directors Association (IOD).

**Senior Management of the Issuer**

Information on the experience and expertise of each of the key executive officers of the Issuer is set out below:

**Mr Henry Chu Heng Hwee**
*Group CEO*

Mr Chu joined the BreadTalk Group as Managing Director on 17 October 2016 and was appointed Group CEO 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.

Mr Chu was instrumental in leading the team to develop the 4orth Division, whose key objective is to identify new F&B concepts and potential partnership opportunities with established brands. Concurrently, Mr Chu 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.

Mr Chu'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, Mr Chu 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).

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

**Mr Chan Ying Jian**
*Group Chief Financial Officer ("**Group CFO**")*

Mr Chan 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 the Group's businesses. He also concurrently heads the Information Technology function of the Group, and is the Country Manager of the Group's North China business.

Mr Chan 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, Mr Chan 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, Mr Chan 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, Mr Chan 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.

Mr Chan 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).

**Mr Jenson Ong Chin Hock**
*CEO, Food Atrium Division*

Mr Ong 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.

Mr Ong 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.

**Mr Cheng William**
*CEO, Restaurant Division*

Mr Cheng was appointed CEO of the Restaurant Division on 1 January 2011. He is responsible for driving sales and profitability across the 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 Mr Cheng. A 15-year veteran with the company, Mr Cheng 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. Mr Cheng holds an Executive Masters in Business Administration from Nanyang Technological University Singapore.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present the selected consolidated financial information for the Group for FY2016, FY2017 and FY 2018.

Where relevant, the financial information below has been derived from, and should be read in conjunction with, the Group's audited consolidated financial statements for FY2016, FY2017 and FY2018 and the notes thereto.

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016, 31 DECEMBER 2017 AND 31 DECEMBER 2018**

| | FY2018 $'000 | FY2017 $'000 | FY2016* $'000 |
|---|---|---|---|
| Property, Plant and Equipment | 173,413 | 169,097 | 180,663 |
| Investment Properties | 39,748 | 39,463 | 22,984 |
| Intangible Assets | 6,071 | 6,089 | 6,433 |
| Investment Securities | 83,149 | 72,068 | 72,878 |
| Investment in Associates | 26,226 | 26,682 | 27,033 |
| Investment in Joint Ventures | 8,684 | 10,040 | 8,234 |
| Other Receivables | 838 | 1,107 | 1,413 |
| Deferred Tax Assets | 2,340 | 2,559 | 2,749 |
| **Non-Current Assets** | **340,469** | **327,105** | **322,387** |
| Investment Securities | 4,797 | 12,886 | 17,222 |
| Inventories | 11,304 | 9,721 | 9,806 |
| Trade and Other Receivables | 57,947 | 51,952 | 57,472 |
| Prepayments | 5,942 | 6,771 | 4,824 |
| Tax Recoverable | 315 | 280 | – |
| Due from Related Corporations | 1,124 | 1,128 | 1,094 |
| Amount due from Minority Shareholders of Subsidiaries (Non-trade) | 1,986 | 525 | 509 |
| Cash and Cash Equivalents | 184,975 | 141,245 | 120,589 |
| **Current Assets** | **268,390** | **224,508** | **211,516** |
| Trade and Other Payables | 97,524 | 90,326 | 86,404 |
| Other Liabilities | 78,657 | 78,710 | 69,612 |
| Provision for Reinstatement Cost | 15,768 | 15,846 | 14,417 |
| Due to Related Corporations | 3,024 | 3,881 | 3,903 |
| Loan from a Non-controlling Shareholder of a Subsidiary (Non-trade) | 200 | 200 | 200 |
| Short-term Loans | 5,944 | 19,237 | 7,215 |
| Current Portion of Long-term Loans | 16,631 | 37,864 | 24,238 |
| Notes Payable | 75,000 | – | – |
| Tax Payable | 12,186 | 10,660 | 9,854 |
| **Current Liabilities** | **304,934** | **256,724** | **215,843** |
| **Net Current (Liabilities) / Assets** | **(36,544)** | **(32,216)** | **(4,327)** |
| Long-term Loans | 28,849 | 50,533 | 74,857 |
| Notes Payables | 99,511 | 75,000 | 75,000 |
| Loan from a Non-controlling Shareholder of a Subsidiary (Non-trade) | 535 | 508 | 549 |
| Other Liabilities | 7,641 | 9,392 | 11,385 |
| Deferred Tax Liabilities | 4,653 | 4,576 | 4,324 |
| **Non-Current Liabilities** | **141,189** | **140,009** | **166,115** |
| **Net Assets** | **162,736** | **154,880** | **151,945** |

| | FY2018 $'000 | FY2017 $'000 | FY2016* $'000 |
|---|---|---|---|
| Share Capital | 33,303 | 33,303 | 33,303 |
| Treasury Shares | (247) | (460) | (587) |
| Accumulated Profits | 96,128 | 93,342 | 93,966 |
| Other Reserves | 4,476 | 3,216 | 5,328 |
| **Total Equity Excluding NCI** | **133,660** | **129,401** | **132,010** |
| Non-controlling Interests | 29,076 | 25,479 | 19,935 |
| **Total Equity** | **162,736** | **154,880** | **151,945** |

* Excluding the restatement impact from the change in accounting policy

**CONSOLIDATED INCOME STATEMENT FOR FY2016, FY 2017 and FY2018**

| | FY2018 $'000 | FY2017 $'000 | FY2016* $'000 |
|---|---|---|---|
| Revenue | 609,796 | 599,579 | 614,995 |
| Cost of Sales | (266,650) | (266,465) | (277,508) |
| **Gross Profit** | **343,146** | **333,114** | **337,487** |
| Other Income | 31,185 | 33,178 | 29,540 |
| Interest Income | 3,158 | 2,234 | 1,162 |
| Distribution and Selling Expenses | (243,264) | (241,674) | (256,323) |
| Administrative Expenses | (92,077) | (80,850) | (75,389) |
| Interest Expenses | (9,206) | (5,420) | (5,931) |
| **Profit before Tax and Share of Results of Joint Ventures** | **32,942** | **40,582** | **30,546** |
| Share of Results of Associates | (1,165) | (883) | (1,960) |
| Share of Results of Joint Ventures | (634) | 1,097 | 1,130 |
| **Profit before Tax** | **31,143** | **40,796** | **29,716** |
| Taxation | (11,425) | (11,047) | (12,119) |
| **Profit after Tax** | **19,718** | **29,749** | **17,597** |
| **Attributable to:** | | | |
| Owners of the Company | 15,191 | 21,680 | 11,436 |
| Non-controlling Interests | 4,527 | 8,069 | 6,161 |
| | **19,718** | **29,749** | **17,597** |
| **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) | (594) |
| **Other Comprehensive Income for the Year, Net of Tax** | **181** | **(1,641)** | **(594)** |
| **Total Comprehensive Income for the Year** | **19,899** | **28,108** | **17,003** |
| **Attributable to:** | | | |
| Owners of the Company | 15,372 | 20,039 | 10,842 |
| Non-controlling Interests | 4,527 | 8,069 | 6,161 |
| | **19,899** | **28,108** | **17,003** |

* Excluding the restatement impact from the change in accounting policy

**FY2018 vs FY2017**

Group revenue for FY2018 rose 1.7% Y/Y from $599.6 million to $609.8 million, led by growth from the Food Atrium and Restaurant Divisions as well as contribution by the 4orth Division, offset by decline at the Bakery Division. Profit After Tax and Minority Interests ("**PATMI**") for FY2018 declined 29.9% from $21.7 million to $15.2 million, as FY2017 saw the recognition of $9.3 million in net capital gain from the divestment of the Group's investment in TripleOne Somerset. Excluding the divestment gain, core net profit of the Group would have been 1.1% higher Y/Y.

***Bakery Division***

Bakery Division revenue declined 5.1% Y/Y to $282.0 million during FY2018, attributed to lower revenue from direct operated stores in Shanghai, Beijing and Hong Kong, as well as lower

franchise revenue from PRC. This was mitigated by stronger revenue from direct operated stores in Singapore and higher international franchise revenue. Direct operated outlets count decreased during FY2018 from 240 to 221, while franchise outlets count increased from 631 to 642 during the same period. EBITDA for the Division declined 2.2% Y/Y to $22.5 million, with EBITDA margin at 8.0% (FY2017: 7.8%), primarily attributed to weaknesses in profitability at the China operations.

***Food Atrium Division***

Food Atrium Division revenue grew 5.1% Y/Y to $156.9 million. During FY2018, the Division opened one food atrium in Shenzhen, one in Hong Kong as well as our inaugural food atrium in Cambodia. We closed our only outlet in Hangzhou. During the year, the Division has also been aggressively adding a new revenue stream as it adapts its business model into smaller store formats in shopping malls with the opening of three additional Direct Operated Restaurants (DOR). The Division now operates five DORs under the "Sergeant Kitchen" brand. Same store sales growth remained generally strong across the entire portfolio. EBITDA improved 24.3% Y/Y to $31.2 million with EBITDA margin better at 19.9% (FY2017: 16.8%), helped mainly by higher revenue driven by low stall vacancy.

***Restaurant Division***

Restaurant Division revenue rose 8.2% Y/Y to $152.3 million for FY2018, with the addition of four more outlets – one in Singapore and two in Thailand and our first outlet in the United Kingdom during the year. We closed one outlet in Singapore upon the expiry of the lease. EBITDA declined by 6.6% Y/Y to $28.1 million primarily due to higher staff and administrative costs related to the starting up of the United Kingdom operations. As a result, EBITDA margin declined from 21.4% to 18.5%. Excluding the one-off expenses, both EBITDA and EBITDA margin for the period would have been higher Y/Y.

***4orth Division***

4orth Division turned in a revenue of $14.2 million for FY2018. The business division currently comprises five Sō Ramen, one TaiGai and one Nayuki outlets in Singapore, four Song Fa Bak Kut Teh ("**Song Fa**") and one Wu Pao Chun Bakery outlets in China. The Division reported an EBITDA loss of $2.9 million primarily attributed to pre-opening expenses incurred ahead of several new outlets opening towards fourth quarter FY2018. On a standalone basis, Sō Ramen has been contributing positive net profit to the Division during the year.

***Others***

Overall interest expense for FY2018 increased 69.9% Y/Y to $9.2 million on higher total debt as the Group issued $100 million of five-year, 4.00% Medium Term Note in January 2018, in anticipation of our capital expenditure requirements for FY2018 and FY2019. Plans are already underway for the construction of our new integrated central production facility in China which will provide greater production capacity to support the growth of our existing and new businesses. Notably, close to 77% of the Group's total borrowings are locked in on fixed rate, which largely immunises the Group against the current rising interest rate environment. Through prudent treasury management, interest income also rose 41.4% to $3.2 million which partially helped to mitigate the impact of higher interest cost.

**FY2017 vs FY2016**

Group revenue for FY2017 declined 2.5% Y/Y from $615.0 million to $599.6 million in line with our consolidation strategy for FY2017. For the same period, EBITDA for the Group declined 3.7% Y/Y to $84.3 million with EBITDA margin steady at 14.1% (FY2016: 14.2%), primarily due to weaker operating profit at the Bakery Division. PATMI for FY2017 improved 89.6% from $11.4 million to $21.7 million. PATMI margin rose to 3.6% (FY2016: 1.9%).

FY2017 saw the recognition of $9.3 million in net capital gain from the divestment of the Group's investment in TripleOne Somerset during first quarter FY2017, while FY2016 saw the recognition of $8.8 million in net capital gain from the divestment of 112 Katong Mall during first quarter FY2016.

***Bakery Division***

Bakery Division revenue declined 3.2% Y/Y to $297.0 million during FY2017, attributed to lower revenue from direct operated stores at Shanghai, Beijing and Hong Kong, as well as lower franchise revenue from China due to the planned early termination of 8 franchisees during the year. There were 20 less direct operated stores Y/Y, at 240, following the re-classification of the 8 outlets in Malaysia in fourth quarter FY2017 to franchise, as well as closures in Singapore and China. Franchise outlets ended the year at 631, 29 more Y/Y due to the addition of the re-classified outlets from Malaysia as well as more outlet openings by our Indonesia, Philippines and Thailand franchisees. EBITDA for the Bakery Division declined 21.1% to $23.0 million, with EBITDA margin at 7.8% (FY2016: 9.5%) primarily due to lower profitability at our Singapore and Shanghai direct operated stores, and lower high-margin revenue contribution from the China franchise business.

***Food Atrium Division***

Food Atrium Division revenue was 5.4% Y/Y lower at $149.3 million as number of outlets decreased by 4 Y/Y. The same store sales growth momentum for the entire portfolio of food atrium outlets was strong, especially in China. The two new outlets that opened in Shenzhen during fourth quarter FY2017, at MIXC World and Uniwalk had not made significant revenue contribution for the year due to the short operating period, but are expected to do so in FY2018. EBITDA improved 51.6% Y/Y to $25.1 million with EBITDA margin improving from 10.5% to 16.8%.

***Restaurant Division***

Restaurant Division revenue rose 2.2% Y/Y to $140.7 million with the addition of one new outlet during the year in Thailand. EBITDA rose in tandem by 2.1% Y/Y to $30.1 million as EBITDA margin kept steady at 21.4% (FY2016: 21.4%), despite having incurred some costs related to the start-up of our first Din Tai Fung outlet in London during the financial year.

***4orth Division***

4orth Division is a new business division incorporated with the objective of incubating new F&B business concepts, as well as enter into joint ventures or other forms of collaboration with good potential F&B partners, with whom we would take these F&B businesses to the regional level. The Division ended the year with revenue of $7.9 million and EBITDA of $0.5 million, translating to an EBITDA margin of 6.8%. The conversion of Ramen Play outlets into Sō started in March 2017 and completed in September 2017, so the Y/Y comparative figures for the 4orth Division are not meaningful.

***Others***

Despite a rising interest rate environment, overall interest expense for the Group declined 8.6% Y/Y to $5.4 million, through our discipline in maintaining a healthy gearing level. Our active treasury management efforts also saw an improvement in interest income for the Group by 92.3% Y/Y from $1.2 million to $2.2 million.

Tax expense also declined 8.8% from $12.1 million to $11.0 million, translating to an improvement in effective tax rate from 40.8% to 27.0%, attributed to the turning around in some of our China businesses during FY2017 from loss making to profitable, thereby utilising earlier accumulated tax credits.

# RISK FACTORS

*Prior to making an investment or divestment decision, prospective investors in or existing Noteholders should carefully consider all the information set forth in this Information Memorandum and any documents incorporated by reference herein, including the risk factors set out below.*

*The risk factors set out below do not purport to be complete or comprehensive of all the risk factors that may be involved in the businesses, assets, results of operations, financial condition, net sales, revenues, profitability, liquidity, capital resources, performance and/or prospects of the Issuer and its subsidiaries and/or any associated companies (if any) or any decision to subscribe for, purchase, sell, hold, own or dispose of the Notes. Additional risk factors which the Issuer is currently unaware of or currently deems immaterial may also impair the businesses, assets, results of operations, financial condition, net sales, revenues, profitability, liquidity, capital resources, performance and/or prospects of the Issuer and/or the Group. If any of the following risk factors develop into actual events, the business, assets, results of operations, financial condition, net sales, revenues, profitability, liquidity, capital resources, performance and/or prospects of the Issuer and/or the Group could be materially and adversely affected. In such cases, the ability of the Issuer to comply with its obligations under the Trust Deed and the Notes may be adversely affected. Further, the market price of the Notes could decline, and investors may lose all or part of their investments in the Notes. The risk factors discussed below may also include forward-looking statements and the Issuer's and the Group's actual results may differ substantially from those discussed in these forward-looking statements.*

*Prospective investors should not rely on the information set out herein as the sole basis for any investment decision in relation to the Notes but should seek appropriate and relevant advice concerning the appropriateness of an investment in the Notes for their particular circumstances.*

*Headings and sub-headings are for convenience only and risk factors that appear under a particular heading or sub-heading may also apply to one or more other headings or sub-headings.*

## LIMITATIONS OF THIS INFORMATION MEMORANDUM

***This Information Memorandum does not purport to nor does it contain all information that a prospective investor in or existing Noteholder may require in investigating the Issuer or the Group, prior to making an investment or divestment decision in relation to the Notes issued under the Programme.***

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any of the Arrangers or any of the Dealers that any recipient of this Information Memorandum or any such other document or information (or such part thereof) should subscribe for or purchase or sell any of the Notes.

This Information Memorandum is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Notes only after it has determined that such investment is suitable for its investment objectives. Determining whether an investment in the Notes is suitable is a prospective investor's responsibility, even if the investor has received information to assist it in making such a determination. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Issuer, its subsidiaries and/or its associated companies (if any), any of the Arrangers or any of the Dealers or any person affiliated with each of them in connection with its investigation of the accuracy or completeness of the information contained herein or of any additional information considered by it to be necessary in connection with its investment or divestment decision. Any recipient of this Information Memorandum contemplating subscribing for or purchasing or selling any of the Notes should determine for itself the relevance of the information contained in this Information Memorandum

and any such other document or information (or any part thereof) and its investment or divestment should be, and shall be deemed to be, based solely on its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer and the Group, the terms and conditions of the Notes and any other factors relevant to its decision, including the merits and risks involved. A prospective investor should consult with its legal, tax and financial advisers prior to deciding to make an investment in the Notes.

## RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

### *The Group is subject to intense competition and must continue to make significant capital investments in order to remain competitive, which it may be unable to recover*

The Group operates in an industry which is highly competitive where barriers to entry are low. The Group's competitors include large and diverse groups of bakery chains, restaurants, cafes, coffee joints and individual operators. Some of the Group's competitors are established in the F&B industry and operating in similar business segments as the Group and may have substantially greater financial and marketing resources. There can also be no assurance that new competitors, some of which may have greater brand recognition and financial resources than the Group, will not compete with the Group. The entry of new competitors into the Group's industry or into the immediate areas surrounding its existing F&B retail outlets, food atriums or restaurants could adversely affect its business, prospects, profitability, financial condition and results of operations.

To remain competitive, the Group is constantly required to make significant capital investments, including but not limited to renovating or refurbishing its existing bakery chain, restaurant, and coffee joints outlets. As a result of such renovation or refurbishing, there may be no revenue generated by the outlets in question. In addition, the Group is required to make capital investments into its central kitchen, which processes the main ingredients used in our food products and is responsible for ensuring a consistent quality in our food products. These capital investments include but are not limited to, setting up additional kitchens, the purchase of new equipment and upgrading and maintenance of existing processing facilities. There can be no assurance that these capital investments will generate the level of return initially anticipated, due to changes in market environment and other factors.

In particular, if unforeseen market changes and corresponding declines in demand result in mismatch between the actual and anticipated demands of consumers, the Group may not be able to recover its capital expenditures or investments, in part or in full, or the recovery of such capital expenditures or investments may take longer than expected.

In addition, the Group may have made capital investments in the past that may still have a continuing impact on the Group's operating results. While the Group evaluates each investment decision carefully, there is no assurance that its capital investments will generate the expected returns and if the expected returns are not generated, this may adversely affect the Group's business and financial performance.

### *The Group is subject to changes in consumer preferences or discretionary consumer spending*

The Group's continued growth and success depend, in part, on the popularity of its bakery and restaurant menu items. The emergence of new lifestyle dining trends or any change in existing lifestyle dining trends could result in a change in consumer preferences. Shifts in consumer preferences away from the Group's bakery and restaurant menu items to other kinds of take-out food items offered in other types of eateries could materially affect the Group's business. In addition, the Group's continued success depends, in general, on disposable consumer income and consumer confidence, all of which can affect discretionary consumer spending. Any outbreak of diseases and viruses from the region or around the world may affect consumer confidence and reduce discretionary spending and reduce the flow of customers. Please also refer to the risk factor entitled "*The business and operations of the Group may be affected by factors outside of the*

*Group's control*". Any changes in the market and economic conditions of Singapore and countries which the Group may operate in may also affect the consumers' disposable income, consumer confidence and hence discretionary consumer spending. If the Group is unable to keep pace with the changing tastes of consumers in the future, the patronage of its restaurants, F&B retail outlets and food atriums may be affected. Adverse changes in these factors would reduce the flow of customers and may adversely affect the Group's business, prospects, profitability, financial condition and results of operations.

***The Group may not be able to maintain an attractive tenant mix or the current occupancy rates for its food atriums***

It is essential that the Group's food atriums maintain an attractive mix and consistent quality of food operators that can offer its customers a variety of F&B offerings and consistency in the quality of food and services. An unattractive mix of food operators, or poor or inconsistent quality of food and services could result in customer dissatisfaction and a reduction in patronage of the Group's food atriums.

Further, there is no guarantee that the Group will be able to sustain the current occupancy rates of its food atriums, as this depends on the Group's ability to manage its relationships with third party food operators and the fees and rents charged to them. In addition, the sustainability of the trade and availability of food operators depend on the willingness of the younger generation to enter the trade. This may also be affected by rising manpower costs, the size of the labour pool and an ageing workforce in Singapore. In the event the occupancy rates in the Group's food atriums decrease, this may materially and adversely affect the Group's business, financial conditions, results of operations and/or prospects.

***The Group is subject to changes in governmental regulations***

The Group is subject to government rules and regulations governing the F&B industry in various jurisdictions, including but not limited to laws and regulations relating to the sale of food, food hygiene and handling and storage of food. Any changes in such government regulations may have a negative impact on the Group's business. Difficulties or failure in obtaining the required licences and approvals could delay, or result in the Group's decision not to open new F&B retail outlets, food atriums, restaurants and/or central kitchens. Local authorities may suspend or deny renewal of the Group's existing food licences if they determine that the Group does not meet applicable standards. Although the Group has satisfied the licensing requirements for its existing F&B retail outlets, food atriums, restaurants and central kitchens, there is no assurance that it will be able to maintain these approvals or obtain these approvals at future locations. The failure to obtain, maintain or renew governmental licences, permits and approvals, including the food hygiene licences, could have a material adverse effect on the Group's business, prospects, profitability, financial condition and results of operations. Compliance with laws and regulations may entail significant costs, while non-compliance could result in penalties and may be detrimental to the Group's image. In addition, any change in or introduction of new laws and regulation that require compliance may increase costs of the Group's operations. Any of these factors will have an adverse effect on the Group's business, prospects, profitability, financial condition and results of operations.

With respect to its operations in Singapore, the Group is subject to labour laws which govern the employment of its local and foreign employees and is therefore affected by any changes in government policies and regulations relating to foreign workers such as foreign workers levy and the permitted dependency ratio of local to foreign workers in the industry as well as the supply of such foreign workers. Foreign workers employed by the Group in Singapore constitute approximately 40% of its total workforce in Singapore as at the Latest Practicable Date and should there be any tightening of foreign employee content or laws, the Group's operations will be affected. Other changes in labour laws, such as imposition of minimum wages, increases in overtime pay, paid leave of absence and mandated health benefits and issues concerning the

employment of foreign workers will increase the Group's labour costs and adversely affect its profitability, financial condition and results of operations. In the event that the Group is unable to hire a sufficient number of workers (including part-time workers) for a reasonable cost or it has to decrease its dependency on foreign workers or there is a shortage of foreign workers, the Group may have to seek other sources of manpower at a higher cost and its operating expenses may increase as a result. If the Group is unable to fulfil its workforce requirements, its operations may be affected and its business growth may be curtailed.

## RISKS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS

### *The Group's business is largely service oriented and any failure to retain key staff and/or employ qualified employees could adversely affect its business*

The Group's business operations are labour intensive and its continued success depends in part upon its ability to attract, motivate and retain a sufficient number of qualified and skilled employees for its F&B operations, including F&B retail outlet managers, master bakers and chefs, kitchen staff and servers. Qualified individuals of the requisite calibre are in short supply in these areas of F&B operations.

In particular, experienced and highly skilled master bakers and chefs are scarce and more difficult to attract. The Group may also not be able to maintain the quality of its food products due to a shortage of trained staff. As such, any failure to recruit skilled personnel, to retain and motivate the key staff, or to find adequate replacements for employees who leave the Group might adversely impact the Group's operations and expansion plans. Any material increase in employee turnover rates in existing restaurants and/or F&B retail outlets could have a material adverse effect on the Group's business, prospects, profitability, financial condition and results of operations. Additionally, competition for qualified employees would require the Group to pay higher wages to attract and retain sufficient employees, which could result in higher labour costs and lower profits.

### *Any failure to maintain the quality and hygiene standards of the food products the Group offers will adversely affect its business*

In the F&B industry, it is essential that the quality of food products served be consistent and the food products are prepared hygienically and thus safe for consumption.

A risk of contamination or deterioration exists during each stage of the production cycle, including during the production and delivery of raw materials, the packaging of the Group's products, the stocking and delivery of the Group's products to its F&B retail outlets, food atriums, restaurants and central kitchens and the storage and shelving of the Group's products at the final points of sale. Any such contamination or deterioration could result in a recall of the Group's products and/or criminal or civil liability and restrict the Group's ability to sell its products which, in turn, could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group. In addition, from time to time, the Group may be subject to false claims of contamination which could create negative publicity that could adversely affect the Group's reputation and product sales, which could also adversely affect the business, financial condition, results of operations and prospects of the Group.

In addition, the Group may not be able to ensure that its third party suppliers maintain the quality of the materials they supply to the Group which may in turn affect the quality of the Group's food products.

Any decline in the standards of hygiene or the consistency in the quality of the Group's food products may result in customers' dissatisfaction and hence a decrease in their patronage of the Group's F&B retail outlets, food atriums and/or restaurants. In addition, high staff turnover, shortage of staff or the lack of proper supervision may also affect the consistency and quality of the food products served, the standard of hygiene in the preparation of the food products and the

services at the Group's F&B retail outlets, food atriums and/or restaurants. This will in turn adversely affect the business, prospects, profitability, financial condition and results of operations of the Group.

***Rent hikes in the Group's F&B premises and any inability to renew or procure leases at strategic locations may affect the Group's profits, growth and financial performance***

Most of the Group's F&B retail outlets, food atriums and restaurants are housed under leased premises and although some of these F&B retail outlets, food atriums and restaurants are located within properties which the Group has investments in, any lease arrangement is still conducted at arm's length and on normal commercial terms. Upon expiry of such leased tenure, the landlords have the rights to review and alter the terms and conditions of the lease agreements. The Group faces the possibility of an increase in the rental prices by the landlords or not being able to renew the leases on terms and conditions which are favourable to the Group. Any increase in the rentals would inevitably increase the Group's operating costs, thereby affecting the Group's profits. The non-renewal of the leases, or renewal upon less favourable terms, or early termination of the leases may force the Group to relocate the affected operations. As such, there is no assurance that the Group will be able to secure prime locations for its F&B retail outlets, food atriums or restaurants or that the Group's operations will not be relocated. Such relocation of the Group's operations will cause disruptions to its normal business operations and it may have to incur additional expenses to, among other things, renovate the new premises.

Further, the success of the Group's business and growth is dependent on its ability to secure good locations for its F&B retail outlets, food atriums and restaurants. A good location possesses characteristics such as heavy traffic flow, reasonable rental costs, safe and conducive environment for dining and close proximity to target patrons. There is no assurance that the Group will be able to continue to secure good locations to expand its business, and this may affect its prospects, profitability, financial condition and results of operations.

***The Group may be affected by any unexpected closure or plans to demolish buildings in which its F&B premises are located***

There is no assurance that the buildings in which the Group's F&B retail outlets, food atriums and/or restaurants are located will continue to be in operation and will not be closed down or demolished. In the event that such closure or demolition happens, the Group will need to write off all the fixed assets of that particular F&B retail outlet, food atrium or restaurant. Furthermore, the Group may not be able to find suitable alternative locations which will give rise to a loss in income for the Group. The compensation that the Group may receive from the owners of the building may not be sufficient to offset the loss in income and the write-off in fixed assets. In such a situation, the Group's earnings will be adversely affected.

***The Group may be affected by any change in tenant mix and poor maintenance of the malls in which its F&B premises are located***

Any change in the tenant mix or a change in anchor tenant of a shopping centre or complex in which the Group's F&B retail outlets, food atriums and/or restaurants are located may result in fewer customers visiting the shopping centre or complex and hence lower the human traffic flow to the Group's F&B retail outlets, food atriums and/or restaurants. Additionally, poor maintenance of the shopping centre or complex may also result in less patronage and may consequently affect the Group's business, profitability, financial condition and results of operations.

***The Group's business may be adversely affected if its competitors successfully imitate its baking and presentation methods***

The Group considers its baking and presentation methods, including its packaging and the design of the interior of its F&B retail outlets, to be essential to the appeal of its products and brands.

It may be difficult for the Group to prevent competitors from successfully imitating the design of its F&B retail outlets, methods or recipes. If the Group's competitors successfully imitate the Group's preparation or presentation methods or recipes, the value of the Group's brands (in particular, the "BreadTalk" brand) may be diminished and the Group's market share may decrease. Furthermore, the Group's competitors may be able to develop food preparation and presentation methods or recipes that are more appealing to consumers. If any of the above events occur, the Group's business, prospects, profitability, financial condition and results of operations may be adversely affected.

***The Group's operations are dependent on its intellectual property***

The Group's trademarks have significant value and are important to its brand-building efforts and the marketing of its F&B retail outlet and food atrium concepts. Name recognition is important in order to promote new F&B retail outlets, food atriums, restaurants and concepts. While the Group registers its trademarks in the geographical markets in which it operates, there can be no assurance that where the Group expands into new geographical markets, that any application for registration of the Group's trademarks will be approved. Further, there can be no assurance that the Group's intellectual property rights will not be infringed upon or that ownership of such brands and related trademarks will not be challenged by third parties. In the event that any third party alleges proprietary rights over such brands and trademarks, the Group may be exposed to legal proceedings brought against it in respect of its use of the brands and trademarks. These legal proceedings may result in monetary losses and may prevent the Group from further using such brands and trademarks. In such an event, the Group's business, prospects, profitability, financial condition and results of operations may be adversely affected. Any unauthorised use of the brands and trademarks or variants thereof may also adversely affect the Group's reputation and consequently its business, prospects, profitability, financial condition and results of operations. In addition, if the Group deems necessary, it may take action (including litigation) to stop infringement of its intellectual property rights or obtain adequate compensation or remedy. There is no assurance that the Group will be successful in protecting intellectual property rights and it may incur substantial costs in the process.

***The Group may be affected by any adverse impact on its reputation***

The Group has over the years established its reputation in the F&B industry. The Group believes that its established reputation and track record has enabled it to gain its customers' loyalty. Hence, if there are any major defects in the Group's products, lapses in its services or adverse publicity of the Group, its reputation will be adversely affected and its customers may lose confidence in its products and services. This will adversely affect the Group's financial performance and profitability.

***The Group is dependent on its major suppliers***

The Group purchased approximately 27.30% of its supplies in FY2018 from its top ten suppliers. The involuntary or unexpected loss of any of the Group's major suppliers will temporarily disrupt its supplies and may have an adverse effect on its business, profitability, financial condition and results of operations.

Furthermore, there can be no assurance that the Group's major suppliers will be able to continue to fulfil the Group's needs and expectations in terms of cost and product quality. In the event that the Group's major suppliers are unable to fulfil the Group's requirements or cease to supply raw materials to the Group, it may incur time and higher costs in sourcing from new suppliers, which could result in disruptions to the Group's business and the Group's profitability, financial condition and results of operations may be adversely affected.

***The Group is susceptible to fluctuations in raw material prices and supply***

The Group needs sufficient and timely supplies of raw materials to manufacture its products. In particular, the Group is dependent on the supply of major raw materials like flour, granulated

sugar, eggs, cooking oil, butter, rice and poultry. As these raw materials are mostly commodities, their prices and availability in suitable quality are affected by volatility in commodity markets and changes in exchange rates, climates, market supply and demand forces and governmental regulations. A reduction in supply may lead to an increase in costs or disruption to the production process.

The Group does not utilise financial instruments to hedge its exposure to the fluctuations in commodity prices as available financial instruments generally do not provide perfect hedges. However, the Group does enter into raw material supply contracts of various durations with its suppliers to lock in their volumes and/or prices from time to time, based on its production requirements and demand forecasts in order to achieve its targeted gross profit margins for its various products. However, due to the differences in procurement volumes of the various raw materials, it may not be commercially viable to lock in the volumes and/or prices for all raw materials via supply contracts, especially for raw materials that are procured in small quantities.

An increase in the prices of raw materials, and the inability to source for and obtain alternative suppliers, may have a significant impact on the profit margins of affected products and hence the Group's profitability. There is no assurance that the Group will be able to pass on any future increase in costs to its customers in order to maintain its profit margins. Hence, any significant increase in the prices of raw materials could materially and adversely affect the results of its operations.

***The Group may not be able to manage its growth effectively***

The Group intends to expand locally and to expand overseas through direct investments, joint ventures or franchising. The Group may not be equipped to successfully manage any future periods of rapid growth or expansion, which could place a significant strain on its management, operating, financial and other resources. The Group may require implementation of additional management information systems to further develop its operating, administrative, financial and accounting systems and controls, and to maintain close coordination among accounting, finance, marketing, sales, distribution and operations. Moreover, the Group may need to hire and train additional personnel. Failure on the part of the Group to develop and maintain the infrastructure necessary to run its operations could have a material adverse impact on its business.

***The Group is dependent on its franchise arrangements***

As at the date of this Information Memorandum, the Group holds the franchise rights to operate the Din Tai Fung brand of restaurants in Singapore, Thailand and the United Kingdom. However, there can be no assurance that the Group will continue to be the franchisee of the Din Tai Fung brand of restaurants in Singapore, Thailand and the United Kingdom. If the Group is found to be in breach of any condition of or fails to fulfil any of its obligations as franchisee under the relevant franchise agreement, Din Tai Fung may terminate the franchise and grant the franchise rights to another party. In the event that the Group is unable to retain its franchise rights, its business, prospects, profitability, financial condition and results of operations will be adversely affected.

In addition, as at the Latest Practicable Date, approximately 66.7% of the Group's F&B retail outlets (being only the BreadTalk and Toast Box retail outlets) are operated by franchisees. There is no guarantee that the Group will always be able to attract suitable franchisees. Although the Group carefully evaluates and screens prospective franchisees, it cannot be absolutely certain that the franchisees selected will have the business acumen or financial resources necessary to operate successful franchises. Franchisees are independent business operators and, the Group does not exercise full control over their day-to-day operations. The quality of franchised F&B retail outlets may be diminished by various factors beyond the Group's control. Consequently, franchisees may not operate the F&B retail outlets in a manner consistent with the Group's standards and requirements or may not hire and train qualified and skilled employees. The failure of franchisees to maintain the Group's standards and to operate the Group's franchised F&B retail

outlets successfully could have a material adverse effect on the Group, its reputation and its brands and could have a material adverse effect on the Group's business, prospects, profitability, financial condition and results of operations.

Franchisees, as independent business operators, may from time to time disagree with the Group's business strategies or the Group's interpretation of rights and obligations under the franchise agreement. This may lead to disputes which could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, if one or more of these franchisees were to become insolvent or otherwise were unwilling or unable to pay the Group their franchise fees, it could adversely affect the Group's financial condition and results of operations. Franchisees may also choose not to continue the franchise arrangement with the Group and the loss of any franchisee will result in a decrease in the Group's revenues and the termination of any profitable franchise agreement will affect the Group's profitability.

***The Group is subject to risks inherent in joint venture structures***

The Group has, and expects in the future to have, interests in joint venture entities. However, there is no assurance that the Group's current joint venture partners will continue to be a suitable fit or that the Group will be able to attract suitable joint venture partners in the future. Disputes may occur between the Group and its joint venture partners regarding the business and operations of the joint ventures which may not be resolved amicably. In addition, the Group's joint venture partners may (a) have economic or business interests or goals that are not aligned with the those of the Group, (b) take actions contrary to the Group's instructions, requests, policies or objectives, (c) be unable or unwilling to fulfil their obligations, (d) have financial difficulties or (e) have disputes with the Group as to the scope of their responsibilities and obligations.

Additionally, the Group's joint venture partners (i) may not be able to fulfil their respective contractual obligations (for example they may default in making payments during future capital calls or capital raising exercises) or (ii) may experience a decline in creditworthiness. The occurrence of any of these events may materially and adversely affect the performance of the Group's joint ventures, which in turn may materially and adversely affect the Group's business, financial condition, prospects and results of operations. The termination of any profitable joint venture partnership may also adversely affect the Group's profitability.

***The Group may be exposed to increased risks from future acquisitions, joint ventures or investments***

The Group may, as a matter of business strategy, invest in or acquire other entities in the new areas of business, or enter into joint ventures or other investment structures in connection with such new businesses. Acquisitions that the Group may undertake, along with potential joint ventures and other investments, may expose the Group to additional business and operating risks and uncertainties, including but not limited to the following:

(i) the direct and indirect costs in connection with such transactions;

(ii) the inability to effectively integrate and manage the acquired businesses;

(iii) the inability of the Group to exert control over the actions of its joint venture partners, including any non-performance, default or bankruptcy of the joint venture partners;

(iv) the inability of the Group to exert control over strategic decisions made by these companies;

(v) the time and resources expended to coordinate internal systems, controls, procedures and policies;

(vi) the disruption in ongoing business and diversion of management's time and attention from other business concerns;

(vii) the risk of entering markets in which the Group may have no or limited prior experience;

(viii) the potential loss of key employees and customers of the acquired businesses;

(ix) the risk that an investment or acquisition may reduce the Group's future earnings; and

(x) exposure to unknown liabilities.

If the Group is unable to successfully implement its acquisition or expansion strategy or address the risks associated with such acquisitions or expansions, or if the Group encounters unforeseen expenses, difficulties, complications or delays frequently encountered in connection with the integration of acquired entities and the expansion of operations, the Group's growth and ability to compete may be impaired. The Group may fail to achieve acquisition synergies and be required to focus resources on integration of operations, rather than on its business. This will have a material adverse effect on the business, financial condition and results of operations of the Group.

***The Group relies heavily on its senior management staff and the inability to retain or attract senior staff will adversely affect its performance***

The Group is highly dependent on its senior management staff. The loss of such personnel without adequate replacements could adversely affect the Group's business and prospects. In addition, the Group's success also depends upon its ability to attract, retain and motivate its senior management. The Group's inability to do so would adversely affect its business, prospects, profitability, financial condition and results of operations.

***Pilferage and theft by the Group's employees and outsiders will adversely affect the Group***

In the F&B industry, cash sales and food items are handled by the Group's employees and lapses in internal controls may occur from time to time. Should the Group fail to impose strict monitoring on its staff for possible practices of pilferage and theft of raw materials by employees and outsiders, the Group will not be able to prevent such misdeeds from happening. These wrong-doings will not only adversely affect the Group's business, profitability, financial condition and results of operations, but also its reputation and branding.

***The Group is exposed to risks of slow-moving perishable stock***

In order to meet market demands, the Group typically maintains some inventory for its products, ranging from raw materials to semi-processed and finished products. The maintenance of such inventory levels exposes the Group to the risk of product wastage as its products may be perishable. In the event that products cannot be sold, these products will have to be disposed of, and this may result in losses to the Group and adversely affect its results of operations.

***The business and operations of the Group may be affected by factors outside its control***

The business and operations of the Group may be adversely affected by factors outside its control, such as the following:

- unforeseeable circumstances, such as power outages, labour disputes, severe weather conditions and natural or other catastrophes (like hurricanes, typhoons, earthquakes, floods, severe weather, fires and explosions) may cause disruptions to the Group's operations as well as loss or damage to its F&B retail outlets, food atriums, restaurants and/or central kitchens. Such events may cause a disruption or cessation in the operations of the Group. Further, its operations of central kitchens are especially susceptible to any prolonged significant equipment downtime. Should such events materialise, customer confidence will drop and the Group's expenditure in the replacement or repair of damaged property will also increase, which would adversely affect the Group's business, prospects, profitability, financial

condition and results of operations. Any occurrence of a catastrophic event could also materially and adversely affect international financial markets or domestic economies of the different jurisdictions where the Group operates (including Singapore, the PRC, Hong Kong, Thailand and the United Kingdom) and could thereby adversely affect the Group's business, financial condition, results of operations or prospects.

- an outbreak of any contagious or virulent disease in various countries around the world may adversely affect consumer sentiments, leading to a reduced willingness of the Group's customers to patronise its F&B retail outlets, food atriums and/or restaurants, which would consequently have a material adverse effect on the Group's business, profitability, financial condition and results of operations. If any of the Group's employees in any of its F&B retail outlets, restaurants or central kitchens becomes infected with the disease, it may be required to shut down the relevant F&B retail outlet, restaurant or central kitchen to prevent the spread of the disease, which may have an adverse impact on the Group's business, profitability, financial condition and results of operations.

- any outbreak of diseases in livestock or food scares in the region and around the world, for instance, the avian influenza H5N1 virus (also known as "bird flu"), Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), Ebola, salmonella, bovine spongiform encephalopathy (also known as "mad cow disease"), porcine respiratory and encephalitis syndrome or the Nipah virus, may lead to a reduction in the consumption of the affected type of meat or food by consumers. The Group is not able to predict the outbreak and occurrences of such diseases, or when there might be an outbreak of new diseases affecting not only meat, but also seafood, vegetables or other ingredients used in the Group's food products. In addition, a loss in consumer confidence arising from an outbreak of disease concerning any particular food ingredient may force the Group to reduce or totally eliminate the use of that food ingredient in its menu. In the event of any such outbreaks resulting in a severe loss of consumer confidence and a decline in the patronage at the Group's F&B retail outlets, food atriums and/or restaurants, its business may be materially and adversely affected.

- terrorist attacks and other acts of violence or war around the world, and particularly (but not limited to) those involving countries in Asia, may adversely affect the regional markets and the worldwide financial markets. The occurrence of any of these events may result in a loss of business confidence, which could potentially lead to economic recession and generally have an adverse effect on the Group's business, results of operations and financial condition.

- in addition, the occurrence of any of the abovementioned circumstances may also affect the sources of supply of food ingredients or raw materials. Any reduction in supply may lead to an increase in supply costs which the Group may not be able to pass on to its customers, or a shortage in supply of the affected food ingredients or raw materials will affect its ability to supply its F&B retail outlets, restaurants and central kitchens with the necessary food ingredients or raw materials for operations. Any increase in prices of or shortage in supply of the food ingredients or raw materials required for the Group's F&B retail outlets, restaurants or central kitchens will adversely affect its business, prospects, profitability, financial condition and results of operations.

***The Group will be adversely affected by any regulatory sanctions and civil law suits arising from accidents at its F&B premises***

The Group's staff in its F&B retail outlets, food atriums, restaurants and central kitchens are involved in the preparation of food products and cleaning of the kitchen equipment. Due to the nature of their work, accidents may occur resulting in personal injury, death or losses or damages to property. The occurrence of accidents may disrupt or delay the Group's operations, result in liabilities incurred by the Group and adversely affect its reputation, business, profitability, financial condition and results of operations. In the event the Group is guilty of any lapses or inadequacy in

safety standards which result in such accidents, it may be subject to regulatory sanctions or civil law suits. Any civil law suits, if successfully brought against the Group, may involve the payment of damages and may also give rise to negative publicity, which may adversely affect the Group's business, prospects, profitability, financial condition and results of operations, regardless of the outcome of such civil law suits. While the Group maintains insurance policies, its insurance coverage may not be sufficient to cover all its potential losses arising from accidents in its premises. In the event that the Group's insurance coverage is not sufficient to cover its liabilities from such accidents, the Group's profitability, financial condition and results of operations may be adversely affected.

***The Group may be involved in legal and other proceedings from time to time***

In general, the Group is exposed to the risk of litigation by various parties such as suppliers, customers, employees and other parties involved in its business, including the risk of being joined as third parties to litigation actions or involvement in frivolous claims. These disputes may lead to legal and other proceedings, and may cause the Group to suffer additional costs and time wastages. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable orders, directives or decrees that may result in financial losses. There can be no assurance that these disputes will be settled, or settled on terms which are favourable to the Group. In the event such disputes are not settled on terms which are favourable to the Group, or at all, the Group's business, prospects, profitability, financial condition and results of operations may be adversely affected.

***The Group's insurance coverage may not adequately protect it against certain operational risks and it may be subject to losses that might not be covered in whole or in part by existing insurance coverage***

The Group maintains insurance which it believes is typical in the industries in which it operates and in amounts which it believes are commercially appropriate for a variety of risks, including risks relating to fire and burglary. However, such insurance may not be adequate to cover all losses or liabilities that may arise from its operations, particularly when the loss suffered is not easily quantifiable. Even if it has adequate insurance cover, the Group may not be able to successfully assert its claims for any liability or loss under the relevant insurance policies. Additionally, there may be various other risks and losses for which the Group is not insured because such risks are either uninsurable or not insurable on commercially acceptable terms. Furthermore, there can be no assurance that in the future the business will be able to maintain insurance of the types or at levels which it deems necessary or adequate.

The occurrence of any event for which the Group is not insured, where the loss is in excess of insured limits or where the Group is unable to successfully assert insurance claims from losses, could result in uninsured liabilities. Any such uninsured liabilities could result in a material adverse effect on the Group's business operations, financial condition and results of operations, which could thereby materially affect the Issuer and/or the Group's ability to fulfil payment or other obligations under the Notes.

***The economic and social conditions globally and in the countries where the Group operates may adversely impact the Group***

With a presence in countries such as Mainland China, Malaysia, Thailand, Taiwan, Philippines, Hong Kong the United Kingdom and the Middle East, the Group is exposed to the development of the global economy as well as the industries and geographical markets in which it operates. As a result, its business, financial condition, prospects and results of operations may be influenced by the general state of the global economy or the general and political state of the jurisdictions in which the Group operates.

The global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near failure of a number of institutions in the banking and insurance industries. Concerns about the outlook of the PRC's economy, the exit of the United Kingdom from the European Union, the rise in global trade protectionism and the interest rate environment in the United States also continue to have a negative impact on the global financial markets. While there have been period of stability in these markets, the environment has become more unpredictable. The recent volatility in global financial markets has added to the uncertainty about the global economic outlook, and a number of countries are experiencing slowing economic activity. These events have damaged, and may continue to damage, market confidence, and access to and costs of funding, and may slow the activity of or have other impacts on the entities with which the Group does business. A deterioration in the economy or the political condition of any of the countries in which the Group operates or a national, regional or global recession or any slowdown in such economies may adversely affect economic growth in these market and elsewhere and may have a material adverse effect on the Group's business, financial condition, prospects and results of operations. The Group may also be adversely affected by exchange controls, changes in taxation laws, changes in foreign investment policies and other restrictions and controls which may be imposed by the relevant authorities of the countries in which the Group operates.

***The Group is subject to the general risk of doing business overseas***

Depending on the availability of business opportunities, the Group may expand its business overseas further in the future. There are inherent general risks in doing business overseas. These general risks include unexpected changes in regulatory requirements (including permits and licences), difficulties in staffing and managing foreign operations, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainty regarding liability, tariffs and other trade barriers, variable and unexpected changes in local law and barriers to the repatriation of capital or profits, any of which could materially affect the Group's overseas operations. These risks, if materialised, may adversely affect the Group's business, prospects, profitability, financial condition and results of operations. In addition, if the governments in the jurisdictions in which the Group intends to expand its business tighten or otherwise adversely change their laws and regulations relating to the repatriation of their local currency, it may affect the ability of the Group's overseas operations to repatriate profits to Singapore and, accordingly, the Group's cash flows will be adversely affected.

***The Group operates in legal and regulatory systems where the interpretation, application and enforcement of laws and regulations may be uncertain***

The Group and its associated and joint venture companies may face difficulties when they operate in legal and regulatory systems where the interpretation, application and enforcement of laws and regulations may be uncertain or unclear and may be subject to considerable discretion. The application of the laws and regulations may depend, to a large extent, upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy. Judicial decisions may not be systematically and publicly available and may not constitute binding precedent. Enforcement of laws and regulations may not be well established, there may not be public consultation or notice prior to changes in interpretation, application and enforcement of laws and regulations. Where the interpretation, application and enforcement of law and regulation may be subject to uncertainty and considerable discretion, it could in practice lead to a challenging operating environment increasing the difficulties involved in planning and managing a business. There can be no assurance that the Group's prospects, financial condition and business operations will not be adversely affected by such uncertainty.

***The Group is subject to interest rate fluctuations***

The Group faces risks in relation to interest rate movements. Increases in interest reference rates may adversely affect the ability of the Group to service its loans and other borrowings, and may

also impair its ability to compete effectively in its various businesses, relative to competitors with lower levels of indebtedness. Difficult conditions in the global credit markets could adversely impact the cost or other terms of its existing facilities, as well as its ability to obtain new credit facilities or access the capital markets on favourable terms.

The Group has not adopted any hedging policy with respect to its exposure to interest rate volatility, and has not entered into any significant hedging arrangements with respect to such exposure. Accordingly, increases in the market reference rates underlying the Group's financial indebtedness may materially and adversely affect its business, profitability, financial condition and results of operations.

***The Group is exposed to fluctuations in foreign exchange currencies which may result in the Group incurring foreign exchange losses***

The Group's primary exposure to foreign exchange risk arises from sales, purchases and borrowings that are denominated in foreign currencies in regional markets in which the Group operates. The currencies giving rise to the risk include the United States dollar, the Pound Sterling, the Chinese Yuan, the Hong Kong dollar, the Malaysian Ringgit, the Philippine Peso, the Taiwan dollar, the Euro and the Thai Baht. Accordingly, the Group is exposed to currency risks relating to fluctuations between these currencies.

The Group does not have any formal hedging policy against foreign exchange fluctuations. Therefore the Group's profitability may be affected in the event of any adverse fluctuations in the exchange rate between the currencies in which the Group's sales and purchases are respectively denominated.

Any fluctuations in currency exchange rates will also result in exchange gains and losses arising from transactions carried out in foreign currencies as well as translations of foreign currency monetary assets and liabilities as at the various balance sheet dates.

There is no assurance that the Group will be able to successfully manage its foreign exchange risks. In addition, there can be no assurance that the foreign exchange policies of the countries in which the Group's subsidiaries operate will not be changed to their detriment.

***The Group may be subject to restrictions in repatriation of funds***

The Group may be subject to foreign exchange controls that may adversely affect its ability to repatriate income or capital which is located outside of Singapore. Repatriation of income and capital may require the consent of the relevant governments. Delays in or refusals to grant any such approval, revocations or variations of consents previously granted, or the imposition of new restrictions may materially and adversely affect the Group's business, results of operations and financial condition.

***Changes in laws, regulations, enforcement, political, social or economic policies in the PRC, a slowdown in the PRC's economy, or a change in consumption patterns may have an adverse impact on the Group's operations***

A portion of the Group's operations is situated in the PRC and it may expand its operations in the PRC further in the future. As a result, the Group's results of operations and prospects are and will continue to be subject to political, economic, social and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many aspects, including the extent of government involvement, allocation of resources, capital reinvestment, level of development, growth rate, and control of foreign exchange. Historically, the Chinese economy was centrally-planned, with a series of economic plans promulgated and implemented by the PRC government. Since 1978, the PRC government has undergone various reforms of its economic system. Such reforms have resulted in economic growth for the PRC in the last three decades.

However, continued governmental control of the economy may adversely affect the Group. It cannot give assurance that the PRC government will continue to pursue economic reforms. A variety of policies and measures that could be taken by the PRC government to regulate the economy, including (a) the introduction of measures to control inflation or deflation, or reduce growth, (b) changes in the rates or methods of taxation, or (c) the imposition of additional restrictions on currency conversions and remittances abroad, could materially and adversely affect its business, financial condition and results of operations.

Further, a slowdown in the PRC's economy may result in lower shoppers' traffic to the shopping malls where the outlets of the Group are located and this may translate to weaker same store sales growth. Similarly, the rising trend of e-commerce may result in the shift in consumption patterns from brick-and-mortar to online shopping, thereby also contributing to a decrease in shoppers' traffic. Although the Group strives to mitigate the effects of the slowdown via increased advertising, promotional campaigns and continued innovation and introduction of new products, there is no assurance that such initiatives will be effective.

Accordingly, the Group's financial condition and results of operations may be adversely affected by changes in the PRC's political, economic and social conditions, changes in policies of the PRC government or changes in laws, regulations or the interpretation or implementation thereof, a slowdown in the PRC's economy or a change in consumption patterns.

In addition, future changes in applicable laws, regulations or administrative interpretations, or stricter enforcement policies by the PRC government, could impose more stringent requirements on the Group, including fines and penalties. Compliance with such requirements could impose substantial additional costs or otherwise have a material adverse effect on its business, financial condition and results of operations.

***The Group may experience limited availability of funds***

The Group's business operations are capital intensive and may require additional financing to fund capital expenditure, working capital requirements, support the future growth of its business and/or refinance existing debt obligations. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group. Factors that could affect the Group's ability to procure financing include market disruption risks which could adversely affect the liquidity, interest rates and the availability of funding sources.

In addition, the Group's future credit facilities may contain covenants that limit its operating and financing activities and require the creation of security interests over its assets. The Group's ability to meet its payment obligations and to fund planned capital expenditures will depend on its continuing profitable operations, positive operating cash flow and the success of the Group's business strategy to satisfy its obligations, which are subject to many uncertainties and contingencies beyond the Group's control.

**RISKS RELATING TO THE GROUP'S PROPERTY INVESTMENT BUSINESS**

***The Group's property investments are subject to risks associated with real estate investments***

The property interests of the Group are subject to certain general risks inherent in the investment, ownership and management of property investments. These risks include the cyclical nature of property markets and consequent effects on the sale or rental income derived from the property investments, changes in general economic, business and credit conditions, the illiquidity of land and other real property, changes in government policies or regulations, building material and labour shortages and increases in interest rates and the costs of labour and materials.

Property investments are generally illiquid, limiting the ability of an owner to convert property assets into cash at short notice or requiring a substantial reduction in the price that might otherwise be sought for such assets to ensure a quick sale.

The Group is subject in particular to risks incidental to the ownership and operation of office and related commercial properties. Such risks include, among other things, competition for property purchasers and/or tenants, changes in property prices and/or market rents, inability to renew leases or re-let space as existing leases expire, a concentration of renewal of leases or rent adjustments, inability to collect the balance of the purchase price from property purchasers, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties at valuations recorded in the financial statements, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. Accordingly, the Group's property investment business and the value of its property investment portfolio is significantly reliant on the overall state of the real estate industry and market, declines in which may materially and adversely affect the value of its property investments, rental yields and investment returns.

***The Group is exposed to risks associated with the management of its property investments***

The properties owned by the Group comprise real estate used for commercial, office and healthcare and are subject to general and local economic conditions, competition, rental demand for their locations and other factors relating to the leasing and management of such property investments.

As at the Latest Practicable Date, the Group's effective stake in its property investments ranges from 2.93% to 100.0%. As such, the Group does not hold substantive control over the day-to-day management of most of these properties.

The Group's property investments are managed by third party property managers (the "**Managers**") under management contracts, pursuant to which rental income is generated for the Group. Consequently, the Group is dependent on the Managers, which are independent third party contractors, for the oversight of the day-to-day operations, the administration and management, and the monitoring of the property management of the Group's property investments. The rental yields of the Group's properties therefore depend upon the ability of the Managers to manage the properties profitably and generate income for the Group and any failure by the Managers to properly manage the operations of the Group's properties may adversely affect the underlying value of and/or income from these properties.

The successful management of the Group's property investments to achieve positive rental yields depend on the Managers' expertise and is also dependent upon factors such as accessibility, location, valuations and quality of tenants. Demand for commercial and office real estate may be adversely affected by changes in the economy, governmental rules and policies (including changes in zoning and land use), potential environmental and other liabilities, inflation, price and wage controls, exchange control regulations, taxation, expropriation and other political, economic or diplomatic developments in or affecting the jurisdictions in which the Group's properties are situated. The Managers have no control over such conditions and developments, nor can it provide any assurance that such conditions and developments will not materially and adversely affect rental income. If the Managers are unable to manage the properties profitably for the Group and fail to generate income, this may adversely affect the business, financial condition, results of operations and prospects of the Group.

***The Group is subject to risks relating to property investment valuations and declines in property values***

Property valuations generally include a subjective determination of certain factors relating to the relevant properties, such as their relative market positioning, financial and competitive strengths and physical conditions. Valuation of the Group's property investments by professional valuers is based on certain assumptions and is not intended to be a prediction of, and may not accurately reflect, the actual values of those assets. There can be no assurance that the assumptions relied on are accurate measures of the market. Further, the inspection of the Group's property

investments in connection with a valuation exercise may not identify all material defects, breaches of contracts, laws and regulations, and other deficiencies and factors that could affect the valuation of such property investments.

***The property investments are subject to competition from other existing and new properties***

The property investments are located in areas where other competing properties are present and new properties may be developed which may compete with the Group's property investments. The income from, and the market value of, the property investments will be dependent on the ability of the investment properties to compete against other properties for purchasers and/or tenants. If competing properties are more successful in attracting and retaining purchasers and/or tenants, the income from the property investments could be reduced thereby adversely affecting the financial position of the Group.

***The Group is subject to the risk of failing to sell units in its property investments, a loss of an anchor tenant or a significant number of tenants or a downturn in the business of the anchor tenant or a significant number of tenants***

The success and viability of the Group's property investments are dependent on the availability of purchasers and/or tenants. Accordingly, the business, financial condition, results of operations and capital growth of the Group may be adversely affected by a failure to secure purchasers for the property investments, or the bankruptcy or insolvency prior to the payment of the purchase price.

In addition, the bankruptcy, insolvency or downturn in the businesses of one or more of the anchor tenants or a significant number of tenants of any of the property investments, as well as the decision by one or more of the tenants not to renew its lease or to terminate its lease before it expires may further adversely affect the financial position of the Group. If an anchor tenant and a significant number of tenants terminate their lease or does not renew their lease at expiry, it may be difficult to secure replacement tenants at short notice. In addition, the amount of rent and the terms on which lease renewals and new leases are agreed may be less favourable than the current leases. The loss of the anchor tenants or a significant number of tenants may result in a period of vacancy, which may adversely affect the financial conditions of the Group.

***The Group may be unable to generate adequate returns on, or may be exposed to impairment arising from a fall in value of its investment properties***

Property investment is subject to varying degrees of risk. As at the date of this Information Memorandum, some of the Group's property investments are at their initial stages and may not be contributing to the Group's revenues. These investments will need more time to generate income returns. The returns from the property investments depend to a large degree on the amount of capital appreciation generated, income earned and maintenance and property management expenses incurred on its property investments. The Group's financial position may also be adversely affected by a fall in value of any such property investments. The value of such property investments may additionally be adversely affected by a number of factors, including but not limited to changes in market condition and rental rates, the ability to collect rent due to bankruptcy or insolvency of tenants or otherwise and the need to periodically repair and re-let space and the costs thereof. In the event that the property investment business of the Group expands and the Group is unable to generate adequate returns on its property investments, the Group's profitability, financial condition and results of operations will be adversely affected.

***The Group is subject to delays or changes relating to existing or planned amenities and transport infrastructure near its property investments***

The proximity of amenities and transportation infrastructures, including but not limited to, bus stops, MRT stations and expressways, to the property investments may affect the value and attractiveness of the property investments. There is no assurance that such amenities and

transportation infrastructure will not be closed, relocated, terminated, delayed or left uncompleted in the future, or that there will be no impediment to the traffic flow in the vicinity. Such closure, relocation, termination, delay, non-completion or impediment may adversely affect the value and attractiveness of the property investments. This may in turn have an adverse effect on the marketability of the property investments to potential purchasers or tenants and adversely affect the financial position of the Group.

***The Group may not be able to raise the capital required to support its property investment plans***

Property investments are typically capital intensive and may require high levels of financing. The Group's available financial resources for investing in properties may be inadequate. The actual amount and timing of future capital requirements is difficult to ascertain in advance. If the Group decides to meet these funding requirements through debt financing, the Group's interest obligations will increase and the Group may be subject to additional restrictive covenants, including restrictions on changes in shareholding, the constitution of the board of directors and management of the businesses. In addition, the Group's ability to raise funds, either through equity or debt, is limited by certain restrictions imposed under applicable laws, including the laws of the jurisdictions in which such property investments are situated. There can be no assurance that the Group will be able to raise adequate capital in a timely manner and on acceptable terms or at all, particularly when the property market is depressed. The Group's failure to obtain adequate financing may result in it having to delay or abandon its investment plans, which would materially and adversely affect the Group's business, prospects, profitability, cash flows, financial condition and results of operations.

***The application of IFRS 16 may materially affect the amounts of right-of-use asset, financial liability, property rental and related expenses, depreciation and interest expense***

As at the Latest Practicable Date, majority of the Group's properties for which it operates its business on were obtained through operating leases. Currently, the Group's future operating lease commitments are not reflected in its consolidated statements of financial position. IFRS 16, which applies from 1 January 2019, provides new provisions for the accounting treatment of leases. The expected impact on the Group's consolidated statements of profit or loss will primarily be the recognition of depreciation for the right-of-use asset and interest expense on the lease liability instead of rental expense which, on a lease-by-lease basis, will result in higher total expense being recognised in the initial years of the lease and even out throughout the remaining term of the lease. The implementation of IFRS 16 will require the recognition of leases in the form of right-of-use asset and lease liabilities, initially at discounted present value of the future operating lease commitments, which may have a material adverse impact to the Group's consolidated statements of financial position.

***The Group may be subject to fluctuations of the fair value of its investment properties and investment properties held by its joint ventures***

The Group is required to reassess the fair value of its investment properties and investment properties held by the Group's joint ventures at the end of each financial reporting period. The gains and losses arising from the changes in the fair value of these investment properties are recognised in the Group's income statement for the period in which the changes of fair value occur and affect the Group's profit for that period.

The Group's results are subject to fluctuations of the fair value of its investment properties. These changes are beyond the Group's control and may not be reflective of the performance of the Group's core F&B business. In the event that the Group records significant losses due to a revaluation of its properties, public perception of the Group's performance may be adversely affected. This may in turn have a negative impact on the price of the Group's securities.

## RISKS RELATING TO THE NOTES GENERALLY

### *Limited liquidity of the Notes issued under the Programme*

There can be no assurance regarding the future development of the market for the Notes issued under the Programme or the ability of the Noteholders, or the price at which the Noteholders may be able, to sell their Notes. The Notes may have no established trading market when issued, and one may never develop. Even if a market for the Notes does develop, there can be no assurance as to the liquidity or sustainability of any such market. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This may particularly be the case for Notes that are sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes may generally have a more limited secondary market and experience more price volatility than conventional debt Notes.

The lack of liquidity may have an adverse effect on the market value of the Notes. Although an issuance of additional Notes may increase the liquidity of the Notes, there can be no assurance that the price of such Notes will not be adversely affected by the issuance of such additional Notes.

Although an application will be made for the listing and quotation of any Notes to be issued under the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

### *Fluctuation of market value of the Notes issued under the Programme*

Trading prices of the Notes may be influenced by numerous factors, including (i) the market for similar notes, (ii) the respective operating results and/or financial condition of the Issuer, its subsidiaries and/or its associated companies (if any), and (iii) the political, economic, financial and any other factors that can affect the capital markets, the industry, the Issuer, its subsidiaries and/or its associated companies (if any) generally. Adverse economic developments in Singapore as well as countries in which the Issuer, its subsidiaries and/or its associated companies (if any) operate or have business dealings could have a material adverse effect on the business, financial performance, operating results and/or the financial condition of the Issuer, its subsidiaries and/or its associated companies (if any). As a result, the market price of the Notes may be above or below the price at which the Notes were initially issued to the market.

Global financial turmoil has resulted in substantial and continuing volatility in international capital markets. Any further deterioration in global financial conditions could have a material adverse effect on worldwide financial markets, which may also adversely affect the market price of Notes.

### *Interest rate risk*

Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in debt security prices, which may result in capital losses for Noteholders. Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, debt security prices may rise. Noteholders may enjoy capital gains but interest payments received may be reinvested at lower prevailing interest rates.

### *Currency risk associated with Notes denominated in foreign currencies*

As the Notes can be denominated in currencies other than Singapore dollars, the Issuer may be affected by fluctuations between the Singapore dollar and such foreign currencies in meeting the

payment obligations under such Notes and there is no assurance that the Issuer may be able to fully hedge the currency risks associated with such Notes denominated in foreign currencies.

***Inflation risk***

Noteholders may suffer erosion on the return of their investments due to inflation. Should Noteholders have an anticipated rate of return based on expected inflation rates on the purchase of the Notes, an unexpected increase in inflation could reduce the actual returns.

***FATCA (as defined below) is particularly complex and its application is uncertain***

While the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that the reporting regime and potential withholding tax imposed by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") will affect the amount of any payment received by the clearing systems. Please refer to the section on *"Taxation – 5. FATCA Withholding"* herein. However, FATCA may affect payments made to custodians or intermediaries in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. FATCA also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA, including any legislation implementing intergovernmental agreements relating to FATCA, if applicable), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the clearing systems or the common depositary for the clearing systems (as bearer or registered holder of the Notes) and the Issuer therefore has no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

**FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE NOTEHOLDERS IS UNCERTAIN AT THIS TIME. EACH NOTEHOLDER SHOULD CONSULT ITS OWN TAX ADVISERS TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH NOTEHOLDER IN ITS PARTICULAR CIRCUMSTANCE.**

***Performance of contractual obligations by the Issuer is dependent on other parties***

The ability of the Issuer to make payments in respect of any Notes may depend upon the due performance by the other parties to the documents relating to the Programme or an issue of Notes of the obligations thereunder including and not be limited to (a) the performance by the Trustee and the Principal Paying Agent of their respective obligations and (b) the performance of a Calculation Agent in determining a Rate of Interest for Floating Rate Notes, Variable Rate Notes, Hybrid Notes or such notes where the service of a Calculation Agent is required. Whilst the non-performance of any relevant parties will not relieve the Issuer of its obligations to make payments in respect of any Notes, the Issuer may not, in such circumstances, be able to fulfil its obligations to Noteholders and/or Couponholders.

***The Notes are not secured***

The Notes and Coupons of all Series constitute unsecured obligations of the Issuer. Accordingly, on a winding-up or termination of the Issuer at any time prior to maturity of any Notes, holders of

the Notes will not have recourse to any specific assets of the Issuer as security for outstanding payment or other obligations under the Notes and/or Coupons owed to the Noteholders and there can be no assurance that there would be sufficient value in the assets of the Issuer, after meeting all claims ranking ahead of the Notes and/or Coupons, to discharge all outstanding payment and other obligations under the Notes and/or Coupons owed to the Noteholders.

***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement or amendment to this Information Memorandum;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Certain sophisticated investors generally do not purchase complex financial instruments as standalone investments. They may purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact such investment will have on the potential investor's overall investment portfolio.

Investment activities may be subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to, *inter alia,* determine whether and to what extent (a) the Notes are legal investments for it, (b) the Notes can be used as collateral for various types of borrowings and (c) other restrictions apply to its purchase of any of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

***Modification and waivers***

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The terms and conditions of the Notes also provide that the Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification (subject to certain exceptions mentioned in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach if any of the Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification, waiver or authorisation which in its opinion is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of Singapore law or applicable law or is required by Euroclear and/or Clearstream, Luxembourg and/or Depository and/or any other clearing system in which the Notes may be held. Any such modification, waiver or authorisation shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable.

***The value of Notes could be adversely affected by a change in Singapore law***

The Notes are governed by Singapore law in effect as at the date of issue of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to Singapore law or administrative practice after the date of this Information Memorandum and such change could materially and adversely impact the value of any Notes affected by it.

***The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System (as defined below)***

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with or registered in the name of, or in the name of a nominee of, the Common Depositary, or lodged with CDP (each of Euroclear, Clearstream, Luxembourg and CDP, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive Definitive Notes or Certificates. The relevant Clearing System(s) and their respective direct and indirect participants will maintain records of their accountholders in relation to the Global Notes and Global Certificates held through it. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing Systems and their respective participants.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to CDP or such other Clearing System and its participants, as the case may be, for distribution to their accountholders.

A holder of a beneficial interest in a Global Note or Global Certificate must rely on the standard procedures of the relevant Clearing System(s) for transfer, payment and communication with the Issuer. The Issuer bears no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates. Holders of beneficial interests in the Global Notes and Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

***The Notes may be issued at a substantial discount or premium***

The market value of Notes issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing Notes. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

***Exchange rate risks and exchange controls may result in Noteholders receiving less interest or principal than expected***

The Issuer will pay principal and interest on the Notes in the currency specified. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the currency in which the Notes are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency in which the Notes are denominated or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the currency in which the Notes are denominated would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Noteholders may receive less interest or principal than expected, or no interest or principal.

***Changes in market interest rates may adversely affect the value of fixed rate Notes***

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Notes.

***Singapore tax risk***

The Notes to be issued from time to time under the Programme during the period from the date of this Information Memorandum to 31 December 2023 are intended to be "qualifying debt securities" for the purpose of the ITA subject to the fulfilment of certain conditions more particularly described in the "Taxation" section of this Information Memorandum.

However, there is no assurance that such Notes will continue to enjoy the tax concessions should the relevant tax laws be amended or revoked at any time.

***Notes subject to optional redemption may have a lower market value than Notes that cannot be redeemed***

An optional redemption feature is likely to limit the market value of the Notes containing such a feature. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risks in light of other investments available at that time.

***Noteholders should be aware that Definitive Notes and Certificates which have a denomination that is not an integral multiple of the minimum Denomination Amount may be illiquid and difficult to trade***

In relation to any issue of Notes which have a denomination consisting of a minimum Denomination Amount (as defined in the Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Denomination Amount that are not integral multiples of such minimum Denomination Amount. In

such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Denomination Amount will not receive a Definitive Note or Certificate in respect of such holding (should Definitive Notes or Certificates be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Denomination Amounts. If Definitive Notes or Certificates are issued, holders should be aware that Definitive Notes or Certificates which have a denomination that is not an integral multiple of the minimum Denomination Amount may be illiquid and difficult to trade. Definitive Notes and Certificates will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote or attend meetings of Noteholders) in respect of such Notes.

***Variable Rate Notes may have a multiplier or other leverage factor***

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

***The Trustee may request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction***

In certain circumstances (pursuant to Condition 10), the Trustee may (at its discretion) request the Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes action on behalf of the Noteholders. The Trustee shall not be obliged to take any such action if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take action, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such action directly.

# PURPOSE OF THE PROGRAMME AND USE OF PROCEEDS

The net proceeds arising from the issue of the Notes under the Programme (after deducting issue expenses) will be used for general corporate purposes, including refinancing of existing borrowings, financing capital expenditure and general working capital of the Group or such other purposes as may be specified in the relevant Pricing Supplement.

# CLEARING AND SETTLEMENT

**Clearing and Settlement under the Depository System**

In respect of Notes which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities ("**Depository System**") maintained by CDP. Notes that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP. In respect of Notes which are accepted for clearance by CDP, the entire issue of the Notes is to be held by CDP in the form of a Global Note or a Global Certificate for persons holding the Notes in securities accounts with CDP ("**Depositors**"). Delivery and transfer of Notes between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors.

Settlement of over-the-counter trades in the Notes through the Depository System may be effected through securities sub-accounts held with corporate depositors ("**Depository Agents**"). Depositors holding the Notes in direct securities accounts with CDP, and who wish to trade Notes through the Depository System, must transfer the Notes to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between the Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Notes in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Issuing and Paying Agent or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

**Clearing and Settlement under Euroclear and/or Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfer. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems which enables their respective participants to settle trades with one another. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to other financial institutions, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

A participant's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream,

Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under those rules and operating procedures only on behalf of their respective participants, and have no record of, or relationship with, persons holding any interests through their respective participants. Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the relevant Paying Agent, to the cash accounts of the relevant Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

# TAXATION

*The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by IRAS and MAS in force as at the date of this Information Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Information Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Notes are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Arrangers and any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.*

## 1. Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15.0 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17.0 per cent. The applicable rate for non-resident individuals is currently 22.0 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15.0 per cent. The rate of 15.0 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, as the Programme as a whole is arranged by Oversea-Chinese Banking Corporation Limited and Standard Chartered Bank, Singapore Branch, each of which is a Financial Sector Incentive (Standard Tier) Company or a Financial Sector Incentive (Capital Market) Company (as defined in the ITA) at such time, any tranche of the Notes (the "**Relevant Notes**") issued as debt securities under the Programme during the period from the date of this Information Memorandum to 31 December 2023 would be qualifying debt securities ("**QDS**") for the purposes of the ITA, to which the following treatment shall apply:

(i) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as MAS may direct, to MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as MAS may specify and such other particulars in connection with the Relevant Notes as MAS may require, and the inclusion by the Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by any person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using the funds and profits of such person's operations through a permanent establishment in Singapore), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Qualifying Income**") from the Relevant Notes derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

(ii) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as MAS may direct, to MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as MAS may specify and such other particulars in connection with the Relevant Notes as MAS may require), Qualifying Income from the Relevant Notes derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10.0 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(iii) subject to:

(aa) the Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

(bb) the furnishing by the Issuer, or such other person as MAS may direct, to MAS of a return on debt securities for the Relevant Notes in the prescribed format within such period as MAS may specify and such other particulars in connection with the Relevant Notes as MAS may require,

payments of Qualifying Income derived from the Relevant Notes are not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

(A) if during the primary launch of any tranche of Relevant Notes, the Relevant Notes of such tranche are issued to fewer than four persons and 50.0 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Notes would not qualify as QDS; and

(B) even though a particular tranche of Relevant Notes are QDS, if, at any time during the tenure of such tranche of Relevant Notes, 50.0 per cent. or more of such Relevant Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from such Relevant Notes held by:

(I) any related party of the Issuer; or

(II) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms "**prepayment fee**", "**redemption premium**" and "**break cost**" are defined in the ITA as follows:

"prepayment fee", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;

"redemption premium", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and

"break cost", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

References to "prepayment fee", "redemption premium" and "break cost" in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Relevant Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Relevant Notes is not exempt from tax (including for the reasons described above) is required to include such income in a return of income made under the ITA.

## 2. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or who are required to apply Singapore Financial Reporting Standard ("**FRS**") 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 (Financial Instruments) ("**SFRS(I) 9**") (as the case may be), may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below on "Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes".

## 3. Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and "opt-out" provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has also issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition & Measurement".

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments".

Holders of the Notes who may be subject to the tax treatment under Sections 34A or 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

## 4. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

## 5. FATCA Withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Singapore) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions.

Certain aspects of the application of these rules to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, is not clear at this time. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes that are not treated as equity for U.S. federal income tax purposes and are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with

the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional securities (as described in Condition 14 of the Notes) that are not distinguishable from these Notes are issued after the expiration of the grandfather period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered hereby, as subject to withholding under FATCA. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

Noteholders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

# SUBSCRIPTION, PURCHASE AND DISTRIBUTION

The Programme Agreement provides for Notes to be offered from time to time through one or more Dealers. The price at which a Series or Tranche will be issued will be determined prior to its issue between the Issuer and the relevant Dealer(s). The obligations of the Dealers under the Programme Agreement will be subject to certain conditions set out in the Programme Agreement. Each Dealer (acting as principal) will subscribe for or procure subscribers for Notes from the Issuer pursuant to the Programme Agreement.

The Arrangers, the Dealers or any of their respective affiliates may have performed certain banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of the Issuer's or their business. The Issuer may from time to time agree with the relevant Dealer(s) that the Issuer may pay certain third party commissions (including, without limitation, rebates to private banks as may be specified in the applicable Pricing Supplement).

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

In connection with the issue of any Tranche of Notes, such Notes, when issued, may not have a market. The Dealer or Dealers (if any) may advise the Issuer that they intend to make a market in such Notes as permitted by applicable law. They are not obligated, however, to make a market in the Notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for such Notes.

The Arrangers, the Dealers or any of their respective affiliates may purchase Notes for its own account or enter into secondary market transactions or derivative transactions relating to the Notes, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackaging and credit default swaps, at the same time as the offering of the Notes. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Information Memorandum relates (notwithstanding that such selected counterparties may also be a purchaser of the Notes). As a result of such transactions, the Arrangers, the Dealers or any of their respective affiliates may hold long or short positions relating to the Notes.

The Arrangers, the Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and enter into other transactions in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

Accordingly, references herein to the Notes being "offered" should be read as including any offering of the Notes to the Dealers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so.

While the Arrangers, the Dealers and/or any of their respective affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause the Arrangers, the Dealers or any of their respective affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. The Arrangers, the Dealers or any of their respective affiliates may receive returns on such transactions and have no obligations to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes.

**United States**

The Notes have not been and will not be registered under the Securities Act and the Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes within the United States, except as permitted by the Programme Agreement.

The Notes are being offered and sold outside the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

This Information Memorandum has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealer(s) reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Information Memorandum does not constitute an offer to any person in the United States. Distribution of this Information Memorandum by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

**European Union**

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(i) the expression retail investor means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(b) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(c) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and

(ii) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Information Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(i) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(iii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

**United Kingdom**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as

principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

**Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

**Singapore**

Each Dealer acknowledges that this Information Memorandum has not been registered as a prospectus with the MAS. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a

reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

**General**

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Information Memorandum or any other document or any Pricing Supplement, in any country or jurisdiction (other than Singapore) where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge comply with all relevant laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers Notes or any interest therein or rights in respect thereof or has in its possession or distributes this Information Memorandum, any other document or any Pricing Supplement. Other persons into whose hands this Information Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Information Memorandum or any Pricing Supplement or any related offering material, in all cases at their own expense.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Notes or a supplement to this Information Memorandum).

*Any person who may be in doubt as to the restrictions set out in the SFA or the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Notes or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.*

# FORM OF PRICING SUPPLEMENT

**Pricing Supplement**

[LOGO, if document is printed]

**BREADTALK GROUP LIMITED**
(UEN / Company Registration No.: 200302045G)
(Incorporated with limited liability in Singapore)

**S$500,000,000**
**Multicurrency Medium Term Note Programme**

SERIES NO: [.]
TRANCHE NO: [.]
*[Brief Description and Amount of Notes]*

Issue Price: [.] per cent.

*[Publicity Name(s) of Dealer(s)]*

[CDP Issuing and Paying Agent, CDP Transfer Agent, CDP Registrar and CDP Calculation Agent
The Bank of New York Mellon, Singapore Branch
One Temasek Avenue
#02-01 Millenia Tower
Singapore 039192

Non-CDP Issuing and Paying Agent and Non-CDP Calculation Agent
The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

Non-CDP Registrar and Non-CDP Transfer Agent
The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building-Polaris
2-4, rue Eugène Ruppert
L-2453 Luxembourg]*

The date of this Pricing Supplement is **[●]**.

* Delete as appropriate.

This Pricing Supplement relates to the Tranche of Notes referred to above.

This Pricing Supplement, under which the Notes described herein (the "**Notes**") are issued, is supplemental to, and should be read in conjunction with, the Information Memorandum dated 17 April 2019 (as revised, supplemented, amended, updated or replaced from time to time, the "**Information Memorandum**") issued in relation to the S$500,000,000 Multicurrency Medium Term Note Programme of BreadTalk Group Limited (the "**Issuer**"). Terms defined in the Information Memorandum have the same meaning in this Pricing Supplement. The Notes will be issued on the terms of this Pricing Supplement read together with the Information Memorandum. The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Information Memorandum, contains all information that is material in the context of the issue and offering of the Notes.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Pricing Supplement in any jurisdiction where such action is required.

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any of the Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the "**Income Tax Act**") shall not apply if such person acquires such Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the Income Tax Act.

[[Except as disclosed in this Pricing Supplement, there/There] has been no material adverse change, or any development that is likely to result in a material adverse change, in the financial condition, business, results of operations, assets or properties of the Issuer or the Group, taken as a whole, since the date of the last published [audited/unaudited] consolidated accounts]*.

[**Notification under Section 309B of the Securities and Futures Act, Chapter 289 of Singapore**: The Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

[**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PRIIPs REGULATION - PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as

defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

*Note: If any change is disclosed in the Pricing Supplement, it may require the approval of the relevant Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Information Memorandum as opposed to in the Pricing Supplement.

The terms of the Notes and additional provisions relating to their issue are as follows: [Include whichever of the following apply]

| | | |
|---|---|---|
| 1. | Series No.: | [ ] |
| 2. | Tranche No.: | [ ] |
| 3. | Currency: | [ ] |
| 4. | Principal Amount of Series: | [ ] |
| 5. | Principal Amount of Tranche: | [ ] |
| 6. | Form: | [Bearer/Registered] |
| 7. | Denomination Amount: | [ ] |
| 8. | Calculation amount (if different from Denomination Amount): | [ ] |
| 9. | Issue Date: | [ ] |
| 10. | Redemption Amount (including early redemption): | [Denomination Amount/[others]] [Specify early redemption amount if different from final redemption amount or if different from that set out in the Conditions] |
| 11. | Interest Basis: | [Fixed Rate/Floating Rate/Variable Rate/ Hybrid/Zero Coupon] |
| 12. | Redemption/Payment Basis: | [Redemption at par/specify other] |
| 13. | Interest Commencement Date: | [ ] |
| 14. | Fixed Rate Note | |
| | (a) Maturity Date: | [ ] |
| | (b) Day Count Fraction: | [ ] |
| | (c) Interest Payment Date(s): | [ ] |

| | | | |
|---|---|---|---|
| | (d) | Initial Broken Amount: | [ ] |
| | (e) | Final Broken Amount: | [ ] |
| 15. | Floating Rate Notes | | |
| | (a) | Redemption Month: | [Specify month and year] |
| | (b) | Interest Determination Date: | [ ] business days prior to the first day of each Interest Period |
| | (c) | Day Count Fraction: | [ ] |
| | (d) | Specified Number of Months (Interest Period): | [ ] |
| | (e) | Specified Interest Payment Dates: | [ ] |
| | (f) | Business Day Convention: | [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)] |
| | (g) | Benchmark: | [SIBOR, Swap Rate or other benchmark] |
| | (h) | Primary Source: | [Specify relevant screen page or "Reference Banks"] |
| | (i) | Reference Banks: | [Specify three] |
| | (j) | Relevant Time: | [ ] |
| | (k) | Relevant Financial Centre: | [The financial centre most closely connected to the Benchmark – specify if not Singapore] |
| | (l) | Spread: | [+/-][●] per cent. per annum |
| | (m) | Minimum Rate of Interest: | [●] per cent. per annum |
| | (n) | Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: | [ ] |
| 16. | Variable Rate Notes | | |
| | (a) | Redemption Month: | [Specify month and year] |
| | (b) | Interest Determination Date: | [ ] business days prior to the first day of each Interest Period |
| | (c) | Day Count Fraction: | [ ] |

| | | |
|---|---|---|
| (d) | Specified Number of Months (Interest Period): | [ ] |
| (e) | Specified Interest Payment Dates: | [ ] |
| (f) | Business Day Convention: | [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)] |
| (g) | Benchmark: | [SIBOR, Swap Rate or other benchmark] |
| (h) | Primary Source: | [Specify relevant screen page or "Reference Banks"] |
| (i) | Reference Banks: | [Specify three] |
| (j) | Relevant Time: | [ ] |
| (k) | Relevant Financial Centre: | [The financial centre most closely connected to the Benchmark – specify if not Singapore] |
| (l) | Spread: | [+/-][●] per cent. per annum |
| (m) | Minimum Rate of Interest: | [●] per cent. per annum |

17. Hybrid Notes

| | | |
|---|---|---|
| (a) | Fixed Rate Period: | [ ] |
| (b) | Floating Rate Period: | [ ] |
| (c) | Maturity Date: | [ ] |
| (d) | Redemption Month: | [Specify month and year] |
| (e) | Interest Determination Date: | [ ] business days prior to the first day of each Interest Period |
| (f) | Day Count Fraction: | [ ] |
| (g) | Interest Payment Date(s) (for Fixed Rate Period): | [ ] |
| (h) | Initial Broken Amount: | [ ] |
| (i) | Final Broken Amount: | [ ] |
| (j) | Interest Rate: | [●] per cent. per annum |
| (k) | Specified Number of Months (Interest Period): | [ ] |
| (l) | Specified Interest Payment Date(s) (for Floating Rate Period): | [ ] |

| | | | |
|---|---|---|---|
| | (m) | Business Day Convention: | [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)] |
| | (n) | Benchmark: | [SIBOR, Swap Rate or other benchmark] |
| | (o) | Primary Source: | [Specify relevant screen page or "Reference Banks"] |
| | (p) | Reference Banks: | [Specify three] |
| | (q) | Relevant Time: | [ ] |
| | (r) | Relevant Financial Centre: | [The financial centre most closely connected to the Benchmark – specify if not Singapore] |
| | (s) | Spread: | [+/-][●] per cent. per annum |
| | (t) | Minimum Rate of Interest: | [●] per cent. per annum |
| | (u) | Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Hybrid Notes during the Floating Rate Period, if different from those set out in the Conditions: | [ ] |
| 18. | Zero-Coupon Notes | | |
| | (a) | Maturity Date: | [ ] |
| | (b) | Amortisation Yield: | [●] per cent. per annum |
| | (c) | Any other formula/basis of determining amount payable: | [ ] |
| | (d) | Day Count Fraction: | [ ] |
| | (e) | Any amount payable under Condition 7 (Default interest on the Notes): | [ ] |
| 19. | Noteholders' Redemption Option: | | [Yes/No] |
| | Noteholders' Redemption Option Period (Condition 6(b)(i)/(ii)) | | [Specify maximum and minimum number of days for notice period – a minimum notice period of 15 business days is required for Notes to be cleared through Euroclear and/or Clearstream, Luxembourg] [Specify dates] |
| 20. | Issuer's Redemption Option: | | [Yes/No] |

| | | |
|---|---|---|
| | Issuer's Redemption Option Period (Condition 6(c)) | [Specify maximum and minimum number of days for notice period – a minimum notice period of five (5) business days is required for Notes to be cleared through Euroclear and/or Clearstream, Luxembourg] [Specify dates] |
| 21. | Issuer's Purchase Option: | [Yes/No] |
| | Issuer's Purchase Option Period (Condition 6(d)) | [Specify maximum and minimum number of days for notice period – a minimum notice period of five (5) business days is required for Notes to be cleared through Euroclear and/or Clearstream, Luxembourg] [Specify dates] |
| 22. | Noteholders' VRN Purchase Option: | [Yes/No] |
| | Noteholders' VRN Purchase Option Period (Condition 6(e)(i)) | [Specify maximum and minimum number of days for notice period – a minimum notice period of 15 business days is required for Notes to be cleared through Euroclear and/or Clearstream, Luxembourg] [Specify dates] |
| 23. | Noteholders' Purchase Option: | [Yes/No] |
| | Noteholders' Purchase Option Period (Condition 6(e)(ii)) | [Specify maximum and minimum number of days for notice period – a minimum notice period of 15 business days is required for Notes to be cleared through Euroclear and/or Clearstream, Luxembourg] [Specify dates] |
| 24. | Redemption for Taxation Reasons: (Condition 6(f)) | [Yes/No/Not applicable] [on [insert other dates of redemption not on Interest Payment Dates]] [Specify maximum and minimum number of days for notice period – a minimum notice period of five (5) business days is required for Notes to be cleared through Euroclear and/or Clearstream, Luxembourg] |
| 25. | Notes to be represented on issue by: | [Temporary Global Note/Permanent Global Note/Global Certificate] |
| 26. | Temporary Global Note exchangeable for Definitive Notes: | [Yes/No] |
| 27. | Temporary Global Note exchangeable for Permanent Global Note: | [Yes/No] |
| 28. | Applicable TEFRA exemption: | [C Rules/D Rules/Not Applicable] |
| 29. | Method of issue of Notes: | [Individual Dealer/Syndicated Issue] |

| | | |
|---|---|---|
| 30. | The following Dealer[s] [is/are] subscribing for the Notes: | [Insert legal name(s) of Dealer(s)] |
| 31. | The aggregate principal amount of Notes issued has been translated in Singapore Dollars at the rate of [●] producing a sum of (for Notes not denominated in Singapore Dollars): | S$[●] |
| 32. | Listing: | [ ] |
| 33. | ISIN Code: | [ ] |
| 34. | Common Code: | [ ] |
| 35. | Clearing System(s): | [Not Applicable/Euroclear/Clearstream, Luxembourg/The Central Depository (Pte) Limited/others] |
| 36. | Depository: | [Not Applicable/Euroclear/Clearstream, Luxembourg/The Central Depository (Pte) Limited/others] |
| 37. | Delivery: | Delivery [against/free of] payment |
| 38. | Stabilising Manager(s) (if any): | [inset legal name(s) of Stabilising Manager(s)] |
| 39. | Prohibition of Sales to EEA Retail Investors: | [Applicable/Not Applicable] |
| 40. | Paying Agent: | [ ] |
| 41. | Calculation Agent: | [ ] |
| 42. | In the case of Registered Notes, specify the location of the office of the Registrar: | [ ] |
| 43. | Use of Proceeds: | [ ] |
| 44. | Private Bank Selling Commission: | [Applicable/Not Applicable] [If applicable, state percentage] |
| 45. | Other terms: | [ ] |

Details of any additions or variations to terms and conditions of the Notes as set out in the Information Memorandum:

Any additions or variations to the selling restrictions:

**BREADTALK GROUP LIMITED**

Signed: _____

Authorised Signatory

# GENERAL AND OTHER INFORMATION

## INFORMATION ON DIRECTORS

1. (a) The names and positions of the Directors are set out below:

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

(b) No Director is or was involved in any of the following events:

(i) a petition under any bankruptcy laws filed in any jurisdiction against such person or any partnership in which he was a partner or any corporation of which he was a director or an executive officer;

(ii) a conviction of any offence, other than a traffic offence, or judgment, including findings in relation to fraud, misrepresentation or dishonesty, given against him in any civil proceedings in Singapore or elsewhere, or being a named subject to any pending proceedings which may lead to such a conviction or judgment, or so far as such person is aware, any criminal investigation pending against him; or

(iii) being the subject of any order, judgment or ruling of any court of competent jurisdiction, tribunal or government body, permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

(c) As at the Latest Practicable Date, none of the Directors is related by blood or marriage to one another nor are any of them related by blood or marriage to any substantial shareholder of the Issuer, save that Ms Katherine Lee Lih Leng is the spouse of Dr George Quek Meng Tong.

(d) No option to subscribe for Shares or debentures of the Issuer has been granted to, or was exercised by, any Director during the last financial year ended 31 December 2018 up to the Latest Practicable Date.

2. The interests of the Directors and the substantial shareholders of the Issuer in Shares as at the Latest Practicable Date are as follows:

Directors

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| | Number of Shares | Percentage[1] | Number of Shares | Percentage[1] |
| Dr George Quek Meng Tong[2] | 191,375,320 | 33.98% | 104,830,040 | 18.61% |
| Katherine Lee Lih Leng[2] | 104,830,040 | 18.61% | 191,375,320 | 33.98% |
| Ong Kian Min | 240,000 | 0.04% | – | – |

[1] The percentage is calculated based on 563,277,100 issued Shares (excluding treasury shares) as at the Latest Practicable Date.

[2] Katherine Lee Lih Leng is the spouse of George Quek Meng Tong.

Substantial Shareholders

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| | Number of Shares | Percentage[3] | Number of Shares | Percentage[3] |
| Primacy Investment Limited | 78,927,000 | 14.01% | – | – |
| Paradice Investment Management LLC[4] | – | – | 35,630,448 | 6.33% |
| PIM US Pty Ltd (as trustee of PIM US Unit Trust)[5] | – | – | 35,630,448 | 6.33% |
| PFH (NSW) Pty Ltd (as trustee of Paradice Family Trust)[6] | – | – | 35,630,448 | 6.33% |

**SHARE CAPITAL**

3. As at the date of this Information Memorandum, there is only one class of ordinary shares in the Issuer. The rights and privileges attached to the Shares are stated in the Constitution of the Issuer.

4. The issued share capital (excluding treasury shares) of the Issuer as at the Latest Practicable Date is as follows:

| Share Designation | Issued Share Capital (Number of Shares) | Amount |
|---|---|---|
| Ordinary Shares | 563,277,100 | S$33,303,000 |

**BORROWINGS**

5. Save as disclosed in this Information Memorandum and in Appendix IV, the Group had as at 31 December 2018 no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

**WORKING CAPITAL**

6. The Directors are of the opinion that, after taking into account the present banking facilities and the net proceeds of the issue of the Notes, the Issuer will have adequate working capital for its present requirements.

**CHANGES IN ACCOUNTING POLICIES**

7. Save as disclosed in the Group's Annual Report 2018, there has been no significant change in the accounting policies of the Issuer since its audited consolidated financial statements for the financial year ended 31 December 2018.

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[3] The percentage is calculated based on 563,277,100 issued shares (excluding treasury shares) as at the Latest Practicable Date.

[4] 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.

[5] 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 Issuer. 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 Issuer, and therefore has deemed interest in the shares.

[6] 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.

## MATERIAL ADVERSE CHANGE

8. There has been no material adverse change in the financial condition or business of the Issuer or the Group since 31 December 2018.

## LITIGATION

9. There are no legal or arbitration proceedings pending or, to the best of the Issuer's knowledge after making all due and careful enquiries, threatened against the Issuer or any of its subsidiaries the outcome of which may have or have had during the 12 months prior to the date of this Information Memorandum a material adverse effect on the financial position of the Issuer or the Group.

## AUDITOR'S CONSENT

10. Ernst & Young LLP has given and has not withdrawn its written consent to the issue of this Information Memorandum with the references herein to its name and, where applicable, reports in the form and context in which they appear in this Information Memorandum.

## DOCUMENTS AVAILABLE FOR INSPECTION

11. Copies of the following documents may be inspected at the registered office of the Issuer at 30 Tai Seng Street, #09-01 BreadTalk IHQ, Singapore 534013 during normal business hours (by prior appointment with the Issuer) for a period of six months from the date of this Information Memorandum:

    (a) the Constitution of the Issuer;

    (b) the Trust Deed; and

    (c) the audited consolidated financial statements of the Group for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018.

## FUNCTIONS, RIGHTS AND OBLIGATIONS OF THE TRUSTEE

12. The functions, rights and obligations of the Trustee are set out in the Trust Deed.

## AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BREADTALK GROUP LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

*The information in this Appendix II has been reproduced from the annual report of BreadTalk Group Limited and its subsidiaries for the financial year ended 31 December 2016 and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial date in conjunction with the related notes.*

Company Registration No. 200302045G

# BreadTalk Group Limited and its Subsidiaries

Annual Financial Statements
31 December 2016

Building a better working world

### Directors

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

### Company Secretary

Shirley Tan Sey Liy
Chiew Kok Liang

### Registered Office

30 Tai Seng Street
#09-01 BreadTalk IHQ
Singapore 534013
Tel: 6285 6116
Fax: 6285 1661

### Share Registrar

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

### Auditor

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

Partner in charge: Phillip Ling (since financial year ended 31 December 2016)

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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 2016.

**Opinion of the directors**

In the opinion of the directors,

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

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

**Directors**

The directors of the Company in office at the date of this 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 2016 | As at 31 December 2016 | As at 21 January 2017 | As at 1 January 2016 | As at 31 December 2016 | As at 21 January 2017 |
| **The Company** *(Ordinary shares)* | | | | | | |
| Dr George Quek Meng Tong | 95,687,660 | 95,687,660 | 95,687,660 | – | – | – |
| Katherine Lee Lih Leng | 52,415,020 | 52,415,020 | 52,415,020 | – | – | – |
| Ong Kian Min | 120,000 | 120,000 | 120,000 | – | – | – |
| Dr Tan Khee Giap | – | – | – | 20,000 | 20,000 | 20,000 |

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.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

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 date of appointment if later, 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 Restricted Share Grant Plan ("RSG Plan") was approved at an Extraordinary General Meeting held on 28 April 2008.

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

***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.

**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 RSG Plan since its commencement up to 31 December 2016 are as follows:

| Name of Participant | Conditional restricted shares granted during the year | Aggregate conditional restricted shares awarded since commence-ment of the Plan (a) | Aggregate conditional restricted shares lapsed since commence-ment of the Plan (b) | Aggregate conditional restricted shares vested and released during the year | Aggregate conditional restricted shares vested and released since commence-ment of the Plan (c) | Aggregate conditional restricted shares outstanding at end of the year (a)-(b)-(c) |
|---|---|---|---|---|---|---|
| Directors of the Company | | | | | | |
| Dr George Quek Meng Tong [1] | – | 179,200 | – | – | 179,200 | – |
| Katherine Lee Lih Leng [1] | – | 154,000 | – | – | 154,000 | – |

**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) |
|---|---|---|---|---|---|---|
| Associate of a Controlling Shareholder | | | | | | |
| Frankie Quek Swee Heng [2] | 37,000 | 169,970 | – | 3,300 | 125,000 | 44,970 |
| Participants who received 5% or more of the total grants available | | | | | | |
| Oh Eng Lock[3] | 1,000 | 1,543,430 | – | 15,840 | 1,542,430 | 1,000 |
| Cheng William | 28,000 | 399,622 | – | 15,840 | 315,270 | 84,352 |
| Chu Heng Hwee | 188,000 | 238,000 | – | – | – | 238,000 |
| Other participants | 146,000 | 1,813,180 | 231,270 | 39,930 | 1,392,840 | 189,070 |
| | 400,000 | 4,497,402 | 231,270 | 74,910 | 3,708,740 | 557,392 |

(1) Also a controlling shareholder of the Company

(2) Associate of Dr George Quek Meng Tong, a controlling shareholder of the Company

(3) This includes a total of 781,666 shares and 488,764 shares that were released via the issuance of treasury shares in relation to a sign-on bonus as well as award of service equity granted to Mr. Oh Eng Lock.

With the Remuneration Committee's approval on the achievement of the performance targets for the performance period from FY2013 and FY2014, a total of 74,910 restricted shares were released via the issuance of treasury shares (FY15: 199,920).

**Audit Committee**

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

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, except for one where a member was absent. 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.

**Auditor**

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

On behalf of the board of directors:

Dr George Quek Meng Tong
Director

Katherine Lee Lih Leng
Director

Singapore
31 March 2017

## Independent auditor's report 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 (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and 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 Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

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

**Key Audit Matters (cont'd)**

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 2016, goodwill is carried at $4,837,000 which represents 1.5% of the total non-current assets and 3.2% 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 judgment about future results of the Group's various businesses. Key assumptions used in the cash flow projections are pre-tax discount rates, budgeted gross margins and growth rates. 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.

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 management. 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, our internal specialists assisted 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 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.

**Key Audit Matters (cont'd)**

**(2) Impairment assessment of held-to-maturity investments**

As at 31 December 2016, the Group's investments in junior bonds classified as held-to-maturity investments amounted to $38,633,000 with interest receivables from these investments amounted to $852,000. The audit procedures over management's impairment tests on these investments were significant to our audit because the impairment assessment process was complex and involved significant management judgment. Management evaluated, among other factors, the default or significant delay in interest receipts, the probability of insolvency or significant financial difficulties of the issuers, and the value of the related secured properties held by the issuers. The related properties are commercial and retail properties in Singapore. Management has assessed that there is no objective evidence of impairment for these investments during the current financial year.

As part of our audit, we analyzed ageing of interest receivables, assessed the financial position and performance of the issuers during the financial year. We also obtained evidence of receipts of interest receivables subsequent to the financial year end from the issuers. In addition to assessing the collectability of the interest receivables, we assessed the fair values of the related secured properties held by the issuers where the issuers had engaged external appraisers in the valuation. We also assessed the adequacy of the disclosures relating to these investments. The related disclosures are made in Note 2.15, Note 2.16 and Note 13 to the financial statements.

**(3) Impairment assessment of available-for-sale financial assets**

As at 31 December 2016, the Group has investments in unquoted equity instruments classified as available for sale financial assets. These investments are held at cost of $50,457,000.

The impairment assessment of these investments involved significant management assumptions since they are not quoted and no market price is readily available. In determining the recoverable value of the investments, management takes into consideration the valuation of the underlying assets held by the investees.

Where fair values are not available from external appraisers, management benchmarks the value of the underlying assets to sale price of similar assets transacted in the open market and adjusted for differences in factors such as location, as well as evaluated the probability of insolvency or significant financial difficulties of the investees. We verified the sales transacted in the open market of similar assets to published market prices and assessed the reasonableness of the adjustments made by management. We evaluated management's assessment on whether objective evidence of impairment existed as at year end for these investments. We also assessed the adequacy of the disclosures relating to these investments. The related disclosures are made in Note 2.15, Note 2.16 and Note 13 to the financial statements.

**Key Audit Matters (cont'd)**

**(4) Valuation of investment properties**

As at 31 December 2016, the Group has investment properties amounting to $22,984,000 relating to office space in Shanghai, People's Republic of China 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 2016.

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. 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.

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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.

## Independent auditor's report to the members of BreadTalk Group Limited (cont'd)

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

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

31 March 2017

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

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Revenue** | 3 | 614,995 | 624,149 |
| Cost of sales | | (277,508) | (293,916) |
| **Gross profit** | | 337,487 | 330,233 |
| Other operating income | 4 | 29,540 | 16,279 |
| Interest income | 5 | 1,162 | 4,005 |
| Distribution and selling expenses | | (256,323) | (248,415) |
| Administrative expenses | | (75,389) | (70,099) |
| Interest expense | 5 | (5,931) | (5,322) |
| **Profit before tax and share of results of associates and joint ventures** | | 30,546 | 26,681 |
| Share of results of associates | | (1,960) | (1,933) |
| Share of results of joint ventures | | 1,130 | 628 |
| **Profit before tax** | 6 | 29,716 | 25,376 |
| Income tax expense | 8 | (12,119) | (10,768) |
| **Profit for the year** | | 17,597 | 14,608 |
| **Profit attributable to:** | | | |
| Owners of the Company | | 11,436 | 7,602 |
| Non-controlling interests | | 6,161 | 7,006 |
| | | 17,597 | 14,608 |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Foreign currency translation | | (594) | 1,571 |
| **Other comprehensive income for the year, net of tax** | | (594) | 1,571 |
| **Total comprehensive income for the year** | | 17,003 | 16,179 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 10,842 | 9,173 |
| Non-controlling interests | | 6,161 | 7,006 |
| | | 17,003 | 16,179 |
| **Earnings per share (cents)** | | | |
| Basic | 9 | 4.07 | 2.70 |
| Diluted | 9 | 4.06 | 2.69 |

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

## Balance sheets
## As at 31 December 2016

| | Notes | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 180,663 | 205,696 | 71,252 | 72,593 |
| Investment property | 11 | 22,984 | 24,053 | – | – |
| Intangible assets | 12 | 6,433 | 6,903 | – | – |
| Investment securities | 13 | 72,878 | 90,309 | 825 | 1,000 |
| Investment in subsidiaries | 14 | – | – | 24,296 | 24,206 |
| Investment in associates | 15 | 27,033 | 26,322 | – | – |
| Investment in joint ventures | 16 | 8,234 | 7,553 | – | – |
| Other receivables | 18 | 1,413 | 546 | – | – |
| Due from related corporations | 19 | – | – | 26,768 | – |
| Deferred tax assets | 8 | 2,749 | 4,444 | – | – |
| | | 322,387 | 365,826 | 123,141 | 97,799 |
| **Current assets** | | | | | |
| Investment securities | 13 | 17,222 | 7,224 | – | – |
| Inventories | 17 | 9,806 | 9,878 | – | – |
| Trade and other receivables | 18 | 57,472 | 60,039 | 4,269 | 336 |
| Prepayments | | 4,824 | 5,726 | 123 | 116 |
| Due from related corporations | 19 | 1,094 | 1,046 | 61,885 | 32,999 |
| Amounts due from non-controlling shareholders of subsidiaries (non-trade) | 24 | 509 | 506 | – | – |
| Cash and cash equivalents | 20 | 120,589 | 94,896 | 8,486 | 2,516 |
| | | 211,516 | 179,315 | 74,763 | 35,967 |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | 86,404 | 94,123 | 1,955 | 1,553 |
| Other liabilities | 22 | 69,612 | 57,544 | 3,971 | 2,042 |
| Provision for reinstatement costs | 23 | 14,417 | 15,002 | 27 | 25 |
| Due to related corporations | 19 | 3,903 | 4,522 | 30,674 | 32,084 |
| Loan from a non-controlling shareholder of a subsidiary (non-trade) | 24 | 200 | 200 | – | – |
| Short-term loans | 25 | 7,215 | 38,321 | – | 10,000 |
| Current portion of long-term loans | 26 | 24,238 | 43,679 | 4,122 | 4,122 |
| Tax payable | | 9,854 | 8,879 | 551 | 180 |
| | | 215,843 | 262,270 | 41,300 | 50,006 |
| **Net current (liabilities)/assets** | | (4,327) | (82,955) | 33,463 | (14,039) |
| **Non-current liabilities** | | | | | |
| Other liabilities | 22 | 11,385 | 12,282 | – | – |
| Notes payable | 27 | 75,000 | – | 75,000 | – |
| Loan from a non-controlling shareholder of a subsidiary (non-trade) | 24 | 549 | 538 | – | – |
| Long-term loans | 26 | 74,857 | 119,685 | 39,798 | 43,920 |
| Deferred tax liabilities | 8 | 4,324 | 3,942 | 1,791 | 1,103 |
| | | 166,115 | 136,447 | 116,589 | 45,023 |
| **Net assets** | | 151,945 | 146,424 | 40,015 | 38,737 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 28 | 33,303 | 33,303 | 33,303 | 33,303 |
| Treasury shares | 28 | (587) | (378) | (587) | (378) |
| Accumulated profits | | 93,966 | 90,545 | 6,779 | 5,375 |
| Other reserves | 29 | 5,328 | 5,728 | 520 | 437 |
| | | 132,010 | 129,198 | 40,015 | 38,737 |
| Non-controlling interests | | 19,935 | 17,226 | – | – |
| **Total Equity** | | 151,945 | 146,424 | 40,015 | 38,737 |

*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 2016

| 2016 Group | Attributable to owners of the company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital $'000 (Note 28) | Treasury shares $'000 (Note 28) | Accumulated profits $'000 | Statutory reserve fund $'000 (Note 29) | Trans-lation reserve $'000 (Note 29) | Share based compen-sation reserve $'000 (Note 29) | Premium paid 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 2016 | 33,303 | (378) | 90,545 | 2,954 | 3,889 | 260 | (1,552) | 177 | 129,198 | 17,226 | 146,424 |
| Profit for the year | – | – | 11,436 | – | – | – | – | – | 11,436 | 6,161 | 17,597 |
| Other comprehensive income | | | | | | | | | | | |
| Foreign currency translation | – | – | – | – | (594) | – | – | – | (594) | – | (594) |
| Other comprehensive income for the year, net of tax | – | – | – | – | (594) | – | – | – | (594) | – | (594) |
| **Total comprehensive income for the year** | – | – | 11,436 | – | (594) | – | – | – | 10,842 | 6,161 | 17,003 |
| Contributions by and distributions to owners | | | | | | | | | | | |
| Share-based payments | – | – | – | – | – | 164 | – | – | 164 | – | 164 |
| Dividends paid (Note 37) | – | – | (8,015) | – | – | – | – | – | (8,015) | (1,640) | (9,655) |
| Treasury shares transferred on vesting of restricted share grant | – | 81 | – | – | – | (81) | – | – | – | – | – |
| Purchase of treasury shares | – | (830) | – | – | – | – | – | – | (830) | – | (830) |
| Treasury shares transferred as consideration in relation to the acquisition of non- controlling interest (Note 28) | – | 540 | – | – | – | – | – | – | 540 | – | 540 |
| **Total contributions by and distributions to owners** | – | (209) | (8,015) | – | – | 83 | – | – | (8,141) | (1,640) | (9,781) |
| Changes in ownership interests in a subsidiary | | | | | | | | | | | |
| Acquisition of non-controlling interests without a change in control | – | – | – | – | – | – | 111 | – | 111 | (1,812) | (1,701) |
| **Total transactions with owners in their capacity as owners** | – | – | – | – | – | – | 111 | – | 111 | (1,812) | (1,701) |
| At 31 December 2016 | 33,303 | (587) | 93,966 | 2,954 | 3,295 | 343 | (1,441) | 177 | 132,010 | 19,935 | 151,945 |

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

| 2015 Group | Attributable to owners of the company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital $'000 (Note 28) | Treasury shares $'000 (Note 28) | Accumulated profits $'000 | Statutory reserve fund $'000 (Note 29) | Trans-lation reserve $'000 (Note 29) | Share based compen-sation reserve $'000 (Note 29) | Premium paid 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 2015 | 33,303 | (3) | 87,261 | 2,864 | 2,309 | 356 | (1,149) | 307 | 125,248 | 13,242 | 138,490 |
| Profit for the year | – | – | 7,602 | – | – | – | – | – | 7,602 | 7,006 | 14,608 |
| Other comprehensive income | | | | | | | | | | | |
| Foreign currency translation | – | – | – | – | 1,571 | – | – | – | 1,571 | – | 1,571 |
| Other comprehensive income for the year, net of tax | – | – | – | – | 1,571 | – | – | – | 1,571 | – | 1,571 |
| **Total comprehensive income for the year** | – | – | 7,602 | – | 1,571 | – | – | – | 9,173 | 7,006 | 16,179 |
| Contributions by and distributions to owners | | | | | | | | | | | |
| Share-based payments | – | – | – | – | 9 | 50 | – | – | 59 | – | 59 |
| Dividends paid (Note 37) | – | – | (4,228) | – | – | – | – | – | (4,228) | – | (4,228) |
| Dividends payable | – | – | – | – | – | – | – | – | – | (3,559) | (3,559) |
| Treasury shares transferred on vesting of restricted share grant | – | 276 | – | – | – | (146) | – | (130) | – | – | – |
| Purchase of treasury shares | – | (651) | – | – | – | – | – | – | (651) | – | (651) |
| **Total contributions by and distributions to owners** | – | (375) | (4,228) | – | 9 | (96) | – | (130) | (4,820) | (3,559) | (8,379) |
| Changes in ownership interests in a subsidiary | | | | | | | | | | | |
| Acquisition of non-controlling interests without a change in control | – | – | – | – | – | – | (403) | – | (403) | 387 | (16) |
| Issuance of new shares to non-controlling interest | – | – | – | – | – | – | – | – | – | 150 | 150 |
| **Total transactions with owners in their capacity as owners** | – | (375) | (4,228) | – | 9 | (96) | (403) | (130) | (5,223) | (3,022) | (8,245) |
| Others | | | | | | | | | | | |
| Transfer of statutory reserve fund | – | – | (90) | 90 | – | – | – | – | – | – | – |
| At 31 December 2015 | 33,303 | (378) | 90,545 | 2,954 | 3,889 | 260 | (1,552) | 177 | 129,198 | 17,226 | 146,424 |

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

| | Share capital | Treasury shares | Accumulated profits | Share based compensation reserve | Capital reserve | Total equity |
|---|---|---|---|---|---|---|
| | $'000 (Note 28) | $'000 (Note 28) | $'000 | $'000 (Note 29) | $'000 (Note 29) | $'000 |
| **2016 Company** | | | | | | |
| 1 January 2016 | 33,303 | (378) | 5,375 | 260 | 177 | 38,737 |
| Profit for the year | – | – | 9,419 | – | – | 9,419 |
| **Total comprehensive income for the year** | – | – | 9,419 | – | – | 9,419 |
| Contributions by and distributions to owners | | | | | | |
| Share-based payments | – | – | – | 164 | – | 164 |
| Treasury shares transferred on vesting of restricted share grant | – | 81 | – | (81) | – | – |
| Purchase of treasury shares | – | (830) | – | – | – | (830) |
| Treasury shares transferred as consideration in relation to the acquisition of non- controlling interest (Note 28) | – | 540 | – | – | – | 540 |
| Dividends paid (Note 37) | – | – | (8,015) | – | – | (8,015) |
| **Total transactions with owners in their capacity as owners** | – | (209) | (8,015) | 83 | – | (8,141) |
| At 31 December 2016 | 33,303 | (587) | 6,779 | 343 | 177 | 40,015 |
| **2015 Company** | | | | | | |
| 1 January 2015 | 33,303 | (3) | 9,008 | 356 | 307 | 42,971 |
| Profit for the year | – | – | 595 | – | – | 595 |
| **Total comprehensive income for the year** | – | – | 595 | – | – | 595 |
| Contributions by and distributions to owners | | | | | | |
| Share-based payments | – | – | – | 50 | – | 50 |
| Treasury shares transferred on vesting of restricted share grant | – | 276 | – | (146) | (130) | – |
| Purchase of treasury shares | – | (651) | – | – | – | (651) |
| Dividends paid (Note 37) | – | – | (4,228) | – | – | (4,228) |
| **Total transactions with owners in their capacity as owners** | – | (375) | (4,228) | (96) | (130) | (4,829) |
| At 31 December 2015 | 33,303 | (378) | 5,375 | 260 | 177 | 38,737 |

*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 2016**

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from operating activities** | | | |
| Profit before taxation | | 29,716 | 25,376 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 12 | 514 | 571 |
| Depreciation of property, plant and equipment | 10 | 51,688 | 49,013 |
| Gain on divestment of investment securities | | (8,841) | – |
| Write back of provision for reinstatement cost | 23 | (292) | (35) |
| Impairment loss on investment securities | 13 | 208 | 21 |
| Impairment loss on intangible assets | 12 | – | 1,009 |
| Impairment loss on plant and equipment | 10 | 779 | 1,048 |
| (Write back) / impairment of trade receivables | 18 | (181) | 91 |
| Impairment of other receivables | 18 | 87 | 33 |
| Net fair value gains on investment property | 11 | (2) | (628) |
| Net loss on disposal of property, plant and equipment | | 345 | 165 |
| Write off of trade and other receivables | | 1,565 | 244 |
| Interest expense | 5 | 5,931 | 5,322 |
| Interest income | 5 | (1,162) | (4,005) |
| Property, plant and equipment written off | 10 | 2,691 | 3,217 |
| Write off of intangible assets | 12 | 320 | – |
| Share based payment expenses | | 164 | 59 |
| Share of results of associates | | 1,960 | 1,933 |
| Share of results of joint ventures | | (1,130) | (628) |
| Write-off of inventories | 17 | 18 | 131 |
| Allowance for inventory obsolescence | 17 | 84 | 168 |
| Dividend income from quoted investment equity | | (36) | – |
| Unrealised exchange loss/(gain), net | | 2,687 | (215) |
| **Operating cash flows before working capital changes** | | 87,113 | 82,890 |
| (Increase)/decrease in: | | | |
| Inventories | | (30) | 452 |
| Trade and other receivables | | 812 | (1,916) |
| Prepayments | | 902 | 57 |
| Amount due from joint ventures (trade) | | (189) | (79) |
| Increase/(decrease) in: | | | |
| Trade and other payables | | (5,704) | (995) |
| Other liabilities | | 11,158 | (6,728) |
| Amount due to a joint venture (trade) | | 279 | (369) |
| Cash flows generated from operations | | 94,341 | 73,312 |
| Tax paid | | (9,100) | (6,850) |
| **Net cash flows from operating activities** | | 85,241 | 66,462 |

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

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from investing activities** | | | |
| Interest income received | | 310 | 2,507 |
| Purchase of property, plant and equipment | A | (31,935) | (37,569) |
| Additions to intangible assets | 12 | (375) | (795) |
| Cash paid for reinstatement cost | 23 | (2,339) | (366) |
| Proceeds from disposal of property, plant and equipment | | 30 | 89 |
| Proceeds from divestment of investment securities | | 16,334 | – |
| Amount due from joint ventures(non-trade) | | 140 | 224 |
| Amount due to joint ventures (non-trade) | | (59) | (118) |
| Amount due to an associate (non-trade) | | (839) | (158) |
| Investment in associates | 15 | (2,769) | (2,507) |
| Purchase of investment securities | | – | (20,371) |
| Dividends received from a joint venture | | 363 | 1,189 |
| Dividends received from an associate | | 98 | – |
| Dividends received from quoted equity | | 36 | – |
| **Net cash flows used in investing activities** | | (21,005) | (57,875) |
| **Cash flows from financing activities** | | | |
| Interest paid | | (5,931) | (5,321) |
| Dividends paid to shareholders of the Company | 37 | (8,015) | (4,228) |
| Dividends paid to non-controlling shareholders of a subsidiary | | (1,640) | (3,559) |
| Purchase of treasury shares | | (830) | (651) |
| Proceeds from long-term loans | | 3,602 | 19,939 |
| Repayment of long-term loans | | (67,839) | (22,086) |
| Proceeds from short-term loans | | 8,039 | 32,167 |
| Repayment of short-term loans | | (39,407) | (26,423) |
| Proceeds from notes payable | | 75,000 | – |
| Loan due to a non-controlling shareholder | | 11 | 62 |
| Capital contribution from non-controlling interest | | – | 150 |
| Acquisition of non-controlling interest | 14 | (1,163) | (16) |
| **Net cash flows used in financing activities** | | (38,173) | (9,966) |
| **Net increase/(decrease) in cash and cash equivalents** | | 26,063 | (1,379) |
| Effect of exchange rate changes on cash and cash equivalents | | (370) | 823 |
| **Cash and cash equivalents at the beginning of the year** | | 94,896 | 95,452 |
| **Cash and cash equivalents at the end of the year** | 20 | 120,589 | 94,896 |

**Note A. Purchase of property, plant and equipment**

During the year, the Group acquired property, plant and equipment with an aggregate cost of approximately $32,023,000 (2015: $37,269,000). The additions were by way of cash payments of $25,038,000 (2015: $26,814,000), increase in provision for reinstatement costs of $2,090,000 (2015: $3,558,000), amount payable to other creditors of $4,760,000 (2015: $6,775,000) and accruals for amounts payable of $135,000 (2015: $122,000).

Cash outflow for the year also include payments in respect of property, plant and equipment acquired in the previous years of $6,897,000 (2015: $10,755,000).

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

## 1. General

### 1.1 *Corporate information*

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

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

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

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

## 2. Summary of significant accounting policies

### 2.1 *Basis of preparation and fundamental accounting assumption*

As at 31 December 2016, the Group's current liabilities exceeded their current assets by $4,327,000 (2015: $82,955,000). 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 ("FRS").

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

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

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

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

### 2.2 *Changes in accounting policies*

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

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

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

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to FRS 7: Disclosure Initiative | 1 January 2017 |
| Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| Improvements to FRSs (December 2016 – Amendments to FRS 112: Classifications of the Scope of the Standard | 1 January 2017 |
| Improvements to FRSs (December 2016 – Amendments to FRS 28: Measuring an Associate or Joint Venture at fair value | 1 January 2018 |
| Amendments to FRS 40: Transfers of Investment Property | 1 January 2018 |
| FRS 115 Revenue from Contracts with Customers | 1 January 2018 |
| Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers | 1 January 2018 |
| FRS 109 Financial Instruments | 1 January 2018 |
| Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts | 1 January 2018 |
| FRS 116 Leases | 1 January 2019 |
| Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Date to be determined |

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

FRS 115 Revenue from Contracts with Customers

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

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

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

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

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

During 2016, the Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group is in the business of manufacturing and retailing of bakery and confectionary products, and operators of restaurants and food courts.

The Group does not expect any material impact upon adoption of FRS 115.

The Group plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients applicable for full retrospective approach under FRS 115 as listed below.

Transition

The following practical expedients are available when applying FRS 115 retrospectively.

- For completed contacts, an entity need not restate contracts that begin and end with the same annual reporting period or are completed contracts at the beginning of the earliest period presented.

- For completed contracts that have variable consideration, an entity may use the transaction price at the date of the contract completed rather than estimating the variable consideration amounts in the comparative reporting periods; and

- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

    - Identifying the satisfied and unsatisfied performance obligations;
    - Determining the transactions price; and
    - Allocating the transaction price to the satisfied and unsatisfied performance obligations.

- For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.

The Group plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for full retrospective approach under FRS 115 as listed above.

FRS 109 Financial Instruments

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

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

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

FRS 109 Financial Instruments (cont'd)

(a) *Classification and measurement*

The Group expects to have mixed business model. The Group intends to hold its currently held-to-maturity debt instruments assets to collect contractual cash flows, and accordingly measured at amortised cost when it applies FRS 109. The Group does not expect any significant impact to arise from these changes.

For equity securities, the Group will continue to measure its currently available-for-sale quoted equity securities at fair value though profit or loss (FVTPL).The Group does not expect any significant impact arising from these changes. In addition, the Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount under FRS 39 and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

(b) *Impairment*

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect a material impact, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 Leases

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

The Group expects the adoption of the new standard to have significant impact and will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

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

### 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.

*Judgments made in applying accounting policies*

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

Impairment of available-for-sale investments and held-to-maturity investments

The Group has investments in unquoted equity instruments classified as available for sale financial assets. These investments are held at cost of $50,457,000 as at 31 December 2016. The Group assesses whether there is an indication that available for sales investments may be impaired. The impairment assessment of these investments involved significant management assumptions since they are not quoted and no market price is readily available. In the assessment, the Group takes into consideration the valuation of the underlying assets held by the investees.

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

The Group has investments in junior bonds classified as held-to-maturity investments amounted to $38,633,000 with interest receivables from these investments amounted to $852,000 as at 31 December 2016. The Group assesses whether there is an indication that held-to-maturity investments may be impaired. In the assessment, the Group evaluates, among other factors, the default or significant delay in interest receipts, the probability of insolvency or significant financial difficulties of the issuers, and the value of the related secured properties held by the issuers.

*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.

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

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

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

Valuation of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Group engaged a real estate valuation expert to assess fair value as at 31 December 2016. The fair value of investment property is determined by the independent real estate valuation expert using a recognised valuation technique. This technique comprise of direct comparable approach. The key assumptions used to determine the fair value of this investment property and sensitivity analysis are provided in Note 34.

The carrying amounts of the investment property carried at fair value as at 31 December 2016 are $22,984,000 (2015: $24,053,000).

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 2016 is $4,837,000 (2015: $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.

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

### 2.5 *Foreign currency (cont'd)*

(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.

### 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.

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

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

(b) *Business combinations and goodwill*

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

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

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

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

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

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

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

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

### 2.7 *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 separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

### 2.9 *Joint arrangements*

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

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

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

(a) *Joint operations*

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

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

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

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

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

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

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

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

### 2.9 *Joint arrangements (cont'd)*

(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 *Associates and joint ventures*

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

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

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

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

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

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

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

### 2.11 *Property, plant and equipment*

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

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

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

| | | |
|---|---|---|
| Leasehold property | – | 20 – 54 years |
| Leasehold land | – | 51 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 are not depreciated as these assets are not yet available for use.

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

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

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

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

### 2.12 *Investment properties*

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

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

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.

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

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

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.

(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.

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

### 2.14 *Impairment of non-financial assets (cont'd)*

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. The Group determines the classification of its financial assets at initial recognition.

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

Subsequent measurement

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

(i) *Loans and receivables*

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

(ii) *Held-to-maturity investments*

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

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

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

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

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

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

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

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

Derecognition

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

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

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

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

Derecognition

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

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

### 2.16 *Impairment of financial assets*

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

(a) *Financial assets carried at amortised cost*

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

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

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

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

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

(b) *Financial assets carried at cost*

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

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

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

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

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

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

### 2.17 *Cash and cash equivalents*

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

### 2.18 *Inventories*

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

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

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

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

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

### 2.19 *Provisions*

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

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

### 2.20 *Financial guarantee*

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

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

### 2.21 *Borrowing costs*

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

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

### 2.22 *Leases*

(a) *As lessee*

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

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

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

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

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

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

(b) *As lessor*

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

### 2.23 *Employee benefits*

(a) *Defined contribution plans*

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

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.

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

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

(b) *Employee leave entitlement*

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

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

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

In the Company's separate financial statements, the fair value of the Awards granted to employees of its subsidiaries is estimated based on the market price of the shares on grant date less the present value of expected future dividends during the vesting period. It is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity.

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

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

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

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

2.25 ***Revenue***

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

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

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

(b) *Franchise income*

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

(c) *Food court revenue*

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

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

(d) *Management fee*

Management fee is recognised on an accrual basis.

(e) *Interest income*

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

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

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

(f) *Dividend income*

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

(g) *Rental income*

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

### 2.26 *Government grants*

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

### 2.27 *Taxes*

(a) *Current income tax*

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

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

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

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

(b) *Deferred tax*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) *Sales tax*

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

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

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

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

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

### 2.28 *Segment reporting*

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

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

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

### 2.30 *Treasury shares*

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

### 2.31 *Contingencies*

A contingent liability is:

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

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

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

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

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

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

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

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

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

## 3. Revenue

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Bakery sales | 267,752 | 264,958 |
| Restaurant sales | 150,230 | 143,150 |
| Sales to franchisee | 25,841 | 28,781 |
| Franchise income | 13,271 | 14,176 |
| Food court income | 157,901 | 173,084 |
| | 614,995 | 624,149 |

## 4. Other operating income

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Management fee income | 11,020 | 8,498 |
| Income from mall operation | 610 | 956 |
| Government grant | 2,508 | 769 |
| Grant income from Special Employment Credit [1] | 333 | 345 |
| Wage credit scheme [2] | 1,698 | 1,260 |
| Income recognised from unredeemed food court stored value cards[3] | 1,518 | – |
| Sponsorship income | 403 | 356 |
| Rental income | 1,895 | 2,917 |
| Gain on divestment of investment securities | 8,841 | – |
| Gain from fair value adjustment of investment properties (Note 11) | 2 | 628 |
| Write back of provision for reinstatement cost (Note 23) | 292 | 35 |
| Compensation received from vendor | – | 394 |
| Dividend received from quoted equity instruments | 36 | – |
| Miscellaneous income | 384 | 121 |
| | 29,540 | 16,279 |

## 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 and has expired on 31 December 2016.

Under this Scheme, for each Singaporean employee who is aged 50 and above and who earns up to $3,000 per month, the Company will receive an 8% Special Employment Credit based on that employee's salary. The Scheme has 2 payouts in March and September. The Group received $333,000 (2015: $345,000) during the year.

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

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

## 5. Interest income and interest expense

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | $'000 | $'000 |
| Interest income from: | | |
| - loans and receivables | 169 | 597 |
| - held-to-maturity financial assets | 993 | 3,408 |
| | 1,162 | 4,005 |
| Interest expense on: | | |
| - term loans | (3,344) | (5,322) |
| - notes payable | (2,587) | – |
| - term loans | (5,931) | (5,322) |

## 6. Profit before tax

This is determined after charging the following:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Audit fees | | |
| - auditor of the Company | 311 | 303 |
| - affiliates of auditor of the Company | 214 | 211 |
| - other auditor of the Company | 172 | 241 |
| | 697 | 755 |
| Non-audit fees to auditor of the Company: | | |
| Recurring | | |
| - tax returns compliance services | 40 | 55 |
| - sales certifications | 18 | 18 |
| | 58 | 73 |
| Non-recurring | | |
| - tax advisory services | 42 | 23 |
| - transfer pricing tax advisory services | 66 | 168 |
| - sustainability reporting | 50 | 50 |
| | 158 | 241 |
| Non-audit fees to other auditors of the Company | 77 | 53 |
| Amortisation of intangible assets (Note 12) | 514 | 571 |
| Impairment loss on goodwill (Note 12) | – | 1,009 |
| Write off of intangible assets (Note 12) | 320 | – |
| (Write-back)/impairment of loans and receivables | | |
| - trade receivables (Note 18) | (181) | 91 |
| - other receivables (Note 18) | 87 | 33 |
| Write off of trade and other receivables | 1,565 | 244 |
| Directors' fees | 173 | 173 |
| Employee benefits (Note 7) | 186,702 | 167,817 |
| Operating lease expenses | | |
| - fixed portion | 133,225 | 129,275 |
| - variable portion | 12,584 | 18,505 |
| Depreciation of property, plant and equipment (Note 10) | 51,688 | 49,013 |
| Property, plant and equipment written off (Note 10) | 2,691 | 3,217 |
| Impairment loss on property, plant and equipment (Note 10) | 779 | 1,048 |
| Loss on disposal of plant and equipment | 345 | 165 |
| Write-off of inventories (Note 17) | 18 | 131 |
| Allowance for inventory obsolescence (Note 17) | 84 | 168 |
| Impairment loss on quoted equity instruments (Note 13) | 208 | 21 |

## 7. Employee benefits

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Salaries and bonuses | 132,319 | 126,515 |
| Central Provident Fund and other pension contributions | 20,604 | 18,285 |
| Sales incentives and commission | 6,127 | 1,654 |
| Other personnel benefits | 27,652 | 21,363 |
| | 186,702 | 167,817 |

**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, 400,000 restricted shares were granted (2015: Nil). There are 557,000 restricted shares outstanding at year end (2015: 397,880 shares).

## 8. Income tax expense

Major components of income tax expense were:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Current tax | | |
| - Current year | 9,111 | 7,493 |
| - (Over)/under provision in prior years | (15) | 507 |
| Deferred tax | | |
| - Origination and reversal of temporary differences | 1,710 | 1,076 |
| - Under provision in prior years | 367 | 826 |
| Withholding tax | 946 | 866 |
| Taxation expense | 12,119 | 10,768 |

## 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 | |
|---|---|---|
| | **2016** | **2015** |
| | $'000 | $'000 |
| Profit before tax | 29,716 | 25,376 |
| Tax at the domestic rates applicable to profits in the countries where the Group operates[1] | 5,025 | 4,750 |
| Tax effect of: | | |
| Expenses not deductible for tax purposes | 3,825 | 2,476 |
| Depreciation not deductible for tax purposes | 1,601 | 1,180 |
| Income not subject to taxation | (1,651) | (1,972) |
| Share of results of associates and joint ventures | 141 | 228 |
| Tax savings arising from development and expansion incentive [2] | (70) | (173) |
| (Over)/under provision in prior years | | |
| - Current tax | (15) | 507 |
| - Deferred tax | 367 | 826 |
| Withholding tax expense | 946 | 866 |
| Effect of partial tax exemption and tax relief | (273) | (278) |
| Deferred tax assets not recognised | 2,703 | 2,726 |
| Tax savings from enhanced deductions [3] | (552) | (123) |
| Others | 72 | (245) |
| Taxation expense | 12,119 | 10,768 |

(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.

(3) In 2010, the Minister for Finance of Singapore introduced a new broad-based tax scheme to encourage businesses to invest in productivity and innovation. The scheme enhances existing tax measures that encourage productivity and innovative activities and consolidates them into a single scheme, known as the Productivity and Innovation scheme ("PIC"). The PIC is available from Year of Assessment ("YA") 2011 to YA 2018.

## 8. Income tax expense (cont'd)

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

| | Group | | | |
|---|---|---|---|---|
| | Balance sheet | | Profit or loss | |
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| **Deferred tax liabilities:** | | | | |
| Differences in depreciation for tax purposes | (4,165) | (3,729) | (436) | (1,486) |
| Other items | (159) | (213) | 54 | 174 |
| | (4,324) | (3,942) | | |
| **Deferred tax assets:** | | | | |
| Provisions | 484 | 623 | (139) | (996) |
| Differences in depreciation for tax purposes | 741 | 623 | 118 | 194 |
| Unutilised capital allowances | 705 | 1,295 | (590) | (591) |
| Unutilised tax losses | – | 1,135 | (1,135) | 659 |
| Other items | 819 | 768 | 51 | 144 |
| | 2,749 | 4,444 | | |
| Deferred income tax | | | (2,077) | (1,902) |

| | Company | |
|---|---|---|
| | Balance sheet | |
| | 2016 | 2015 |
| | $'000 | $'000 |
| **Deferred tax liabilities:** | | |
| Differences in depreciation for tax purposes | (1,791) | (1,103) |
| | (1,791) | (1,103) |

*Deferred tax assets*

No deferred tax assets were recognised in loss making entities during the year (2015: $232,596).

## 8. Income tax expense (cont'd)

*Unrecognised tax losses, capital allowances and other temporary differences*

As at 31 December 2016, the Group has tax losses of approximately $40,218,000 (2015: $37,665,000), unutilised capital allowances of approximately $328,000 (2015: $324,000) and other temporary differences of approximately $3,640,000 (2015: $1,947,000) 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 2016, $38,735,000 (2015: $37,145,000) 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 (2015: 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 $33,966,000 (2015: $28,872,000). The deferred tax liability is estimated to be $1,698,000 (2015: $1,444,000).

*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 | |
|---|---|---|
| | **2016** | **2015** |
| | $'000 | $'000 |
| Profit for the year attributable to owners of the Company | 11,436 | 7,602 |

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | No. of shares '000 | No. of shares '000 |
| Weighted average number of ordinary shares for basic earnings per share computation * | 281,300 | 281,734 |
| Effects of dilution: | | |
| - Restricted shares granted conditionally under the "BreadTalk Restricted Share Grant Plan" | 112 | 674 |
| Weighted average number of ordinary shares for diluted earnings per share computation * | 281,412 | 282,408 |

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

## 10. Property, plant and equipment

| Group | Leasehold property $'000 | Leasehold land $'000 | Machinery and equipment $'000 | Electrical works $'000 | Furniture and fittings $'000 | Office equipment $'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 1.1.2015 | 55,921 | 21,276 | 51,289 | 53,947 | 52,656 | 11,148 |
| Additions | 10 | – | 6,073 | 5,499 | 5,760 | 1,394 |
| Reclassifications | 221 | – | 75 | 253 | 266 | 496 |
| Write offs | – | – | (3,356) | (2,301) | (2,266) | (556) |
| Disposals | – | – | (107) | (31) | (49) | (47) |
| Translation difference | 57 | 178 | 260 | 447 | 965 | 67 |
| As at 31.12.2015 and 1.1.2016 | 56,209 | 21,454 | 54,234 | 57,814 | 57,332 | 12,502 |
| Additions | 8 | – | 4,265 | 4,127 | 6,960 | 1,740 |
| Reclassifications | – | – | 143 | 612 | – | 3 |
| Write offs | – | – | (3,300) | (2,299) | (3,530) | (557) |
| Disposals | (510) | – | (213) | (33) | (236) | (13) |
| Translation difference | (145) | 58 | (391) | 128 | 410 | (36) |
| As at 31.12.2016 | 55,562 | 21,512 | 54,738 | 60,349 | 60,936 | 13,639 |
| **Accumulated depreciation and impairment losses** | | | | | | |
| As at 1.1.2015 | 2,980 | 651 | 26,911 | 28,081 | 29,449 | 7,592 |
| Charge for the year | 1,173 | 407 | 6,557 | 8,244 | 8,361 | 2,077 |
| Reclassifications | – | – | (85) | 271 | (40) | (121) |
| Write offs | – | – | (2,777) | (1,895) | (1,896) | (492) |
| Disposals | – | – | (63) | (14) | (19) | (15) |
| Impairment loss | – | – | 144 | 160 | 58 | 17 |
| Translation difference | 15 | 14 | 144 | 295 | 662 | 57 |
| As at 31.12.2015 and 1.1.2016 | 4,168 | 1,072 | 30,831 | 35,142 | 36,575 | 9,115 |
| Charge for the year | 1,137 | 408 | 6,001 | 8,124 | 8,283 | 1,879 |
| Reclassifications | – | – | (30) | 52 | 47 | (51) |
| Write offs | – | – | (2,413) | (2,005) | (3,120) | (388) |
| Disposals | (271) | – | (107) | (23) | (219) | (10) |
| Impairment loss | – | – | 1 | 257 | 395 | – |
| Translation difference | (73) | 9 | (167) | 125 | 385 | (20) |
| As at 31.12.2016 | 4,961 | 1,489 | 34,116 | 41,672 | 42,346 | 10,525 |
| **Net carrying amount** | | | | | | |
| As at 31.12.2015 | 52,041 | 20,382 | 23,403 | 22,672 | 20,757 | 3,387 |
| As at 31.12.2016 | 50,601 | 20,023 | 20,622 | 18,677 | 18,590 | 3,114 |

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

| | Renovation [1] $'000 | Motor vehicles $'000 | Construction -in-progress $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| As at 1.1.2015 | 132,105 | 2,314 | 3,098 | 383,754 |
| Additions | 15,026 | 77 | 3,430 | 37,269 |
| Reclassifications | 962 | – | (2,273) | – |
| Write offs | (6,249) | (110) | (274) | (15,112) |
| Disposals | (227) | – | (5) | (466) |
| Translation difference | 804 | 23 | 55 | 2,856 |
| As at 31.12.2015 and 1.1.2016 | 142,421 | 2,304 | 4,031 | 408,301 |
| Additions | 12,407 | 195 | 2,321 | 32,023 |
| Reclassifications | 1,589 | – | (2,347) | – |
| Write offs | (15,550) | – | (1) | (25,237) |
| Disposals | (70) | – | – | (1,075) |
| Translation difference | (2,450) | (22) | (162) | (2,610) |
| As at 31.12.2016 | 138,347 | 2,477 | 3,842 | 411,402 |
| **Accumulated depreciation and impairment losses** | | | | |
| As at 1.1.2015 | 66,491 | 929 | – | 163,084 |
| Charge for the year | 21,820 | 374 | – | 49,013 |
| Reclassifications | (25) | – | – | – |
| Write offs | (4,761) | (74) | – | (11,895) |
| Disposals | (101) | – | – | (212) |
| Impairment loss | 669 | – | – | 1,048 |
| Translation difference | 376 | 4 | – | 1,567 |
| As at 31.12.2015 and 1.1.2016 | 84,469 | 1,233 | – | 202,605 |
| Charge for the year | 25,507 | 349 | – | 51,688 |
| Reclassifications | (18) | – | – | – |
| Write offs | (14,620) | – | – | (22,546) |
| Disposals | (70) | – | – | (700) |
| Impairment loss | 126 | – | – | 779 |
| Translation difference | (1,334) | (12) | – | (1,087) |
| As at 31.12.2016 | 94,060 | 1,570 | – | 230,739 |
| **Net carrying amount** | | | | |
| As at 31.12.2015 | 57,952 | 1,071 | 4,031 | 205,696 |
| As at 31.12.2016 | 44,287 | 907 | 3,842 | 180,663 |

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

(1) Additions to renovation during the year include provision for reinstatement costs of $2,090,000 (2015: $3,558,000).

***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 | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Leasehold land | 17,584 | 17,915 |
| Leasehold property | 48,845 | 49,757 |
| | 66,429 | 67,672 |

***Impairment of assets***

During the financial year, the Group carried out a review of the recoverable amount of the plant and equipment in the loss making outlets of its bakery, restaurant and food court segments. An impairment loss of $779,000 (2015: $1,048,000), representing the write-down 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 2016.

***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 (2015:$145,000).

## 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 1.1.2015 | 52,054 | 18,731 | 340 | 2,115 | 1,164 |
| Additions | 10 | – | – | 60 | 41 |
| As at 31.12.2015 and 1.1.2016 | 52,064 | 18,731 | 340 | 2,175 | 1,205 |
| Additions | 8 | – | 44 | 69 | 1,820 |
| As at 31.12.2016 | 52,072 | 18,731 | 384 | 2,244 | 3,025 |
| **Accumulated depreciation** | | | | | |
| As at 1.1.2015 | 1,387 | 485 | 95 | 603 | 294 |
| Charge for the year | 920 | 331 | 68 | 426 | 249 |
| As at 31.12.2015 and 1.1.2016 | 2,307 | 816 | 163 | 1,029 | 543 |
| Charge for the year | 920 | 331 | 71 | 436 | 400 |
| As at 31.12.2016 | 3,227 | 1,147 | 234 | 1,465 | 943 |
| **Net carrying amount** | | | | | |
| As at 31.12.2015 | 49,757 | 17,915 | 177 | 1,146 | 662 |
| As at 31.12.2016 | 48,845 | 17,584 | 150 | 779 | 2,082 |

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

| | Office equipment $'000 | Renovation $'000 | Total $'000 |
|---|---|---|---|
| **Company** | | | |
| **Cost** | | | |
| As at 1.1.2015 | 1,577 | 4,561 | 80,542 |
| Additions | 219 | 120 | 450 |
| As at 31.12.2015 and 1.1.2016 | 1,796 | 4,681 | 80,992 |
| Additions | 127 | 102 | 2,170 |
| As at 31.12.2016 | 1,923 | 4,783 | 83,162 |
| **Accumulated depreciation** | | | |
| As at 1.1.2015 | 771 | 1,347 | 4,982 |
| Charge for the year | 498 | 925 | 3,417 |
| As at 31.12.2015 and 1.1.2016 | 1,269 | 2,272 | 8,399 |
| Charge for the year | 404 | 949 | 3,511 |
| As at 31.12.2016 | 1,673 | 3,221 | 11,910 |
| **Net carrying amount** | | | |
| As at 31.12.2015 | 527 | 2,409 | 72,593 |
| As at 31.12.2016 | 250 | 1,562 | 71,252 |

## 11. Investment property

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| **Balance sheet:** | | |
| At 1 January | 24,053 | 23,198 |
| Net gains from fair value adjustments recognised in profit or loss (Note 4) | 2 | 628 |
| Exchange differences | (1,071) | 227 |
| At 31 December | 22,984 | 24,053 |

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

| Description and Location | Existing Use | Tenure | Unexpired lease term |
|---|---|---|---|
| 18 units office space located in Xuhui district, Shanghai, The Peoples' Republic of China | Offices | Leasehold | 45 years |

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

Valuation of investment property

Investment property is stated at fair value, which has been determined based on valuations performed as at 31 December 2016 and 31 December 2015. The valuations were performed by 上海沪港房地产估价有限公司, an independent real estate valuation expert 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.

## 12. Intangible assets

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Goodwill | Brand value | Trade mark | Franchise rights | Location premium | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | | | |
| As at 1.1.2015 | 6,173 | 3,209 | 1,327 | 1,518 | 505 | 12,732 |
| Additions | – | – | 563 | 232 | – | 795 |
| Write off | – | – | (4) | – | (31) | (35) |
| Translation difference | – | – | 4 | (6) | – | (2) |
| As at 31.12.2015 and 1.1.2016 | 6,173 | 3,209 | 1,890 | 1,744 | 474 | 13,490 |
| Additions | – | – | 333 | 42 | – | 375 |
| Write off | – | – | (349) | – | – | (349) |
| Translation difference | – | – | (19) | 20 | – | 1 |
| As at 31.12.2016 | 6,173 | 3,209 | 1,855 | 1,806 | 474 | 13,517 |
| **Accumulated amortisation and impairment losses** | | | | | | |
| As at 1.1.2015 | 327 | 2,143 | 916 | 1,150 | 505 | 5,041 |
| Amortisation | – | 213 | 124 | 234 | – | 571 |
| Impairment loss | 1,009 | – | – | – | – | 1,009 |
| Write off | – | – | (4) | – | (31) | (35) |
| Translation difference | – | – | – | 1 | – | 1 |
| As at 31.12.2015 and 1.1.2016 | 1,336 | 2,356 | 1,036 | 1,385 | 474 | 6,587 |
| Amortisation | – | 213 | 146 | 155 | – | 514 |
| Write off | – | – | (29) | – | – | (29) |
| Translation difference | – | – | (5) | 17 | – | 12 |
| As at 31.12.2016 | 1,336 | 2,569 | 1,148 | 1,557 | 474 | 7,084 |
| **Net carrying amount** | | | | | | |
| As at 31.12.2015 | 4,837 | 853 | 854 | 359 | – | 6,903 |
| As at 31.12.2016 | 4,837 | 640 | 707 | 249 | – | 6,433 |

Brand value, trade mark, franchise rights and location premium are determined to have finite useful lives and are amortised on a straight-line basis over their respective estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. Brand value, trade mark and franchise rights have remaining useful lives of 3 years (2015: 4 years), 1 to 10 years (2015: 1 to 10 years) and 1 to 6 years (2015: 1 to 6 years) as at 31 December 2016 respectively.

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

## 12. Intangible assets (cont'd)

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 allocated to 2 cash-generating units ("CGU"), which represent the 2 geographical segments (i.e. Shanghai and Beijing segments) in which the acquired food courts are located. The food courts located in the same geographical segment are managed by the same management team.

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

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

| | Carrying amount as at 31.12.16 | Carrying amount as at 31.12.15 | Pre-tax discount rate 2016 | Pre-tax discount rate 2015 |
|---|---|---|---|---|
| | $'000 | $'000 | | |
| Food court operations in: | | | | |
| - Shanghai | 3,569 | 3,569 | 12.0% | 11.6% |
| - Singapore | 1,268 | 1,268 | 10.0% | 9.9% |
| | 4,837 | 4,837 | | |

Goodwill in respect of the food court operations in Beijing of $1.0 million was fully impaired in the prior year.

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.

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 industries relevant to the CGUs.

## 12. Intangible assets (cont'd)

Key assumptions used in the fair value less costs of disposal calculations (cont'd)

*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.

Impairment loss recognised

During the financial year, no impairment loss was recognised to write-down the carrying amount of goodwill (2015: $1,009,000) after making an assessment of the expected recoverable amount during the current financial year. Any impairment loss will be recognised in profit or loss under the line item "Administrative expenses".

## 13. Investment securities

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'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* | | | | |
| - 8% SGD junior bonds due on 29 January 2016 (unquoted) | – | 7,224 | – | – |
| - 5% SGD junior bonds due on 31 March 2018 (unquoted) (Note 37) | 12,137 | – | – | – |
| | 12,137 | 7,224 | – | – |
| | 17,222 | 7,224 | – | – |
| **Non-Current:** | | | | |
| *Available-for-sale financial assets* | | | | |
| - Equity instruments (quoted), at fair value | 1,010 | 1,218 | 825 | 1,000 |
| - Equity instruments (unquoted), at cost | 45,372 | 45,391 | – | – |
| - Redeemable preference shares (unquoted), at cost | – | 5,067 | – | – |
| | 46,382 | 51,676 | 825 | 1,000 |
| *Held-to-maturity investments* | | | | |
| - 3% SGD junior bonds due on 20 January 2020 (unquoted) | 18,000 | 18,000 | – | – |
| - 5% SGD junior bonds due on 31 March 2018 (unquoted) (Note 37) | – | 12,137 | – | – |
| - 10% SGD junior bonds due on 24 April 2025 (unquoted) | 8,496 | 8,496 | – | – |
| | 26,496 | 38,633 | – | – |
| | 72,878 | 90,309 | 825 | 1,000 |

## 13. Investment securities (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current and Non-current** | | | | |
| Available-for-sale financial assets (unquoted) | 50,457 | 50,458 | – | – |
| Available-for-sale financial assets (quoted) | 1,010 | 1,218 | 825 | 1,000 |
| Held-to-maturity investments (unquoted) | 38,633 | 45,857 | – | – |
| Total | 90,100 | 97,533 | 825 | 1,000 |

8% SGD junior bonds and redeemable preference shares

On 27 January 2010, a subsidiary, Imagine Properties Pte Ltd ("IPPL") had completed the subscription of $10,750,000 in principal amount of junior bonds and was issued 43 preference shares of $0.10 per share in PRE 1 Investments Pte Ltd ("PRE 1"). Subsequently, on 27 February 2012, PRE 1 made a partial redemption of $3,526,000 on the junior bonds.

The junior bonds mature in 2016 and bore interest, payable semi-annually in arrears, at 8% per annum from 29 January 2012 to but excluding the maturity date of the junior bonds, subject to the extinguishment of unpaid interest.

On 17 January 2016, the junior bonds and redeemable preference shares were sold for a total consideration of $16,334,000.

3% SGD junior bonds

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

The junior bonds mature on 20 January 2020 and bear interest semi-annually in arrears, at minimum 3% per annum from 1 January 2013.

5% SGD junior bonds

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

The junior bonds bear interest semi-annually in arrears, at minimum 5% per annum from 31 March 2014.

Subsequent to year end on 26 January 2017, IPPL entered into a sales and purchase agreement to sell the investment securities (Note 38).

## 13. Investment securities (cont'd)

10% SGD junior bonds

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").

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 5.72% 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 ("PTHD") for the subscription of ordinary shares of PTHD. IPPL's subscription of 14,520 ordinary shares for a cash consideration of $14,520,000 represents a 5.86% equity interest in PTHD. As at 31 December 2016, the Company has paid approximately 97% of the subscription amount of $14,020,000.

Investments pledged as security

The Group's investments in unquoted equity instruments of $25,260,000 (2015: $25,260,000) and junior bonds of $38,633,000 (2015: $38,633,000) have been pledged as security for bank loans (Note 26).

Impairment losses

During the financial year, the Group recognised impairment loss of $208,000 (2015: $21,000) for quoted equity instruments as there was significant decline in the fair value of the investments below their costs.

## 14. Investment in subsidiaries

| | Company | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Unquoted equity shares at cost | 28,864 | 28,864 |
| Capital contributions in the form of share options issued to employees of subsidiaries | 736 | 646 |
| Impairment losses: | | |
| - Unquoted shares | (5,304) | (5,304) |
| | 24,296 | 24,206 |
| Movement in impairment loss: | | |
| At 1 January | 5,304 | 5,300 |
| Charge during the year | – | 4 |
| At 31 December | 5,304 | 5,304 |

## 14. Investment in subsidiaries (cont'd)

(a) ***Composition of the Group***

The Group has the following investment in subsidiaries:

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | |
|---|---|---|---|---|
| | | | 2016 | 2015 |
| | | | % | % |
| **Held by the Company** | | | | |
| BreadTalk Pte Ltd [1] | Singapore | Bakers and manufacturers of and dealers in bread, flour and biscuits | 100 | 100 |
| Together Inc. Pte Ltd [3] | Singapore | Investment holding | 100 | 100 |
| BreadTalk International Pte Ltd [3] | Singapore | Investment holding | 100 | 100 |
| Topwin Investment Holding Pte Ltd [3] | Singapore | Investment holding | 100 | 100 |
| Star Food Pte Ltd [3] | Singapore | Investment holding | 100 | 100 |
| Imagine IHQ Pte Ltd [3] | Singapore | Investment holding | 100 | 100 |
| Imagine Properties Pte Ltd [1] | Singapore | Investment holding | 100 | 100 |
| BTG Vault Pte.Ltd. [3] | Singapore | Acquiring and holding of intellectual property rights | 100 | 100 |
| **Held through BreadTalk Pte Ltd** | | | | |
| Taster Food Pte Ltd [1] [19] | Singapore | Operators of food and drinks outlets, eating houses and restaurants | – | 70 |
| Thye Moh Chan Pte. Ltd. [3] | Singapore | Wholesale of confectionery and bakery products | 100 | 100 |
| Queens Coffee Pte Ltd [3] | Singapore | Processing, sale and distribution of premium coffee beans and tea dust; and distribution of related processing equipment | 100 | 100 |

## 14. Investment in subsidiaries (cont'd)

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | |
|---|---|---|---|---|
| | | | 2016 | 2015 |
| | | | % | % |
| **Held through Together Inc. Pte Ltd** | | | | |
| Ramen Play Pte Ltd [3] | Singapore | Operators of restaurants | 85 | 85 |
| Taster Food Pte Ltd [1][19] | Singapore | Operators of food and drinks outlets, eating houses and restaurants | 70 | – |
| Taster Food UK Limited[12] (Note (e)) | England and Wales | Operators of restaurants | 100 | – |
| **Held through Taster Food Pte Ltd** | | | | |
| Taster Food International Pte Ltd [3] | Singapore | Investment holding | 90 | 90 |
| **Held through Taster Food International Pte Ltd** | | | | |
| Taster Food (Thailand) Co., Ltd [10][13] | Thailand | Operators of restaurants | 49 | 49 |
| **Held through BreadTalk International Pte Ltd** | | | | |
| Shanghai BreadTalk Co., Ltd [2] | People's Republic of China | Bakers and manufacturers of and dealers in bread, flour and biscuits | 100 | 100 |
| Shanghai BreadTalk Gourmet Co., Ltd [2] | People's Republic of China | Management of food and beverage, manufacture and retail of bakery, confectionery products | 100 | 100 |
| Beijing BreadTalk Restaurant Management Co., Ltd [2] | People's Republic of China | Management of food and beverage, manufacture and retail of bakery, confectionery products | 100 | 100 |

## 14. Investment in subsidiaries (cont'd)

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | |
|---|---|---|---|---|
| | | | 2016 | 2015 |
| | | | % | % |
| **Held through BreadTalk International Pte Ltd (cont'd)** | | | | |
| BreadTalk (Thailand) Co., Ltd [10] | Thailand | Management of food and beverage, manufacture and retail of bakery, confectionery products | 49 [14] | 49 [14] |
| BreadTalk Corporation (Thailand) Co., Ltd [10] | Thailand | Investment holding | 49 [15] | 49 [15] |
| ML Breadworks Sdn Bhd [8] | Malaysia | Bakers and manufacturers of and dealers in bread, flour and biscuits | 90 | 90 |
| **Held through Shanghai BreadTalk Co., Ltd.** | | | | |
| Shanghai Ramen Play Co., Ltd [5][16] | People's Republic of China | Operators of restaurants | 30 | 30 |
| **Held through Beijing BreadTalk Restaurant Management Co., Ltd** | | | | |
| Beijing BreadTalk Co., Ltd [2] | People's Republic of China | Manufacture and sale of bakery and confectionery products | 100 | 100 |
| **Held through BreadTalk (Thailand) Co., Ltd** | | | | |
| BreadTalk Corporation (Thailand) Co., Ltd [10] | Thailand | Investment holding | 50.9 [15] | 50.9 [15] |
| **Held through BreadTalk Corporation (Thailand) Co., Ltd** | | | | |
| BreadTalk (Thailand) Co., Ltd [10] | Thailand | Management of food and beverage, manufacture and retail of bakery, confectionery products | 51 [14] | 51 [14] |

## 14. Investment in subsidiaries (cont'd)

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | |
|---|---|---|---|---|
| | | | 2016 | 2015 |
| | | | % | % |
| **Held through Topwin Investment Holding Pte Ltd** | | | | |
| Food Republic (Shanghai) Co., Ltd [2] | People's Republic of China | Food court operator | 100 | 100 |
| Beijing Da Shi Dai Food and Beverage Co., Ltd [2] | People's Republic of China | Food court operator | 100 | 100 |
| Megabite Hong Kong Limited [6] (Note (d)) | Hong Kong | Investment holding and food court operator | 100 | 85 |
| Food Republic Pte Ltd [1] | Singapore | Food court operator | 100 | 100 |
| FR International Holdings Pte Ltd [3][18] | Singapore | Investment Holding | 100 | 100 |
| Megabite (S) Pte Ltd [3][17] | Singapore | Investment holding | 100 | 100 |
| Megabite Eatery (M) Sdn Bhd [4] | Malaysia | Operator of food and beverage outlets | 100 | 100 |
| Food Republic Taiwan Co., Ltd [9] | Taiwan | Food court operator | 100 | 100 |
| FR (Thailand) Co., Ltd [10] [11] | Thailand | Food court operator | 49 | 49 |
| **Held through Food Republic (Shanghai) Co. Ltd.** | | | | |
| Chongqing Food Republic Food & Beverage Management Co., Ltd [5] | People's Republic of China | Food court operator | 100 | 100 |
| Food Republic (Chengdu) Co., Ltd [5] | People's Republic of China | Food court operator | 100 | 100 |
| Food Republic Hangzhou F&B Co., Ltd [5] | People's Republic of China | Food court operator | 100 | 100 |

## 14. Investment in subsidiaries (cont'd)

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | |
|---|---|---|---|---|
| | | | 2016 | 2015 |
| | | | % | % |
| **Held through Food Republic (Shanghai) Co. Ltd. (cont'd)** | | | | |
| Shanghai Ramen Play Co., Ltd [5][16] | People's Republic of China | Operators of restaurants | 30 | 30 |
| Shanghai Food Court F&B Management Co., Ltd [5] | People's Republic of China | Operator of food and beverage outlets | 100 | 100 |
| Shanghai Food Union F&B Management Co., Ltd [5] | People's Republic of China | Operator of food and beverage outlets | 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 |
| Food Republic Shenzhen F&B Management Co., Ltd [7] | People's Republic of China | Food court operator | 100 | 100 |
| Food Republic Guangzhou F&B Management Co., Ltd [7] | People's Republic of China | Food court operator | 75 | 75 |
| **Held through FR International Holdings Pte Ltd** | | | | |
| FR-AK Venture Pte Ltd [3][18] | Singapore | Operator of food and beverage outlets | 70 | 70 |
| **Held through Megabite (S) Pte Ltd** | | | | |
| Food Art Pte Ltd [3][17] | Singapore | Dormant | 100 | 100 |

## 14. Investment in subsidiaries (cont'd)

| Name | Country of incorporation | Principal activities | Proportion of ownership interest 2016 % | 2015 % |
|---|---|---|---|---|
| **Held through Star Food Pte Ltd** | | | | |
| Shanghai Star Food F&B Management Co., Ltd [5] | People's Republic of China | Investment holding | 100 | 100 |
| Beijing Star Food F&B Management Co., Ltd [5] [20] | People's Republic of China | Dormant | 100 | 100 |

[1] Audited by Ernst & Young LLP, Singapore

[2] Audited by member firms of Ernst & Young Global in the respective countries

[3] Audited by Mazars LLP, Singapore

[4] Audited by Nexia TS Public Accounting Corporation, Malaysia

[5] Audited by Shanghai Xin Gao Xin Certified Public Accountants Co., Ltd, People's Republic of China

[6] Audited by Nexia Charles Mar Fan Limited, Hong Kong

[7] Audited by Guang Dong Zhihe Certified Public Accountants, People's Republic of China

[8] Audited by NTS Asia Advisory Sdn Bhd, Malaysia

[9] Audited by KPMG, Taiwan

[10] Audited by Tree Sun Co., Ltd, Thailand

[11] Considered a subsidiary of the Company as the Company has voting control at general meetings and Board meetings

[12] Not required to be audited during the financial year.

[13] The Group holds 30.87% ownership interest in Taster Food (Thailand) Co., Ltd in 2016 and 2015 and accounted for it as a subsidiary. It is considered a subsidiary of the Company as the Company has voting control at the general meetings and Board meetings

[14] 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

[15] 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

[16] 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

[17] The entity is in the process of being struck off subsequent to 31 December 2016.

[18] The entity has been struck off subsequent to 31 December 2016.

[19] Taster Food Pte Ltd, which was held by Breadtalk Pte Ltd, was transferred to Together Inc in 31 December 2016 at cost. There is no change to percentage shareholding.

[20] Unaudited financial statements have been used for the preparation of the consolidated financial statements as it is not significant to the Group.

## 14. Investment in subsidiaries (cont'd)

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

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

| Name of Subsidiary | Principal place of business | Proportion of ownership interest held by non-controlling interest | Profit allocated to NCI during the reporting period $'000 | Accumulated NCI at the end of reporting period $'000 | Dividends payable to NCI $'000 |
|---|---|---|---|---|---|
| **31 December 2016:** | | | | | |
| Taster Food Pte Ltd | Singapore | 30% | 6,133 | 23,069 | 1,640 |
| **31 December 2015:** | | | | | |
| Taster Food Pte Ltd | Singapore | 30% | 7,333 | 18,576 | 3,444 |

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 subsidiaries with material NCI*

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

***Summarised balance sheets***

| | Taster Food Pte Ltd | |
|---|---|---|
| | As at 31.12.2016 $'000 | As at 31.12.2015 $'000 |
| **Current** | | |
| Assets | 84,306 | 67,355 |
| Liabilities | (27,855) | (25,424) |
| Net current assets | 56,451 | 41,931 |
| **Non-current** | | |
| Assets | 15,726 | 16,394 |
| Liabilities | (1,439) | (1,309) |
| Net non-current assets | 14,287 | 15,085 |
| Net assets | 70,738 | 57,016 |

## 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 | |
|---|---|---|
| | **2016** | **2015** |
| | $'000 | $'000 |
| Revenue | 127,287 | 119,152 |
| Profit before income tax | 22,745 | 26,683 |
| Income tax expense | (4,046) | (4,326) |
| Profit after tax – continuing operations | 18,699 | 22,357 |
| Other comprehensive income | – | – |
| Total comprehensive income | 18,699 | 22,357 |

***Other summarised information***

| | Taster Food Pte Ltd | |
|---|---|---|
| | **2016** | **2015** |
| | $'000 | $'000 |
| Net cash flows from operations | 24,049 | 22,855 |
| Acquisition of significant property, plant and equipment | 4,843 | 3,516 |

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

On 9 September 2016, Topwin Investment Holding Pte Ltd, a 100% owned subsidiary of the Company, acquired an additional 15.0% equity interest in Megabite Hong Kong Limited ("MBHK") from its non-controlling interests for a consideration of $1,703,000,comprising cash consideration and issuance of Treasury shares $1,163,000 and $540,000 respectively. As a result of this acquisition, MBHK became a wholly owned subsidiary. The carrying value of net assets of MBHK as at 9 September 2016 was $15,567,000 and carrying value of the additional interest acquired was $1,814,000. The cumulative amount of $111,000 of the consideration and the excess in the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

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

| | $'000 |
|---|---|
| Decrease in equity attributable to non-controlling interests | 1,814 |
| Consideration paid for acquisition of non-controlling interests | (1,703) |
| Increase in equity attributable to owners of the Company | 111 |

## 14. Investment in subsidiaries (cont'd)

(d) ***Acquisition of non-controlling interests (cont'd)***

In 23 July 2015, Topwin Investment Holding Pte Ltd, a 100% owned subsidiary of the Company, acquired an additional 10.0% equity interest in Food Republic Taiwan Co., Ltd ("FRTW") from its non-controlling interests for a cash consideration of $16,000. As a result of this acquisition, FRTW become a wholly owned subsidiary. The carrying value of net liabilities of FRTW as at 23 July 2015 was $3,870,000 and the deficit in carrying value of the additional interest acquired was $387,000. The cumulative amount of $403,000 of the consideration and the deficit in the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

(e) ***Incorporation of new subsidiary***

Taster Food UK Limited ("TFUK")

TFUK was incorporated as a 100% owned subsidiary of Together Inc. Pte Ltd on 13 October 2016 with a share capital of $2.

## 15. Investment in associates

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

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | $'000 | $'000 |
| Carl Karcher Enterprises (Cayman) Ltd | 1,968 | 1,466 |
| Perennial (Chijmes) Pte Ltd | 22,643 | 22,685 |
| Other associates | 2,422 | 2,171 |
| At end of year | 27,033 | 26,322 |

Details of the associates are as follows:

| Name | Country of incorporation | Principal activities | Proportion of ownership interest 2016 % | 2015 % |
|---|---|---|---|---|
| ***Held through subsidiaries*** | | | | |
| Perennial (Chijmes) Pte Ltd ("PCPL") [1] | Singapore | Investment holding | 29 | 29 |
| JBT (China) Pte Ltd ("JBTC") [2] | Singapore | Investment holding | 30 | 30 |
| Tate Projects Pte. Ltd. [3] | Singapore | General building contractor | 25 | 25 |
| Carl Karcher Enterprises (Cayman) Ltd ("CKEC") [4] | Cayman Islands | Investment holding | 40 | 40 |

## 15. Investment in associates (cont'd)

| Name | Country of incorporation | Principal activities | Proportion of ownership interest 2016 % | 2015 % |
|---|---|---|---|---|
| **Held by PCPL** | | | | |
| Pre 8 Investments Pte Ltd [1] | Singapore | Operators of commercial malls | 100 | 100 |
| **Held by JBTC** | | | | |
| JBT (Shanghai) Co., Ltd [5] | People's Republic of China | Operators of restaurants | 100 | 100 |
| **Held by CKEC** | | | | |
| Carl Karcher Enterprises (HK) Limited [4] | Hong Kong | Investment holding | 100 | 100 |
| CKE (Shanghai) F&B Management Limited [4] | People's Republic of China | Operators of restaurants | 100 | 100 |

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

### (a) *Additional interests in associates, with no change in shareholdings*

During the year, CKEC increased its share capital to $19,775,000. Proportionate to its shareholdings of 40% in CKEC, a wholly owned subsidiary, Star Food Pte Ltd injected additional share capital of $2,769,000 (FY2015: $1,937,000).

In financial year 2015, JBTC increased its share capital to $12,853,000. Proportionate to its shareholdings of 40% in CKEC, a wholly owned subsidiary, Star Food Pte Ltd injected additional share capital of $570,000.

For the financial year, dividends of $98,000 (2015: Nil) were received from an associate that is not individually material to the Group. All associates are not restricted by regulatory requirements on the distribution of dividends.

## 15. Investment in associates (cont'd)

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

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Profit or loss after tax from continuing operations | 1,901 | 1,500 |
| Other comprehensive income | – | – |
| Total comprehensive income | 1,901 | 1,500 |

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

**Summarised balance sheet**

| | CKEC | | PCPL | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Current assets | 2,200 | 2,712 | 9,936 | 9,954 |
| Non-current assets | 6,123 | 3,523 | 333,749 | 334,369 |
| Total assets | 8,323 | 6,235 | 343,685 | 344,323 |
| Current liabilities | (2,247) | (2,274) | (14,018) | (14,044) |
| Non-current liabilities | (967) | (296) | (251,588) | (252,055) |
| Total liabilities | (3,214) | (2,570) | (265,606) | (266,099) |
| Net assets | 5,109 | 3,665 | 78,079 | 78,224 |
| Proportion of the Group's ownership | 40% | 40% | 29% | 29% |
| Group's share of net assets | 2,044 | 1,466 | 22,643 | 22,685 |
| Exchange differences | (76) | – | – | – |
| Carrying amount of the investment | 1,968 | 1,466 | 22,643 | 22,685 |

## 15. Investment in associates (cont'd)

**Summarised statement of comprehensive loss**

| | CKEC | | PCPL | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Revenue | 9,716 | 8,030 | 13,805 | 12,736 |
| Loss after tax from continuing operations | (5,901) | (4,165) | (144) | (100) |
| Other comprehensive income/(loss) | 233 | (122) | – | – |
| Total comprehensive loss | (5,668) | (4,287) | (144) | (100) |

## 16. Investment in joint ventures

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

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| BTM (Thailand) Co., Ltd | 3,532 | 3,036 |
| Shanghai ABPan Co., Ltd | 4,081 | 4,083 |
| Other joint ventures | 472 | 602 |
| Exchange differences | 149 | (168) |
| At end of year | 8,234 | 7,553 |

Details of the joint ventures are as follows:

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | |
|---|---|---|---|---|
| | | | 2016 | 2015 |
| | | | % | % |
| ***Held through subsidiaries*** | | | | |
| Apex Excellent Sdn Bhd [1] | Malaysia | Food court operator | 50 | 50 |
| Street Food Pte Ltd [2] | Singapore | Dormant | – | 50 |
| Shanghai ABPan Co., Ltd ("SHAB") [3] | People's Republic of China | Manufacture and sale of frozen dough | 50 | 50 |
| BTM (Thailand) Co., Ltd ("BTM") [4] | Thailand | Management of food and beverage, manufacture and retail of bakery, confectionery products | 50 | 50 |

[1] Audited by Nexia TS Public Accounting Corporation, Malaysia

[2] Struck off during the year

[3] Audited by Ernst & Young Hua Ming LLP, People's Republic of China

[4] Audited by PricewaterhouseCoopers ABAS Ltd

## 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.

Dividends of $363,000 (2015: $449,000) were received from SHAB. All joint ventures are not restricted by regulatory requirements on the distribution of dividends.

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

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Profit or loss after tax from continuing operations | 545 | 1,050 |
| Other comprehensive income | – | – |
| Total comprehensive income | 545 | 1,050 |

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

**Summarised balance sheet**

| | SHAB | | BTM | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash and cash equivalents | 3,350 | 3,003 | 834 | 1,522 |
| Trade receivables | – | – | 1,707 | 688 |
| Other current assets | 2,960 | 2,576 | 1,264 | 1,237 |
| Current assets | 6,310 | 5,579 | 3,805 | 3,447 |
| Non-current assets | 3,650 | 4,338 | 8,793 | 6,780 |
| Total assets | 9,960 | 9,917 | 12,598 | 10,227 |
| Current liabilities | (2,099) | (1,795) | (3,994) | (2,547) |
| Total liabilities | (2,099) | (1,795) | (3,994) | (2,547) |
| Net assets | 7,861 | 8,122 | 8,604 | 7,680 |
| Proportion of the Group's ownership | 50% | 50% | 50% | 50% |
| Group's share of net assets | 3,931 | 4,061 | 4,302 | 3,840 |
| Other adjustments | – | – | (662) | (808) |
| Exchange difference | 150 | 22 | (108) | 4 |
| Carrying amount of the investment | 4,081 | 4,083 | 3,532 | 3,036 |

## 16. Investment in joint ventures (cont'd)

**Summarised statement of comprehensive income**

| | SHAB | | BTM | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Revenue | 11,820 | 11,979 | 17,981 | 10,960 |
| Operating expenses | (10,760) | (10,890) | (17,203) | (11,276) |
| Profit /(loss) before tax | 1,060 | 1,089 | 778 | (316) |
| Income tax expense | (288) | (280) | (79) | – |
| Profit /(loss) after tax | 722 | 809 | 699 | (316) |
| Other comprehensive income | – | – | – | – |
| Total comprehensive income | 722 | 809 | 699 | (316) |

## 17. Inventories

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| **Balance sheet:** | | |
| Raw materials and consumables, at cost | 8,951 | 8,954 |
| Semi-finished goods | 461 | 476 |
| Finished goods | 394 | 448 |
| Total inventories at lower of cost and net realisable value | 9,806 | 9,878 |

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| **Profit or loss:** | | |
| Inventories recognised as an expense in cost of sales | 136,148 | 152,549 |
| Inclusive of the following charge: | | |
| - Write-off of inventories | 18 | 131 |
| - Allowance for inventory obsolescence | 84 | 168 |

## 18. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | 11,861 | 13,719 | – | – |
| Other receivables | 8,503 | 5,847 | 4,240 | 310 |
| Interest receivable | 852 | 3,402 | – | – |
| Deposits | 36,256 | 37,071 | 29 | 26 |
| | 57,472 | 60,039 | 4,269 | 336 |
| Other receivables (non-current) | 1,413 | 546 | – | – |
| | 58,885 | 60,585 | 4,269 | 336 |
| Current | 57,472 | 60,039 | 4,269 | 336 |
| Non-current | 1,413 | 546 | – | – |
| | 58,885 | 60,585 | 4,269 | 336 |

Other receivables include the following:

(a) Initial fee receivable of $3,706,000 (2015: $2,023,000) from food atrium stall tenants. The initial fee receivable is a contribution from tenants mainly for renovation costs of the leased food atrium stalls.

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

(c) In FY2013 BTPL also entered into an agreement to subscribe for 900,000 convertible notes at a total issue price of $900,000 in a private limited company incorporated in Singapore. The convertible notes carry a fixed interest of 1.93% per annum. The notes matured in September 2016 and the related interest has been received during the year.

## 18. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 60 days terms (2015: 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 | |
|---|---|---|
| | **2016** | **2015** |
| | $'000 | $'000 |
| United States Dollar | 275 | 2,491 |

***Receivables that are past due but not impaired***

The Group has trade receivables amounting to $4,016,000 (2015: $5,622,000) 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 | |
|---|---|---|
| | **2016** | **2015** |
| | $'000 | $'000 |
| Trade receivables past due: | | |
| Lesser than 30 days | 2,172 | 2,554 |
| 30 to 60 days | 342 | 231 |
| 61 to 90 days | 258 | 375 |
| 91 to 120 days | 117 | 469 |
| More than 120 days | 1,127 | 1,993 |
| | 4,016 | 5,622 |

## 18. Trade and other receivables (cont'd)

***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<br>Individually impaired | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Trade receivables – nominal amounts | – | 181 |
| Less: Allowance for impairment | – | (181) |
| | – | – |
| Movement in allowance accounts: | | |
| At 1 January | 181 | 334 |
| Charge during the year | – | 91 |
| Written back during the year | (181) | – |
| Written off during the year | – | (244) |
| At 31 December | – | 181 |

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

Other receivables

Other receivables (current) are non-interest bearing and are generally on 0 to 60 days terms (2015: 0 to 60 days).

## 18. Trade and other receivables (cont'd)

***Other receivables that are past due but not impaired***

The Group has other receivables amounting to $974,000 (2015: $444,000) 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 | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Other receivables past due: | | |
| Lesser than 30 days | 559 | 236 |
| 30 to 60 days | 83 | 35 |
| 61 to 90 days | 30 | 2 |
| 91 to 120 days | 53 | 2 |
| More than 120 days | 249 | 169 |
| | 974 | 444 |

***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 | |
| | 2016 | 2015 |
| | $'000 | $'000 |
| Other receivables – nominal amounts | 87 | 33 |
| Less: Allowance for impairment | (87) | (33) |
| | – | – |
| Movement in allowance accounts: | | |
| At 1 January | 33 | 5 |
| Charge during the year | 87 | 33 |
| Written off during the year | (33) | (5) |
| At 31 December | 87 | 33 |

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

## 19. Due from/to related corporations

| | Company | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| **Non-current** | | |
| Loan to subsidiary | 29,905 | 3,137 |
| Less: Impairment losses | (3,137) | (3,137) |
| | 26,768 | – |

The loan to subsidiary is non-interest bearing and has no fixed terms of repayment.

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| **Amounts due from:** | | | | |
| Subsidiaries (non-trade) | – | – | 61,885 | 32,999 |
| Associate (non-trade) | 6 | 7 | – | – |
| Joint ventures (trade) | 411 | 222 | – | – |
| Joint ventures (non-trade) | 677 | 817 | – | – |
| | 1,094 | 1,046 | 61,885 | 32,999 |
| **Amounts due to:** | | | | |
| Subsidiaries (non-trade) | – | – | 30,674 | 32,084 |
| Associate (non-trade) | 1,108 | 1,947 | – | – |
| Joint ventures (trade) | 2,617 | 2,338 | – | – |
| Joint ventures (non-trade) | 178 | 237 | – | – |
| | 3,903 | 4,522 | 30,674 | 32,084 |

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 $42,963,000 (2015: $24,529,000) which are repayable on demand;

(ii) loan from a subsidiary of $29,325,000 (2015: $29,325,000) which bears an effective interest rate of 1.5% (2015: 1.5%) per annum and is repayable on demand.

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

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

| | Group | |
|---|---|---|
| | Individually impaired | |
| | 2016 | 2015 |
| | $'000 | $'000 |
| Movement in allowance accounts: | | |
| At 1 January | – | 659 |
| Written off during the year | – | (659) |
| At 31 December | – | – |

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

***Receivables that are past due but not impaired***

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| *Amounts due from joint ventures (trade)* | | |
| Lesser than 30 days | 18 | 22 |
| 30 to 60 days | 55 | 19 |
| 61 to 90 days | 11 | 19 |
| 91 to 120 days | 2 | – |
| Total as at 31 December | 86 | 60 |
| *Amounts due from joint ventures (non-trade)* | | |
| Lesser than 30 days | 8 | 25 |
| 30 to 60 days | 7 | 7 |
| 61 to 90 days | 8 | 8 |
| 91 to 120 days | 7 | 7 |
| More than 120 days | 44 | 43 |
| Total as at 31 December | 74 | 90 |

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

| | Company | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| *Amounts due from subsidiaries (non-trade)* | | |
| Lesser than 30 days | 1,795 | 2,336 |
| 30 to 60 days | 1,919 | 23 |
| 61 to 90 days | 2,584 | 2,627 |
| 91 to 120 days | 1,301 | 2 |
| More than 120 days | 9,680 | 5,059 |
| Total as at 31 December | 17,279 | 10,047 |

## 20. Cash and cash equivalents

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Fixed deposits (current) | 5,017 | 6 | 5,011 | – |
| Cash on hand and at bank | 115,572 | 94,890 | 3,475 | 2,516 |
| | 120,589 | 94,896 | 8,486 | 2,516 |

Fixed deposits of the Group have a maturity period of 3 months (2015: 1 month) with effective interest rates of 0.88% (2015: 0.05%) per annum.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| United States Dollar | 639 | 125 | – | – |

## 21. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial liabilities** | | | | |
| Trade payables | 21,062 | 19,524 | – | – |
| Other payables | | | | |
| - Other creditors | 12,587 | 14,433 | 768 | 102 |
| - Payable for purchase of property, plant and equipment | 4,760 | 6,775 | – | – |
| - Sales collection on behalf of tenants | 20,250 | 21,667 | – | – |
| Deposits | 24,111 | 25,718 | 1,064 | 1,073 |
| Dividend payable | 1,640 | 3,444 | – | – |
| | 84,410 | 91,561 | 1,832 | 1,175 |
| **Non-financial liabilities** | | | | |
| GST payable | 1,994 | 2,562 | 123 | 378 |
| | 86,404 | 94,123 | 1,955 | 1,553 |

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 (2015: 0 to 60 days terms) while other payables have an average term of 0 to 90 days term (2015: 0 to 90 days terms), except for retention sums which have repayment terms of up to 1 year.

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

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| United States Dollar | 253 | 131 |

## 22. Other liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial liabilities, current** | | | | |
| Accrued operating expenses | 41,912 | 28,407 | 3,395 | 1,466 |
| Accrual for amounts payable for purchase of property plant and equipment | 135 | 122 | – | – |
| Financial guarantees | – | – | 576 | 576 |
| | 42,047 | 28,529 | 3,971 | 2,042 |
| **Non-financial liabilities, current** | | | | |
| Deferred revenue | 25,405 | 26,458 | – | – |
| Deferred rent | 2,160 | 2,557 | – | – |
| | 27,565 | 29,015 | – | – |
| **Non-financial liabilities, non-current** | | | | |
| Deferred rent | 11,385 | 12,282 | – | – |
| | 38,950 | 41,297 | – | – |
| | 80,997 | 69,826 | 3,971 | 2,042 |
| Current | 69,612 | 57,544 | 3,971 | 2,042 |
| Non-current | 11,385 | 12,282 | – | – |
| | 80,997 | 69,826 | 3,971 | 2,042 |

Deferred rent represents the difference between the lease payments and lease expenses recognised on straight line basis over the lease term.

## 23. Provision for reinstatement costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| At 1 January | 15,002 | 11,681 | 25 | 22 |
| Additions | 2,090 | 3,558 | 2 | 3 |
| Utilisation | (2,339) | (366) | – | – |
| Write back during the year | (292) | (35) | – | – |
| Exchange differences | (44) | 164 | – | – |
| Total as at 31 December | 14,417 | 15,002 | 27 | 25 |

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 $292,000 (2015: $35,000) was written back.

## 24. Due from/loan from non-controlling shareholders of subsidiaries

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

## 25. Short-term loans

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Bank loans | | | | |
| - Singapore Dollar | – | 28,000 | – | 10,000 |
| - New Taiwan Dollar | 4,883 | 5,277 | – | – |
| - Thailand Baht | 2,332 | 5,044 | – | – |
| | 7,215 | 38,321 | – | 10,000 |

The effective interest on these short-term loans range from 1.56% to 6.86% (2015: 2.1% to 6.88%) per annum. The interest rates of these floating rate loans are repriced from time to time at the discretion of the respective banks.

The bank loans are revolving credit facilities with a tenure of 6 months (2015: 1 to 12 months).

## 26. Long-term loans

| Term loans | Maturity | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|---|
| Singapore Dollar | 2017 - 2019 | 6,569 | 38,165 | – | – |
| Singapore Dollar | 2028 (Note 1) | 41,793 | 45,084 | 41,793 | 45,084 |
| Singapore Dollar | 2020 (Note 2) | 2,127 | 2,958 | 2,127 | 2,958 |
| Singapore Dollar | 2019 (Note 3) | 3,215 | 4,786 | – | – |
| Singapore Dollar | 2016 (Note 4) | – | 13,068 | – | – |
| Singapore Dollar | 2017 - 2018 (Note 5) | 43,778 | 54,938 | – | – |
| Hong Kong Dollar | 2017 | 1,015 | 1,480 | – | – |
| Chinese Yuan | 2017 | 301 | 830 | – | – |
| Malaysia Ringgit | 2017 | 297 | 805 | – | – |
| New Taiwan Dollar | 2016 | – | 468 | – | – |
| Thailand Baht | 2016 | – | 782 | – | – |
| | | 99,095 | 163,364 | 43,920 | 48,042 |
| Current portion | | 24,238 | 43,679 | 4,122 | 4,122 |
| Non-current portion | | 74,857 | 119,685 | 39,798 | 43,920 |
| | | 99,095 | 163,364 | 43,920 | 48,042 |

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

- a gearing ratio not exceeding 4.0 times

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

Note 4 – the term loan is secured by a charge over the Company's leasehold land and property and continuing guarantee by the Company. It includes the following financial covenants which require the Group to maintain:

- a net worth exceeding the loan covenants granted; and
- a gearing ratio not exceeding 4.0 times.

## 26. Long-term loans (cont'd)

The loan has been fully repaid during the year.

Note 5 – 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

All other term loans are secured by continuing guarantees by the Company.

All the loans are floating rate loans with effective interest rates ranging from 1.5% to 4.7% (2015: 1.4% 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.

## 27. Notes payable

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| 4.6% notes due 1 April 2019 | 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.

## 28. Share capital and treasury shares

(a) ***Share capital***

| | Group and Company | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Number of shares | $'000 | Number of shares | $'000 |
| Issued and fully paid ordinary shares | | | | |
| At beginning and end of the year | 281,893,238 | 33,303 | 281,893,238 | 33,303 |

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

(b) ***Treasury shares***

| | Group and Company | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Number of shares | $'000 | Number of shares | $'000 |
| At beginning of the year | (337,570) | (378) | (3,090) | (3) |
| Acquired during the financial year | (816,400) | (830) | (534,400) | (651) |
| Treasury shares transferred on vesting of restricted share grant | 74,910 | 81 | 199,920 | 276 |
| Treasury shares transferred as consideration in relation to the acquisition of non-controlling interest (Note 14 (d)) | 500,000 | 540 | – | – |
| At end of the year | (579,060) | (587) | (337,570) | (378) |

Treasury shares relate to ordinary shares of the Company that is held by the Company.

## 28. Share capital and treasury shares (cont'd)

(b) ***Treasury shares (cont'd)***

The Company acquired 816,400 (2015: 534,400) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $830,000 (2015: $651,000) and this was presented as a component within shareholders' equity.

The Company reissued 74,910 (2015: 199,920) treasury shares pursuant to its restricted share grant at a weighted average share price of approximately $1.08 (2015: $1.38) each.

## 29. Other reserves

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | | $'000 | $'000 | $'000 | $'000 |
| Statutory reserve fund | (a) | 2,954 | 2,954 | – | – |
| Translation reserve | (b) | 3,295 | 3,889 | – | – |
| Share-based compensation reserve | | 343 | 260 | 343 | 260 |
| Capital reserve | (c) | 177 | 177 | 177 | 177 |
| Premium on acquisition of non-controlling interests | (d) | (1,441) | (1,552) | – | – |
| | | 5,328 | 5,728 | 520 | 437 |

(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.

## 29. Accumulated profits and other reserves (cont'd)

(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.

(d) ***Premium on acquisition of non-controlling interests***

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | $'000 | $'000 |
| At 1 January | 1,552 | 1,149 |
| Changes in equity attributable to non-controlling interests (Note 14) | (111) | 403 |
| At 31 December | 1,441 | 1,552 |

## 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 | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | $'000 | $'000 | $'000 | $'000 |
| Commitment in respect of property, plant and equipment | 124 | 342 | – | – |

## 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 | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Not later than one year | 122,683 | 128,410 |
| Later than one year but not later than five years | 226,529 | 242,148 |
| Later than five years | 16,865 | 62,912 |
| | 366,077 | 433,470 |

### (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 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | 59,748 | 57,005 | 2,004 | 4,009 |
| Later than one year but not later than five years | 41,029 | 32,865 | 1,644 | 1,976 |
| Over five years | 243 | – | – | – |
| | 101,020 | 89,870 | 3,648 | 5,985 |

### (d) *Corporate guarantees*

As at 31 December 2016, the Company has given corporate guarantees to financial institutions in connection with banking facilities provided to its subsidiaries of which $78,451,000 (2015: $156,273,000) of the banking facilities have been utilised as at year end.

## 30. Commitments and contingencies (cont'd)

(e) ***Undertakings***

3% SGD junior bonds

In conjunction with the investment in junior bonds by the subsidiary, Imagine Properties Pte Ltd ("IPPL") (Note 13), the Company, together with the other investors of the junior bonds, had executed a Sponsors' Undertaking on 30 January 2012 whereby IPPL undertakes to pay all cost overruns in connection to the additions and alterations works to be undertaken on in respect of certain areas in the investment property held by PCPL. The undertakings will be released and discharged in April 2017.

As at 31 December 2016, there were no contingent liabilities resulting from the aforesaid undertaking.

## 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 | |
|---|---|---|
| | **2016** | **2015** |
| | $'000 | $'000 |
| **Income** | | |
| Management fee income from a joint venture | 184 | 189 |
| Rental and miscellaneous income from a joint venture | 67 | 13 |
| Rental and miscellaneous income from a party related to a director of the Company | – | 452 |
| Sales of goods to a joint venture and an associate | 742 | 301 |
| Purchase of goods from a joint venture | 11,820 | 11,980 |
| **Expenses** | | |
| Rental expense to a joint venture | 83 | 86 |
| Royalty fees to non-controlling shareholders | 4,005 | 3,575 |
| Design fee paid/payable to non-controlling shareholders of subsidiaries | – | 317 |
| Repair and maintenance fees to an associate | 29 | 405 |
| **Others** | | |
| Purchase of furniture and fittings from a company related to a director of the Company | 426 | 564 |
| Purchase of furniture and fittings from non-controlling shareholders of subsidiaries | – | 122 |
| Purchase of plant and equipment from an associate | 3,362 | 5,126 |

## 31. Related party disclosures (cont'd)

(a) ***Sale and purchase of goods and services (cont'd)***

| | Company | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| **Income** | | |
| Management fee income from a subsidiary | 15,982 | 11,553 |
| Dividend income from subsidiaries | 8,671 | – |
| Training fee income from subsidiaries | 284 | 223 |
| Rental income from subsidiaries | 5,120 | 6,271 |
| **Expense** | | |
| Purchase of goods from subsidiaries | 160 | 140 |
| Interest expense payable to a subsidiaries | 681 | 616 |

(b) ***Compensation of key management personnel***

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Salaries and bonus | 8,787 | 6,090 |
| Central Provident Fund contributions and other pension contributions | 403 | 349 |
| Share-based payment (RSG Plan) | – | 77 |
| Directors' fees | 173 | 170 |
| Other personnel expenses | 1,359 | 1,023 |
| Total compensation paid to key management personnel | 10,722 | 7,709 |
| **Comprise amounts paid to:** | | |
| Directors of the Company | 1,642 | 1,095 |
| Directors of subsidiaries | 744 | 863 |
| Other key management personnel | 8,336 | 5,751 |
| | 10,722 | 7,709 |

## 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.

(a) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rates risk arises primarily from its investment portfolio in fixed deposits and its debt obligations. The Group does not use derivative financial instruments to hedge its investment portfolio. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign exchange exposure.

Surplus funds are placed with reputable banks.

Sensitivity analysis for interest rate risk

| | Group<br>Effect on profit before tax | |
|---|---|---|
| | **100 basis points increase** | **100 basis points decrease** |
| | $'000 | $'000 |
| **2016** | | |
| - Singapore dollar interest rates | (1,422) | 1,422 |
| - Chinese Yuan interest rates | (5) | 5 |
| - Hong Kong dollar interest rates | (12) | 12 |
| - New Taiwan dollar interest rates | (52) | 52 |
| - Malaysia Ringgit interest rates | (6) | 6 |
| - Thailand Baht interest rates | (40) | 40 |

## 32. Financial risk management objectives and policies (cont'd)

(a) ***Interest rate risk (cont'd)***

| | Group<br>Effect on profit before tax | |
|---|---|---|
| | **100 basis points increase** | **100 basis points decrease** |
| | $'000 | $'000 |
| **2015** | | |
| - Singapore dollar interest rates | (1,870) | 1,870 |
| - Chinese Yuan interest rates | (8) | 8 |
| - Hong Kong dollar interest rates | (15) | 15 |
| - New Taiwan dollar interest rates | (57) | 57 |
| - Malaysia Ringgit interest rates | (8) | 8 |
| - Thailand Baht interest rates | (58) | 58 |

(b) ***Foreign currency risk***

The Group has transactional currency exposures arising from sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, Chinese Yuan (CNY) and Hong Kong Dollar (HKD). The foreign currencies in which these transactions are denominated are mainly United States dollars (USD), HKD, CNY and SGD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, in Malaysia, the PRC, Hong Kong and Thailand. The Group's net investments in these countries are not hedged as currency positions in Malaysia Ringgit, CNY, HKD and 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.

## 32. Financial risk management objectives and policies (cont'd)

(b) ***Foreign currency risk (cont'd)***

| | | Group<br>Effect on profit before tax | |
|---|---|---|---|
| | | 2016 | 2015 |
| | | $'000 | $'000 |
| Against SGD: | | | |
| USD | - strengthened 6% (2015: 6%) | 49 | 160 |
| | - weakened 6% (2015: 6%) | (49) | (160) |
| CNY | - strengthened 5% (2015: 5%) | 430 | 432 |
| | - weakened 5% (2015: 5%) | (430) | (432) |
| Against CNY: | | | |
| SGD | - strengthened 5% (2015: 5%) | (62) | (51) |
| | - weakened 5% (2015: 5%) | 62 | 51 |
| HKD | - strengthened 5% (2015: 5%) | (69) | (51) |
| | - weakened 5% (2015: 5%) | 69 | 51 |
| Against HKD | | | |
| SGD | - strengthened 5% (2015: 5%) | (264) | (223) |
| | - weakened 5% (2015: 5%) | 264 | 223 |
| Against Thailand Baht | | | |
| SGD | - strengthened 5% (2015: 5%) | (220) | (181) |
| | - weakened 5% (2015: 5%) | 220 | 181 |
| Against New Taiwan Dollar | | | |
| SGD | - strengthened 5% (2015: 5%) | (4) | (1) |
| | - weakened 5% (2015: 5%) | 4 | 1 |

## 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.

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 $78,451,000 (2015: $156,273,000) relating to corporate guarantees provided by the Company to financial institutions on its subsidiaries' borrowings and other banking facilities.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables, other receivables and deposits on an on-going basis. The credit risk concentration profile of the Group's trade receivables, other receivables and deposits at the balance sheet date is as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | | % of | | % of |
| **By country:** | | | | |
| Singapore | 21,997 | 37% | 22,224 | 37% |
| People's Republic of China | 22,558 | 38% | 23,020 | 38% |
| Hong Kong | 7,987 | 14% | 7,571 | 12% |
| Malaysia | 506 | 1% | 545 | 1% |
| Indonesia | 428 | 1% | 1,449 | 2% |
| Philippines | 926 | 1% | 1,382 | 2% |
| Thailand | 1,204 | 2% | 1,358 | 2% |
| Taiwan | 2,774 | 5% | 2,182 | 4% |
| Others | 505 | 1% | 854 | 2% |
| | 58,885 | 100% | 60,585 | 100% |

## 32. Financial risk management objectives and policies (cont'd)

### (c) *Credit risk (cont'd)*

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.

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.

## 32. Financial risk management objectives and policies (cont'd)

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

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the balance sheet date based on contractual undiscounted payments:

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| 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 | 18,612 | 59,375 | 21,070 | 99,057 | 9,220 | 77,953 | 21,920 | 109,093 |
| Trade and other receivables | 57,472 | 1,413 | – | 58,885 | 60,039 | 546 | – | 60,585 |
| Amounts due from related corporations | 1,094 | – | – | 1,094 | 1,046 | – | – | 1,046 |
| Amounts due from non-controlling shareholders of subsidiaries | 509 | – | – | 509 | 506 | – | – | 506 |
| Cash and cash equivalents | 120,589 | – | – | 120,589 | 94,896 | – | – | 94,896 |
| **Total undiscounted financial assets** | 198,276 | 60,788 | 21,070 | 280,134 | 165,707 | 78,499 | 21,920 | 266,126 |
| **Financial liabilities :** | | | | | | | | |
| Trade and other payables | 84,410 | – | – | 84,410 | 91,561 | – | – | 91,561 |
| Other liabilities | 42,047 | – | – | 42,047 | 28,529 | – | – | 28,529 |
| Amounts due to related corporations | 3,903 | – | – | 3,903 | 4,522 | – | – | 4,522 |
| Loans and borrowings | 32,740 | 55,367 | 20,828 | 108,935 | 44,831 | 109,526 | 27,754 | 182,111 |
| Notes payable | 3,450 | 80,175 | – | 83,625 | – | – | – | – |
| Loan from a non-controlling shareholder of a subsidiary | 200 | 549 | – | 749 | 200 | 538 | – | 738 |
| **Total undiscounted financial liabilities** | 166,750 | 136,091 | 20,828 | 323,669 | 169,643 | 110,064 | 27,754 | 307,461 |
| **Total net undiscounted financial asset/(liabilities)** | 31,526 | (75,303) | 242 | (43,535) | (3,936) | (31,565) | (5,834) | (41,335) |

## 32. Financial risk management objectives and policies (cont'd)

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

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| 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 :** | | | | | | | | |
| Investment securities | – | 825 | – | 825 | – | 1,000 | – | 1,000 |
| Trade and other receivables | 4,269 | – | – | 4,269 | 336 | – | – | 336 |
| Amounts due from related corporations | 61,855 | – | – | 61,855 | 32,999 | – | – | 32,999 |
| Cash and cash equivalents | 8,488 | – | – | 8,488 | 2,516 | – | – | 2,516 |
| **Total net undiscounted financial assets** | 74,612 | 825 | – | 75,437 | 35,851 | 1,000 | – | 36,851 |
| **Financial liabilities :** | | | | | | | | |
| Trade and other payables | 1,832 | – | – | 1,832 | 1,175 | – | – | 1,175 |
| Other liabilities | 3,971 | – | – | 3,971 | 2,042 | – | – | 2,042 |
| Amounts due to related corporations | 31,114 | – | – | 31,114 | 32,524 | – | – | 32,524 |
| Loans and borrowings | 3,668 | 18,341 | 20,828 | 42,837 | 4,231 | 23,774 | 27,754 | 55,759 |
| Note payables | 3,450 | 80,175 | – | 83,625 | – | – | – | – |
| **Total net undiscounted financial liabilities** | 44,035 | 98,516 | 20,828 | 163,379 | 39,972 | 23,774 | 27,754 | 91,500 |
| **Total net undiscounted financial assets/(liabilities)** | 30,577 | (97,691) | (20,828) | (87,942) | (4,121) | (22,774) | (27,754) | (54,649) |

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| Company | 1 year or less $'000 | 1 to 5 years $'000 | Total $'000 | 1 year or less $'000 | 1 to 5 years $'000 | Total $'000 |
| Financial guarantees | 39,683 | 38,768 | 78,451 | 93,577 | 62,696 | 156,273 |

## 32. Financial risk management objectives and policies (cont'd)

(e) ***Market price risk***

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instrument. This instrument is quoted on the SGX-ST in Singapore and is classified as available-for-sale financial asset. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the balance sheet date, if the share price had been 15% (2015: 15%) higher/lower with all other variables held constant, the effect on the Group's profit before tax would be $151,000 (2015: $183,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

## 33. Financial instruments

The carrying amount by category of financial assets and liabilities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| ***Loans and receivables*** | | | | |
| Trade and other receivables (Note 18) | 58,885 | 60,585 | 4,269 | 336 |
| Amounts due from related corporations (Note 19) | 1,094 | 1,046 | 61,885 | 32,999 |
| Amounts due from non-controlling shareholders of subsidiaries (non-trade) | 509 | 506 | – | – |
| Cash and cash equivalents (Note 20) | 120,589 | 94,896 | 8,486 | 2,516 |
| Total | 181,077 | 157,033 | 74,640 | 35,851 |
| ***Available-for-sale financial assets*** | | | | |
| Investment securities (Note 13) | 51,467 | 51,676 | 825 | 1,000 |
| ***Held-to-maturity investments*** | | | | |
| Investment securities (Note 13) | 38,633 | 45,857 | – | – |
| ***Financial liabilities carried at amortised cost*** | | | | |
| Trade and other payables (Note 21) | 84,410 | 91,561 | 1,832 | 1,175 |
| Other liabilities (Note 22) | 42,047 | 28,529 | 3,971 | 2,042 |
| Amounts due to related corporations (Note 19) | 3,903 | 4,522 | 30,674 | 32,084 |
| Short term loans (Note 25) | 7,215 | 38,321 | – | 10,000 |
| Long term loans (Note 26) | 99,095 | 163,364 | 43,920 | 48,042 |
| Notes payable (Note 27) | 75,000 | – | 75,000 | – |
| Loan from a non-controlling shareholder of a subsidiary | 749 | 738 | – | – |
| Total | 312,419 | 327,035 | 155,397 | 93,343 |

## 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:

| **Fair value measurements at the end of the reporting period using:** | **Group**<br>**Quoted prices in active markets for identical instruments**<br>(Level 1) | |
|---|---|---|
| | **2016**<br>$'000 | **2015**<br>$'000 |
| **Financial assets:** | | |
| Available-for-sale financial assets (Note 13) | | |
| - Equity instruments (quoted) | 1,010 | 1,218 |
| **Financial assets as at 31 December** | 1,010 | 1,218 |

| | **Group**<br>**Significant unobservable inputs**<br>(Level 3) | |
|---|---|---|
| | **2016**<br>$'000 | **2015**<br>$'000 |
| **Non-financial assets:** | | |
| Investment property (Note 11) | 22,984 | 24,053 |
| **Non-financial assets as at 31 December** | 22,984 | 24,053 |

## 34. Fair value of assets and liabilities (cont'd)

(a) ***Assets and liabilities measured at fair value (cont'd)***

Level 1 fair value

Equity securities (quoted) (Note 13): Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

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 December 2016 $'000 | Valuation techniques | Key unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|---|---|
| **Recurring fair value measurement** | | | | |
| Investment property | 22,984 | Direct comparison approach | Transacted price of comparable properties (sqm): RMB 50 to RMB 54 (2015:RMB 50 to RMB 55) | The estimated fair value increases with higher comparable prices |

(ii) *Movements in Level 3 assets measured at fair value*

| | Group<br>Fair value measurements using significant unobservable inputs (Level 3) | |
|---|---|---|
| | **2016**<br>$'000 | **2015**<br>$'000 |
| **Investment properties:** | | |
| Opening balance | 24,053 | 23,198 |
| Total gains or losses for the period | | |
| - Included in other income under net gain from fair value adjustment of investment properties (Note 4) | 2 | 628 |
| Exchange differences | (1,071) | 227 |
| **As at 31 December** | 22,984 | 24,053 |

## 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*

The Group's Chief Financial Officer (CFO), who is assisted by the Head of Treasury and senior 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 engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 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.

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 external valuations to the Audit Committee on a quarterly basis. 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.

## 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***

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at 31 December 2016 but for which fair value is disclosed:

| | Group 2016 $'000 | | |
|---|---|---|---|
| | Significant unobservable inputs (Level 3) | Fair value | Carrying amount |
| **Assets** | | | |
| Equity instruments (unquoted), at cost | * | * | 50,457 |
| Investment in junior bonds (Note 13) | 32,997 | 32,997 | 38,633 |
| Other receivables (non-current) | 1,197 | 1,197 | 1,413 |
| **Liabilities** | | | |
| Loan from a non-controlling shareholder of a subsidiary | 465 | 465 | 549 |

| | Group 2015 $'000 | | |
|---|---|---|---|
| | Significant unobservable inputs (Level 3) | Fair value | Carrying amount |
| **Assets** | | | |
| Equity instruments (unquoted), at cost | * | * | 50,457 |
| Investment in junior bonds (Note 13) | 34,676 | 34,676 | 45,857 |
| Other receivables (non-current) | 448 | 448 | 546 |
| **Liabilities** | | | |
| Loan from a non-controlling shareholder of a subsidiary | 441 | 441 | 538 |

Determination of fair value

*Current investment in junior bonds, 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.

## 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)***

* Investment in equity instruments (unquoted) at cost

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in companies that are not quoted on any market. Except as disclosed elsewhere in the financial statements, the Group does not intend to dispose of these investments in the foreseeable future.

## 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 2016 and 2015.

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 2016 and 2015.

## 35. Capital management (cont'd)

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 | |
|---|---|---|
| | **2016** | **2015** |
| | $'000 | $'000 |
| Loans and borrowings [1] | 107,059 | 202,423 |
| Notes payable | 75,000 | – |
| Trade and other payables | 86,404 | 94,123 |
| Amounts due to related corporations | 3,903 | 4,522 |
| Less: Cash and cash equivalents | (120,589) | (94,896) |
| Net debt | 151,777 | 206,172 |
| Equity attributable to the owners of the Company | 132,010 | 129,198 |
| Less: - Statutory reserve fund | (2,954) | (2,954) |
| Total capital | 129,056 | 126,244 |
| Capital and net debt | 280,833 | 332,416 |
| Gearing ratio | 54% | 62% |

[1] including bank loans and loans from non-controlling shareholders of subsidiaries

## 36. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(a) The bakery segment is in the business of manufacturing and retailing of all kinds of food, bakery and confectionary products including franchising.

(b) The food court segment is involved in the management and operation of food courts and food and drinks outlets.

(c) The restaurant segment is in the business of operating food and drinks outlets, eating houses and restaurants.

## 36. Segment information (cont'd)

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.

| 2016 | Bakery operations [1] | Restaurant operations | Food court operations | Investment | Others [2] | Elimination | Group |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | | | |
| External sales | 306,864 | 150,230 | 157,901 | – | – | – | 614,995 |
| Inter-segment sales (Note A) | 1,445 | – | 2,103 | – | – | (3,548) | – |
| Total revenue | 308,309 | 150,230 | 160,004 | – | – | (3,548) | 614,995 |
| **Results** | | | | | | | |
| Profit/(loss) from operations | 12,585 | 23,195 | (7,450) | 8,915 | (1,103) | (827) | 35,315 |
| Interest income | 87 | 878 | 409 | 791 | 1,211 | (2,214) | 1,162 |
| Interest expense | (1,908) | (20) | (376) | (4,144) | (1,025) | 1,542 | (5,931) |
| Share of associates' results | – | – | – | – | (1,960) | – | (1,960) |
| Share of joint ventures' results | 887 | – | 243 | – | – | – | 1,130 |
| Segment profit/(loss) | 11,651 | 24,053 | (7,174) | 5,562 | (2,877) | (1,499) | 29,716 |
| Tax expense | | | | | | | (12,119) |
| **Profit for the year** | | | | | | | 17,597 |
| **Assets and liabilities** | | | | | | | |
| Segment assets (Note A) | 181,022 | 111,692 | 106,240 | 92,204 | 189,490 | (149,494) | 531,154 |
| Deferred tax assets | | | | | | | 2,749 |
| Total assets | | | | | | | 533,903 |
| Segment liabilities (Note A) | 129,079 | 34,892 | 121,381 | 84,173 | 157,996 | (159,741) | 367,780 |
| Tax payable | | | | | | | 9,854 |
| Deferred tax liabilities | | | | | | | 4,324 |
| Total liabilities | | | | | | | 381,958 |
| **Other information** | | | | | | | |
| Investment in associates | – | – | – | – | 27,033 | – | 27,033 |
| Investment in joint ventures | 7,574 | – | 660 | – | – | – | 8,234 |
| Additions to non-current assets (Note B) | 15,884 | 5,216 | 8,804 | – | 2,494 | – | 32,398 |
| Depreciation and amortisation | 17,719 | 7,351 | 23,539 | – | 3,593 | – | 52,202 |
| Other non-cash (income)/ expenses (Note C) | 1,629 | 78 | 5,180 | – | 353 | – | 7,240 |

## 36. Segment information (cont'd)

| 2015 | Bakery operations [1] | Restaurant operations | Food court operations | Investment | Others [2] | Elimination | Group |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | | | |
| External sales | 307,915 | 143,150 | 173,084 | – | – | – | 624,149 |
| Inter-segment sales (Note A) | 529 | – | 3,156 | – | – | (3,685) | – |
| Total revenue | 308,444 | 143,150 | 176,240 | – | – | (3,685) | 624,149 |
| **Results** | | | | | | | |
| Profit/(loss) from operations | 5,148 | 25,815 | (2,884) | (15) | (135) | 69 | 27,998 |
| Interest income | 176 | 613 | 419 | 3,211 | 618 | (1,032) | 4,005 |
| Interest expense | (452) | (467) | (750) | (1,793) | (2,906) | 1,046 | (5,322) |
| Share of associates' results | – | – | – | (29) | (1,904) | – | (1,933) |
| Share of joint ventures' results | 434 | – | 194 | – | – | – | 628 |
| Segment profit/(loss) | 5,306 | 25,961 | (3,021) | 1,374 | (4,327) | 83 | 25,376 |
| Tax expense | | | | | | | (10,768) |
| **Profit for the year** | | | | | | | 14,608 |
| **Assets and liabilities** | | | | | | | |
| Segment assets (Note A) | 185,310 | 96,076 | 117,267 | 124,753 | 127,271 | (109,980) | 540,697 |
| Deferred tax assets | | | | | | | 4,444 |
| Total assets | | | | | | | 545,141 |
| Segment liabilities (Note A) | 136,455 | 33,726 | 119,448 | 98,075 | 143,812 | (145,620) | 385,896 |
| Tax payable | | | | | | | 8,879 |
| Deferred tax liabilities | | | | | | | 3,942 |
| Total liabilities | | | | | | | 398,717 |
| **Other information** | | | | | | | |
| Investment in associates | – | – | – | 22,685 | 3,637 | – | 26,322 |
| Investment in joint ventures | 7,119 | – | 434 | – | – | – | 7,553 |
| Additions to non-current assets (Note B) | 16,585 | 5,052 | 15,546 | – | 879 | – | 38,062 |
| Depreciation and amortisation | 17,214 | 8,086 | 20,759 | – | 3,525 | – | 49,584 |
| Other non-cash (income)/ expenses (Note C) | 1,446 | 734 | 2,344 | – | 1,069 | – | 5,593 |

## 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] | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Singapore | 336,481 | 329,983 | 126,153 | 138,108 |
| Mainland China | 174,530 | 192,077 | 57,996 | 72,313 |
| Hong Kong | 66,385 | 74,155 | 12,686 | 14,243 |
| Rest of the world | 37,599 | 27,934 | 13,245 | 11,988 |
| Total | 614,995 | 624,149 | 210,080 | 236,652 |

[1] Bakery operations comprise operation of bakery retail outlets as well as that operated through franchising.

[2] The business segment "Others" comprises the corporate services, treasury functions, investment holding activities and dormant associated company.

[3] Non-current assets information presented above consist of property, plant and equipment, investment property and intangible assets.

## 37. Dividends

| | Group and Company | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| **Dividends paid during the year:** | | |
| *Dividends on ordinary shares* | | |
| • Final exempt (one-tier) ordinary dividend for 2015 of 1.0 cent per share (2015: dividend for 2014 of 1.0 cent per share) | 2,812 | 2,819 |
| • Interim exempt (one-tier) dividend for 2016 of 0.5 cent per share (2015: 0.5 cent per share) | 1,406 | 1,409 |
| • Special (one-tier) dividend for 2016 of 1.35 cent per share (2015: Nil) | 3,797 | – |
| | 8,015 | 4,228 |
| **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 2016 of 2.0 cent per share (2015: 1.0 cent per share) | 5,626 | 2,815 |
| | 5,626 | 2,815 |

## 38. Events subsequent to the balance sheet date

Divestment of investment securities

On 26 January 2017, the subsidiary, Imagine Properties Pte Ltd, entered into a sale and purchase agreement to sell $17,222,000 in principal amount of junior bonds, preference shares and ordinary shares of Perennial Somerset Investors Pte. Ltd. ("PSIPL") for a total consideration of approximately $26,500,000 (subject to adjustments based on net asset value of PSIPL on completion of the divestment.

## 39. Authorisation of financial statements

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 31 March 2017.

# AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BREADTALK GROUP LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

*The information in this Appendix III has been reproduced from the annual report of BreadTalk Group Limited and its subsidiaries for the financial year ended 31 December 2017 and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial date in conjunction with the related notes.*

Company Registration No. 200302045G

# BreadTalk Group Limited and its Subsidiaries

Annual Financial Statements
31 December 2017



### Directors

Dr George Quek Meng Tong
Katherine Lee Lih Leng
Ong Kian Min
Chan Soo Sen
Dr Tan Khee Giap
Paul Charles Kenny
Oh Eng Lock (appointed on 1 August 2017)

### Company Secretary

Shirley Tan Sey Liy
Chiew Kok Liang

### Registered Office

30 Tai Seng Street
#09-01 BreadTalk IHQ
Singapore 534013
Tel: 6285 6116
Fax: 6285 1661

### Share Registrar

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

### Auditor

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

Partner in charge: Philip Ling (since financial year ended 31 December 2016)

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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 2017.

### 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 2017 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 | |
| Oh Eng Lock | (Appointed on 1 August 2017) |

### 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 2017 or date of appointment | As at 31 December 2017 | As at 21 January 2018 | As at 1 January 2017 or date of appointment | As at 31 December 2017 | As at 21 January 2018 |
| **The Company** *(Ordinary shares)* | | | | | | |
| Dr George Quek Meng Tong | 95,687,660 | 95,687,660 | 95,687,660 | – | – | – |
| Katherine Lee Lih Leng | 52,415,020 | 52,415,020 | 52,415,020 | – | – | – |
| Ong Kian Min | 120,000 | 120,000 | 120,000 | – | – | – |
| Dr Tan Khee Giap | – | – | – | 20,000 | – | – |
| Oh Eng Lock | 399,764 | 399,764 | 399,764 | 105,066 | 105,066 | 105,066 |

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.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

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 date of appointment if later, 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 Restricted Share Grant Plan ("RSG Plan") was approved at an Extraordinary General Meeting held on 28 April 2008.

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

***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.

**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 RSG Plan since its commencement up to 31 December 2017 are as follows:

| Name of Participant | Conditional restricted shares granted during the year | Aggregate conditional restricted shares awarded since commence-ment of the Plan (a) | Aggregate conditional restricted shares lapsed since commence-ment of the Plan (b) | Aggregate conditional restricted shares vested and released during the year | Aggregate conditional restricted shares vested and released since commence-ment of the Plan (c) | Aggregate conditional restricted shares outstanding at end of the year (a)-(b)-(c) |
|---|---|---|---|---|---|---|
| Directors of the Company | | | | | | |
| Dr George Quek Meng Tong [1] | – | 179,200 | – | – | 179,200 | – |
| Katherine Lee Lih Leng [1] | – | 154,000 | – | – | 154,000 | – |

**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) |
|---|---|---|---|---|---|---|
| Associate of a Controlling Shareholder | | | | | | |
| Frankie Quek Swee Heng [2] | 8,000 | 140,970 | – | 3,985 | 128,985 | 11,985 |
| Participants who received 5% or more of the total grants available | | | | | | |
| Chu Heng Hwee | 173,000 | 348,000 | 65,010 | 50,000 | 109,990 | 173,000 |
| Chan Ying Jian | 37,000 | 37,000 | – | – | – | 37,000 |
| Cheng William | 45,000 | 416,622 | – | 31,641 | 346,911 | 69,711 |
| Jenson Ong Chin Hock | 21,000 | 87,600 | – | – | 66,600 | 21,000 |
| Tan Aik Peng | 28,000 | 28,000 | – | – | – | 28,000 |
| Oh Eng Lock[3] | 11,000 | 1,553,430 | – | – | 1,542,430 | 11,000 |
| Other participants | 37,000 | 1,495,580 | 166,920 | 35,480 | 1,301,730 | 26,930 |
| | 360,000 | 4,440,402 | 231,930 | 121,106 | 3,829,846 | 378,626 |

[1] Also a controlling shareholder of the Company

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

[3] This includes a total of 781,666 shares and 488,764 shares that were released via the issuance of treasury shares in relation to a sign-on bonus as well as award of service equity granted to Mr. Oh Eng Lock.

With the Remuneration Committee's approval on the achievement of the performance targets for the performance period from FY2014 and FY2015, a total of 121,106 restricted shares were released via the issuance of treasury shares (FY2016: 74,910).

**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, except for one where a member was absent. 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.

**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 2018

## Independent auditor's report 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 (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, 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 Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in the 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 the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## Key Audit Matters (cont'd)

### (1) Impairment assessment of goodwill

As at 31 December 2017, goodwill is carried at $4,837,000 which represents 1.5% 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 requires management to exercise significant judgement about the 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") - $1,268,000 to food court operations in Singapore and $3,569,000 to food court operations in Shanghai. Based on annual impairment testing, management assessed that no impairment was necessary for the current financial year.

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. We involved our internal specialists to assist us in evaluating the reasonableness of key assumptions such as pre-tax discount rates and growth rates given the complexity of the assessment. We evaluated management's analysis on the sensitivity of the goodwill amount to 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.

Key Audit Matters (cont'd)

(2) Impairment assessment of held-to-maturity investments

As at 31 December 2017, the Group's investments in junior bonds and debt securities classified as held-to-maturity investments amounted to $26,496,000 and $12,886,000 respectively, and interest receivables from these investments amounted to $439,000. The audit procedures over management's impairment tests on these investments were significant to our audit because the impairment assessment process was complex and involved significant management judgment. Management evaluated, among other factors, the default or significant delay in interest receipts, the probability of insolvency or significant financial difficulties of the issuers, and the value of the related secured properties held by the issuers. The related properties are commercial and retail properties in Singapore. Management has assessed that there is no objective evidence of impairment for these investments during the current financial year.

Our audit procedures included, among others, analysing the ageing of interest receivables and assessing the financial position and performance of the issuers during the financial year. We obtained evidence of receipts of interest receivables subsequent to the financial year end from the issuers and also assessed the fair values of the related secured properties, if any, held by the issuers where the issuers had engaged external appraisers in the valuation. We assessed the adequacy of the disclosures relating to these investments. The related disclosures are made in Note 2.15, Note 2.16 and Note 13 to the financial statements.

(3) Impairment assessment of available-for-sale financial assets

As at 31 December 2017, the Group has investments in unquoted equity instruments classified as available-for-sale financial assets. These investments are held at cost of $45,372,000.

As these investments are unquoted with no market price readily available, significant management judgement is involved in the identification of any impairment indicators as well as the assessment of the recoverable value of these investments. Management takes into consideration the valuation of the underlying assets held by the investees when determining the recoverable value of the investments. Where fair values are not available from external appraisers, management benchmarks the value of the underlying assets to sale price of similar assets transacted in the open market and adjusted for differences in factors such as location, as well as evaluated the probability of insolvency or significant financial difficulties of the investees.

We verified the sales transacted in the open market of similar assets to published market prices and assessed the reasonableness of the adjustments made by management. We evaluated management's assessment on whether objective evidence of impairment existed as at year end for these investments. We also assessed the adequacy of the disclosures relating to these investments. The related disclosures are made in Note 2.15, Note 2.16 and Note 13 to the financial statements.

## Key Audit Matters (cont'd)

### (4) Valuation of investment properties

As at 31 December 2017, the Group has investment properties amounting to $39,463,000 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 2017.

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. As part of our audit procedures, we have considered the objectivity, independence and expertise of the external appraisers. We involved our internal real estate and valuation specialists to assist 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.

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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.

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

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 2018

## Consolidated statement of comprehensive income
## For the year ended 31 December 2017

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Revenue** | 3 | 599,747 | 614,995 |
| Cost of sales | | (266,465) | (277,508) |
| **Gross profit** | | 333,282 | 337,487 |
| Other operating income | 4 | 33,178 | 29,540 |
| Interest income | 5 | 2,234 | 1,162 |
| Distribution and selling expenses | | (241,674) | (256,323) |
| Administrative expenses | | (80,850) | (75,389) |
| Interest expense | 5 | (5,420) | (5,931) |
| **Profit before tax and share of results of associates and joint ventures** | | 40,750 | 30,546 |
| Share of results of associates | | (883) | (1,960) |
| Share of results of joint ventures | | 1,097 | 1,130 |
| **Profit before tax** | 6 | 40,964 | 29,716 |
| Income tax expense | 8 | (11,047) | (12,119) |
| **Profit for the year** | | 29,917 | 17,597 |
| **Profit attributable to:** | | | |
| Owners of the Company | | 21,848 | 11,436 |
| Non-controlling interests | | 8,069 | 6,161 |
| | | 29,917 | 17,597 |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Net gain on available-for-sale financial assets | | 15 | - |
| Foreign currency translation | | (1,656) | (594) |
| **Other comprehensive income for the year, net of tax** | | (1,641) | (594) |
| **Total comprehensive income for the year** | | 28,276 | 17,003 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 20,207 | 10,842 |
| Non-controlling interests | | 8,069 | 6,161 |
| | | 28,276 | 17,003 |
| **Earnings per share (cents)** | | | |
| Basic | 9 | 7.76 | 4.07 |
| Diluted | 9 | 7.75 | 4.06 |

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

## Balance sheets
## As at 31 December 2017

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 169,097 | 180,663 | 73,228 | 71,252 |
| Investment properties | 11 | 39,463 | 22,984 | – | – |
| Intangible assets | 12 | 6,089 | 6,433 | – | – |
| Investment securities | 13 | 72,068 | 72,878 | – | 825 |
| Investment in subsidiaries | 14 | – | – | 24,418 | 24,296 |
| Investment in associates | 15 | 26,682 | 27,033 | – | – |
| Investment in joint ventures | 16 | 10,040 | 8,234 | – | – |
| Other receivables | 18 | 1,107 | 1,413 | – | – |
| Due from related corporations | 19 | – | – | 30,692 | 26,768 |
| Deferred tax assets | 8 | 2,559 | 2,749 | – | – |
| | | 327,105 | 322,387 | 128,338 | 123,141 |
| **Current assets** | | | | | |
| Investment securities | 13 | 12,886 | 17,222 | – | – |
| Inventories | 17 | 9,721 | 9,806 | – | – |
| Trade and other receivables | 18 | 57,543 | 57,472 | 2,417 | 4,269 |
| Tax recoverable | | 280 | – | – | – |
| Prepayments | | 6,771 | 4,824 | 92 | 123 |
| Due from related corporations | 19 | 1,128 | 1,094 | 105,149 | 61,885 |
| Amounts due from non-controlling shareholders of subsidiaries (non-trade) | 24 | 525 | 509 | – | – |
| Cash and cash equivalents | 20 | 141,245 | 120,589 | 1,278 | 8,486 |
| | | 230,099 | 211,516 | 108,936 | 74,763 |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | 90,326 | 86,404 | 2,175 | 1,955 |
| Other liabilities | 22 | 78,710 | 69,612 | 7,588 | 3,971 |
| Provision for reinstatement costs | 23 | 15,846 | 14,417 | 27 | 27 |
| Due to related corporations | 19 | 3,881 | 3,903 | 57,787 | 30,674 |
| Loan from a non-controlling shareholder of a subsidiary (non-trade) | 24 | 200 | 200 | – | – |
| Short-term loans | 25 | 19,237 | 7,215 | 10,000 | – |
| Current portion of long-term loans | 26 | 37,864 | 24,238 | 4,122 | 4,122 |
| Tax payable | | 10,660 | 9,854 | 565 | 551 |
| | | 256,724 | 215,843 | 82,264 | 41,300 |
| **Net current (liabilities)/assets** | | (26,625) | (4,327) | 26,672 | 33,463 |
| **Non-current liabilities** | | | | | |
| Other liabilities | 22 | 9,392 | 11,385 | – | – |
| Notes payable | 27 | 75,000 | 75,000 | 75,000 | 75,000 |
| Loan from a non-controlling shareholder of a subsidiary (non-trade) | 24 | 508 | 549 | – | – |
| Long-term loans | 26 | 50,533 | 74,857 | 35,676 | 39,798 |
| Deferred tax liabilities | 8 | 4,576 | 4,324 | 2,391 | 1,791 |
| | | 140,009 | 166,115 | 113,067 | 116,589 |
| **Net assets** | | 160,471 | 151,945 | 41,943 | 40,015 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 28 | 33,303 | 33,303 | 33,303 | 33,303 |
| Treasury shares | 28 | (460) | (587) | (460) | (587) |
| Accumulated profits | | 98,933 | 93,966 | 8,332 | 6,779 |
| Other reserves | 29 | 3,216 | 5,328 | 768 | 520 |
| | | 134,992 | 132,010 | 41,943 | 40,015 |
| Non-controlling interests | | 25,479 | 19,935 | – | – |
| **Total Equity** | | 160,471 | 151,945 | 41,943 | 40,015 |

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

## BreadTalk Group Limited and its Subsidiaries

### Statements of changes in equity
### For the year ended 31 December 2017

| | Attributable to owners of the company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017<br>Group | Share capital<br>$'000<br>(Note 28) | Treasury shares<br>$'000<br>(Note 28) | Accumulated profits<br>$'000 | Statutory reserve fund<br>$'000<br>(Note 29) | Translation reserve<br>$'000<br>(Note 29) | Fair value adjustment reserve<br>$'000<br>(Note 29) | Share based compensation reserve<br>$'000<br>(Note 29) | Premium paid on acquisition of non-controlling interests<br>$'000<br>(Note 29) | Capital reserve<br>$'000<br>(Note 29) | Total<br>$'000 | Non-controlling interests<br>$'000 | Total equity<br>$'000 |
| At 1 January 2017 | 33,303 | (587) | 93,966 | 2,954 | 3,295 | – | 343 | (1,441) | 177 | 132,010 | 19,935 | 151,945 |
| Profit for the year | – | – | 21,848 | – | – | – | – | – | – | 21,848 | 8,069 | 29,917 |
| 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** | – | – | 21,848 | – | (1,656) | 15 | – | – | – | 20,207 | 8,069 | 28,276 |
| 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) | 98,933 | 2,954 | 1,639 | 15 | 591 | (2,160) | 177 | 134,992 | 25,479 | 160,471 |

## Statements of changes in equity
## For the year ended 31 December 2017 (cont'd)

| 2016 Group | Attributable to owners of the company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital $'000 (Note 28) | Treasury shares $'000 (Note 28) | Accumulated profits $'000 | Statutory reserve fund $'000 (Note 29) | Trans-lation reserve $'000 (Note 29) | Share based compensation and other reserve $'000 (Note 29) | Premium paid 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 2016 | 33,303 | (378) | 90,545 | 2,954 | 3,889 | 260 | (1,552) | 177 | 129,198 | 17,226 | 146,424 |
| Profit for the year | – | – | 11,436 | – | – | – | – | – | 11,436 | 6,161 | 17,597 |
| Other comprehensive income | | | | | | | | | | | |
| Foreign currency translation | – | – | – | – | (594) | – | – | – | (594) | – | (594) |
| Other comprehensive income for the year, net of tax | – | – | – | – | (594) | – | – | – | (594) | – | (594) |
| **Total comprehensive income for the year** | – | – | 11,436 | – | (594) | – | – | – | 10,842 | 6,161 | 17,003 |
| Contributions by and distributions to owners | | | | | | | | | | | |
| Share-based payments | – | – | – | – | – | 164 | – | – | 164 | – | 164 |
| Dividends paid (Note 37) | – | – | (8,015) | – | – | – | – | – | (8,015) | (1,640) | (9,655) |
| Treasury shares transferred on vesting of restricted share grant | – | 81 | – | – | – | (81) | – | – | – | – | – |
| Purchase of treasury shares | – | (830) | – | – | – | – | – | – | (830) | – | (830) |
| Treasury shares transferred as consideration in relation to the acquisition of non- controlling interest (Note 28) | – | 540 | – | – | – | – | – | – | 540 | – | 540 |
| **Total contributions by and distributions to owners** | – | (209) | (8,015) | – | – | 83 | – | – | (8,141) | (1,640) | (9,781) |
| Changes in ownership interests in a subsidiary | | | | | | | | | | | |
| Acquisition of non-controlling interests without a change in control | – | – | – | – | – | – | 111 | – | 111 | (1,812) | (1,701) |
| **Total transactions with owners in their capacity as owners** | – | – | – | – | – | – | 111 | – | 111 | (1,812) | (1,701) |
| At 31 December 2016 | 33,303 | (587) | 93,966 | 2,954 | 3,295 | 343 | (1,441) | 177 | 132,010 | 19,935 | 151,945 |

## Statements of changes in equity
## For the year ended 31 December 2017 (cont'd)

| | 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 |
|---|---|---|---|---|---|---|
| **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) | – | – |
| Purchase of treasury shares | – | – | – | – | – | – |
| 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 |
| **2016** | | | | | | |
| **Company** | | | | | | |
| 1 January 2016 | 33,303 | (378) | 5,375 | 260 | 177 | 38,737 |
| Profit for the year | – | – | 9,419 | – | – | 9,419 |
| **Total comprehensive income for the year** | – | – | 9,419 | – | – | 9,419 |
| Contributions by and distributions to owners | | | | | | |
| Share-based payments | – | – | – | 164 | – | 164 |
| Treasury shares transferred on vesting of restricted share grant | – | 81 | – | (81) | – | – |
| Purchase of treasury shares | – | (830) | – | – | – | (830) |
| Treasury shares transferred as consideration in relation to the acquisition of non- controlling interest (Note 28) | – | 540 | – | – | – | 540 |
| Dividends paid (Note 37) | – | – | (8,015) | – | – | (8,015) |
| **Total transactions with owners in their capacity as owners** | – | (209) | (8,015) | 83 | – | (8,141) |
| At 31 December 2016 | 33,303 | (587) | 6,779 | 343 | 177 | 40,015 |

*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 2017**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from operating activities** | | | |
| Profit before taxation | | 40,964 | 29,716 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 12 | 437 | 514 |
| Depreciation of property, plant and equipment | 10 | 40,045 | 51,688 |
| Gain on divestment of investment securities | | (8,714) | (8,841) |
| Write back of provision for reinstatement cost | 23 | (82) | (292) |
| Impairment loss on investment securities | 13 | – | 208 |
| (Write back) / Impairment loss on plant and equipment | 10 | (438) | 779 |
| Impairment / (write back) of trade receivables | 18 | 210 | (181) |
| Impairment of other receivables | 18 | – | 87 |
| Impairment of investment in associates | 15 | 1,800 | – |
| Net fair value gains on investment property | 11 | (118) | (2) |
| Net (gain) / loss on disposal of property, plant and equipment | | (2,331) | 345 |
| Write off of trade and other receivables | | 15 | 1,565 |
| Interest expense | 5 | 5,420 | 5,931 |
| Interest income | 5 | (2,234) | (1,162) |
| Property, plant and equipment written off | 10 | 2,569 | 2,691 |
| Write off of intangible assets | 12 | – | 320 |
| Share based payment expenses | | 375 | 164 |
| Share of results of associates | | 883 | 1,960 |
| Share of results of joint ventures | | (1,097) | (1,130) |
| Write-off of inventories | 17 | 7 | 18 |
| Allowance for inventory obsolescence | 17 | 5 | 84 |
| Dividend income from quoted investment equity | | (57) | (36) |
| Unrealised exchange loss, net | | 1,179 | 2,687 |
| **Operating cash flows before working capital changes** | | 78,838 | 87,113 |
| (Increase)/decrease in: | | | |
| Inventories | | 73 | (30) |
| Trade and other receivables | | (426) | (1,944) |
| Prepayments | | (1,947) | 902 |
| Amount due from associates (trade) | | (3) | – |
| Amount due from joint ventures (trade) | | 411 | (189) |
| Increase/(decrease) in: | | | |
| Trade and other payables | | 4,008 | (5,704) |
| Other liabilities | | 6,879 | 11,158 |
| Amount due to a joint venture (trade) | | (159) | 279 |
| Cash flows generated from operations | | 87,674 | 91,585 |
| Tax paid | | (10,124) | (9,100) |
| **Net cash flows from operating activities** | | 77,550 | 82,485 |

**Consolidated cash flow statement**
**For the year ended 31 December 2017 (cont'd)**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from investing activities** | | | |
| Interest income received | | 2,155 | 3,066 |
| Purchase of property, plant and equipment | A | (30,166) | (31,935) |
| Additions to intangible assets | 12 | (109) | (375) |
| Cash paid for reinstatement cost | 23 | (927) | (2,339) |
| Proceeds from disposal of property, plant and equipment | | 3,361 | 30 |
| Proceeds from divestment of investment securities | | 27,438 | 16,334 |
| Amount due from joint ventures(non-trade) | | (441) | 140 |
| Amount due to joint ventures (non-trade) | | (103) | (59) |
| Amount due to an associate (non-trade) | | 240 | (839) |
| Investment in associates | 15 | (2,273) | (2,769) |
| Investment in a joint venture | 16 | (1,005) | – |
| Purchase of investment securities | 13 | (12,886) | – |
| Purchase of investment property | 11 | (16,681) | – |
| Dividends received from a joint venture | | 348 | 363 |
| Dividends received from an associate | | – | 98 |
| Dividends received from quoted equity | | 57 | 36 |
| **Net cash flows used in investing activities** | | (30,992) | (18,249) |
| **Cash flows from financing activities** | | | |
| Interest paid | | (5,420) | (5,931) |
| Dividends paid to shareholders of the Company | 37 | (16,881) | (8,015) |
| Dividends paid to non-controlling shareholders of a subsidiary | | (3,444) | (1,640) |
| Purchase of treasury shares | | – | (830) |
| Proceeds from long-term loans | | 13,500 | 3,602 |
| Repayment of long-term loans | | (24,126) | (67,839) |
| Proceeds from short-term loans | | 37,657 | 8,039 |
| Repayment of short-term loans | | (25,691) | (39,407) |
| Proceeds from notes payable | | – | 75,000 |
| Loan due to a non-controlling shareholder | | (41) | 11 |
| Acquisition of non-controlling interest | 14 | – | (1,163) |
| **Net cash flows used in financing activities** | | (24,446) | (38,173) |
| **Net increase in cash and cash equivalents** | | 22,112 | 26,063 |
| Effect of exchange rate changes on cash and cash equivalents | | (1,456) | (370) |
| **Cash and cash equivalents at the beginning of the year** | | 120,589 | 94,896 |
| **Cash and cash equivalents at the end of the year** | 20 | 141,245 | 120,589 |

**Note A. Purchase of property, plant and equipment**

During the year, the Group acquired property, plant and equipment with an aggregate cost of $32,987,000 (2016: $32,023,000). The additions were by way of cash payments of $25,271,000 (2016: $25,038,000), increase in provision for reinstatement costs of $2,681,000 (2016: $2,090,000), amount payable to other creditors of $4,674,000 (2016: $4,760,000) and accruals for amounts payable of $361,000 (2016: $135,000).

Cash outflow for the year also include payments in respect of property, plant and equipment acquired in the previous years of $4,895,000 (2016: $6,897,000).

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

## 1. General

### 1.1 *Corporate information*

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

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

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

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

## 2. Summary of significant accounting policies

### 2.1 *Basis of preparation and fundamental accounting assumption*

As at 31 December 2017, the Group's current liabilities exceeded their current assets by $26,625,000 (2016: $4,327,000). 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 ("FRS").

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

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

Convergence with International Financial Reporting Standards

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

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

### 2.1 *Basis of preparation and fundamental accounting assumption (cont'd)*

Convergence with International Financial Reporting Standards (cont'd)

The Group has performed a preliminary impact assessment of adopting the new financial reporting framework based on the currently available information. The assessment may be subject to changes arising from on-going analysis until the Group adopts the financial reporting framework in 2018. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 Disclosure Initiative. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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

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

| Description | Effective for annual periods beginning on or after |
|---|---|
| Improvements to FRSs (December 2016 – Amendments to FRS 28: Measuring an Associate or Joint Venture at fair value) | 1 January 2018 |
| Amendments to FRS 40: Transfers of Investment Property | 1 January 2018 |
| FRS 115 Revenue from Contracts with Customers | 1 January 2018 |
| Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers | 1 January 2018 |
| FRS 109 Financial Instruments | 1 January 2018 |
| Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts | 1 January 2018 |
| INT FRS 122 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| INT FRS 123 Uncertainty over Income Tax Treatments | 1 January 2019 |
| FRS 116 Leases | 1 January 2019 |
| Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Date to be determined |

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

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

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

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group is in the business of manufacturing and retailing of bakery and confectionary products, and operators of restaurants and food courts. The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. The assessment may be subject to changes arising from on-going analysis until the Group adopts FRS 115 in 2018.

The Group plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients applicable for full retrospective approach under FRS 115 as listed below.

Transition

The following practical expedients are available when applying FRS 115 retrospectively.

- For completed contacts, an entity need not restate contracts that begin and end with the same annual reporting period or are completed contracts at the beginning of the earliest period presented.

- For completed contracts that have variable consideration, an entity may use the transaction price at the date of the contract completed rather than estimating the variable consideration amounts in the comparative reporting periods; and

- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

    - Identifying the satisfied and unsatisfied performance obligations;
    - Determining the transactions price; and
    - Allocating the transaction price to the satisfied and unsatisfied performance obligations.

- For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.

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

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

FRS 109 Financial Instruments

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

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and will recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

(a) *Classification and measurement*

The Group expects to have mixed business model. The Group intends to hold its currently held-to-maturity debt instruments assets to collect contractual cash flows, and accordingly measured at amortised cost when it applies FRS 109. The Group does not expect any significant impact to arise from these changes.

For equity securities, the Group will continue to measure its currently available-for-sale quoted equity securities at fair value though profit or loss (FVTPL).The Group does not expect any significant impact arising from these changes. In addition, the Group currently has 2 investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount under FRS 39 and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

(b) *Impairment*

FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect a material impact, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

FRS 116 Leases

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

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

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

FRS 116 Leases (cont'd)

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption. The Group expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, earnings before interest, tax, depreciation and amortization, and gearing ratio.

### 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.

*Judgments made in applying accounting policies*

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

Impairment of available-for-sale investments and held-to-maturity investments

The Group has investments in unquoted equity instruments classified as available-for-sale financial assets. These investments are held at cost of $45,372,000 as at 31 December 2017. The Group assesses whether there is an indication that available-for-sale investments may be impaired. The impairment assessment of these investments involved significant management assumptions since they are not quoted and no market price is readily available. In the assessment, the Group takes into consideration the valuation of the underlying assets held by the investees.

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

The Group has investments in junior bonds and debts securities classified as held-to-maturity investments amounted to $26,496,000 and $12,886,000 respectively, and interest receivables from these investments amounted to $439,000 as at 31 December 2017. The Group assesses whether there is an indication that held-to-maturity investments may be impaired. In the assessment, the Group evaluates, among other factors, the default or significant delay in interest receipts, the probability of insolvency or significant financial difficulties of the issuers, and the value of the related secured properties held by the issuers.

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

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

*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.

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 property located in Shanghai, the Group engaged a real estate valuation expert to assess fair value as at 31 December 2017. The fair value of investment property is 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 this investment property and sensitivity analysis are provided in Note 34.

The Group has not performed any valuation for the property located in Singapore as at 31 December 2017 as the acquisition date is a few days before the year end, and therefore management has assessed that the purchase cost approximates the fair value.

The carrying amounts of the investment properties carried at fair value as at 31 December 2017 are $39,463,000 (2016: $22,984,000).

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 2017 is $4,837,000 (2016: $4,837,000).

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

### 2.5 *Foreign currency*

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

(a) *Transactions and balances*

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

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

(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.

### 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.

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

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

(a) *Basis of consolidation* (cont'd)

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 FRS.

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

## 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 separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

### 2.9 *Joint arrangements*

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

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

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

## 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 *Associates and joint ventures*

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

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

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

### 2.10 *Associates and joint ventures (cont'd)*

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

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

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

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

### 2.11 *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.

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

### 2.11 *Property, plant and equipment (cont'd)*

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 - 53 years |
| Leasehold land | – | 50 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 are not depreciated as these assets are not yet available for use.

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

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

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

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

### 2.12 *Investment properties*

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

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

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.

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

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

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.

(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.

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

### 2.14 *Impairment of non-financial assets (cont'd)*

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. The Group determines the classification of its financial assets at initial recognition.

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

Subsequent measurement

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

(i) *Loans and receivables*

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

(ii) *Held-to-maturity investments*

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

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

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

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

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

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

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

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

Derecognition

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

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

(b) *Financial liabilities (cont'd)*

Derecognition

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

### 2.16 *Impairment of financial assets*

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

(a) *Financial assets carried at amortised cost*

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

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

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

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

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

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

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

(b) *Financial assets carried at cost*

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

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

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

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

### 2.17 *Cash and cash equivalents*

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

### 2.18 *Inventories*

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

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

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

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

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

### 2.19 *Provisions*

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

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

### 2.20 *Financial guarantee*

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

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

### 2.21 *Borrowing costs*

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

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

### 2.22 *Leases*

(a) *As lessee*

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

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

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

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

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

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

(b) *As lessor*

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

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

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

(b) *Employee leave entitlement*

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

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

Employees receive remuneration under the RSG Plan in the form of fully-paid shares ("Awards") of the Company as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the Awards at the date on which the Awards are granted. The 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.

2.24 ***Revenue***

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

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

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

(b) *Franchise income*

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

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

2.24 ***Revenue (cont'd)***

(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.

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. Summary of significant accounting policies (cont'd)

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.

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

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.

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.

## 3. Revenue

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Bakery sales | 260,089 | 267,752 |
| Restaurant sales | 153,213 | 150,230 |
| Sales to franchisee | 21,676 | 25,841 |
| Franchise income | 15,423 | 13,271 |
| Food court income | 149,346 | 157,901 |
| | 599,747 | 614,995 |

## 4. Other operating income

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Management fee income | 13,524 | 11,020 |
| Income from mall operation | 482 | 610 |
| Government grant | 1,713 | 2,508 |
| Special Employment Credit [1] | 453 | 333 |
| Wage credit scheme [2] | 739 | 1,698 |
| Income recognised from unredeemed stored value cards[3] | 711 | 1,518 |
| Sponsorship income | 540 | 403 |
| Rental income | 2,705 | 1,895 |
| Gain on divestment of investment securities, net | 8,714 | 8,841 |
| Gain from fair value adjustment of investment properties (Note 11) | 118 | 2 |
| Write back of provision for reinstatement cost (Note 23) | 82 | 292 |
| Dividend received from quoted equity instruments | 57 | 36 |
| Gain on disposal of plant and equipment | 2,331 | – |
| Miscellaneous income | 1,009 | 384 |
| | 33,178 | 29,540 |

## 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 has been extended for three years from 1 January 2017 to 31 December 2019.

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.

(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 | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Interest income from: | | |
| - loans and receivables | 437 | 169 |
| - held-to-maturity financial assets | 1,797 | 993 |
| | 2,234 | 1,162 |
| Interest expense on: | | |
| - term loans | (1,970) | (3,344) |
| - notes payable | (3,450) | (2,587) |
| | (5,420) | (5,931) |

## 6. Profit before tax

This is determined after charging the following:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Audit fees | | |
| - auditor of the Company | 311 | 311 |
| - affiliates of auditor of the Company | 214 | 214 |
| - other auditors | 159 | 172 |
| | 684 | 697 |
| Non-audit fees to auditor of the Company: | | |
| Recurring | | |
| - tax returns compliance services | 38 | 40 |
| - sales certifications | 18 | 18 |
| | 56 | 58 |
| Non-recurring | | |
| - tax advisory services | 31 | 42 |
| - transfer pricing tax advisory services | 20 | 66 |
| - sustainability reporting | 58 | 50 |
| - Agreed-upon-procedures for Medium Term Note Programme | 8 | – |
| | 117 | 158 |
| Non-audit fees to other auditors | 79 | 77 |
| Amortisation of intangible assets (Note 12) | 437 | 514 |
| Write off of intangible assets (Note 12) | – | 320 |
| Impairment/(write back) of loans and receivables | | |
| - trade receivables (Note 18) | 210 | (181) |
| - other receivables (Note 18) | – | 87 |
| Write off of trade and other receivables | 15 | 1,565 |
| Directors' fees | 180 | 173 |
| Employee benefits (Note 7) | 188,841 | 186,702 |
| Operating lease expenses | | |
| - fixed portion | 125,443 | 133,225 |
| - variable portion | 11,174 | 12,584 |
| Depreciation of property, plant and equipment (Note 10) | 40,045 | 51,688 |
| Property, plant and equipment written off (Note 10) | 2,569 | 2,691 |
| (Write back)/impairment loss on property, plant and equipment (Note 10) | (438) | 779 |
| Loss on disposal of plant and equipment | – | 345 |
| Write-off of inventories (Note 17) | 7 | 18 |
| Allowance for inventory obsolescence (Note 17) | 5 | 84 |
| Impairment loss on quoted equity instruments (Note 13) | – | 208 |
| Impairment loss on investment in associates (Note 15) | 1,800 | – |

## 7. Employee benefits

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Salaries and bonuses | 137,408 | 132,319 |
| Central Provident Fund and other pension contributions | 19,479 | 20,604 |
| Sales incentives and commission | 4,733 | 6,127 |
| Other personnel benefits | 27,221 | 27,652 |
| | 188,841 | 186,702 |

### 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, 360,000 restricted shares were granted (2016: 400,000). There are 378,626 restricted shares outstanding at year end (2016: 557,000 shares).

## 8. Income tax expense

Major components of income tax expense were:

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Current tax | | |
| - Current year | 9,208 | 9,111 |
| - Under/(over) provision in prior years | 316 | (15) |
| Deferred tax | | |
| - Origination and reversal of temporary differences | 513 | 1,710 |
| - (Over)/under provision in prior years | (71) | 367 |
| Withholding tax | 1,081 | 946 |
| Taxation expense | 11,047 | 12,119 |

## 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 | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Profit before tax | 40,964 | 29,716 |
| Tax at the domestic rates applicable to profits in the countries where the Group operates[1] | 6,591 | 5,025 |
| Tax effect of: | | |
| Expenses not deductible for tax purposes | 3,212 | 3,825 |
| Depreciation not deductible for tax purposes | 1,612 | 1,601 |
| Income not subject to taxation | (514) | (1,651) |
| Share of results of associates and joint ventures | 356 | 141 |
| Tax savings arising from development and expansion incentive [2] | (349) | (70) |
| Under/(over) provision in prior years | | |
| - Current tax | 316 | (15) |
| - Deferred tax | (71) | 367 |
| Withholding tax expense | 1,081 | 946 |
| Effect of partial tax exemption and tax relief | (152) | (273) |
| Deferred tax assets not recognised | 595 | 2,703 |
| Benefits from previously unrecognised tax losses | (1,183) | – |
| Tax savings from enhanced deductions [3] | (537) | (552) |
| Others | 90 | 72 |
| Taxation expense | 11,047 | 12,119 |

(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.

(3) In 2010, the Minister for Finance of Singapore introduced a new broad-based tax scheme to encourage businesses to invest in productivity and innovation. The scheme enhances existing tax measures that encourage productivity and innovative activities and consolidates them into a single scheme, known as the Productivity and Innovation scheme ("PIC"). The PIC is available from Year of Assessment ("YA") 2011 to YA 2018.

## 8. Income tax expense (cont'd)

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

| | Group | | | |
|---|---|---|---|---|
| | Balance sheet | | Profit or loss | |
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| **Deferred tax liabilities:** | | | | |
| Provisions | (1,116) | (955) | (161) | (99) |
| Differences in depreciation for tax purposes | (3,166) | (3,210) | 44 | (337) |
| Other items | (294) | (159) | (135) | 54 |
| | (4,576) | (4,324) | | |
| **Deferred tax assets:** | | | | |
| Provisions | 639 | 484 | 155 | (139) |
| Differences in depreciation for tax purposes | 546 | 741 | (195) | 118 |
| Unutilised capital allowances | 447 | 705 | (258) | (590) |
| Unutilised tax losses | – | – | – | (1,135) |
| Other items | 927 | 819 | 108 | 51 |
| | 2,559 | 2,749 | | |
| Deferred income tax | | | (442) | (2,077) |

| | Company | |
|---|---|---|
| | Balance sheet | |
| | 2017 | 2016 |
| | $'000 | $'000 |
| **Deferred tax liabilities:** | | |
| Differences in depreciation for tax purposes | (2,391) | (1,791) |
| | (2,391) | (1,791) |

*Deferred tax assets*

No deferred tax assets were recognised in loss making entities during the year and 2016.

## 8. Income tax expense (cont'd)

*Unrecognised tax losses, capital allowances and other temporary differences*

As at 31 December 2017, the Group has tax losses of approximately $36,320,000 (2016: $40,218,000), unutilised capital allowances of approximately $1,688,000 (2016: $328,000) and other temporary differences of approximately $5,281,000 (2016: $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 2017, $34,756,000 (2016: $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 (2016: 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 $36,844,000 (2016: $33,966,000). The deferred tax liability is estimated to be $1,842,000 (2016: $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 | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Profit for the year attributable to owners of the Company | 21,848 | 11,436 |

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | No. of shares '000 | No. of shares '000 |
| Weighted average number of ordinary shares for basic earnings per share computation * | 281,395 | 281,300 |
| Effects of dilution: | | |
| - Restricted shares granted conditionally under the "BreadTalk Restricted Share Grant Plan" | 446 | 112 |
| Weighted average number of ordinary shares for diluted earnings per share computation * | 281,841 | 281,412 |

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

## 10. Property, plant and equipment

| Group | Leasehold property $'000 | Leasehold land $'000 | Machinery and equipment $'000 | Electrical works $'000 | Furniture and fittings $'000 | Office equipment $'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 1.1.2016 | 56,209 | 21,454 | 54,234 | 57,814 | 57,332 | 12,502 |
| Additions | 8 | – | 4,265 | 4,127 | 6,960 | 1,740 |
| Reclassifications | – | – | 143 | 612 | – | 3 |
| Write offs | – | – | (3,300) | (2,299) | (3,530) | (557) |
| Disposals | (510) | – | (213) | (33) | (236) | (13) |
| Translation difference | (145) | 58 | (391) | 128 | 410 | (36) |
| As at 31.12.2016 and 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 | 54,377 | 21,436 | 48,588 | 54,197 | 61,609 | 13,924 |
| **Accumulated depreciation and impairment losses** | | | | | | |
| As at 1.1.2016 | 4,168 | 1,072 | 30,831 | 35,142 | 36,575 | 9,115 |
| Charge for the year | 1,137 | 408 | 6,001 | 8,124 | 8,283 | 1,879 |
| Reclassifications | – | – | (30) | 52 | 47 | (51) |
| Write offs | – | – | (2,413) | (2,005) | (3,120) | (388) |
| Disposals | (271) | – | (107) | (23) | (219) | (10) |
| Impairment loss | – | – | 1 | 257 | 395 | – |
| Translation difference | (73) | 9 | (167) | 125 | 385 | (20) |
| As at 31.12.2016 and 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 | 5,392 | 1,868 | 30,236 | 38,820 | 41,280 | 10,609 |
| **Net carrying amount** | | | | | | |
| As at 31.12.2016 | 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 |

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

| | Renovation [1] $'000 | Motor vehicles $'000 | Construction -in-progress $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| As at 1.1.2016 | 142,421 | 2,304 | 4,031 | 408,301 |
| Additions | 12,407 | 195 | 2,321 | 32,023 |
| Reclassifications | 1,589 | – | (2,347) | – |
| Write offs | (15,550) | – | (1) | (25,237) |
| Disposals | (70) | – | – | (1,075) |
| Translation difference | (2,450) | (22) | (162) | (2,610) |
| As at 31.12.2016 and 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 | 130,135 | 2,447 | 4,992 | 391,705 |
| **Accumulated depreciation and impairment losses** | | | | |
| As at 1.1.2016 | 84,469 | 1,233 | – | 202,605 |
| Charge for the year | 25,507 | 349 | – | 51,688 |
| Reclassifications | (18) | – | – | – |
| Write offs | (14,620) | – | – | (22,546) |
| Disposals | (70) | – | – | (700) |
| Impairment loss | 126 | – | – | 779 |
| Translation difference | (1,334) | (12) | – | (1,087) |
| As at 31.12.2016 and 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 | 92,595 | 1,808 | – | 222,608 |
| **Net carrying amount** | | | | |
| As at 31.12.2016 | 44,287 | 907 | 3,842 | 180,663 |
| As at 31.12.2017 | 37,540 | 639 | 4,992 | 169,097 |

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

(1) Additions to renovation during the year include provision for reinstatement costs of $2,681,000 (2016: $2,090,000).

***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 | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Leasehold land | 17,404 | 17,584 |
| Leasehold property | 47,925 | 48,845 |
| | 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 write-back of impairment of $438,000 (2016: impairment loss of $779,000), 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 2017.

***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 (2016: $145,000).

## 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 31.12.2015 and 1.1.2016 | 52,064 | 18,731 | 340 | 2,175 | 1,205 |
| Additions | 8 | – | 44 | 69 | 1,820 |
| As at 31.12.2016 and 1.1.2017 | 52,072 | 18,731 | 384 | 2,244 | 3,025 |
| Additions | – | 154 | 112 | 47 | 5,088 |
| As at 31.12.2017 | 52,072 | 18,885 | 496 | 2,291 | 8,113 |
| **Accumulated depreciation** | | | | | |
| As at 1.1.2016 | 2,307 | 816 | 163 | 1,029 | 543 |
| Charge for the year | 920 | 331 | 71 | 436 | 400 |
| As at 31.12.2016 and 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 | 4,147 | 1,481 | 326 | 1,911 | 1,824 |
| **Net carrying amount** | | | | | |
| As at 31.12.2016 | 48,845 | 17,584 | 150 | 779 | 2,082 |
| As at 31.12.2017 | 47,925 | 17,404 | 170 | 380 | 6,289 |

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

| | Office equipment $'000 | Renovation $'000 | Total $'000 |
|---|---|---|---|
| **Company** | | | |
| **Cost** | | | |
| As at 1.1.2016 | 1,796 | 4,681 | 80,992 |
| Additions | 127 | 102 | 2,170 |
| As at 31.12.2016 and 1.1.2017 | 1,923 | 4,783 | 83,162 |
| Additions | 234 | 189 | 5,824 |
| As at 31.12.2017 | 2,157 | 4,972 | 88,986 |
| **Accumulated depreciation** | | | |
| As at 1.1.2016 | 1,269 | 2,272 | 8,399 |
| Charge for the year | 404 | 949 | 3,511 |
| As at 31.12.2016 and 1.1.2017 | 1,673 | 3,221 | 11,910 |
| Charge for the year | 199 | 976 | 3,848 |
| As at 31.12.2017 | 1,872 | 4,197 | 15,758 |
| **Net carrying amount** | | | |
| As at 31.12.2016 | 250 | 1,562 | 71,252 |
| As at 31.12.2017 | 285 | 775 | 73,228 |

## 11. Investment property

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| **Balance sheet:** | | |
| At 1 January | 22,984 | 24,053 |
| Additions | 16,681 | – |
| Net gains from fair value adjustments recognised in profit or loss (Note 4) | 118 | 2 |
| Exchange differences | (320) | (1,071) |
| At 31 December | 39,463 | 22,984 |

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

| Description and Location | Existing Use | Tenure | Unexpired lease term |
|---|---|---|---|
| 18 units office space located in Xuhui district, Shanghai, The Peoples' Republic of China | Offices | Leasehold | 44 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

Investment property located in Shanghai is stated at fair value, which has been determined based on valuations performed as at 31 December 2017 and 31 December 2016. The valuations were performed by 上海沪港房地产估价有限公司, an independent real estate valuation expert 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.

The Group has not performed any valuation for the property located in Singapore as at 31 December 2017 as the acquisition date is a few days before the year end, and therefore management has assessed that the purchase cost approximates the fair value.

## 12. Intangible assets

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Goodwill $'000 | Brand value $'000 | Trade mark $'000 | Franchise rights $'000 | Location premium $'000 | Total $'000 |
| **Cost** | | | | | | |
| As at 1.1.2016 | 6,173 | 3,209 | 1,890 | 1,744 | 474 | 13,490 |
| Additions | – | – | 333 | 42 | – | 375 |
| Write off | – | – | (349) | – | – | (349) |
| Translation difference | – | – | (19) | 20 | – | 1 |
| As at 31.12.2016 and 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 | 6,173 | 3,209 | 1,872 | 1,825 | 474 | 13,553 |
| **Accumulated amortisation and impairment losses** | | | | | | |
| As at 1.1.2016 | 1,336 | 2,356 | 1,036 | 1,385 | 474 | 6,587 |
| Amortisation | – | 213 | 146 | 155 | – | 514 |
| Write off | – | – | (29) | – | – | (29) |
| Translation difference | – | – | (5) | 17 | – | 12 |
| As at 31.12.2016 and 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 | 1,336 | 2,782 | 1,287 | 1,585 | 474 | 7,464 |
| **Net carrying amount** | | | | | | |
| As at 31.12.2016 | 4,837 | 640 | 707 | 249 | – | 6,433 |
| As at 31.12.2017 | 4,837 | 427 | 585 | 240 | – | 6,089 |

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 2 years (2016: 3 years), 1 to 10 years (2016: 1 to 10 years) and 1 to 6 years (2016: 1 to 6 years) as at 31 December 2017 respectively.

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

## 12. Intangible assets (cont'd)

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 31.12.17 | Carrying amount as at 31.12.16 | Pre-tax discount rate 2017 | Pre-tax discount rate 2016 |
|---|---|---|---|---|
| | $'000 | $'000 | | |
| Food court operations in: | | | | |
| - Shanghai | 3,569 | 3,569 | 13.5% | 12.0% |
| - Singapore | 1,268 | 1,268 | 10.0% | 10.0% |
| | 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.

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.

## 12. Intangible assets (cont'd)

Key assumptions used in the fair value less costs of disposal calculations (cont'd)

*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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'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 | – | 825 |
| - Equity instruments (unquoted), at cost | 45,372 | 45,372 | – | – |
| | 45,572 | 46,382 | – | 825 |
| *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 | – | 825 |

## 13. Investment securities (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current and Non-current** | | | | |
| Available-for-sale financial assets (unquoted) | 45,372 | 50,457 | – | – |
| Available-for-sale financial assets (quoted) | 200 | 1,010 | – | 825 |
| Held-to-maturity investments (quoted) | 12,886 | – | – | – |
| Held-to-maturity investments (unquoted) | 26,496 | 38,633 | – | – |
| Total | 84,954 | 90,100 | – | 825 |

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.

10% SGD junior bonds

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").

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 ("PTHD") for the subscription of ordinary shares of PTHD. IPPL's subscription of 14,520 ordinary shares for a cash consideration of $14,520,000 represents a 5.86% equity interest in PTHD.

## 13. Investment securities (cont'd)

Debt securities

During the financial year, a subsidiary, BTG Vault Pte Ltd ("BTGV") purchased leveraged credit linked investment products through a reputable bank in Singapore. The investments will yield periodic interest income at a net effective interest rate between 7.1% and 8.7% per annum and will mature between July 2018 and December 2018.

Investments pledged as security

The Group's investments in unquoted equity instruments of $25,242,000 (2016: $25,260,000) and junior bonds of $26,496,000 (2016: $38,633,000) have been pledged as security for bank loans (Note 26).

Impairment losses

During the financial year, there was no impairment loss recognised (2016: $208,000) in respect of quoted equity instruments.

## 14. Investment in subsidiaries

| | Company | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Unquoted equity shares at cost | 28,864 | 28,864 |
| Capital contributions in the form of share options issued to employees of subsidiaries | 858 | 736 |
| Impairment losses: | | |
| - Unquoted shares | (5,304) | (5,304) |
| | 24,418 | 24,296 |

## 14. Investment in subsidiaries (cont'd)

(a) *Composition of the Group*

The Group has the following investment in subsidiaries:

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | |
|---|---|---|---|---|
| | | | 2017 | 2016 |
| | | | % | % |
| **Held by the Company** | | | | |
| BreadTalk Pte Ltd [1] | Singapore | Bakers and manufacturers of and dealers in bread, flour and biscuits | 100 | 100 |
| Together Inc. Pte Ltd [3] | Singapore | Investment holding | 100 | 100 |
| BreadTalk International Pte Ltd [3] | Singapore | Investment holding | 100 | 100 |
| Topwin Investment Holding Pte Ltd [3] | Singapore | Investment holding | 100 | 100 |
| Star Food Pte Ltd [3] | Singapore | Investment holding | 100 | 100 |
| Imagine IHQ Pte Ltd [3] | Singapore | Investment holding | 100 | 100 |
| Imagine Properties Pte Ltd [1] | Singapore | Investment holding | 100 | 100 |
| BTG Vault Pte.Ltd. [3] | Singapore | Acquiring and holding of intellectual property rights | 100 | 100 |
| **Held through BreadTalk Pte Ltd** | | | | |
| Thye Moh Chan Pte. Ltd. [3] | Singapore | Wholesale of confectionery and bakery products | 100 | 100 |
| Queens Coffee Pte Ltd [3] | Singapore | Processing, sale and distribution of premium coffee beans and tea dust; and distribution of related processing equipment | 100 | 100 |
| **Held through Together Inc. Pte Ltd** | | | | |
| Ramen Play Pte Ltd [3] | Singapore | Operators of restaurants | 85 | 85 |

## 14. Investment in subsidiaries (cont'd)

(a) *Composition of the Group (cont'd)*

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | |
|---|---|---|---|---|
| | | | 2017 | 2016 |
| | | | % | % |
| **Held through Together Inc. Pte Ltd (cont'd)** | | | | |
| Taster Food Pte Ltd [1] | Singapore | Operators of food and drinks outlets, eating houses and restaurants | 70 | 70 |
| Taster Food UK Limited[11] | England and Wales | Operators of restaurants | 100 | 100 |
| BTG-Song Fa Venture Pte Ltd[11] (Note (e)) | Singapore | Operators of restaurants | 90 | – |
| **Held through BTG-Song Fa Venture Pte Ltd** | | | | |
| Song Yu (Shanghai) Management Co., Ltd[11] (Note (e)) | People's Republic of China | Operators of restaurants | 100 | – |
| **Held through Taster Food Pte Ltd** | | | | |
| Taster Food International Pte Ltd [3] | Singapore | Investment holding | 90 | 90 |
| **Held through Taster Food International Pte Ltd** | | | | |
| Taster Food (Thailand) Co., Ltd [10][12] | Thailand | Operators of restaurants | 49 | 49 |

## 14. Investment in subsidiaries (cont'd)

(a) *Composition of the Group (cont'd)*

| Name | Country of incorporation | Principal activities | Proportion of ownership interest 2017 % | 2016 % |
|---|---|---|---|---|
| **Held through BreadTalk International Pte Ltd** | | | | |
| Shanghai BreadTalk Co., Ltd [2] | People's Republic of China | Bakers and manufacturers of and dealers in bread, flour and biscuits | 100 | 100 |
| Shanghai BreadTalk Gourmet Co., Ltd [2] | People's Republic of China | Management of food and beverage, manufacture and retail of bakery, confectionery products | 100 | 100 |
| Beijing BreadTalk Restaurant Management Co., Ltd [2] | People's Republic of China | Management of food and beverage, manufacture and retail of bakery, confectionery products | 100 | 100 |
| BreadTalk (Thailand) Co., Ltd [9] | Thailand | Management of food and beverage, manufacture and retail of bakery, confectionery products | 49 [13] | 49 [13] |
| BreadTalk Corporation (Thailand) Co., Ltd [9] | Thailand | Investment holding | 49 [14] | 49 [14] |
| ML Breadworks Sdn Bhd [4](Note (d)) | Malaysia | Dormant | 100 | 90 |
| **Held through Shanghai BreadTalk Co., Ltd.** | | | | |
| Shanghai Ramen Play Co., Ltd [5][15] | People's Republic of China | Operators of restaurants | 30 | 30 |
| **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 |

14. Investment in subsidiaries (cont'd)

(a) *Composition of the Group (cont'd)*

| Name | Country of incorporation | Principal activities | Proportion of ownership interest 2017 | 2016 |
|---|---|---|---|---|
| | | | % | % |
| **Held through BreadTalk (Thailand) Co., Ltd** | | | | |
| BreadTalk Corporation (Thailand) Co., Ltd [9] | Thailand | Investment holding | 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] |
| **Held through Topwin Investment Holding Pte Ltd** | | | | |
| Food Republic (Shanghai) Co., Ltd [2] | People's Republic of China | Food court operator | 100 | 100 |
| Beijing Da Shi Dai Food and Beverage Co., Ltd [2] | People's Republic of China | Food court operator | 100 | 100 |
| Megabite Hong Kong Limited [6] | Hong Kong | Investment holding and food court operator | 100 | 100 |
| Food Republic Pte Ltd [1] | Singapore | Food court operator | 100 | 100 |
| FR International Holdings Pte Ltd [16] | Singapore | Investment Holding | – | 100 |
| Megabite (S) Pte Ltd [17] | Singapore | Investment holding | 100 | 100 |
| Megabite Eatery (M) Sdn Bhd [4] | Malaysia | Operator of food and beverage outlets | 100 | 100 |
| Food Republic Taiwan Co., Ltd [8] | Taiwan | Food court operator | 100 | 100 |
| FR (Thailand) Co., Ltd [9] [10] | Thailand | Food court operator | 49 | 49 |

## 14. Investment in subsidiaries (cont'd)

(a) *Composition of the Group (cont'd)*

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | |
|---|---|---|---|---|
| | | | 2017 | 2016 |
| | | | % | % |
| **Held through Food Republic (Shanghai) Co. Ltd. (cont'd)** | | | | |
| Chongqing Food Republic Food & Beverage Management Co., Ltd [5] | People's Republic of China | Food court operator | 100 | 100 |
| Food Republic (Chengdu) Co., Ltd [5] | People's Republic of China | Food court operator | 100 | 100 |
| Food Republic Hangzhou F&B Co., Ltd [5] | People's Republic of China | Food court operator | 100 | 100 |
| Shanghai Ramen Play Co., Ltd [5][15] | People's Republic of China | Operators of restaurants | 30 | 30 |
| Shanghai Food Court F&B Management Co., Ltd [5] | People's Republic of China | Operator of food and beverage outlets | 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 |
| Food Republic Shenzhen F&B Management Co., Ltd [7] | People's Republic of China | Food court operator | 100 | 100 |
| Food Republic Guangzhou F&B Management Co., Ltd [7] | People's Republic of China | Food court operator | 75 | 75 |
| **Held through FR International Holdings Pte Ltd** | | | | |
| FR-AK Venture Pte Ltd [16] | Singapore | Operator of food and beverage outlets | – | 70 |

## 14. Investment in subsidiaries (cont'd)

(a) *Composition of the Group (cont'd)*

| Name | Country of incorporation | Principal activities | Proportion of ownership interest 2017 % | 2016 % |
|---|---|---|---|---|
| **Held through Megabite (S) Pte Ltd** | | | | |
| Food Art Pte Ltd [17] | Singapore | Dormant | 100 | 100 |
| **Held through Star Food Pte Ltd** | | | | |
| Shanghai Star Food F&B Management Co., Ltd [5] | People's Republic of China | Investment holding | 100 | 100 |
| Beijing Star Food F&B Management Co., Ltd [5] | People's Republic of China | Dormant | 100 | 100 |

[1] Audited by Ernst & Young LLP, Singapore
[2] Audited by member firms of Ernst & Young Global in the respective countries
[3] Audited by Mazars LLP, 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 Zhihe 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 Company 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 30.87% ownership interest in Taster Food (Thailand) Co., Ltd in 2017 and 2016 and accounted for it as a subsidiary. It is considered a subsidiary of the Company 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 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.
[16] The entity has been struck off during the year.
[17] The entity has been struck off subsequent to 31 December 2017.

## 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 2017:** | | | | | |
| Taster Food Pte Ltd | Singapore | 30% | 6,773 | 26,398 | 3,444 |
| **31 December 2016:** | | | | | |
| 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 | |
|---|---|---|
| | As at 31.12.2017 | As at 31.12.2016 |
| | $'000 | $'000 |
| **Current** | | |
| Assets | 107,250 | 84,306 |
| Liabilities | (40,920) | (27,855) |
| Net current assets | 66,330 | 56,451 |
| **Non-current** | | |
| Assets | 16,031 | 15,726 |
| Liabilities | (1,466) | (1,439) |
| Net non-current assets | 14,565 | 14,287 |
| Net assets | 80,895 | 70,738 |

## 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 | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Revenue | 128,930 | 127,287 |
| Profit before income tax | 25,095 | 22,745 |
| Income tax expense | (4,445) | (4,046) |
| Profit after tax – continuing operations | 20,650 | 18,699 |
| Other comprehensive income | – | – |
| Total comprehensive income | 20,650 | 18,699 |

***Other summarised information***

| | Taster Food Pte Ltd | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Net cash flows from operations | 28,738 | 24,049 |
| Acquisition of significant property, plant and equipment | 5,281 | 4,843 |

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

On 30 June 2017, BreadTalk International Pte Ltd, a 100% owned subsidiary of the Company, acquired an additional 10.0% equity interest in ML Breadworks Sdn Bhd ("MLBW") from its non-controlling interests for a cash consideration of 1 Malaysia Ringgit. As a result of this acquisition, MLBW become a wholly owned subsidiary. The carrying value of net liabilities of MLBW as at 30 June 2017 was $7,190,000 and the deficit in carrying value of the additional interest acquired was $719,000. The cumulative amount of the consideration and the deficit in the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

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

| | $'000 |
|---|---|
| Consideration paid for acquisition of non-controlling interests | * |
| Increase in equity attributable to non-controlling interests | 719 |
| Decrease in equity attributable to owners of the Company | 719 |

* less than $1,000

## 14. Investment in subsidiaries (cont'd)

(e) ***Incorporation of new subsidiaries***

BTG-Song Fa Venture Pte Ltd ("BTSF")

BTSF was incorporated as a 90% owned subsidiary of Together Inc. Pte Ltd on 7 July 2017 with a share capital of $2,000,000.

Song Yu (Shanghai) Management Co., Ltd ("SYSH")

SYSH was incorporated as a 100% owned subsidiary of BTG-Song Fa Venture Pte Ltd on 14 September 2017 with a share capital of $1,431,000.

## 15. Investment in associates

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Carl Karcher Enterprises (Cayman) Ltd | 2,616 | 1,968 |
| Perennial (Chijmes) Pte Ltd | 22,619 | 22,643 |
| Other associates | 3,247 | 2,422 |
| | 28,482 | 27,033 |
| Impairment loss | (1,800) | – |
| At end of year | 26,682 | 27,033 |

Details of the associates are as follows:

| Name | Country of incorporation | Principal activities | Proportion of ownership interest 2017 % | 2016 % |
|---|---|---|---|---|
| ***Held through subsidiaries*** | | | | |
| Perennial (Chijmes) Pte Ltd ("PCPL") [1] | Singapore | Investment holding | 29 | 29 |
| JBT (China) Pte Ltd ("JBTC") [2] | Singapore | Investment holding | 30 | 30 |
| Tate Projects Pte. Ltd. [3] | Singapore | General building contractor | 25 | 25 |
| Carl Karcher Enterprises (Cayman) Ltd ("CKEC") [4] | Cayman Islands | Investment holding | 40 | 40 |
| Avenue Ambience Sdn Bhd [6] | Malaysia | Bakers and manufacturers of and dealers in bread, flour and biscuits | 25 | – |

## 15. Investment in associates (cont'd)

| Name | Country of incorporation | Principal activities | Proportion of ownership interest 2017 % | 2016 % |
|---|---|---|---|---|
| **Held by PCPL** | | | | |
| Pre 8 Investments Pte Ltd [1] | Singapore | Operators of commercial malls | 100 | 100 |
| **Held by JBTC** | | | | |
| JBT (Shanghai) Co., Ltd [5] | People's Republic of China | Operators of restaurants | 100 | 100 |
| **Held by CKEC** | | | | |
| Carl Karcher Enterprises (HK) Limited [4] | Hong Kong | Investment holding | 100 | 100 |
| CKE (Shanghai) F&B Management Limited [4] | People's Republic of China | Operators of restaurants | 100 | 100 |

[1] Audited by KPMG LLP, Singapore
[2] Audited by Deloitte LLP, Singapore
[3] Audited by Leethen & Associates, Singapore
[4] Audited by KPMG Huazhen, People's Republic of China
[5] Audited by Shanghai Shen Ya Certified Public Accountants Co., Ltd, People's Republic of China
[6] Not required to be audited during the financial year

(a) ***Additional interests in associates, with no change in shareholdings***

During the year, CKEC increased its share capital to $25,357,000. Proportionate to its shareholdings of 40% in CKEC, a wholly owned subsidiary, Star Food Pte Ltd injected additional share capital of $2,233,000 (FY2016: $2,769,000).

(b) ***Investment in new associate***

During the year, BreadTalk International Pte Ltd, a wholly owned subsidiary, injected share capital of $40,000, representing 25% shareholdings in Avenue Ambience Sdn Bhd.

For the financial year, no dividends (2016: $98,000) were received from associates. All associates are not restricted by regulatory requirements on the distribution of dividends.

Impairment loss recognised

During the financial year, an impairment loss was recognised to write down the carrying amount of investment in Carl Karcher Enterprises (Cayman) Ltd after making an assessment of the expected recoverable amount during the current financial year.

The recoverable amount has been determined based on value in use calculation using cash flow projections from financial budgets approved by management covering a five year period. The pre-tax discount rate applied to the cash flow projection is 13.5%.

## 15. Investment in associates (cont'd)

Impairment loss recognised (cont'd)

The impairment loss of $1,800,000 (2016: Nil) has been recognised in profit or loss under the line item "Administrative expenses" in the consolidated income statement.

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Profit or loss after tax from continuing operations | 2,172 | 1,901 |
| Other comprehensive income | – | – |
| Total comprehensive income | 2,172 | 1,901 |

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

**Summarised balance sheet**

| | CKEC | | PCPL | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | $'000 | $'000 | $'000 | $'000 |
| Current assets | 3,393 | 2,200 | 8,281 | 9,936 |
| Non-current assets | 7,175 | 6,123 | 334,141 | 333,749 |
| Total assets | 10,568 | 8,323 | 342,422 | 343,685 |
| Current liabilities | (3,492) | (2,247) | (6,110) | (14,018) |
| Non-current liabilities | (972) | (967) | (258,315) | (251,588) |
| Total liabilities | (4,464) | (3,214) | (264,425) | (265,606) |
| Net assets | 6,104 | 5,109 | 77,997 | 78,079 |
| Proportion of the Group's ownership | 40% | 40% | 29% | 29% |
| Group's share of net assets | 2,442 | 2,044 | 22,619 | 22,643 |
| Impairment loss | (1,800) | – | – | – |
| Exchange differences | 174 | (76) | – | – |
| Carrying amount of the investment | 816 | 1,968 | 22,619 | 22,643 |

## 15. Investment in associates (cont'd)

**Summarised statement of comprehensive loss**

| | CKEC | | PCPL | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Revenue | 12,752 | 9,716 | 13,547 | 13,805 |
| Loss after tax from continuing operations | (3,335) | (5,901) | (82) | (144) |
| Other comprehensive (loss)/income | (628) | 233 | – | – |
| Total comprehensive loss | (3,963) | (5,668) | (82) | (144) |

## 16. Investment in joint ventures

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

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| BTM (Thailand) Co., Ltd | 5,016 | 3,557 |
| Shanghai ABPan Co., Ltd | 3,753 | 3,681 |
| Other joint ventures | 1,069 | 847 |
| Exchange differences | 202 | 149 |
| At end of year | 10,040 | 8,234 |

Details of the joint ventures are as follows:

| Name | Country of incorporation | Principal activities | Proportion of ownership interest | |
|---|---|---|---|---|
| | | | 2017 | 2016 |
| | | | % | % |
| ***Held through subsidiaries*** | | | | |
| Apex Excellent Sdn Bhd [1] | Malaysia | Food court operator | 50 | 50 |
| Shanghai ABPan Co., Ltd ("SHAB") [2] | People's Republic of China | Manufacture and sale of frozen dough | 50 | 50 |
| BTM (Thailand) Co., Ltd ("BTM") [3] | Thailand | Management of food and beverage, manufacture and retail of bakery, confectionery products | 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

## 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 | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Profit or loss after tax from continuing operations | 446 | 545 |
| Other comprehensive income | – | – |
| Total comprehensive income | 446 | 545 |

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

**Summarised balance sheet**

| | SHAB | | BTM | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash and cash equivalents | 3,017 | 3,350 | 2,506 | 834 |
| Trade receivables | – | – | 1,276 | 1,707 |
| Other current assets | 4,122 | 2,960 | 2,306 | 1,264 |
| Current assets | 7,139 | 6,310 | 6,088 | 3,805 |
| Non-current assets | 2,285 | 3,650 | 9,759 | 8,793 |
| Total assets | 9,424 | 9,960 | 15,847 | 12,598 |
| Current liabilities | (1,609) | (2,099) | (4,441) | (3,994) |
| Total liabilities | (1,609) | (2,099) | (4,441) | (3,994) |
| Net assets | 7,815 | 7,861 | 11,406 | 8,604 |
| Proportion of the Group's ownership | 50% | 50% | 50% | 50% |
| Group's share of net assets | 3,908 | 3,931 | 5,703 | 4,302 |
| Other adjustments | – | – | (516) | (662) |
| Exchange difference | (155) | (250) | (171) | (83) |
| Carrying amount of the investment | 3,753 | 3,681 | 5,016 | 3,557 |

## 16. Investment in joint ventures (cont'd)

**Summarised statement of comprehensive income**

| | SHAB | | BTM | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Revenue | 12,244 | 11,820 | 23,871 | 17,981 |
| Operating expenses | (11,131) | (10,760) | (23,218) | (17,203) |
| Profit before tax | 1,113 | 1,060 | 653 | 778 |
| Income tax expense | (274) | (288) | (38) | (79) |
| Profit after tax | 839 | 722 | 615 | 699 |
| Other comprehensive income | – | – | – | – |
| Total comprehensive income | 839 | 722 | 615 | 699 |

**(a) *Additional interests in joint venture, with no change in shareholdings***

During the year, 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 $348,000 (2016: $363,000) were received from SHAB. All joint ventures are not restricted by regulatory requirements on the distribution of dividends.

## 17. Inventories

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| **Balance sheet:** | | |
| Raw materials and consumables, at cost | 8,878 | 8,951 |
| Semi-finished goods | 536 | 461 |
| Finished goods | 307 | 394 |
| Total inventories at lower of cost and net realisable value | 9,721 | 9,806 |

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| **Profit or loss:** | | |
| Inventories recognised as an expense in cost of sales | 142,640 | 136,148 |
| Inclusive of the following charge: | | |
| - Write-off of inventories | 7 | 18 |
| - Allowance for inventory obsolescence | 5 | 84 |

## 18. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | 13,086 | 11,861 | – | – |
| Other receivables | 9,264 | 8,503 | 2,367 | 4,240 |
| Interest receivable | 439 | 852 | – | – |
| Deposits | 34,754 | 36,256 | 50 | 29 |
| | 57,543 | 57,472 | 2,417 | 4,269 |
| Other receivables (non-current) | 1,107 | 1,413 | – | – |
| | 58,650 | 58,885 | 2,417 | 4,269 |
| Current | 57,543 | 57,472 | 2,417 | 4,269 |
| Non-current | 1,107 | 1,413 | – | – |
| | 58,650 | 58,885 | 2,417 | 4,269 |

Other receivables include the following:

(a) Initial fee receivable of $3,100,000 (2016: $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.

Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 60 days terms (2016: 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 | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| United States Dollar | – | 275 |

## 18. Trade and other receivables (cont'd)

*Receivables that are past due but not impaired*

The Group has trade receivables amounting to $4,577,000 (2016: $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 | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Trade receivables past due: | | |
| Lesser than 30 days | 2,616 | 2,172 |
| 30 to 60 days | 643 | 342 |
| 61 to 90 days | 535 | 258 |
| 91 to 120 days | 421 | 117 |
| More than 120 days | 362 | 1,127 |
| | 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** | |
| | **2017** | **2016** |
| | $'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) |
| At 31 December | 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.

## 18. Trade and other receivables (cont'd)

Other receivables

Other receivables (current) are non-interest bearing and are generally on 0 to 60 days terms (2016: 0 to 60 days).

***Other receivables that are past due but not impaired***

The Group has other receivables amounting to $1,870,000 (2016: $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 | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Other receivables past due: | | |
| Lesser than 30 days | 575 | 559 |
| 30 to 60 days | 1,101 | 83 |
| 61 to 90 days | 40 | 30 |
| 91 to 120 days | 28 | 53 |
| More than 120 days | 126 | 249 |
| | 1,870 | 974 |

***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** | |
| | **2017** | **2016** |
| | $'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) |
| At 31 December | 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.

## 19. Due from/to related corporations

| | Company | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| **Non-current** | | |
| Loan to subsidiary | 38,831 | 29,905 |
| Less: Impairment losses | (8,139) | (3,137) |
| | 30,692 | 26,768 |

The loan to subsidiary is non-interest bearing and has no fixed terms of repayment.

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| **Amounts due from:** | | | | |
| Subsidiaries (non-trade) | – | – | 105,149 | 61,885 |
| Associate (trade) | 9 | 6 | – | – |
| Associate (non-trade) | 1 | – | – | – |
| Joint ventures (trade) | – | 411 | – | – |
| Joint ventures (non-trade) | 1,118 | 677 | – | – |
| | 1,128 | 1,094 | 105,149 | 61,885 |
| **Amounts due to:** | | | | |
| Subsidiaries (non-trade) | – | – | 57,787 | 30,674 |
| Associate (non-trade) | 1,348 | 1,108 | – | – |
| Joint ventures (trade) | 2,458 | 2,617 | – | – |
| Joint ventures (non-trade) | 75 | 178 | – | – |
| | 3,881 | 3,903 | 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 $52,738,000 (2016: $42,963,000) which are repayable on demand;

(ii) loan from a subsidiary of $57,424,000 (2016: $29,325,000) which bears an effective interest rate of 1.5% (2016: 1.5%) per annum and is repayable on demand.

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

There is no allowance for impairment loss recognised during the year and in 2016 on the amount due from related corporations.

***Receivables that are past due but not impaired***

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | $'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)* | | |
| 61 to 90 days | 1 | – |
| Total as at 31 December | 1 | – |

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | $'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 | 133 | 8 |
| 30 to 60 days | 14 | 7 |
| 61 to 90 days | 24 | 8 |
| 91 to 120 days | 57 | 7 |
| More than 120 days | 68 | 44 |
| Total as at 31 December | 296 | 74 |

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

| | Company | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| *Amounts due from subsidiaries (non-trade)* | | |
| Lesser than 30 days | 15,751 | 1,795 |
| 30 to 60 days | 1,919 | 1,919 |
| 61 to 90 days | 45 | 2,584 |
| 91 to 120 days | 1,713 | 1,301 |
| More than 120 days | 31,635 | 9,680 |
| Total as at 31 December | 51,063 | 17,279 |

## 20. Cash and cash equivalents

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Fixed deposits (current) | 6 | 5,017 | – | 5,011 |
| Cash on hand and at bank | 141,239 | 115,572 | 1,278 | 3,475 |
| | 141,245 | 120,589 | 1,278 | 8,486 |

Fixed deposits of the Group have a maturity period of 3 months (2016: 3 months) with effective interest rates of 0.96% (2016: 0.88%) per annum.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| United States Dollar | 314 | 639 | – | – |

## 21. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial liabilities** | | | | |
| Trade payables | 20,718 | 21,062 | – | – |
| Other payables | | | | |
| - Other creditors | 12,094 | 12,587 | 641 | 768 |
| - Payable for purchase of property, plant and equipment | 4,674 | 4,760 | – | – |
| - Sales collection on behalf of tenants | 21,609 | 20,250 | – | – |
| Deposits | 25,027 | 24,111 | 1,177 | 1,064 |
| Dividend payable | 3,444 | 1,640 | – | – |
| | 87,566 | 84,410 | 1,818 | 1,832 |
| **Non-financial liabilities** | | | | |
| GST payable | 2,760 | 1,994 | 357 | 123 |
| | 90,326 | 86,404 | 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 (2016: 0 to 60 days terms) while other payables have an average term of 0 to 90 days term (2016: 0 to 90 days terms), except for retention sums which have repayment terms of up to 1 year.

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

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| United States Dollar | 283 | 253 |

## 22. Other liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial liabilities, current** | | | | |
| Accrued operating expenses | 50,630 | 41,912 | 7,012 | 3,395 |
| Accrual for amounts payable for purchase of property plant and equipment | 361 | 135 | – | – |
| Financial guarantees | – | – | 576 | 576 |
| | 50,991 | 42,047 | 7,588 | 3,971 |
| **Non-financial liabilities, current** | | | | |
| Deferred revenue | 24,457 | 25,405 | – | – |
| Deferred rent | 3,262 | 2,160 | – | – |
| | 27,719 | 27,565 | – | – |
| **Non-financial liabilities, non-current** | | | | |
| Deferred rent | 9,392 | 11,385 | – | – |
| | 37,111 | 38,950 | – | – |
| | 88,102 | 80,997 | 7,588 | 3,971 |
| Current | 78,710 | 69,612 | 7,588 | 3,971 |
| Non-current | 9,392 | 11,385 | – | – |
| | 88,102 | 80,997 | 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.

## 23. Provision for reinstatement costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| At 1 January | 14,417 | 15,002 | 27 | 25 |
| Additions | 2,681 | 2,090 | – | 2 |
| Utilisation | (927) | (2,339) | – | – |
| Write back during the year | (82) | (292) | – | – |
| Exchange differences | (243) | (44) | – | – |
| Total as at 31 December | 15,846 | 14,417 | 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 $82,000 (2016: $292,000) 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 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Bank loans | | | | |
| - Singapore Dollar | 10,000 | – | 10,000 | – |
| - New Taiwan Dollar | 6,435 | 4,883 | – | – |
| - Thailand Baht | 2,802 | 2,332 | – | – |
| | 19,237 | 7,215 | 10,000 | – |

The effective interest on these short-term loans range from 1.61% to 3.50% (2016: 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 (2016: 6 months).

## 26. Long-term loans

| Term loans | Maturity | Group 2017 $'000 | Group 2016 $'000 | Company 2017 $'000 | Company 2016 $'000 |
|---|---|---|---|---|---|
| Singapore Dollar | 2018 - 2019 | 2,860 | 6,569 | – | – |
| Singapore Dollar | 2028 (Note 1) | 38,214 | 41,793 | 38,214 | 41,793 |
| Singapore Dollar | 2020 (Note 2) | 1,584 | 2,127 | 1,584 | 2,127 |
| Singapore Dollar | 2019 (Note 3) | 1,684 | 3,215 | – | – |
| Singapore Dollar | 2018 (Note 4) | 30,000 | 43,778 | – | – |
| Singapore Dollar | 2032 (Note 5) | 13,500 | – | – | – |
| Hong Kong Dollar | 2018 | 475 | 1,015 | – | – |
| Chinese Yuan | 2017 | – | 301 | – | – |
| Malaysia Ringgit | 2018 | 80 | 297 | – | – |
| | | 88,397 | 99,095 | 39,798 | 43,920 |
| Current portion | | 37,864 | 24,238 | 4,122 | 4,122 |
| Non-current portion | | 50,533 | 74,857 | 35,676 | 39,798 |
| | | 88,397 | 99,095 | 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 loan is secured by a charge over the Company's leasehold land and property. The loans will mature in 2020. They include the following financial covenants which require the Group to maintain:

- a gearing ratio not exceeding 4.0 times

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

Note 4 – 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

## 26. Long-term loans (cont'd)

Note 5 – 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 2.0% to 3.9% (2016: 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.

## 27. Notes payable

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| 4.6% notes due 1 April 2019 | 75,000 | 75,000 | 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.

## 28. Share capital and treasury shares

(a) *Share capital*

| | Group and Company | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Number of shares | $'000 | Number of shares | $'000 |
| Issued and fully paid ordinary shares | | | | |
| At beginning and end of the year | 281,893,238 | 33,303 | 281,893,238 | 33,303 |

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

(b) *Treasury shares*

| | Group and Company | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Number of shares | $'000 | Number of shares | $'000 |
| At beginning of the year | (579,060) | (587) | (337,570) | (378) |
| Acquired during the financial year | – | – | (816,400) | (830) |
| Treasury shares transferred on vesting of restricted share grant | 121,106 | 127 | 74,910 | 81 |
| Treasury shares transferred as consideration in relation to the acquisition of non- controlling interest | – | – | 500,000 | 540 |
| At end of the year | 457,954 | (460) | (579,060) | (587) |

Treasury shares relate to ordinary shares of the Company that is held by the Company.

## 28. Share capital and treasury shares (cont'd)

(b) *Treasury shares (cont'd)*

During the financial year 2016, the Company acquired 816,400 shares in the Company through purchases on the Singapore Exchange. The total amount paid to acquire the shares in 2016 was $830,000 and this was presented as a component within shareholders' equity.

The Company reissued 121,106 (2016: 74,910) treasury shares during the year pursuant to its restricted share grant at a weighted average share price of approximately $1.05 (2016: $1.08) each.

## 29. Other reserves

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | | $'000 | $'000 | $'000 | $'000 |
| Statutory reserve fund | (a) | 2,954 | 2,954 | – | – |
| Translation reserve | (b) | 1,639 | 3,295 | – | – |
| Share-based compensation reserve | | 591 | 343 | 591 | 343 |
| Capital reserve | (c) | 177 | 177 | 177 | 177 |
| Premium on acquisition of non-controlling interests | (d) | (2,160) | (1,441) | – | – |
| Fair value adjustment reserve | (e) | 15 | – | – | – |
| | | 3,216 | 5,328 | 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.

## 29. Accumulated profits and other reserves (cont'd)

(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.

(d) ***Premium on acquisition of non-controlling interests***

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| At 1 January | 1,441 | 1,552 |
| Changes in equity attributable to non-controlling interests (Note 14) | 719 | (111) |
| At 31 December | 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 | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| **Net gain on available-for-sale financial assets:** | | |
| - Net gain on fair value changes during the year | 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 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | $'000 | $'000 | $'000 | $'000 |
| Commitment in respect of property, plant and equipment | 165 | 124 | – | – |

## 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 | |
|---|---|---|
| | **2017** | **2016** |
| | $'000 | $'000 |
| Not later than one year | 117,091 | 122,683 |
| Later than one year but not later than five years | 234,735 | 226,529 |
| Later than five years | 16,413 | 16,865 |
| | 368,239 | 366,077 |

(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 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | 61,722 | 59,748 | 6,036 | 2,004 |
| Later than one year but not later than five years | 46,203 | 41,029 | 6,406 | 1,644 |
| Over five years | 11,673 | 243 | 11,652 | – |
| | 119,598 | 101,020 | 24,094 | 3,648 |

(d) ***Corporate guarantees***

As at 31 December 2017, the Company has given corporate guarantees to financial institutions in connection with banking facilities provided to its subsidiaries of which $82,344,000 (2016: $78,451,000) of the banking facilities have been utilised as at year end.

## 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 | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| **Income** | | |
| Management fee income from a joint venture | 627 | 575 |
| Rental and miscellaneous income from a joint venture | – | 67 |
| Sales of goods to a joint venture and an associate | 679 | 742 |
| Purchase of goods from a joint venture | 12,244 | 11,820 |
| **Expenses** | | |
| Rental expense to a joint venture | 98 | 83 |
| Royalty fees to non-controlling shareholders | 4,222 | 4,005 |
| Repair and maintenance fees to an associate | 439 | 435 |
| **Others** | | |
| Purchase of furniture and fittings from a company related to a director of the Company | 292 | 426 |
| Purchase of plant and equipment from an associate | 7,870 | 3,362 |

## 31. Related party disclosures (cont'd)

(a) *Sale and purchase of goods and services (cont'd)*

| | Company | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| **Income** | | |
| Management fee income from a subsidiary | 19,911 | 15,982 |
| Dividend income from subsidiaries | 24,056 | 8,671 |
| Training fee income from subsidiaries | 309 | 284 |
| Rental income from subsidiaries | 5,012 | 5,120 |
| **Expense** | | |
| Purchase of goods from subsidiaries | 216 | 160 |
| Interest expense payable to a subsidiaries | 1,007 | 681 |

(b) *Compensation of key management personnel*

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Salaries and bonus | 8,496 | 8,787 |
| Central Provident Fund contributions and other pension contributions | 367 | 403 |
| Directors' fees | 180 | 173 |
| Other personnel expenses | 1,263 | 1,359 |
| Total compensation paid to key management personnel | 10,306 | 10,722 |
| **Comprise amounts paid to:** | | |
| Directors of the Company | 1,331 | 1,642 |
| Directors of subsidiaries | 5,088 | 744 |
| Other key management personnel | 3,887 | 8,336 |
| | 10,306 | 10,722 |

## 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.

(a) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rates risk arises primarily from its investment portfolio in fixed deposits and its debt obligations. The Group does not use derivative financial instruments to hedge its investment portfolio. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign exchange exposure.

Surplus funds are placed with reputable banks.

Sensitivity analysis for interest rate risk

| | Group<br>Effect on profit before tax | |
|---|---|---|
| | 100 basis points increase | 100 basis points decrease |
| | $'000 | $'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 |

## 32. Financial risk management objectives and policies (cont'd)

(a) *Interest rate risk (cont'd)*

| | Group<br>Effect on profit before tax | |
|---|---|---|
| | 100 basis points increase | 100 basis points decrease |
| | $'000 | $'000 |
| **2016** | | |
| - Singapore dollar interest rates | (1,422) | 1,422 |
| - Chinese Yuan interest rates | (5) | 5 |
| - Hong Kong dollar interest rates | (12) | 12 |
| - New Taiwan dollar interest rates | (52) | 52 |
| - Malaysia Ringgit interest rates | (6) | 6 |
| - Thailand Baht interest rates | (40) | 40 |

(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.

## 32. Financial risk management objectives and policies (cont'd)

(b) *Foreign currency risk (cont'd)*

| | | Group<br>Effect on profit before tax<br>2017<br>$'000 | <br><br>2016<br>$'000 |
|---|---|---|---|
| Against SGD: | | | |
| USD | - strengthened 6% (2016: 6%) | 2 | 49 |
| | - weakened 6% (2016: 6%) | (2) | (49) |
| CNY | - strengthened 5% (2016: 5%) | 432 | 430 |
| | - weakened 5% (2016: 5%) | (432) | (430) |
| Against CNY: | | | |
| SGD | - strengthened 5% (2016: 5%) | (29) | (62) |
| | - weakened 5% (2016: 5%) | 29 | 62 |
| HKD | - strengthened 5% (2016: 5%) | (33) | (69) |
| | - weakened 5% (2016: 5%) | 33 | 69 |
| Against HKD | | | |
| SGD | - strengthened 5% (2016: 5%) | (363) | (264) |
| | - weakened 5% (2016: 5%) | 363 | 264 |
| Against Thailand Baht | | | |
| SGD | - strengthened 5% (2016: 5%) | (177) | (220) |
| | - weakened 5% (2016: 5%) | 177 | 220 |
| Against New Taiwan Dollar | | | |
| SGD | - strengthened 5% (2016: 5%) | (3) | (4) |
| | - weakened 5% (2016: 5%) | 3 | 4 |

## 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.

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 $82,344,000 (2016: $78,451,000) relating to corporate guarantees provided by the Company to financial institutions on its subsidiaries' borrowings and other banking facilities.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables, other receivables and deposits on an on-going basis. The credit risk concentration profile of the Group's trade receivables, other receivables and deposits at the balance sheet date is as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | $'000 | % of total | $'000 | % of total |
| **By country:** | | | | |
| Singapore | 23,243 | 40% | 21,997 | 37% |
| People's Republic of China | 21,456 | 37% | 22,558 | 38% |
| Hong Kong | 4,788 | 8% | 7,987 | 14% |
| Malaysia | 1,175 | 2% | 506 | 1% |
| Indonesia | 577 | 1% | 428 | 1% |
| Philippines | 1,302 | 2% | 926 | 1% |
| Thailand | 1,577 | 3% | 1,204 | 2% |
| Taiwan | 3,141 | 5% | 2,774 | 5% |
| Others | 1,391 | 3% | 505 | 1% |
| | 58,650 | 100% | 58,885 | 100% |

## 32. Financial risk management objectives and policies (cont'd)

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

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.

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.

## 32. Financial risk management objectives and policies (cont'd)

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

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the balance sheet date based on contractual undiscounted payments:

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| **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 | 57,543 | 1,107 | – | 58,650 | 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** | 215,217 | 70,347 | 9,970 | 295,534 | 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)** | 11,411 | (40,685) | (7,190) | (36,464) | 31,526 | (74,754) | 242 | (42,986) |

[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.

## 32. Financial risk management objectives and policies (cont'd)

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

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| 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 :** | | | | | | | | |
| Investment securities | – | – | – | – | – | 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) |

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| Company | 1 year or less $'000 | 1 to 5 years $'000 | Total $'000 | 1 year or less $'000 | 1 to 5 years S'000 | Total $'000 |
| Financial guarantees | 67,487 | 14,857 | 82,344 | 39,683 | 38,768 | 78,451 |

## 32. Financial risk management objectives and policies (cont'd)

(e) ***Market price risk***

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instrument. This instrument is quoted on the SGX-ST in Singapore and is classified as available-for-sale financial asset. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the balance sheet date, if the share price had been 15% (2016: 15%) higher/lower with all other variables held constant, the effect on the Group's profit before tax would be $30,000 (2016: $151,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

## 33. Financial instruments

The carrying amount by category of financial assets and liabilities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| ***Loans and receivables*** | | | | |
| Trade and other receivables (Note 18) | 58,650 | 58,885 | 2,417 | 4,269 |
| Amounts due from related corporations (Note 19) | 1,128 | 1,094 | 105,149 | 61,885 |
| Amounts due from non-controlling shareholders of subsidiaries (non-trade) | 525 | 509 | – | – |
| Cash and cash equivalents (Note 20) | 141,245 | 120,589 | 1,278 | 8,486 |
| Total | 201,548 | 181,077 | 108,844 | 74,640 |
| ***Available-for-sale financial assets*** | | | | |
| Investment securities (Note 13) | 45,572 | 51,467 | – | 825 |
| ***Held-to-maturity investments*** | | | | |
| Investment securities (Note 13) | 39,382 | 38,633 | – | – |
| ***Financial liabilities carried at amortised cost*** | | | | |
| Trade and other payables (Note 21) | 87,566 | 84,410 | 1,818 | 1,832 |
| Other liabilities (Note 22) | 50,991 | 42,047 | 7,588 | 3,971 |
| Amounts due to related corporations (Note 19) | 3,881 | 3,903 | 57,787 | 30,674 |
| Short term loans (Note 25) | 19,237 | 7,215 | 10,000 | – |
| Long term loans (Note 26) | 88,397 | 99,095 | 39,798 | 43,920 |
| Notes payable (Note 27) | 75,000 | 75,000 | 75,000 | 75,000 |
| Loan from a non-controlling shareholder of a subsidiary | 708 | 749 | – | – |
| Total | 325,780 | 312,419 | 191,991 | 155,397 |

## 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:

| **Fair value measurements at the end of the reporting period using:** | **Group**<br>**Quoted prices in active markets for identical instruments**<br>(Level 1) | |
|---|---|---|
| | **2017**<br>$'000 | **2016**<br>$'000 |
| **Financial assets:** | | |
| Available-for-sale financial assets (Note 13) | | |
| - Equity instruments (quoted) | 200 | 1,010 |
| **Financial assets as at 31 December** | 200 | 1,010 |

| | **Group**<br>**Significant unobservable inputs**<br>(Level 3) | |
|---|---|---|
| | **2017**<br>$'000 | **2016**<br>$'000 |
| **Non-financial assets:** | | |
| Investment properties (Note 11) | 39,463 | 22,984 |
| **Non-financial assets as at 31 December** | 39,463 | 22,984 |

## 34. Fair value of assets and liabilities (cont'd)

(a) ***Assets and liabilities measured at fair value (cont'd)***

Level 1 fair value

Equity securities (quoted) (Note 13): Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

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 December 2017 $'000 | Valuation techniques | Key unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|---|---|
| **Recurring fair value measurement** | | | | |
| Investment property | 22,782 | Direct comparison approach | Transacted price of comparable properties (sqm): RMB 55 to RMB 63 (2016:RMB 50 to RMB 54) | The estimated fair value increases with higher comparable prices |

The Group has not performed any valuation for the property located in Singapore as at 31 December 2017 as the acquisition date is a few days before to the year end, and therefore management has assessed that the purchase cost approximates the fair value.

(ii) *Movements in Level 3 assets measured at fair value*

| | Group<br>Fair value measurements using significant unobservable inputs (Level 3) | |
|---|---|---|
| | **2017**<br>$'000 | **2016**<br>$'000 |
| **Investment properties:** | | |
| Opening balance | 22,984 | 24,053 |
| Additions | 16,681 | -- |
| Total gains or losses for the period | | |
| - Included in other income under net gain from fair value adjustment of investment properties (Note 4) | 118 | 2 |
| Exchange differences | (320) | (1,071) |
| **As at 31 December** | 39,463 | 22,984 |

## 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*

The Group Chief Financial Officer (CFO), who is assisted by the Head of Treasury and 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 engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 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.

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.

## 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***

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at 31 December 2017 but for which fair value is disclosed:

| | Group 2017 $'000 | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets for identical instruments** (Level 1) | **Significant unobservable inputs** (Level 3) | **Fair value** | **Carrying amount** |
| **Assets** | | | | |
| Equity instruments (unquoted), at cost | – | * | * | 45,372 |
| Investment in junior bonds (Note 13) | – | 22,561 | 22,561 | 26,496 |
| Investment in debt securities (Note 13) | 12,503 | – | 12,503 | 12,886 |
| Other receivables (non-current) | – | 915 | 915 | 1,107 |
| **Liabilities** | | | | |
| Loan from a non-controlling shareholder of a subsidiary | – | 420 | 420 | 508 |

| | Group 2016 $'000 | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets for identical instruments** (Level 1) | **Significant unobservable inputs** (Level 3) | **Fair value** | **Carrying amount** |
| **Assets** | | | | |
| Equity instruments (unquoted), at cost | – | * | * | 50,457 |
| Investment in junior bonds (Note 13) | – | 32,997 | 32,997 | 38,633 |
| Other receivables (non-current) | – | 1,197 | 1,197 | 1,413 |
| **Liabilities** | | | | |
| Loan from a non-controlling shareholder of a subsidiary | – | 465 | 465 | 549 |

## 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)***

Determination of fair value

*Current investment in junior bonds, 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

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in companies that are not quoted on any market. Except as disclosed elsewhere in the financial statements, the Group does not intend to dispose of these investments in the foreseeable future.

## 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 2017 and 2016.

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 2017 and 2016.

## 35. Capital management (cont'd)

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 | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Loans and borrowings [1] | 108,342 | 107,059 |
| Notes payable | 75,000 | 75,000 |
| Trade and other payables | 90,326 | 86,404 |
| Amounts due to related corporations | 3,881 | 3,903 |
| Less: Cash and cash equivalents | (141,245) | (120,589) |
| Net debt | 136,304 | 151,777 |
| Equity attributable to the owners of the Company | 134,992 | 132,010 |
| Less: - Statutory reserve fund | (2,954) | (2,954) |
| Total capital | 132,038 | 129,056 |
| Capital and net debt | 268,342 | 280,833 |
| Gearing ratio | 51% | 54% |

[1] including bank loans and loans from non-controlling shareholders of subsidiaries

## 36. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(a) The bakery segment is in the business of manufacturing and retailing of all kinds of food, bakery and confectionary products including franchising.

(b) The food court segment is involved in the management and operation of food courts and food and drinks outlets.

(c) The restaurant segment is in the business of operating food and drinks outlets, eating houses and restaurants.

(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.

## 36. Segment information (cont'd)

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.

| 2017 | Bakery [1] | Food Atrium | Restaurant | 4orth | Real Estate Investment | Others [2] | Elimination | Group |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | | | | |
| External sales | 297,188 | 149,346 | 140,732 | 7,859 | – | 4,622 | – | 599,747 |
| Inter-segment sales (Note A) | 369 | 3,143 | – | – | – | – | (3,512) | – |
| Total revenue | 297,557 | 152,489 | 140,732 | 7,859 | – | 4,622 | (3,512) | 599,747 |
| **Results** | | | | | | | | |
| Profit/(loss) from operations | 9,631 | 8,897 | 24,434 | (332) | 12,658 | (11,141) | (211) | 43,936 |
| 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) | 9,770 | 9,010 | 25,675 | (351) | 9,293 | (12,250) | (183) | 40,964 |
| Tax expense | | | | | | | | (11,047) |
| **Profit for the year** | | | | | | | | 29,917 |

## 36. Segment information (cont'd)

| 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) | 173,100 | 134,912 | 115,226 | 27,804 | 106,310 | 154,603 | (157,310) | 554,645 |
| Deferred tax assets | | | | | | | | 2,559 |
| Total assets | | | | | | | | 557,204 |
| 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 |

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## 36. Segment information (cont'd)

| 2016 | Bakery [1] $'000 | Food Atrium $'000 | Restaurant $'000 | 4orth $'000 | Real Estate Investment $'000 | Others [2] $'000 | Elimination $'000 | Group $'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| External sales | 306,864 | 157,901 | 137,662 | 7,838 | – | 4,730 | – | 614,995 |
| Inter-segment sales (Note A) | 436 | 3,112 | – | – | – | – | (3,548) | – |
| Total revenue | 307,300 | 161,013 | 137,662 | 7,838 | – | 4,730 | (3,548) | 614,995 |
| **Results** | | | | | | | | |
| Profit/(loss) from operations | 11,462 | (7,005) | 23,095 | (649) | 13,295 | (3,815) | (1,068) | 35,315 |
| Interest income | 37 | 399 | 875 | 3 | 795 | 1,267 | (2,214) | 1,162 |
| Interest expense | (722) | (772) | (6) | (12) | (4,968) | (993) | 1,542 | (5,931) |
| Share of associates' results | – | – | – | – | – | (1,960) | – | (1,960) |
| Share of joint ventures' results | 887 | 243 | – | – | – | – | – | 1,130 |
| Segment profit/(loss) | 11,664 | (7,135) | 23,964 | (658) | 9,122 | (5,501) | (1,740) | 29,716 |
| Tax expense | | | | | | | | (12,119) |
| **Profit for the year** | | | | | | | | 17,597 |

## 36. Segment information (cont'd)

| 2016 | 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) | 157,823 | 130,726 | 105,956 | 4,365 | 184,139 | 105,209 | (157,064) | 531,154 |
| Deferred tax assets | | | | | | | | 2,749 |
| Total assets | | | | | | | | 533,903 |
| 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 |
| **Other information** | | | | | | | | |
| Investment in associates | – | – | – | – | – | 27,033 | – | 27,033 |
| Investment in joint ventures | 7,574 | 660 | – | – | – | – | – | 8,234 |
| Additions to non-current assets (Note B) | 15,884 | 8,807 | 5,179 | 37 | – | 2,491 | – | 32,398 |
| Depreciation and amortisation | 17,719 | 23,566 | 6,423 | 927 | 1,811 | 1,756 | – | 52,202 |
| Other non-cash (income)/ expenses (Note C) | 1,629 | 5,180 | 57 | 21 | – | 353 | – | 7,240 |

The Group has restated the corresponding items of segment information for the financial year 2016 to reflect the change in the composition of its reportable segments.

## 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] | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Singapore | 340,624 | 336,481 | 143,559 | 126,153 |
| Mainland China | 163,895 | 174,530 | 55,687 | 57,996 |
| Hong Kong | 53,908 | 66,385 | 8,731 | 12,686 |
| Rest of the world | 41,320 | 37,599 | 6,672 | 13,245 |
| Total | 599,747 | 614,995 | 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.

## 37. Dividends

| | Group and Company | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| **Dividends paid during the year:** | | |
| *Dividends on ordinary shares* | | |
| • Final exempt (one-tier) ordinary dividend for 2016 of 2.0 cent per share (2016: dividend for 2015 of 1.0 cent per share) | 5,627 | 2,812 |
| • Interim exempt (one-tier) dividend for 2017 of 2.0 cent per share (2016: 0.5 cent per share) | 5,627 | 1,406 |
| • Special (one-tier) dividend for 2017 of 2.0 cent per share (2016: 1.35 cent per share) | 5,627 | 3,797 |
| | 16,881 | 8,015 |
| **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 2017 of 2.0 cent per share (2016: 2.0 cent per share) | 5,627 | 5,627 |
| • Special (one-tier) dividend for 2017 of 1.0 cent per share | 2,814 | – |
| | 8,441 | 5,627 |

## 38. Events subsequent to the balance sheet date

Partnership with Perennial Real Estate Holdings for HSR Healthcare Mixed-Use Developments in China

On 3 January 2018, Imagine Properties Pte Ltd ("IPPL"), a wholly-owned subsidiary, signed an agreement with Perennial Real Estate Holdings Ltd to incorporate Perennial HC Holding Pte Ltd ("Perennial HC"), with an initial committed capital contribution of US$25 million (approximately $33.6 million), representing a 5% stake in Perennial HC.

The capital commitment will be used for investing, acquiring and developing health integrated mixed-use developments, which are connected to high speed railway stations in China.

Issue of 4.0% notes payable with principal sum of $100,000,000 under the Multicurrency Medium Term Note Programme

On 17 January 2018, the Group issued 4.0% notes payable of $100,000,000 in principal amount under the Multicurrency Medium Term Note Programme.

## 38. Events subsequent to the balance sheet date (cont'd)

Incorporation of a subsidiary

On 22 February 2018, Together Inc Pte Ltd, a wholly-owned subsidiary incorporated a subsidiary, BTG-Shinmei Venture Pte Ltd ("BTG-Shinmei") with a paid up capital of $3,000,000, representing 66% of the shareholdings in BTG-Shinmei.

Proposed share split

On 1 March 2018, the Group has proposed a share split to its existing ordinary shares in its share capital into 2 shares for every 1 share. Upon the proposed share split, the number of issued shares will increase from 281,435,284 shares to 562,870,568 shares, assuming that no further shares are issued on or prior to the completion of the proposed share split.

The proposed share split is subject to the approval of shareholders at the Annual General Meeting of the Company and Singapore Exchange Securities Trading Limited for the listing and quotation of the additional Shares arising from the proposed share split.

Partnership with Wu Pao Chun Bakery for expansion into four major Chinese cities

On 12 March 2018, Shanghai Star Food F&B Management Co Ltd ("SHSF"), a wholly-owned subsidiary, entered into an agreement with Wu Pao Chun Food Ltd to incorporate a subsidiary, with the Group having an 80% interest, to operate Wu Pao Chun brand of bakeries in Beijing, Shanghai, Shenzhen and Guangzhou.

The registered share capital of the subsidiary will be RMB 8.0 million ($1.6 million).

## 39. Authorisation of financial statements

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 15 March 2018.

## AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BREADTALK GROUP LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

*The information in this Appendix IV has been reproduced from the annual report of BreadTalk Group Limited and its subsidiaries for the financial year ended 31 December 2018 and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial date in conjunction with the related notes.*

Company Registration No. 200302045G

# BreadTalk Group Limited and its Subsidiaries

Annual Financial Statements
31 December 2018



### Directors

Dr George Quek Meng Tong
Katherine Lee Lih Leng
Ong Kian Min
Chan Soo Sen
Dr Tan Khee Giap
Paul Charles Kenny
Oh Eng Lock (resigned on 31 August 2018)

### Company Secretary

Shirley Tan Sey Liy
Chew Kok Liang

### Registered Office

30 Tai Seng Street
#09-01 BreadTalk IHQ
Singapore 534013
Tel: 6285 6116
Fax: 6285 1661

### Share Registrar

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

### Auditor

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

Partner in charge: Philip Ling (since financial year ended 31 December 2016)

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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 shares split during the year.

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.

**Share Plan (cont'd)**

***Eligibility***

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

*(i) Employees*

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

(ii) *Directors*

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

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

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

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

***Size of RSG Plan***

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

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

**Share Plan (cont'd)**

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

***Grant of RSG Plan***

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

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

***Share Awards and Vesting***

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

The details of the restricted shares awarded under the 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 commence-ment of the Plan (a) | Aggregate conditional restricted shares lapsed since commence-ment of the Plan (b) | Aggregate conditional restricted shares vested and released during the year | Aggregate conditional restricted shares vested and released since commence-ment of the Plan (c) | Aggregate conditional restricted shares outstanding at end of the year (a)-(b)-(c) |
|---|---|---|---|---|---|---|
| Directors of the Company | | | | | | |
| Dr George Quek Meng Tong [1] | – | 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 |

**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 release via the issuance of treasury shares in relation to a sign-on bonus granted to Mr Chu Heng Hwee.

**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 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) |
|---|---|---|---|---|---|---|
| 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] Also a controlling shareholder of the Company

[2] 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.

**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.

**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 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.

## Key Audit Matters (cont'd)

### (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.

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.

**Key Audit Matters (cont'd)**

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

*Unquoted junior bonds (cont'd)*

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.

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.

**Key Audit Matters (cont'd)**

**(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.

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.

- 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.

**Independent auditor's report to the members of BreadTalk Group Limited (cont'd)**

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

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 | 2017 (Restated) |
|---|---|---|---|
| | | $'000 | $'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 | Group 31.12.2017 (Restated) | Group 1.1.2017 (Restated) | Company 2018 | Company 31.12.2017 | Company 1.1.2017 |
|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'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 | 8,664 | 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.*

## BreadTalk Group Limited and its Subsidiaries

### 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) | 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 |
| 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 | 129,401 | 25,479 | 154,880 |
| Impact of adopting SFRS(I) 9 | – | – | (1,141) | – | – | – | – | – | – | (1,141) | – | (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 |

## Statements of changes in equity
## For the year ended 31 December 2018 (cont'd)

| 2017 Group | Attributable to owners of the company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| 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 |

## Statements of changes in equity
## For the year ended 31 December 2018 (cont'd)

| | 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 | 2017 (Restated) |
|---|---|---|---|
| | | $'000 | $'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 |

**Consolidated cash flow statement**
**For the year ended 31 December 2018 (cont'd)**

| | Notes | 2018 | 2017 |
|---|---|---|---|
| | | $'000 | $'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.*

## 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.

## 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.

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

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

**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.

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.

## 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)**

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.

## 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 |

## 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.

## 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 |

## 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 |

## 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 |

## 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.

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

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

SFRS(I) 16 Leases (cont'd)

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

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.

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

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

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.

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. Summary of significant accounting policies (cont'd)

### 2.5 Foreign currency

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

(a) *Transactions and balances*

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

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

(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.

### 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.

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

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

(a) *Basis of consolidation* (cont'd)

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 FRS.

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

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

### 2.9 Joint arrangements

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

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

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

(a) *Joint operations*

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

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

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

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

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

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

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

(b) *Joint ventures*

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

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

### 2.10 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.

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

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

### 2.11 Property, plant and equipment

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

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

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

| | | |
|---|---|---|
| Leasehold property | – | 20 - 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.

## 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.

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

### 2.13 Intangible assets (cont'd)

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.

(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.

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

### 2.14 Impairment of non-financial assets (cont'd)

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.

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.

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

### 2.15 Financial instruments (cont'd)

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

Subsequent measurement (cont'd)

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

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.

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. Summary of significant accounting policies (cont'd)

### 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 to 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 30 days 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.

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

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

### 2.19 Provisions

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

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

### 2.20 Financial guarantee

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

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

### 2.21 Borrowing costs

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

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

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

### 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.

(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.

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

### 2.23 Employee benefits (cont'd)

(a) *Defined contribution plans (cont'd)*

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.

## 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 obligation which is usually on 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.

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

### 2.24 Revenue (cont'd)

(f) *Dividend income*

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

(g) *Rental income*

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

### 2.25 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

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

### 2.26 Taxes (cont'd)

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

- 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.

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. Summary of significant accounting policies (cont'd)

### 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.

### 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.

## 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 |

## 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 |

## 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) |

## 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 |

## 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 |

## 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.

## 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.

## 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.

## 9. Earnings per share (cont'd)

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 |

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | No. of shares '000 | 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 |

## 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 |

## 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 |

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

| | 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).

## 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).

## 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 | 17,585 | 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 |

## 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 |

## 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 is as follows:

| Description and Location | Existing Use | Tenure | Unexpired lease term |
|---|---|---|---|
| 18 units office space located in Xuhui district, Shanghai, The Peoples' Republic of China | 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.

## 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 |

## 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.

## 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 |

## 13. Investment securities (cont'd)

(b) Financial instruments as at 31 December 2017 and 1 January 2017

| | Group | |
|---|---|---|
| | **31.12.2017** $'000 | **1.1.2017** $'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 |

## 13. Investment securities (cont'd)

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.

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 were 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 Dec 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.

## 13. Investment securities (cont'd)

Debt securities

In 2017, a subsidiary, BTG Vault Pte Ltd ("BTGV") purchased leveraged credit linked investment through a reputable bank in Singapore. BTGV purchased additional investments 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 have 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. These autocallable structured investment act as natural hedges against foreign currency exchange fluctuation. Two of the autocallable structured investments have been disposed during the year. The remaining 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.

## 14. Investment in subsidiaries

| | 2018<br>$'000 | 2017<br>$'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 |

## 14. Investment in subsidiaries (cont'd)

### (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 |

## 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] | – | – |

## 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 BT Song Fa (Thailand) Co., Ltd** | | | | | |
| BT SF Corporation (Thailand) Co., Ltd [9] (Note (e)) | Thailand | Investment holding | 50.9[16] | – | – |
| **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] |

## 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 Taster Food Corporation (Thailand) Co., Ltd** | | | | | |
| Taster Food (Thailand) Co., Ltd [9] | Thailand | Operators of restaurants | 49[12] | – | – |
| **Held through Taster Food (Thailand) Co., Ltd** | | | | | |
| Taster Food Corporation (Thailand) Co., Ltd [9] (Note (e)) | Thailand | Investment holding | 50.9[15] | – | – |
| **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] |

## 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 (cont'd)** | | | | | |
| 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 | – | – |
| **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] |

## 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 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 [11] (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 |
| 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 |

## 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 (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 [10] [11] (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 [10] [11] (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 |

## 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 [5] [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 |

## 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.

## 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 $'000 | As at 31.12.2017 $'000 | As at 1.1.2017 $'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 |

## 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 |

## 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 Holding 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.

## 14. Investment in subsidiaries (cont'd)

(e) ***Incorporation of new subsidiaries (cont'd)***

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 |

## 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

## 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:

## 15. Investment in associates (cont'd)

### Summarised balance sheet

| | 2018 | PCPL 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

| | 2018 | PCPL 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) |
| Other comprehensive (loss)/income | – | – | – |
| Total comprehensive profit/(loss) | 409 | (82) | (144) |

## 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 |
| At end of year | 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

## 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 |

## 16. Investment in joint ventures (cont'd)

**Summarised statement of comprehensive income**

| | SHAB | | | BTM | | |
|---|---|---|---|---|---|---|
| | 2018 | 31.12.2017 | 1.1.2017 | 2018 | 31.12.2017 | 1.1.2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'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 |

***Additional interests in joint venture, with no change in shareholdings***

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 | 31.12.2017 | 1.1.2017 |
| | $'000 | $'000 | $'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 |

## 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.

Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 60 days terms (31 December 2017: 15 to 60 days, 1 January 2017: 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 are as follows:

| | Group | | |
|---|---|---|---|
| | 2018 | 31.12.2017 | 1.1.2017 |
| | $'000 | $'000 | $'000 |
| United States Dollar | 183 | – | 275 |

## 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.

## 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 |

## 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<br>Individually impaired<br>31.12.2017<br>$'000 | <br><br>1.1.2017<br>$'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.

Expected credit losses

The movement in allowance for expected credit losses of other receivables computed based on lifetime ECL are as follows:

| | Group<br>2018<br>$'000 |
|---|---|
| Movement in allowance accounts: | |
| At 1 January | 105 |
| Charge for the year | 138 |
| At 31 December | 243 |

## 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.

## 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 |

## 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 1.7% (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 | – | – | – |

## 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 |

## 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.

## 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).

## 26. Long-term loans

| Term loans | Maturity | Group 2018 $'000 | Group 31.12.2017 $'000 | Group 1.1.2017 $'000 | Company 2018 $'000 | Company 31.12.2017 $'000 | Company 1.1.2017 $'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

## 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:

| | 2017 $'000 | Cash flows $'000 | Non-cash flows Foreign exchange movement $'000 | 2018 $'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 $'000 | 31.12.2017 $'000 | 1.1.2017 $'000 | 2018 $'000 | 31.12.2017 $'000 | 1.1.2017 $'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.

## 27. Notes payable (cont'd)

On 17 January 2018, the Company also issued 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 paid-up share capital remains at $33,303,000.

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.

## 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 $'000 | 31.12.2017 $'000 | 1.1.2017 $'000 | 2018 $'000 | 31.12.2017 $'000 | 1.1.2017 $'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.

## 29. Accumulated profits and other reserves (cont'd)

(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.

(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 Commitment | 156 | 165 | – | – |
| in respect of investment in equity securities | 24,649 | – | – | – |

## 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.

## 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 | 314 | 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 | – | 216 |
| Interest expense payable to a subsidiary | 486 | 1,007 |

## 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.

## 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 and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rates risk arises primarily from its investment portfolio in fixed deposits and its debt obligations. The Group does not use derivative financial instruments to hedge its investment portfolio. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign exchange exposure.

Surplus funds are placed with reputable banks.

Sensitivity analysis for interest rate risk

| | Group<br>Effect on profit before tax | |
|---|---|---|
| | **100 basis points increase** | **100 basis points decrease** |
| | $'000 | $'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<br>Effect on profit before tax | |
|---|---|---|
| | **100 basis points increase** | **100 basis points decrease** |
| | $'000 | $'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 |

## 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<br>Effect on profit before tax<br>2018<br>$'000 | <br><br>2017<br>$'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 |

## 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 forwarding-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

## 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 |

## 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.

## 32. Financial risk management objectives and policies (cont'd)

### (c) *Credit risk (cont'd)*

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% |

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.

## 32. Financial risk management objectives and policies (cont'd)

(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) |

## 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.

## 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) |

## 32. Financial risk management objectives and policies (cont'd)

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

| Company | 31.12.2017 1 year or less $'000 | 1 to 5 years $'000 | Over 5 years $'000 | Total $'000 | 1.1.2017 1 year or less $'000 | 1 to 5 years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | | | |
| Trade and other receivables | – | – | – | – | – | 825 | – | 825 |
| Amounts due from related corporations | 2,417 | – | – | 2,417 | 4,269 | – | – | 4,269 |
| Cash and cash equivalents | 105,149 | – | – | 105,149 | 61,855 | – | – | 61,855 |
| | 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) |

## 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.

## 33. Financial instruments

The carrying amount by category of financial assets and liabilities are as follows:

| | Group | | | |
|---|---|---|---|---|
| | 31.12.2018 $'000 | 1.1.2018 $'000 | 31.12.2017 $'000 | 1.1.2017 $'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 non-controlling shareholders of subsidiaries | 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 relate company | 3,024 | 3,881 | 3,881 | 3,903 |
| Loan from a non-controlling shareholder of a subsidiary | 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 |

## 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 instrument | – | – | 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 |

## 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 |

## 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 securities (quoted) (Note 13): Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

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.

## 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 meter<br>• $8.50 to $10.60 per square foot |
| | | | Expected sales proceeds | RMB 43,000 per square foot |
| | | | Discount to reflect the 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 meter<br>• $201 to $451 per square meter |

| 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 meter |

## 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)*

| Description | Fair value as at 1.1.2017 | Valuation techniques | Unobservable inputs | Range |
|---|---|---|---|---|
| Recurring fair value measurements | | | | |
| **At FVPL** | | | | |
| Investment properties | 22,984 | Direct comparison approach | Transacted price of comparable properties | • RMB 50,000 to RMB 54,000 per square meter |

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.

## 34. Fair value of assets and liabilities (cont'd)

(a) ***Assets and liabilities measured at fair value (cont'd)***

(ii) *Movements in Level 3 assets measured at fair value*

| | Group<br>Fair value measurement using significant unobservable inputs<br>(Level 3) | | |
|---|---|---|---|
| | **2018**<br>$'000 | **31.12.2017**<br>$'000 | **1.1.2017**<br>$'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) |
| | 39,748 | 39,463 | 22,984 |

Level 3 fair value measurements (cont'd)

| | Group<br>Fair value measurement using significant Unobservable inputs<br>(Level 3)<br>2018<br>$'000 |
|---|---|
| **Investment securities:** | |
| Opening balance | 71,868 |
| SFRS(1) 9 adjustment | (835) |
| 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 |

## 34. Fair value of assets and liabilities (cont'd)

### (a) *Assets and liabilities measured at fair value (cont'd)*

(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.

## 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 |

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 |

## 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 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 debts 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.

## 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

## 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.

## 36. Segment information (cont'd)

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.

| 2018 | Bakery [1] | Food Atrium | Restaurant | 4orth | Real Estate Investment | Others [2] | Elimination | Group |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'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 |

## 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 |
|---|---|---|---|---|---|---|---|---|
| **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 |

## 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 |

## 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 |
|---|---|---|---|---|---|---|---|---|
| **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 |

## 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 |

## 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 | 164,207 | 54,041 | 55,687 | 57,996 |
| Hong Kong | 50,980 | 53,908 | 8,582 | 8,731 | 12,686 |
| Rest of the world | 45,767 | 41,320 | 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.

## 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.

## 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 the 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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729295