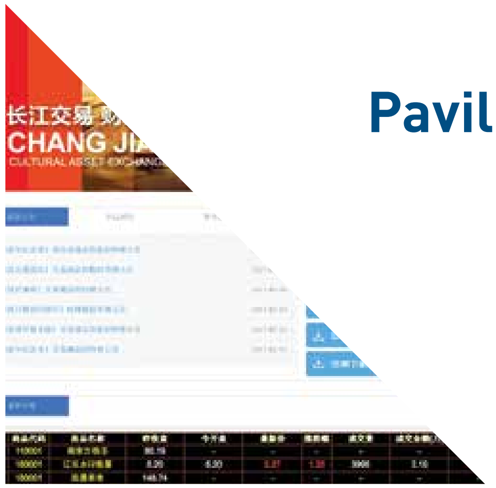
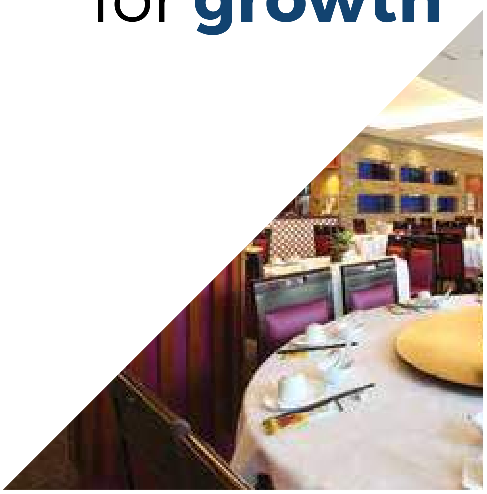
Pavillon Holdings Ltd.


new gateways
for **growth**




ANNUAL
REPORT
2016

CONTENT

CORPORATE MAP

Pavillon Holdings Ltd

Self-Managed Restaurants

- **SINGAPORE**
  Goodwood Park
  Indoor Stadium
- **CHINA**
  Shanghai, Yangpu
  Shanghai, Sunshine

Franchise Restaurants

- **VIETNAM**
  Ho Chi Minh City
  Hanoi
- **CAMBODIA**
  Phnom Penh

Leasing Business

- **CHINA**
  Beijing
  Tianjin

Cultural Assets Trading Exchange

- **CHINA**
  Tianjin

CHAIRMAN, CEO AND MANAGING DIRECTOR'S MESSAGE

1.
DR. JOHN CHEN SEOW PHUN
Executive Chairman

2.
MR ZHENG FENGWEN
Executive Director and CEO

3.
MR LEE TONG SOON
Managing Director

DEAR SHAREHOLDERS

The Singapore economy ended on a muted note in 2016 with a GDP growth of 1.8%, down from 2.1% in 2015. Given the current political situation in America, the impending Brexit and other geopolitical uncertainties in Europe, FY2017 is anticipated to be similarly subdued, with growth expected to range between a modest 1% – 2%.[1]

[1] www.straitstimes.com
[2] www.bloomberg.com

STRATEGIC DIRECTIONS

Notwithstanding such a challenging landscape, the Group nonetheless performed well. Revenue from continuing operations increased 17%, up from last year's S$13.3 million to S$15.5 million, while the overall top line went up by a substantial 29%, from S$13.7 million to S$17.7 million.

After factoring in the cost of sales, the Group's gross profit came in at S$9.9 million. Such encouraging results are clear evidence that our strategy of diversification and broaching new markets is a step in the right direction, and is now producing tangible results.

Our leasing operations in China, for example, supported income with a revenue increase of some S$1.0 million, and converted a S$0.3 million loss-before-tax last year into a S$0.7 million profit-before-tax in FY2016. Franchise revenue increased by approximately S$0.5 million largely due to a new franchisee in Cambodia.

The competitive landscape for F&B remains challenging, and the onus is on players in this industry to stay competitive with innovative concepts, marketing and cost-effectiveness. Extensive promotional activities have paid off in the form of increased restaurant sales amounting to about S$0.7 million.

As part of the Group's rationalisation efforts, we divested our F&B interests in Shanghai so as to cut losses. Going forward, we will continue to explore new concepts and source for suitable locations.

ROBUST FINANCIALS

The Group's balance sheet continued to remain robust with a low debt-to-equity ratio. Total assets far exceed total liabilities by a considerable 800%, while current assets – backed by ample bank balances, deposits and monies payable by trade debtors – enable the Group to remain highly solvent.

Amid global uncertainty and a slowing domestic economy, having ample liquidity not only insulates the Group from cyclical fluctuations, but also gives us the leeway to raise further debt funding or invest in capital for long-term growth.

The Group's balance sheet continued to remain robust with a **low debt-to-equity ratio**. Total assets far exceed total liabilities by a considerable 800%, while current assets – backed by ample bank balances, deposits and monies payable by trade debtors – enable the Group to remain highly solvent.

GROWTH POTENTIAL

Though the much-anticipated Trans-Pacific Partnership (TPP) did not come to fruition, there is nonetheless much growth potential in a pan-Asian market spearheaded by China, an economic powerhouse supported by a population of over 1.3 billion people.

Through its massive "One Belt, One Road" initiative, China is looking to move capital and expand trade beyond its borders, so we can expect increased productivity for the region in the near future.

Founded by an alliance of countries, with China at the helm, the Asian Infrastructural Investment Bank (AIIB) was recently set up to support this initiative by funding infrastructural development across the region, and through these, promote interconnectivity and economic development.

Within Chinese borders, economic restructuring – supported by favourable government policies – is on-going, and the Chinese economy is expected to grow by 6.5% in 2017.[2] This augurs well for our leasing business as well as our associate company in Tianjin, which we expect will yield returns on investment soon.

Therefore, while the domestic and regional economies may be subdued at the moment, the foundations for growth and abundant business opportunities are already in place.

With a sound financial position and highly competent leadership team, the Group is confident of riding out this downturn to see continued growth in 2017 and better profits in the coming years.

DIVIDENDS

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

CONCLUSION

The importance of having a sound business model cannot be overemphasized, and we are glad to see our strategy turn business around to become profitable once again.

On behalf of the Board, we express our appreciation to our management and staff for their hard work and commitment. To our shareholders and business partners, we extend our gratitude for your confidence in the Group. We look forward to your continued support for a better 2017 and many more good years ahead.

DR. JOHN CHEN,
Executive Chairman

MR ZHENG FENGWEN,
Executive Director and CEO

MR LEE TONG SOON,
Managing Director

OPERATIONS REVIEW

TURNOVER AND EARNINGS

For the financial year (FY) starting January 2016 and ending December 2016, total revenue of the Group increased by approximately S$2.2 million. The increase was primarily attributable to a few factors.

Restaurant sales increased by approximately S$0.7 million due to promotional activities carried out during the year, while franchise revenue increased by approximately S$0.5 million, largely arising from sales to a new franchisee in Cambodia. As a result of increase in leasing transactions in the second half of the year, leasing income enjoyed a year-on-year (y-o-y) increase of some S$1.0 million. Our Tianjin associate company, Tianjin Binhai New Area Changjing Cultural Assets Trading Co., Ltd. ("Changjiang") which deals with trading exchange of cultural assets, went off on a good start, yielding share of results of approximately S$0.5 million.

In line with higher sales turnover, the cost of raw materials used increased by about S$1.1 million compared to last year. Gross profit margin decreased from 65.8% last year to 63.8% this year, mainly due to higher discounts given during restaurant promotional activities. Other income increased by approximately S$1.7 million mainly due to gain on the disposal of subsidiaries, which amounted to about S$1.5 million.

Business rationalisation has allowed us to streamline the number of employees, with the result that personnel cost decreased by approximately S$0.3 million y-o-y. Depreciation expense declined by about S$0.1 million due to fewer purchases of fixed assets over the FY. Other expenses increased by approximately S$0.7 million, mainly due to increase in selling costs, professional fees, travelling fees and retrenchment costs incurred over the course of the year.

The last FY's loss-before-taxation (LBT) of S$2.0 million turned into a profit-before-taxation (PBT) of approximately S$1.1 million, mainly due to increase in restaurant sales and leasing income, gain arising from disposal of subsidiaries, share of joint venture profits and decrease in personnel costs.

SINGAPORE

Due to promotional activities carried out during the FY, restaurant operations in Singapore enjoyed higher sales activities, and revenue enjoyed a y-o-y increase of about S$0.7 million. The result was that the previous FY's LBT of S$0.3 million decreased by about S$0.1 million.

Revenue from franchise services operations increased by about approximately S$0.5 million, mainly arising from sales to a new franchisee in Cambodia.

After offsetting gains arising from the disposal of subsidiaries in the People's Republic of China (PRC) against a decrease in management fee income, LBT decreased by about S$0.9 million compared to the previous FY.

PEOPLE'S REPUBLIC OF CHINA

To cut losses, the Group – in February 2016 – divested all its interests in restaurant operations in the PRC.

Revenue from leasing operations increased by about S$1.0 million y-o-y, mainly due to more leasing transactions in the second half of the year. As a result, the prior year's LBT of approximately S$0.3 million turned into a PBT of about S$0.7 million.

With regard to our associate businesses, Changjiang contributed S$0.5 million. Our other associate company, State Research Pavillon Financial Leasing Co., Ltd. (SRPFL), has yet to commence operations and yielded a slight loss.

HUMAN RESOURCE MANAGEMENT

The Group has embarked on the SS 590:2013 HACCP-based Food Safety Management system. It is a robust food safety management systems standard in Singapore which is closely aligned to the international ISO food safety management system standard (ISO 22000), and is expected to enhance the Group's brand image and competitiveness, both in Singapore and globally.

The comprehensive scope of SS590 covers requirements on sourcing, preparation, processing, manufacturing, packaging, storage, transportation, distribution, handling and offering for sale or supply of food. By meeting such stringent criteria, the Group is well-positioned to offer a highly compelling value proposition to the market.

BALANCE SHEET AND CASH FLOW

The value of property, plant and equipment decreased by approximately S$0.6 million as a result of depreciation expenses charged during the year. Investment in associates of approximately S$5.7 million arose mainly from investment in two associate companies, one in leasing business and the other in cultural assets trading exchange.

Non-current trade debtors increased by approximately S$0.4 million mainly due to an increase in lease and financing instalments receivable. Trade debtors increased by approximately S$19.7 million, mainly due to increase in lease and financing receivables. Other debtors increased by approximately S$0.5 million, mainly due to increase in input tax receivable.

Fixed deposits decreased by approximately S$20.7 million primarily arising from investment in associates and increase in working capital for leasing and financing businesses. Other creditors increased by approximately S$2.8 million, mainly due to increase in leasing and financing deposits received during the year.

Net cash flow used in operating activities increased by approximately S$11.6 million y-o-y, mainly due to increase in trade receivables of approximately S$14.2 million and other receivables of approximately S$0.7 million being offset by: decrease in taxes paid of approximately S$0.4 million; increase in trade creditors of approximately S$0.3 million; and other creditors of approximately S$2.6 million.

Net cash flow used in investing activities increased by approximately S$3.8 million, mainly due to investment in associates of approximately S$5.2 million being offset by sales proceeds from disposal of subsidiaries amounting to S$2.0 million. Net cash flow generated from financing activities of approximately S$20.7 million mainly arose from withdrawal of fixed deposits during the year.

BOARD OF DIRECTORS

1.
DR. JOHN CHEN SEOW PHUN
Executive Chairman

2.
MR ZHENG FENGWEN
Executive Director and CEO

3.
MR LEE TONG SOON
Managing Director

Dr. JOHN CHEN SEOW PHUN
Executive Chairman

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

MR ZHENG FENGWEN
Executive Director and CEO

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

MR LEE TONG SOON
Managing Director

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

MR KOK NYONG PATT
Executive Director

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

MR HOON TAI MENG
Independent Director

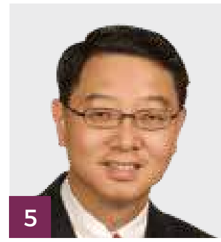
Mr Hoon was appointed an Independent Director of the Company on 1 February 2011. He is currently an Executive Director of Chip Eng Seng Corporation Ltd and formerly a partner with M/s KhattarWong. Besides having around 15 years of experience in legal practice, he also has approximately 20 years of experience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

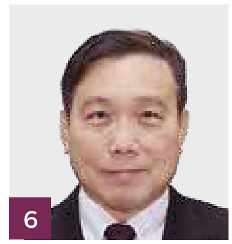
MR FOO DER RONG
Independent Director

Mr Foo was appointed an Independent Director of the Company on 1 May 2012. He graduated with a Bachelor of Commerce Degree from Nanyang University and has a wealth of experience and knowledge in business development, corporate restructuring, investment strategies and operations management in the FMCG, services and manufacturing industries.

Mr Foo is currently a Non-Executive Director of Southern Lion Sdn Bhd. His previous appointments include being the Managing Director and Chief Executive Officer of Intraco Limited and Hanwell Holdings Limited (formerly known as PSC Corporation Limited) and Executive Director of Tat Seng Packaging Group Ltd and Sin Lian Holding Ltd.

He was the Vice-Chairman of Teck Ghee CC and is currently the Patron of Teck Ghee CC.



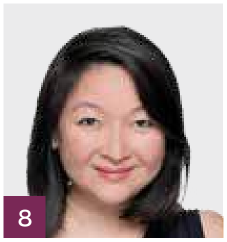


4.
MR KOK NYONG PATT
Executive Director

5.
MR HOON TAI MENG
Independent Director

6.
MR FOO DER RONG
Independent Director

BOARD OF DIRECTORS

MR KO CHUAN AUN

Independent Director

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

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

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

In the past 26 years, Mr Ko has been very actively involved in business investment in the People's Republic of China market. In 2001, he was appointed as the Steering Committee Member of the Network China.

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

MS JO-ANNE CHANG

Non-Executive and Non-Independent Director

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

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

7.
MR KO CHUAN AUN
Independent Director

8.
MS JO-ANNE CHANG
Non-Executive and
Non-Independent Director

KEY EXECUTIVES

MS ZHANG PENG

General Manager – Leasing Operations

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

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

MR MAXTEIN OH KOK THAI

General Manager – Restaurant Operations

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

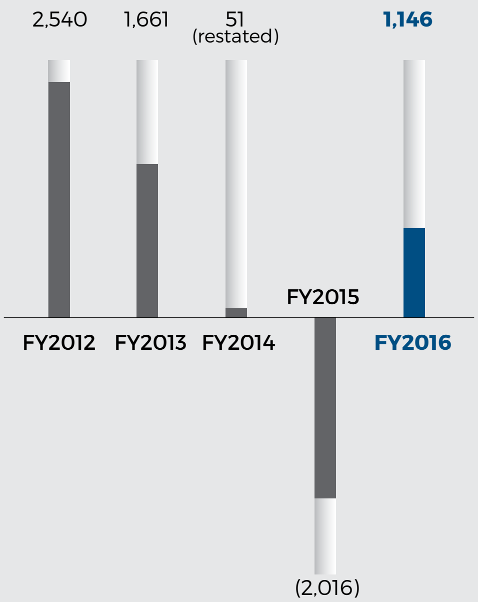
MS VENETIA YONG CHIN CHING

Financial Controller

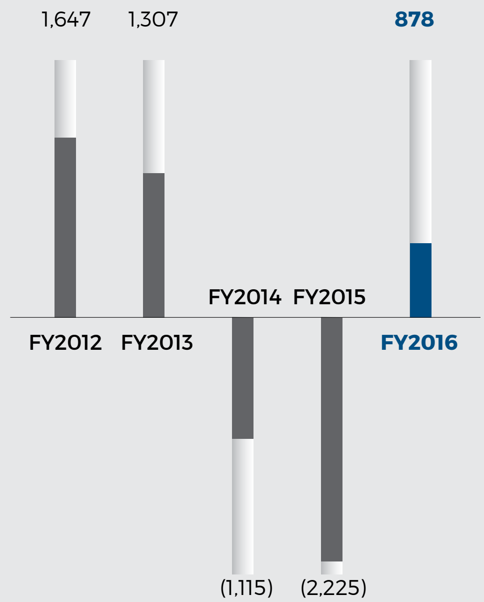
Ms Yong was appointed on 1 October 2007. As the Financial Controller, she is responsible for the financial and management reporting functions of the Group. She has many years of accounting and management experience. Prior to joining the Group in September 2006, she has held various finance and accounting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

FINANCIAL HIGHLIGHTS

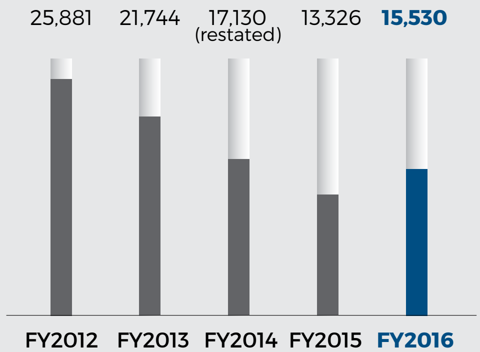
PROFIT/(LOSS) BEFORE TAXATION
(S$'000)



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



TURNOVER
(S$'000)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. John Chen Seow Phun
Executive Chairman

Mr Zheng Fengwen
Executive Director and CEO

Mr Lee Tong Soon
Managing Director

Mr Kok Nyong Patt
Executive Director

Mr Hoon Tai Meng
Independent Director

Mr Foo Der Rong
Independent Director

Mr Ko Chuan Aun
Independent Director

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

JOINT COMPANY SECRETARIES

Mr Chew Kok Liang

Ms Wong Chuen Shya

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITORS

Ernst & Young LLP
Partner in-charge: Ken Ong
(Appointed since financial year ended
31 December 2015)

PRINCIPAL BANKERS

United Overseas Bank Limited

OUR INTERNATIONAL PRESENCE

SELF-MANAGED RESTAURANTS

SINGAPORE (新加坡分店)

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

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

FRANCHISE RESTAURANTS

CHINA (中国加盟店)

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

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

VIETNAM (越南加盟店)

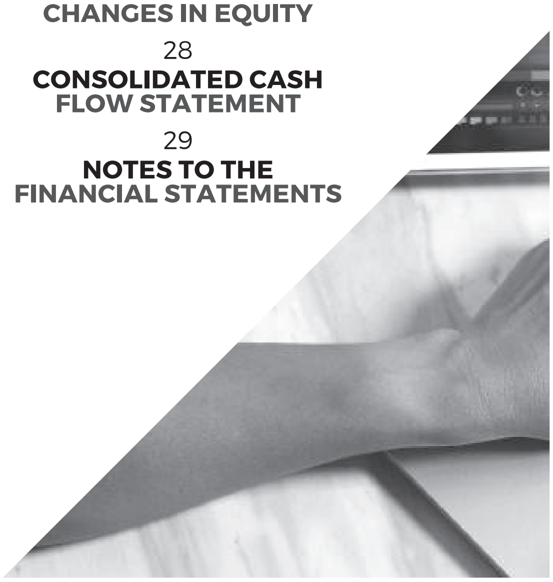
Ho Chi Minh City
胡志明市
38, Ly Tu Trong Street,
Ben Nghe Ward, District 1
Tel: (84) 8 8256704/5

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

CAMBODIA (柬埔寨加盟店)

Phnom Penh
金边
#290 Mao Tse Toung
Boulevard, Phnom Penh
Tel: (855) 23 211 122

FINANCIAL STATEMENT



DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Pavillon Holdings Ltd. (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,

(i) 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

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

Directors

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

Dr. John Chen Seow Phun
Zheng Fengwen
Lee Tong Soon
Kok Nyong Patt
Hoon Tai Meng
Foo Der Rong
Jo-Anne Chang
Ko Chuan Aun (Appointed on 25 July 2016)

In accordance with Regulations 107 and 117 of the Company's Constitution, Kok Nyong Patt, Foo Der Rong and Ko Chuan Aun retire and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects 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, interests in the shares of the Company, as stated below:

	Direct interests			Deemed interests		
	At the beginning of financial year or date of appointment	At the end of financial year	As at 21 January 2017	At the beginning of financial year or date of appointment	At the end of financial year	As at 21 January 2017
The Company						
Dr. John Chen Seow Phun	–	–	–	22,315,225[1]	23,163,525[1]	23,163,525[1]
Zheng Fengwen	–	–	–	100,000,000[2]	100,000,000[2]	100,000,000[2]
Lee Tong Soon	23,528,226	24,023,926	24,023,926	12,500[3]	12,500[3]	12,500[3]
Kok Nyong Patt	25,027,725	25,027,725	25,027,725	–	–	–
Jo-Anne Chang	–	–	–	40,000,000[4]	40,000,000[4]	40,000,000[4]

Note :

(1) 62,500 (2015: 62,500) shares are held in the name of Lim Kok Huang, who is the spouse of Dr. John Chen Seow Phun. He is the beneficial owner of 848,300 (2015: Nil) shares held by DBS Nominees (Private) Limited. 22,252,725 (2015: 22,252,725) shares are held in the name of Unigold Asia Limited, which is wholly owned by Dr. John Chen Seow Phun.

(2) 100,000,000 (2015: 100,000,000) shares are held in the name of Sunlead Evergrowing Capital Co. Limited which is 93% owned by Xu Cai Kui, who is the spouse of Zheng Fengwen.

(3) 12,500 (2015: 12,500) shares are held in the name of Lim Teck Eng, who is the spouse of Lee Tong Soon;

(4) 40,000,000 (2015: 40,000,000) shares are held in the name of Rossbay Private Limited, of which Jo-Anne Chang is a director and shareholder.

Except as disclosed in this statement, no other 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, or on 21 January 2017.

Share options

As at 31 December 2016, there were no options on the unissued shares of the Company or any of its subsidiaries which were outstanding.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

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 half yearly 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; and

- 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 auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened two (2) 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.

Auditors

The retiring auditor, Ernst & Young LLP, will not be seeking re-appointment at the forthcoming Annual General Meeting.

On behalf of the board of directors:

Lee Tong Soon
Managing Director

Kok Nyong Patt
Executive Director

Singapore
31 March 2017

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2016

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Pavillon Holdings Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the 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.

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)

Recoverability of lease and financing receivables

Lease and financing receivables balances were significant to the Group as they represent 54% of the total assets in the consolidated balance sheet. These receivables earn interest for periods ranging from 3 months to 36 months. The collectability of these receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. In addition, the impairment assessment requires significant management judgment in assessing these receivables' ability to pay. As such, we determined that this is a key audit matter.

We assessed the Company's processes and controls relating to the monitoring of these receivables and considered aging to identify collection risks. Our procedures included, amongst others, on a sample basis, obtaining trade receivable confirmations and evidence of receipts from these debtors subsequent to the year end. With the involvement of the component auditors, we evaluated management's assumptions and estimates used to determine the impairment amount through detailed analysis of ageing of these receivables and assessment of material overdue receivables. We also reviewed the debtors' payment history and correspondences between the Group and the debtors where applicable. We also assessed the adequacy of the Company's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Notes 8 and 28 to the financial statements.

Accounting for investment in associate ("associate") – Tianjin Binhai New Area Changjiang Cultural Assets Trading Center Co., Ltd ("Changjiang")

The carrying value of the investment in Changjiang is 12% of Group's total non-current assets as at 31 December 2016. The Group's results is affected by its share of results for its investment in Changjiang, and any impairment of this investment. Amongst other factors, the Changjiang results and carrying value of this investment is affected by the revenue recognition on the commission, membership, marketing, appraisal and listing fees for services to the external parties trading on Changjiang's online platform.

Accounting for revenue recognition

Changjiang provides online trading platforms for external parties to trade, as well as deliver marketing, appraisal and listing services to external parties. Total revenue recognised by Changjiang for the financial year ended 31 December 2016 amounted to S$4.2 million. Changjiang recognised revenue upon delivery of services. The completion of the services and fulfilment of obligation are the key determinant of whether the associate can recognise revenue. The Group's share of Changjiang's results contributed to approximately 62% of the Group's profits for the year. As such, we considered revenue recognition relating to this associate to be a key audit matter.

As part of our audit, we assessed revenue recognition policy of Changjiang is in compliance with applicable accounting standards. We also assessed the Changjiang's processes and controls relating to the recognition of revenue and tested the revenue transactions by agreeing, on a test basis, to the contracts to the contracts and receipts, to verify that revenue is recognised at the point of completion of services and fulfillment of obligations to customers.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2016

Other information

Management is responsible for 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.

Auditor's responsibilities for the audit of the financial statements (cont'd)

– 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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Ken Ong.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
31 March 2017

BALANCE SHEETS

For the financial year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	1,676	2,320	1	–
Investments in subsidiaries	5	–	–	29,682	29,682
Investments in associates	6	5,670	–	4,319	–
Trade receivables	8	4,393	3,953	–	–
Deposits	9	166	240	–	–
Other receivables	9	65	60	47	60
		11,970	6,573	34,049	29,742
Current assets					
Inventories	7	1,173	1,292	–	–
Trade receivables	8	20,431	1,109	50	18
Other receivables	9	548	54	93	24
Deposits	9	315	210	–	–
Prepayments		102	18	42	9
Amounts due from subsidiaries (trade)	10	–	–	97	1,368
Amounts due from subsidiaries (non-trade)	10	–	–	2,098	1,165
Cash and cash equivalents	11	8,294	8,852	1,451	5,628
Fixed deposits	12	3,031	23,696	3,031	3,506
		33,894	35,231	6,862	11,718
Assets of disposal group classified as held for sale	13	–	2,983	–	–
Total assets		45,864	44,787	40,911	41,460
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	14	996	576	–	–
Other payables and accruals	14	4,076	1,305	566	572
Provisions	14	95	190	–	–
Deferred rental income	14	–	12	–	–
Income tax payable		206	–	–	–
		5,373	2,083	566	572
Liabilities directly associated with disposal group classified as held for sale	13	–	2,000	–	–
Net current assets		28,521	34,131	6,296	11,146

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
EQUITY AND LIABILITIES (CONT'D)					
Non-current liabilities					
Provisions	14	90	90	–	–
Franchise deposits	14	100	110	100	110
Deferred tax liabilities	15	138	128	–	–
		328	328	100	110
Total liabilities		5,701	4,411	666	682
Net assets		40,163	40,376	40,245	40,778
Equity attributable to owners of the Company					
Share capital	16	39,433	39,433	39,433	39,433
Reserve of disposal group classified as held for sale	13	–	487	–	–
Foreign currency translation reserve	17	(812)	279	–	–
Revenue reserve		1,542	135	812	1,345
		40,163	40,334	40,245	40,778
Non-controlling interests		–	42	–	–
Total equity		40,163	40,376	40,245	40,778
Total equity and liabilities		45,864	44,787	40,911	41,460

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Revenue	18	15,530	13,326
Other items of income			
Interest income	19	303	199
Other income	20	1,870	153
Items of expenses			
Raw materials and changes in inventories		(5,622)	(4,561)
Employee benefits expenses	21	(7,092)	(7,408)
Depreciation expense	4	(660)	(756)
Net foreign exchange loss		(29)	(3)
Other expenses		(3,672)	(2,966)
Share of results of associates		518	–
Profit/(loss) before taxation from continuing operations	22	1,146	(2,016)
Income tax expense	23	(268)	(60)
Profit/(loss) from continuing operations, net of tax		878	(2,076)
Loss from discontinued operation, net of tax	13	–	(149)
Profit/(loss) for the year attributable to owners of the Company		878	(2,225)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation		(1,091)	256
Other comprehensive income for the year, net of tax		(1,091)	256
Total comprehensive income for the year attributable to owners of the Company		(213)	(1,969)
Earnings per share from continuing operations attributable to owners of the Company (cents per share)			
Basic	24(a)	0.23	(0.54)
Diluted	24(a)	0.23	(0.54)
Earnings per share attributable to owners of the Company (cents per share)			
Basic	24(b)	0.23	(0.57)
Diluted	24(b)	0.23	(0.57)

STATEMENTS
OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Group	Note	Attributable to owners of the Company						
		Share capital (Note 16)	**Revenue reserve**	**Foreign currency translation reserve (Note 17)**	**Reserve of disposal group classified as held for sale**	**Total equity attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016								
Balance as at 1 January 2016		39,433	135	279	487	40,334	42	40,376
Profit for the year		–	878	–	–	878	–	878
Other comprehensive income								
Foreign currency translation		–	–	(1,091)	–	(1,091)	–	(1,091)
Total other comprehensive income for the year, net of tax		–	–	(1,091)	–	(1,091)	–	(1,091)
Total comprehensive income for the year		–	878	(1,091)	–	(213)	–	(213)
Changes in ownership interests in subsidiaries								
Disposal of subsidiaries		–	529	–	(487)	42	(42)	–
Total changes in ownership interests in subsidiaries		–	529	–	(487)	42	(42)	–
Balance as at 31 December 2016		39,433	1,542	(812)	–	40,163	–	40,163

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Group	Note	Attributable to owners of the Company							
		Share capital (Note 16)	Statutory reserve	Revenue reserve	Foreign currency translation reserve (Note 17)	Reserve of disposal group classified as held for sale	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015									
Balance as at 1 January 2015		39,433	684	2,360	(174)	–	42,303	42	42,345
Loss for the year		–	–	(2,225)	–	–	(2,225)	–	(2,225)
<u>Other comprehensive income</u>									
Foreign currency translation		–	–	–	256	–	256	–	256
Total other comprehensive income for the year, net of tax		–	–	–	256	–	256	–	256
Total comprehensive income for the year		–	–	(2,225)	256	–	(1,969)	–	(1,969)
<u>Contributions by and distributions to owners</u>									
Shares issued		–	–	–	–	–	–	–	–
<u>Others</u>									
Reserve attributable to disposal group classified as held for sale		–	(684)	–	197	487	–	–	–
Balance as at 31 December 2015		39,433	–	135	279	487	40,334	42	40,376

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

Statements of changes in equity
For the financial year ended 31 December 2016

Company	Note	Share capital (Note 16) $'000	Revenue reserve $'000	Total equity $'000
2016				
Balance as at 1 January 2016		39,433	1,345	40,778
Loss for the year, representing total comprehensive income for the year		–	(533)	(533)
Balance as at 31 December 2016		39,433	812	40,245
2015				
Balance as at 1 January 2015		39,433	2,829	42,262
Loss for the year, representing total comprehensive income for the year		–	(1,484)	(1,484)
Balance as at 31 December 2016		39,433	1,345	40,778

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

	Group	
	2016	**2015**
	$'000	$'000
Cash flows from operating activities		
Profit/(Loss) before tax from continuing operations	1,146	(2,016)
Loss before tax from discontinued operation	–	(149)
Adjustments for:		
Stock loss	–	22
Impairment loss on property, plant and equipment, net	–	8
Depreciation of property, plant and equipment	660	828
Interest income	(303)	(256)
Exchange differences	(993)	222
Share of results of associates	(518)	–
Gain on disposal of subsidiaries	(1,483)	–
Operating cash flows before changes in working capital	(1,491)	(1,341)
Changes in working capital:		
Decrease/(Increase) in inventories	119	(57)
Increase in trade receivables	(19,296)	(5,048)
(Increase)/Decrease in other receivables, deposits and prepayments	(626)	113
Increase in trade payables	420	103
Increase in other payables and accruals, franchise deposits, deferred rental income, and deferred revenue	2,654	39
Cash flows used in operations	(18,220)	(6,191)
Taxes paid	(52)	(468)
Net cash flows used in operating activities	(18,272)	(6,659)
Cash flows from investing activities		
Interest received	315	228
Purchase of property, plant and equipment	(31)	(69)
Investments in associates	(5,152)	–
Net cash inflows on disposal of subsidiaries	1,157	–
Net cash flows generated from investing activities	(3,711)	159
Cash flows from financing activities		
Placement of fixed deposits	20,665	(12,696)
Net cash flows generated from/(used in) financing activities	20,665	(12,696)
Net decrease in cash and cash equivalents	(1,318)	(19,196)
Effect of exchange rate changes on cash and cash equivalents	(83)	12
Cash and cash equivalents at beginning of financial year	9,695	28,879
Cash and cash equivalents at end of financial year (Note 11)	8,294	9,695

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. Corporate information

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

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

The principal activities of the subsidiaries are as shown in Note 5 to the financial statements.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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.

2.2 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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
Amendments to FRS 7: Disclosure Initiative	1 January 2017
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019

Except for FRS 109, FRS 115 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 109, FRS 115 and FRS 116 are described below.

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 does not expect a significant change to the classification and measurement basis arising from adopting the new classification and measurement model under FRS109. FRS109 requires the Group to record expected credit losses on all of its trade receivables either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on trade receivables. The Group will need to perform a more detailed analysis which considers all reasonable and supportable information to determine the extent of impact.

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.

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. 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.

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 expects the following impact upon adoption of FRS 115:

(a) Variable consideration

Currently, the Group recognises revenue from its businesses measured at the fair value of the consideration received or receivable, net of trade discounts. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under FRS 115, and will be required to be estimated at contract inception. FRS 115 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The group expects that application of the constraint may result in more revenue being deferred than is under current FRS.

The Group plans to adopt the new standard on the required effective date.

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 is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

(b) Business combinations and goodwill

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

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

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

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

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

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

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.

2.5 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 interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The Group's consolidated 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.

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.6 Foreign currency (cont'd)

(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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(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 the 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.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold properties	-	over respective lease terms of 20 to 30 years
Furniture, fixtures and equipment	-	5 – 8 years
Kitchen and restaurant equipment	-	5 – 10 years
Motor vehicles	-	5 years
Computers	-	1 – 5 years
Operating supplies	-	5 years

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 lives and depreciation methods are reviewed at each financial year-end, and adjusted prospectively if appropriate.

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 on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

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 any impairment losses.

2.9 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 using the equity method from the date on which it becomes an associate.

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's profit or loss in the period in which the investment is acquired.

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

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

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 the associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates 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.

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.10 Impairment of non-financial assets

The Company 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 Company 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 group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses 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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11 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. The Group does not have any financial assets designated as available-for-sale financial assets, held-to-maturity and at fair value through profit or loss.

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:

(a) **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. Loan and receivables include trade debtors, other debtors, deposits, amounts due from subsidiaries (trade and non-trade), fixed deposits and cash and cash equivalents. 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.

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

2.11 Financial assets (cont'd)

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.12 Impairment of assets

The Group assesses at each reporting date whether there is any objective evidence that an asset or a group of assets is impaired.

(a) Impairment of financial assets

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

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.12 Impairment of assets (cont'd)

(a) Impairment of financial assets (cont'd)

(i) Financial assets carried at amortised cost (cont'd)

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.

(ii) 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 assets 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.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Credit card transactions that process in less than seven days are classified as cash at bank.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a first-in, first-out basis.

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

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

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

2.15 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 the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources 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.

2.16 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. Grants related to income may be presented as a credit in profit or loss. Alternatively, they are deducted in reporting the related expenses.

2.17 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. The Group does not have any financial liabilities at fair value through profit or loss.

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 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 de-recognition 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.

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.18 Employee benefits

(a) **Defined contribution plans**

The Group participates in the national pension scheme as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension plans are recognised as an expense in the period in which the related service is performed.

(b) **Employee leave entitlement**

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

2.19 Leases

As lessee

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.

As lessor

Finance leases, which transfer substantially all the risks and rewards incidental to legal ownership of the leased items, are recognised as a receivable at an amount equal to the net investment in the lease. Thus, the lease payment receivable is treated by the Group as repayment of principal and finance income to reimburse and reward the Group for its investment and services.

The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

2.20 Non-current assets held for sale and discontinued operations

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. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area or operations.

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)

2.21 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.

(a) **Revenue from restaurant operations**

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

(b) **Franchise and royalty fees**

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

(c) **Interest income**

Interest income is recognised using the effective interest method.

(d) **Leasing income**

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

2.22 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 at the end of the reporting period, in the countries where the Group operates and generates taxable income.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.22 Taxes (cont'd)

(b) **Deferred tax**

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

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

- Where the deferred 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 the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, 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 tax assets are recognised for all deductible temporary differences, the 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 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 and associates, deferred 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 the end of each reporting period 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 end of each reporting period.

Deferred 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.

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

2.22 Taxes (cont'd)

(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.

2.23 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. Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Significant accounting estimates and judgements (Cont'd)

3.1 Judgements made in applying accounting policies

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

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management conclude that the functional currency of the entities of the Group is their respective local currency.

Determination of lease classification

The Group has entered into lease arrangements with external parties on its equipment. The Group evaluated the terms and conditions of the arrangement and assessed that the ownership of the assets will be transferred to the lessee at the end of the lease term. The Group determined that all the significant risks and rewards of the ownership of the assets will be transferred substantially to the lessee and so accounts for the contracts as finance leases.

3.2 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.

Useful lives of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 30 (2015: 1 to 30) years. Changes in the expected level of usage could impact the economic useful lives of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the end of each reporting period is disclosed in Note 4 to the financial statements. A 5% (2015: 5%) difference in the expected useful lives of these assets from management's estimates would result in approximately 3.58% (2015: 1.73%) variance in the Group's net profit for the financial year.

3. Significant accounting estimates and judgements (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

Impairment of non-financial assets

The Group assesses at each balance sheet date whether there are any indicators of impairment for all non-financial assets. Determining whether the carrying values of property, plant and equipment and investments in subsidiaries and associates are impaired requires an estimation of the value-in-use of asset or cash generating unit. This requires the Group to estimate the future cash flows expected from the asset or cash generating unit and appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of property, plant and equipment and investment in subsidiaries and associates at the end of the reporting period are disclosed in Notes 4, 5 and 6 respectively.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Notes 8, 9 and 10 to the financial statements.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile.

The carrying amounts of the Group's income tax payable as at 31 December 2016 is $206,000 (2015: Nil). The carrying amount of the Group's deferred tax liabilities as at 31 December 2016 is $138,000 (2015: $128,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

4. Property, plant and equipment

Group	Leasehold properties	Furniture, fixtures and equipment	Kitchen and restaurant equipment	Motor vehicles	Computers	Operating supplies	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
Balance as at 1 January 2015	2,963	4,191	799	1,805	178	2	9,938
Additions*	–	–	2	–	67	–	69
Disposals and write-offs	–	(94)	(24)	–	(76)	–	(194)
Translation differences	1	14	4	5	1	–	25
Attributable to discontinued operation (Note 13)	(152)	(1,535)	(404)	(95)	(35)	–	(2,221)
Balance as at 31 December 2015 and 1 January 2016	2,812	2,576	377	1,715	135	2	7,617
Additions*	–	1	13	–	17	–	31
Disposals and write-offs	–	(7)	(3)	–	(21)	–	(31)
Translation differences	–	–	–	(18)	–	–	(18)
Balance as at 31 December 2016	2,812	2,570	387	1,697	131	2	7,599
Accumulated depreciation and impairment loss							
Balance as at 1 January 2015	2,128	3,204	651	613	166	2	6,764
Charge for the financial year	106	328	32	329	33	–	828
Translation differences	1	12	3	1	–	–	17
Disposals and write-offs	–	(94)	(24)	–	(76)	–	(194)
Impairment loss / (Write back of impairment loss)	28	(35)	9	–	6	–	8
Attributable to discontinued operation (Note 13)	(149)	(1,480)	(372)	(94)	(31)	–	(2,126)
Balance as at 31 December 2015 and 1 January 2016	2,114	1,935	299	849	98	2	5,297
Charge for the financial year	67	203	20	322	48	–	660
Translation differences	–	–	–	(3)	–	–	(3)
Disposals and write-offs	–	(7)	(3)	–	(21)		(31)
Balance as at 31 December 2016	2,181	2,131	316	1,168	125	2	5,923
Net carrying amount							
Balance as at 31 December 2016	631	439	71	529	6	–	1,676
Balance as at 31 December 2015	698	641	78	866	37	–	2,320

* Cash payments of $31,000 (2015: $69,000) were made to purchase property, plant and equipment during the financial year.

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

Company	**Computers**
	$'000
Cost	
At 1 January 2015	13
Additions	–
At 31 December 2015 and 1 January 2016	13
Additions	1
At 31 December 2016	14
Accumulated depreciation	
At 1 January 2015	10
Depreciation charge for the year	3
At 31 December 2015 and 1 January 2016	13
Depreciation charge for the year	#
At 31 December 2016	13
Net carrying amount	
At 31 December 2016	1
At 31 December 2015	–

Amount less than $1,000.

5. Investments in subsidiaries

	Company	
	2016	**2015**
	$'000	$'000
Unquoted equity shares, at cost	29,682	29,682

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

5. Investments in subsidiaries (cont'd)

Details of the subsidiaries as at 31 December 2016 and 2015 are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest		Cost of investment held by the Company	
			2016	2015	2016	2015
			%	%	$'000	$'000
Held by the Company						
Thai Village Restaurant Pte. Ltd. (1)	Operation of restaurants	Republic of Singapore	100	100	2,061	2,061
Thai Village Overseas Ventures Pte Ltd (1)	Investment holding	Republic of Singapore	100	100	@	@
Pavillon Financial Leasing Co., Ltd (2)	Financial leasing of all kind of machineries, tools and equipment.	People's Republic of China	100	100	27,055	27,055
Thai Village (China) Pte. Ltd. (3)	Investment holding	Republic of Singapore	–	100	–	@
Pavillon Business Development (Shanghai) Co.,Ltd (2)	Business development, trading, import and export of machineries and investment holding	People's Republic of China	100	100	566	566
					29,682	29,682

5. Investments in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest	
			2016	**2015**
			%	%
Held through Thai Village (China) Pte. Ltd.				
Shanghai Thai Village Restaurant Management Co., Ltd. [3]	Operation and management of restaurants	People's Republic of China	–	93.75%
Thai Village Restaurant (Shanghai) Co., Ltd. [3]	Operation and management of restaurants	People's Republic of China	–	100%
Held through Pavillon Business Development (Shanghai) Co., Ltd				
Tianjin Pavillon Assets Management Co., Ltd [2]	Asset management, enterprise management, mergers and acquisitions and financial advisory services	People's Republic of China	100	100

@ Cost of investment is less than $1,000.

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by Shandong Quanrun CPA Firm

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

5. Investments in subsidiaries (cont'd)

	6 January 2016 $'000
Property, plant and equipment	95
Trade and other receivables	244
Inventories	282
Cash and cash equivalents	843
Fixed deposits	1,519
	2,983
Trade and other payables	(2,466)
Carrying value of net assets	517
Cash consideration	2,000
Less: cash and cash equivalents of the subsidiaries	(843)
Net cash inflow on disposal of the subsidiaries	1,157

Gain on disposal:	2016 $'000
Cash received	2,000
Net assets derecognised	(517)
	1,483

6. Investment in associates

The Group's investment in associates are summarised below:

	2016 $'000	2015 $'000
State Research Pavillon Financial Leasing Co. Ltd.	4,290	–
Tianjin Binhai New Area Changjiang Cultural Assets Trading Center Co., Ltd	1,380	–
	5,670	–

6. Investment in associates (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest 2016	2015
			%	%
<u>Held by the Company</u>				
State Research Pavillon Financial Leasing Co. Ltd. [(1)]	Financial leasing of all kinds of machineries, tools and equipment.	People's Republic of China	50	–
<u>Held through a subsidiary</u>				
Tianjin Binhai New Area Changjiang Cultural Assets Trading Center Co., Ltd. [(2)] [(a)]	Provision of online trading platform for the trade of cultural assets such as gold and silver coins, stamps, artwork, etc.	People's Republic of China	40	–

(1) Audited by BDO China Shu Lun Pan Certified Public Accountants LLP

(2) Audited by Tianjin Jinhua Certified Public Accountants Ltd, .Binhai branch

(a) In September 2016, the Group increased its investment in Tianjin Binhai New Area Changjiang Cultural Assets Trading Center Co., Ltd resulting in an increase in ownership interest from 20% to 40%. The fair value of the identifiable assets acquired and liabilities assumed are provisional.

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. Investment in associates (cont'd)

The summarised financial information in respect of State Research Pavillon Financial Leasing Co. Ltd. ("SRPFL") and Tianjin Binhai New Area Changjiang Cultural Assets Trading Center Co. Ltd, ("Changjiang") based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	SRPFL	**Changjiang**
	As at 31 December 2016	**As at 31 December 2016**
	$'000	$'000
Current assets	4,570	2,969
Non-current assets	3,580	2,318
Total assets	8,150	5,287
Current and total liabilities	8	1,922
Net assets	8,142	3,365
Net assets	8,142	3,365
Proportion of the Group's ownership	50%	40%
Group's share of net assets	4,071	1,346
Other adjustments	219	34
Carrying amount of investment	4,290	1,380

Summarised statements of comprehensive income

	SRPFL	**Changjiang**
	2016	**2016**
	$'000	$'000
Revenue	–	4,394
(Loss)/profit after tax	(46)	1,368
Other comprehensive income	–	–
Total comprehensive income	(46)	1,368

7. Inventories

	Group	
	2016	**2015**
	$'000	$'000
Consolidated balance sheet:		
Processed inventories	845	890
Raw and other materials	328	402
	1,173	1,292
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	5,622	4,561

8. Trade receivables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	20,431	1,109	50	18
Other receivables (Note 9)	548	54	93	24
Deposits (Note 9)	315	210	–	–
Amounts due from subsidiaries (trade) (Note 10)	–	–	97	1,368
Amounts due from subsidiaries (non-trade) (Note 10)	–	–	2,098	1,165
	21,294	1,373	2,338	2,575
Trade and other receivables (non-current):				
Deposits (Note 9)	166	240	–	–
Other receivables (Note 9)	65	60	47	60
Trade receivables	4,393	3,953	–	–
	4,624	4,253	47	60
Total trade and other receivables (current and non-current)	25,918	5,626	2,385	2,635
Add: Cash and cash equivalents (Note 11)	8,294	8,852	1,451	5,628
Add: Fixed deposits (Note 12)	3,031	23,696	3,031	3,506
Total loans and receivables	37,243	38,174	6,867	11,769

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. Trade receivables (cont'd)

Included in trade receivables of the Group is an amount of $24,754,000 (2015: $5,037,000) denominated in Renminbi.

Trade receivables, other than lease and financing receivables, are non-interest bearing and are generally on 30 (2015: 30) days' credit terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to $119,000 (2015: $24,000) and $50,000 (2015: $18,000) respectively that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Less than 30 days	34	5	23	5
30 to 60 days	82	11	24	5
More than 60 days	3	8	3	8
	119	24	50	18

Trade receivables that are impaired

At the end of the reporting peroid, the executive directors have assessed the recoverability of all receivables including those that are past due and determined that no trade receivables need to be individually or collectively impaired.

Lease receivables

Included in trade receivables of the Group is an amount of $8,216,000 relating to lease receivables. Lease receivables earn interest for varying periods of between 7 months to 20 months, depending on the contracted agreement between the Group and the lessee, and earn interest ranging from 12% to 21%. These leases have no terms of renewal, purchase options and escalation clauses.

Future minimum lease payment receivables under finance leases together with the present value of the net minimum lease payment receivable are as follows.

	Minimum lease receivable		Present value of receivable	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Not later than one year	3,823	1,084	3,823	1,084
Later than one year but not later than five years	4,393	5,723	3,949	4,658
Total minimum lease payments receivable	8,216	6,807	7,772	5,742
Less: amount representing finance income	(444)	(1,065)	–	–
Present value of minimum lease payments receivable	7,772	5,742	7,772	5,742

8. Trade receivables (cont'd)

Financing receivables

Included in trade receivables of the Group is an amount of $16,538,000 relating to financing receivables. Financing receivables earn interest for varying periods of between 3 months to 6 months, depending on the contracted agreement between the Group and the external parties, and earn interest ranging from 10% to 13%. These receivables are secured by collateral.

	Minimum financing receivables		**Present value of financing receivables**	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Not later than one year	16,538	–	16,538	–

9. Other receivables and deposits

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Other receivables (non-current)				
Advances to employees *	21	17	11	17
Interest receivable	44	43	36	43
	65	60	47	60
Other receivables (current)				
Advances to employees *	3	4	2	4
Sundry receivables	545	50	91	20
	548	54	93	24
Other receivables and deposits				
Deposits				
Deposits (current)	315	210	–	–
Deposits (non-current)	166	240	–	–
	481	450	–	–

* Advances to employees are non-trade in nature, unsecured, interest-free and repayable on demand.

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9. Other receivables and deposits (cont'd)

Included in other receivables of the Group is an amount of $445,000 (2015: $26,000) denominated in Renminbi.

The Group and the Company do not have any other receivables that are individually or collectively impaired. In addition, the Group and the Company do not have any other receivables that are past due but not impaired.

10. Amounts due from subsidiaries (trade and non-trade)

Amounts due from subsidiaries (trade)

The trade amounts due from subsidiaries arose from the provision of management services by the Company to its subsidiaries. These amounts are unsecured, interest-free and are repayable on demand.

Included in the Company's trade amounts due from subsidiaries is an amount of $Nil (2015: $474,000) denominated in Renminbi.

The Company does not have trade amounts due from subsidiaries that are collectively or individually impaired nor any amounts that are past due but not impaired.

Amounts due from subsidiaries (non-trade)

The non-trade amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

Non-trade amount of $5,000 (2015: $8,000) due from a subsidiary was written off. The subsidiary has remained dormant during the period.

The Company does not have any non-trade amounts due from subsidiaries that are collectively or individually impaired nor any amounts that are past due but not impaired.

11. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash at banks and on hand	8,294	8,852	1,451	5,628

Cash at banks earn interest at floating rates based on daily bank deposit rates.

Cash at banks and on hand are denominated in the following foreign currencies as at 31 December:-

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Renminbi	5,696	2,071	–	–

11. Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2016	**2015**
	$'000	$'000
Cash and cash equivalents		
Continuing operations	8,294	8,852
Discontinued operation (Note 13)	–	843
Total cash and cash equivalents	8,294	9,695

12. Fixed Deposits

Fixed deposits are made for a period of 6 to 9 months (2015: 6 months), depending on the immediate cash requirements of the Group and the Company, and earn interest ranging from 0.95% to 1.7% (2015: 0.10% to 1.60%) per annum.

Fixed deposits denominated in foreign currency as at 31 December:-

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Renminbi	–	20,190	–	–

13. Discontinued operation and disposal group classified as held for sale

In the prior year, the board of directors of the Company decided to dispose of three of its subsidiaries, Thai Village (China) Pte Ltd, Thai Village Restaurant (Shanghai) Co., Ltd and Shanghai Thai Village Restaurant Management Co., Ltd, collectively known as the TVC group, which was previously reported in the restaurant operations segment. The decision was consistent with the group's strategy to focus on its leasing businesses and to divest its Food and Beverages businesses in the People's Republic of China which has been underperforming for the last five years. As at 31 December 2015, the assets and liabilities related to TVC group had been presented in the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale". And its results were presented separately on profit or loss as "Loss from discontinued operation, net of tax". The disposal of TVC group was completed on 12 February 2016 (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

13. Discontinued operation and disposal group classified as held for sale (cont'd)

Balance sheet disclosures

The major classes of assets and liabilities of TVC group classified as held for sale and the related reserves as at 31 December are as follows:

	Group 2015 $'000
Assets:	
Property, plant and equipment	95
Stocks	282
Trade receivables	16
Other receivables	71
Deposits	140
Prepayment	17
Cash and cash equivalents	843
Fixed deposits	1,519
Assets of disposal group classified as held for sale	2,983
Liabilities:	
Trade payables	(161)
Other payables and accruals	(351)
Deferred revenue	(1,488)
Liabilities directly associated with disposal group classified as held for sale	(2,000)
Net assets directly associated with disposal group classified as held for sale	983
Reserves	
Statutory reserve[1]	684
Foreign currency translation reserve	(197)
	487

[1] In accordance with the Foreign Enterprise Law applicable to the 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 profits after tax 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 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.

13. Discontinued operation and disposal group classified as held for sale (cont'd)

Income statement disclosures

The results of TVC group for the years ended 31 December are as follows:

	Group 2015 $'000
Revenue	5,186
Interest income	57
Raw materials and changes in inventories	(1,677)
Employees benefits expenses	(1,454)
Depreciation expenses	(72)
Other expenses	(2,189)
Loss before tax from discontinued operation	(149)
Income tax expense	–
Loss from discontinued operation, net of tax	(149)

Cash flow statement disclosures

The cash flow attributable to TVC group is as follows:

	Group 2015 $'000
Operating	(377)
Investing	46
Financing	217
Net cash outflow	(114)

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

13. Discontinued operation and disposal group classified as held for sale (cont'd)

Loss per share disclosures

	Group
	2015
	$'000
Loss per share from discontinued operation attributable to owners of the Company (cents per share)	
Basic	(0.03)
Diluted	(0.03)

The basic and diluted loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. The share data is presented in Note 24.

14. Trade payables, other payables and accruals, franchise deposits, deferred rental income, deferred revenue, and provisions

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade payables	996	576	–	–
Other payables and accruals (current)				
Sundry payables	731	245	22	24
Deposits received in advance	2,305	–	–	–
Accrued personnel expenses	592	587	177	189
Amount due to directors	204	235	204	235
Other accrued operating expenses	244	238	163	124
Total other payables and accruals (current)	4,076	1,305	566	572
Total financial liabilities carried at amortised cost	5072	1881	566	572
Franchise deposits				
Franchise deposits (non-current)	100	110	100	110

Trade and other payables are non-interest bearing. Trade payables are normally settled on 60-day terms while other payables have an average term of six months.

14. Trade payables, other payables and accruals, franchise deposits, deferred rental income, deferred revenue, and provisions (cont'd)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Deferred rental income				
Deferred rental income (current)	–	12	–	–

Included in the other creditors and accruals of the Group is an amount of $2,990,000 (2015: $217,000) denominated in Renminbi.

The amount due to directors are unsecured, interest-free and repayable on demand.

Provisions for reinstatement costs:-

	Group	
	2016	**2015**
	$'000	$'000
Balance at 1 January	280	280
Reversal	(95)	–
Balance at 31 December	185	280
Comprises:		
Current	95	190
Non-current	90	90
	185	280

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

During the year, management has assessed and concluded that there is excess provision for reinstatement costs. Accordingly, $95,000 of the provision has been reversed.

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15. Deferred tax liabilities

	Group	
	2016	**2015**
	$'000	$'000
Deferred tax liabilities :-		
Balance as at 1 December	128	128
Credit during the financial period	10	–
Balance as at 31 December	138	128

Deferred tax liabilities arose from excess of net carrying value over tax written down value of property, plant and equipment.

Deferred tax assets not recognised as at 31 December relate to the following:-

	Group	
	2016	**2015**
	$'000	$'000
Unutilised tax losses	(162)	(257)

As at 31 December 2016, the Group has unutilised tax losses carried forward from certain subsidiaries of approximately $957,000 (2015: $875,000), available for offset against future taxable income. The potential deferred tax assets arising from these unutilised tax losses have not been recognised as taxable profits from the subsidiaries against which the deferred tax assets can be utilised is uncertain. The use of these 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.

16. Share capital

	Group and Company			
	2016		**2015**	
	No. of ordinary shares		**No. of ordinary shares**	
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	387,749	39,433	387,749	39,433

The holders of ordinary 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.

17. Foreign currency translation reserve

The foreign currency translation reserve represents 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.

18. Revenue

	Group	
	2016	**2015**
	$'000	$'000
Restaurant operations	14,106	12,976
Franchise and royalty fee income	155	108
Equipment leasing	1,269	242
	15,530	13,326

19. Interest income

	Group	
	2016	**2015**
	$'000	$'000
Interest income from :-		
Fixed deposits	303	199

20. Other income

	Group	
	2016	**2015**
	$'000	$'000
Gain on disposal of subsidiary (Note 5)	1,483	–
Others	387	153
	1,870	153

21. Employee benefits expenses

	Group	
	2016	**2015**
	$'000	$'000
Wages, salaries, bonuses and allowances*	6,092	6,225
Contributions to defined contribution plans	300	331
Other personnel costs	700	852
	7,092	7,408

* Includes directors' fees and remuneration as disclosed in Note 25 to the financial statements.

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

22. Profit/(loss) before taxation from continuing operations

Profit/(loss) before taxation is stated after charging/(crediting) the following:-

	Group	
	2016	**2015**
	$'000	$'000
Audit fees paid to:		
- Auditors of the Company	180	129
- Other auditors	6	1
Property, plant and equipment written off	1	–
Consumables expenses	90	76
Cleaning expenses	37	39
Travelling expenses	91	17
General repair and maintenance	55	64
Impairment loss on property, plant and equipment, net	–	8
Water and electricity expenses	397	436
Operating lease expenses	1,526	1,574

23. Income tax expense

The major components of income tax expense for the financial years ended 31 December 2016 and 2015 are:

	Group	
	2016	**2015**
	$'000	$'000
Consolidated income statement:		
Current income tax – continuing operations:		
- Current income taxation	200	66
- Under/(over) provision in respect of previous years	58	(6)
	258	60
Deferred income tax – continuing operations (Note 15):		
- Origination and reversal of temporary differences	10	–
	10	–
Income tax attributable to continuing operations	268	60
Income tax attributable to discontinued operation (Note 13)	–	–
Income tax expense recognised in profit or loss	268	60

23. Income tax expense (cont'd)

A reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rates for the financial years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016	**2015**
	$'000	$'000
Profit/(Loss) before tax from continuing operations	1,146	(2,016)
Loss before tax from discontinued operation (Note 13)	–	(149)
Profit/(Loss) before taxation	1,146	(2,165)
Tax at the statutory tax rate of 17% (2015: 17%)	195	(368)
Adjustments for:		
Non-deductible expenses	163	328
Non-taxable income	(223)	(3)
Differences in foreign tax rates	62	(18)
Withholding tax	–	66
Deferred tax assets not recognised	14	57
Under/(over) provision in respect of prior years	58	(6)
Others	(1)	4
Income tax expense recognised in profit or loss	268	60

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

24. Profit/(Loss) per share (basic and diluted)

(a) Continuing operations

Both basic and diluted profit per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to owners of the company of $878,000 (2015: loss of $2,076,000) by the weighted average number of 387,748,700 (2015: 387,748,700) ordinary shares outstanding during the financial year.

(b) Profit/(Loss) per share computation

Both basic and diluted profit per share are calculated by dividing the Group's net profit attributable to owners of the Company of $878,000 (2015: net loss of $2,225,000) by the weighted average number of 387,748,700 (2015: 387,748,700) ordinary shares outstanding during the financial year.

The basic and diluted loss per share are the same as the Group did not have any dilutive potential ordinary shares outstanding as at 31 December 2016 and 2015.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

25. Significant related party transactions

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

Compensation of key management personnel

	Group	
	2016	**2015**
	$'000	$'000
Directors' remuneration:		
Directors' fees	408	470
Directors' remuneration	2,050	2,291
Contribution to defined contribution plans	46	41
	2,504	2,802
Key executive officers' remuneration:		
Executive officers' remuneration	507	603
Contributions to defined contribution plans	61	57
	568	660

25. Significant related party transactions (cont'd)

	Group	
	2016	**2015**
	$'000	$'000
Remuneration paid to employees related to directors or substantial shareholders:		
Employees' remuneration	41	50
Contributions to defined contribution plans	5	7
	46	57

26. Commitments

(a) Capital commitments

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

	Group	
	2016	**2015**
	$'000	$'000
Capital commitment in relation to investment in subsidiaries	127,644	123,632

The Group has committed to inject capital into the subsidiaries over a period of 2 to 20 years from the date of incorporation.

(b) Operating lease commitments – as lessee

The Group has various operating lease agreements for the rental of restaurants, staff quarters and warehouse premises. These leases have an average tenure of between 1 to 30 (2015: 1 to 30) years, with renewal options included in a few contracts. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2016, amounted to $1,526,000 (2015: $1,574,000). No contingent rents were paid during the financial years ended 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Commitments (cont'd)

(b) Operating lease commitments – as lessee (cont'd)

Future minimum rentals under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2016	**2015**
	$'000	$'000
Within 1 year	1,522	1,555
Within 2 to 5 years	3,031	453
More than 5 years	127	142
	4,680	2,150

(c) Financial support

The Company has provided financial support to a subsidiary to enable it to continue as a going concern. The net current deficit position of this subsidiary as at 31 December 2016 amounted to $5,000.

27. Segment information

For management purposes, the Group is organised on a worldwide basis into three main reportable segments as follows:

- Restaurant operations, which mainly relate to operation of restaurant outlets;
- Corporate and franchising services, which mainly relate to management fees from restaurants, franchise fees and royalties from franchisees; and
- Leasing and financing, which mainly relates to equipment leasing and car financing

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 which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

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

27. Segment information (cont'd)

	Restaurant operations 2016 $'000	Restaurant operations 2015 $'000	Corporate and franchising services 2016 $'000	Corporate and franchising services 2015 $'000	Leasing and financing operations 2016 $'000	Leasing and financing operations 2015 $'000	Adjustments and eliminations 2016 $'000	Adjustments and eliminations 2015 $'000	Notes	Per consolidated financial statements 2016 $'000	Per consolidated financial statements 2015 $'000
Revenue:											
External sales	13,657	18,151	604	119	1,269	242	–	(5,186)*		15,530	13,326
Inter-segment sales	–	–	1,775	2,236	–	–	(1,775)	(2,236)	A	–	–
	13,657	18,151	2,379	2,355	1,269	242	(1,775)	(7,422)		15,530	13,326
Results:											
Interest income	–	57	59	94	244	105	–	(57)*		303	199
Property, plant and equipment written off	1	–	–	–	–	–	–	–		1	–
Depreciation of property, plant and equipment	(581)	(743)	#	(3)	(79)	(82)	–	72*		(660)	(756)
Stock loss	–	(22)	–	–	–	–	–	22*		–	–
Share of results of associates	–	–	547	–	(29)	–	–	–		518	–
Impairment loss on property, plant and equipment / (Write back of impairment loss on property, plant and equipment)	–	(8)	–	–	–	–	–	(56)*		–	(64)
Segment (loss)/profit	(158)	(403)	(1,370)	(1,422)	679	(340)	1,995	149	B	1,146	(2,016)
Investment in associates	–	–	834	–	4,318	–	–	–		5,152	–
Additions to non-current assets	24	69	1	–	6	–	–	–		31	69
Segment assets	4,305	7,857	40,011	38,014	32,318	27,672	(30,770)	(28,756)	C	45,864	44,787
Segment liabilities	1,722	4,611	2,796	682	5,464	358	(4,281)	(1,240)	D	5,701	4,411

* These amounts pertain to adjustments made for discontinued operations which have been excluded to arrive at amounts shown in profit or loss in the prior year. These amounts were presented separately in the income statement within one line item, "loss after taxation from discontinued operations" in the prior year.

Amount less than $1,000

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Segment information (cont'd)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B The following items are added to/(deducted from) segment profit to arrive at "profit before taxation from continuing operations" presented in the consolidated statement of comprehensive income:

	2016	**2015**
	$'000	$'000
Gain on disposal of subsidiaries (Note 5)	1,483	–
Share of results of associates	518	
Unallocated corporate expenses	(6)	–
Segment results of discontinued operation	–	149
	1,995	149

C The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet:

	2016	**2015**
	$'000	$'000
Unallocated corporate assets	3,031	3,505
Inter-segment assets	(33,801)	(32,261)
	(30,770)	(28,756)

D The following items are deducted from/(added to) segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2016	**2015**
	$'000	$'000
Income tax payables	206	–
Deferred tax liabilities	138	128
Inter-segment liabilities	(4,625)	(1,368)
	(4,281)	(1,240)

27. Segment information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Singapore	13,813	12,976	1,420	1,978
People's Republic of China	1,269	5,413	256	437
Others	448	123	–	–
Discontinued operation	–	(5,186)	–	(95)
	15,530	13,326	1,676	2,320

Non-current assets information presented above consist of property, plant and equipment as presented in the consolidated balance sheet.

28. 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 credit risk, foreign currency risk, interest rate risk and liquidity risk.

The Group's overall strategies, tolerance of risks, and general risk management philosophy are determined by the Board in accordance with prevailing economic and operating conditions. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial period, 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 have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

<u>Credit risk</u>

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 debtors. For other financial assets (including cash and cash equivalents), the Group and the Company minimize credit risk by dealing with good credit rating counterparties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with creditworthy third parties. It is the Group's policy that all parties who wish to trade on credit terms are subject to credit verification procedures. In addition, debtors' balances are monitored on an ongoing basis.

As at 31 December 2016, approximately 99% (2015: 100%) of the Group's trade debtors relates to 11 (2015: 2) debtors located in Shandong Province Jining City High-tech Zone and Tianjin Binhai New Area respectively.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and business sector profile of its trade debtors on an ongoing basis. The credit risk concentration profile of the Group's trade debtors at the end of the reporting period is as follows:-

	Group			
	2016		2015	
	$'000	% of total	$'000	% of total
By country :				
Indonesia	–	–	11	–
Singapore	–	–	–	–
People's Republic of China	24,754	99	5,037	100
Others	70	1	14	–
	24,824	100	5,062	100
By business sectors :				
Restaurant operations	–	–	6	–
Restaurant management services	70	1	19	–
Leasing and financing	24,754	99	5,037	100
	24,824	100	5,062	100

Financial assets that are neither past due nor impaired

Trade and other debtors that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 8, 9 and 10 to the financial statements.

28. Financial risk management objectives and policies (cont'd)

Foreign currency risk

The Group's foreign currency risk exposures are mainly in Renminbi. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Management monitors foreign exchange exposures and will consider hedging significant foreign currency exposure should the need arises. It is the policy of the Group not to trade in any foreign exchange forward contracts.

The Group maintains a natural hedge, wherever possible, by matching the foreign currency assets against its liabilities. However, the Group continues to be exposed to foreign currency risks relating to any immaterial amounts.

Foreign exchange exposures in transactional currencies, other than functional currencies of the operating entities, are kept to an acceptable level. In relation to its overseas investment in its foreign subsidiaries whose net assets are exposed to currency translation risk and which are held for long-term investment purposes, the differences arising from such translation are captured under the foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

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 level of cash to meet the obligations and commitments due and to ensure cash efficiency whereby maximisation of cash flow position can be achieved.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	2016			2015		
	Within 1 year	**More than 1 year**	**Total**	**Within 1 year**	**More than 1 year**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Financial assets:						
Trade receivables	20,431	4,393	24,824	1,109	5,723	6,832
Other receivables	548	65	613	54	60	114
Deposits	315	166	481	210	240	450
Cash and cash equivalents	8,294	–	8,294	8,852	–	8,852
Fixed deposits	3,031	–	3,031	23,696	–	23,696
Total undiscounted financial assets	32,619	4,624	37,243	33,921	6,023	39,944
Financial liabilities:						
Trade payables	996	–	996	576	–	576
Other payables and accruals	4,076	–	4,076	1,305	–	1,305
Franchise deposits	–	100	100	–	110	110
Total undiscounted financial liabilities	5,072	100	5,172	1,881	110	1,991
Total net undiscounted financial assets	27,547	4,524	32,071	32,040	5,913	37,953

28. Financial risk management policies and objectives (cont'd)

Liquidity risk (cont'd)

	2016			2015		
	Within 1 year	**More than 1 year**	**Total**	**Within 1 year**	**More than 1 year**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
<u>Company</u>						
Financial assets:						
Trade receivables	50	–	50	18	–	18
Other receivables	93	47	140	24	60	84
Amounts due from subsidiaries (trade)	97	–	97	1,368	–	1,368
Amounts due from subsidiaries (non-trade)	2,098	–	2,098	1,165	–	1,165
Cash and cash equivalents	1,451	–	1,451	5,628	–	5,628
Fixed deposits	3,031	–	3,031	3,506	–	3,506
Total undiscounted financial assets	6,820	47	6,867	11,709	60	11,769
Financial liabilities:						
Other payables and accruals	566	–	566	572	–	572
Franchise deposits	–	100	100	–	110	110
Total undiscounted financial liabilities	566	100	666	572	110	682
Total net undiscounted financial assets/ (liabilities)	6,254	(53)	6,201	11,137	(50)	11,087

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

29. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value:

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade receivables (current), amounts due from subsidiaries (trade and non-trade), trade payables, deposits (current), other receivables , other payables and accruals

The carrying amounts of these balances approximate their fair values due to their short-term nature.

Deposits (non-current), trade receivables (non-current) and other receivables (non-current)

Management believes that the carrying amount recorded at the balance sheet date approximates its fair value, as the interest rates used to amortise the non-current deposits and trade debtors closely approximate the market interest rates on or near the end of the reporting period.

Fixed deposits, and cash and cash equivalents

The carrying amounts of these balances approximate their fair values due to their short-term nature.

30. Capital management

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 its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in 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 financial years ended 31 December 2016 and 31 December 2015. The Group is not subject to externally imposed capital requirements.

In the prior year, a few subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2015.

31. Subsequent events

On 8 March 2017, the Company has entered into agreements with 2 investors from the People's Republic of China to invest in the Company's wholly-owned subsidiary, Pavillon Financial Leasing Co. Ltd. Subsequent to the investments by the 2 investors, the Company's ownership interest has decreased from 100% to 84.4%.

In January 2017, the Company has incorporated a joint venture company, which it has 40% effective interest, held through its wholly-owned subsidiary, Tianjin Pavillon Assets Management Co., Ltd and associate company, Tianjin Binhai New Area Changjiang Cultural Assets Trading Center Co., Ltd.

32. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 28 March 2017.

CORPORATE GOVERNANCE REPORT

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

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

1.1 BOARD MATTERS

1.1 The Board's conduct of affairs

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

During the financial year from 1 January 2016 to 31 December 2016 ("**FY2016**"), the Board held various meetings and the attendance of each Director at every Board and Board Committee meeting is summarised as follows:-

	Board		**Audit Committee**		**Nominating Committee**		**Remuneration Committee**	
	No. of meetings held	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**
Dr John Chen Seow Phun	3	3	4	4[1]	1	1[1]	1	1[1]
Zheng Fengwen	3	3	4	1[1]	1	N/A	1	N/A
Lee Tong Soon	3	3	4	4[1]	1	1[1]	1	1[1]
Kok Nyong Patt	3	3	4	3[1]	1	N/A	1	N/A
Chen Liping[2]	3	2	4	4[1]	1	N/A	1	N/A
Hoon Tai Meng	3	3	4	4	1	1	1	1
Julia Kwok Yung Chu[3]	1	1	2	2	1	1	1	1
Foo Der Rong	3	3	4	3	1	1	1	1
Jo-Anne Chang	3	3	4	4[1]	1	N/A	1	N/A
Ko Chuan Aun[4]	2	2	2	2[1]	N/A	N/A	N/A	N/A

(1) Attended the meeting as an invitee.
(2) Ms Chen Liping resigned as Executive Director on 30 October 2016.
(3) Ms Julia Kwok Yung Chu retired as Independent Director on 28 April 2016.
(4) Mr Ko Chuan Aun was appointed as Independent Director on 25 July 2016.

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

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

1.2 Board Composition and Guidance

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

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

In view that the Chairman is not an Independent Director, the Board noted that pursuant to Guideline 2.2 of the Code, the Company is required to comply with the Code's recommendation for Independent Directors to make up at least half of the Board at the annual general meeting following the end of financial year commencing on or after 1 May 2016.

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

1.3 Chairman and Chief Executive Officer ("CEO")

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

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

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

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

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

- scheduling of meetings (with the assistance of the Company Secretaries) to enable the Board to perform its duties while not interfering with the flow of the Group's operations;
- preparing the meeting agenda (in consultation with the CEO and Managing Director) and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- ensuring that Board meetings are held when necessary;
- promoting a culture of openness and debate at the Board;
- facilitating contributions from the Non-Executive Directors and encouraging constructive relationships within the Board and Management;
- exercising control over the quality, quantity and timeliness of information flow to the Board, ensuring effective communication with the Company's shareholders;

- ensuring, fostering constructive and effective communication with shareholders;
- facilitating the effective contribution of Non-Executive Directors in particular; and
- encouraging high standards of corporate governance.

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

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

2. NOMINATING COMMITTEE ("NC")

2.1 Board Membership

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

The Directors retiring by rotation pursuant to Regulation 107 of the Company's Constitution are Mr Kok Nyong Patt and Mr Foo Der Rong, while Mr Ko Chuan Aun is retiring by rotation pursuant to Regulation 117 of the Company's Constitution at the forthcoming AGM. The NC has reviewed the performance and level of contribution of each retiring Directors and the NC recommended the re-election of all three (3) of them at the forthcoming AGM to be held on 27 April 2017. The Board concurred with the NC and accepted the recommendation of the re-election of the three (3) retiring Directors. The retiring Directors will be offering themselves for re-election.

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

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

Key information regarding the Directors is provided on page 84 to 88 of the AR.

2.2 Board Performance

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

Name of Director	John Chen Seow Phun
Shareholding in the Company (as at 22 March 2017)	23,163,525 Shares (as set out on page 102 of the AR) Dr Chen is deemed to be interested in 22,252,725 Shares held by Unigold Asia Limited and 62,500 Shares held by his spouse. He is the beneficial owner of 848,300 Shares held by DBS Nominees (Private) Limited.
Board Committees Served	None
Date of first appointment as director	13 December 2001
Date of re-designated as Executive Chairman	1 May 2012
Date of last re-election as director	28 April 2016
Present Directorships in other listed companies and other principal commitments	JCL Business Development Pte Ltd Unigold Asia Limited OKP Holdings Limited Hiap Seng Engineering Ltd Hanwell Holdings Ltd Matex International Limited SAC Capital Private Limited Tat Seng Packaging Group Ltd HLH Group Limited Fu Yu Corporation Limited National University Health System Pte Ltd DATAESP Pte Ltd Pattern Discovery Technologies Pte Ltd JLM Foundation Ltd SAC Advisors Pte Ltd
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Nil

Name of Director	Zheng Fengwen
Shareholding in the Company (as at 22 March 2017)	100,000,000 Shares (as set out on page 102 of the AR) Mr Zheng is deemed to be interested in 100,000,000 Shares held by Sunlead Evergrowing Capital Co., Limited, which is deemed to be interested by his spouse.
Board Committees Served	None
Date of first appointment as director	27 March 2014
Date of last re-election as director	22 April 2015
Present Directorships in other listed companies and other principal commitments	Pavillon Business Development (Shanghai) Co., Ltd. Pavillon Financial Leasing Co., Ltd Hui Bang Investment Co. Ltd Sunlead Evergrowing Capital Co. Limited Tianjin Pavillon Assets Management Co., Ltd.
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Zhongrun Resources Investment Co., Ltd. Shandong Zhongrun Properties Co. Ltd. Shandong Zhongrun Group Zibo Properties Co., Ltd. Shandong Shengji Investment Co., Ltd. Vatukoula Gold Mines PLC

Name of Director	Lee Tong Soon
Shareholding in the Company (as at 22 March 2017)	24,023,926 Shares (as set out on page 102 of the AR) Mr Lee is also deemed to be interested in 12,500 Shares held by his spouse.
Board Committees Served	None
Date of first appointment as director	15 November 1999
Date of last re-election as director	Not Applicable. Mr. Lee is the Managing Director of the Company since incorporation. As such, he is not subject to re-election according to Regulation 107 as set out above.
Present Directorships in other listed companies and other principal commitments	Thai Village Restaurant Pte Ltd Thai Village Overseas Ventures Pte Ltd Tianjin Pavillon Asset Management Co., Ltd Pavillon Business Development (Shanghai) Co., Ltd. Pavillon Financial Leasing Co., Ltd
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Thai Village (China) Pte. Ltd. Shanghai Thai Village Restaurant Management Co., Ltd Thai Village Restaurant (Shanghai) Co., Ltd

CORPORATE GOVERNANCE REPORT

Name of Director	Kok Nyong Patt
Shareholding in the Company (as at 22 March 2017)	25,027,725 Shares (as set out on page 102 of the AR)
Board Committees Served	None
Date of first appointment as director	15 November 1999
Date of last re-election as director	22 April 2015 Due for re-election at the AGM to be held on 27 April 2017.
Present Directorships in other listed companies and other principal commitments	Thai Village Restaurant Pte Ltd Thai Village Overseas Ventures Pte Ltd New Development Hotel Management Pte. Ltd.
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Thai Village (China) Pte Ltd Shanghai Thai Village Restaurant Management Co., Ltd Thai Village Restaurant (Shanghai) Co., Ltd Renoz Associates Pte. Ltd.

Name of Director	Hoon Tai Meng
Shareholding in the Company (as at 22 March 2017)	Nil
Board Committees Served	Audit Committee (Chairman) Remuneration Committee (Member) Nominating Committee (Member)
Date of first appointment as director	1 February 2011
Date of last re-election as director	28 April 2016
Present Directorships in other listed companies and other principal commitments	Chip Eng Seng Corporation Ltd CES Building & Construction Pte. Ltd. CEL-Alexandra Pte. Ltd. CEL Property Pte. Ltd. CEL-Yishun (Residential) Pte. Ltd. CEL-Yishun (Commercial) Pte. Ltd. CEL Property Investment (Australia) Pte. Ltd. CEL Property Investment Pte. Ltd. CEL Residential Development Pte. Ltd. CEL Property (M) Pte. Ltd. Fernvale Development Pte. Ltd. Sin Ghee Huat Corporation Ltd. Cocoaorient Pte Ltd Ee Hoe Hean Club
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Ardille Pte. Ltd. ACP Metal Finishing Pte. Ltd. CES-China Holding Pte. Ltd. CES-Fort Pte. Ltd. CES-West Coast Pte Ltd CES-Land Pte Ltd CES-Vietnam Holdings Pte Ltd CES-VH Holdings Pte Ltd CES-NB Pte Ltd Grange Properties Pte. Ltd. PH Properties Pte Ltd

Name of Director	Foo Der Rong
Shareholding in the Company (as at 22 March 2017)	Nil
Board Committees Served	Remuneration Committee (Chairman) Audit Committee (Member) Nominating Committee (Member)
Date of first appointment as director	1 May 2012
Date of last re-election as director	22 April 2015 Due for re-election at the AGM to be held on 27 April 2017.
Present Directorships in other listed companies and other principal commitments	Southern Lion Sdn Bhd Tian International Pte Ltd Matex International Ltd
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	INTRACO Limited Tat Hong Intraco Pte. Ltd. Tat Hong Intraco Heavy Equipment Co., Ltd K.A. Building Construction Pte Ltd K.A. Fabric Shutters Pte. Ltd. K.A. FireLite Pte. Ltd. K.A. Fireproofing Pte. Ltd. K.A. Firespray Sdn. Bhd. K.A. Group Holdings Pte. Ltd.

Name of Director	Jo-Anne Chang
Shareholding in the Company (as at 22 March 2017)	40,000,000 Shares (as set out on page 102 of the AR) Ms Jo-Anne Chang is deemed to be interested in 40,000,000 Shares held by Rossbay Private Limited.
Board Committees Served	None
Date of first appointment as director	1 September 2014
Date of last re-election as director	22 April 2015
Present Directorships in other listed companies and other principal commitments	Rossbay Private Limited Pure Accord Sdn. Bhd. Pure Oasis Sdn. Bhd. Attractive Heritage Sdn. Bhd. Gingerflower Boutique Hotel Sdn. Bhd. Dalaston Limited Heeren Palm Suites Sdn. Bhd. Urban Townhouse Sdn. Bhd. Alford Associates Limited Thrive Charm Sdn. Bhd. Heeren Straits Hotel Sdn. Bhd.
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Ko Chuan Aun
Shareholding in the Company (as at 22 March 2017)	Nil
Board Committees Served	Nominating Committee (Chairman) Audit Committee (Member) Remuneration Committee (Member)
Date of first appointment as director	25 July 2016
Date of last re-election as director	Due for re-election at the AGM to be held on 27 April 2017.
Present Directorships in other listed companies and other principal commitments	HSK Resources Pte Ltd KOP Limited Lian Beng Group Ltd Koon Holdings Limited San Teh Limited Singapore Koh Clan Association Ltd Super Group Ltd KSH Holdings Ltd
Past Directorships in other listed companies (within the last 3 years) and other principal commitments	Starbridge Pte Ltd Star Ridge Holdings Pte Ltd Homely Holdings Pte Ltd Smartview Singapore Pte Ltd TCM Lifestyle Holdings Pte Ltd Homely Hardware Pte Ltd Brothers (Holdings) Limited Star Route Pte Ltd Athena Corporation Pte Ltd Belleware Consmetics Pte Ltd Global Vantage Innovative Group Pte Ltd

2.3 Access to information

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

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

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

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

3. REMUNERATION MATTERS

3.1 Procedures for Developing Remuneration Policies

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

3.2 Level and Mix of Remuneration

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

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

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

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

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

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

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

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

3.3 Disclosure on Remuneration

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

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

The remuneration paid to the Directors for services rendered for FY2016 are as follows:-

Directors

Name	**Below S$250,000**		**Between S$250,000 and S$499,999**		**Between S$500,000 and S$749,999**	
		%		**%**		**%**
Chen Seow Phun, John	Salary	-	Salary	-	Salary	66
	Fees	-	Fees	-	Fees	8
	Bonus	-	Bonus	-	Bonus	6
	Other benefits	-	Other benefits	-	Other benefits	20
Zheng Fengwen	Salary	-	Salary	-	Salary	68
	Fees	-	Fees	-	Fees	8
	Bonus	-	Bonus	-	Bonus	6
	Other benefits	-	Other benefits	-	Other benefits	18
Lee Tong Soon	Salary	-	Salary	-	Salary	66
	Fees	-	Fees	-	Fees	8
	Bonus	-	Bonus	-	Bonus	6
	Other benefits	-	Other benefits	-	Other benefits	20
Kok Nyong Patt	Salary	-	Salary	-	Salary	63
	Fees	-	Fees	-	Fees	9
	Bonus	-	Bonus	-	Bonus	5
	Other benefits	-	Other benefits	-	Other benefits	23
Hoon Tai Meng	Salary	-	Salary	-	Salary	-
	Fees	100	Fees	-	Fees	-
	Bonus	-	Bonus	-	Bonus	-
	Other benefits	-	Other benefits	-	Other benefits	-
Foo Der Rong	Salary	-	Salary	-	Salary	-
	Fees	100	Fees	-	Fees	-
	Bonus	-	Bonus	-	Bonus	-
	Other benefits	-	Other benefits	-	Other benefits	-
Jo-Anne Chang	Salary	-	Salary	-	Salary	-
	Fees	100	Fees	-	Fees	-
	Bonus	-	Bonus	-	Bonus	-
	Other benefits	-	Other benefits	-	Other benefits	-

CORPORATE GOVERNANCE REPORT

Name	Below S$250,000		Between S$250,000 and S$499,999		Between S$500,000 and S$749,999	
Ko Chuan Aun	Salary	-	Salary	-	Salary	-
	Fees	100	Fees	-	Fees	-
	Bonus	-	Bonus	-	Bonus	-
	Other benefits	-	Other benefits	-	Other benefits	-
Julia Kwok Yung Chu	Salary	-	Salary	-	Salary	-
	Fees	100	Fees	-	Fees	-
	Bonus	-	Bonus	-	Bonus	-
	Other benefits	-	Other benefits	-	Other benefits	-
Chen Liping	Salary	73	Salary	-	Salary	-
	Fees	21	Fees	-	Fees	-
	Bonus	-	Bonus	-	Bonus	-
	Other benefits	6	Other benefits	-	Other benefits	-

Key management personnel

As at 31 December 2016, the Company has only four (4) key management personnel and their remuneration paid for services rendered for FY2016 are as follows:-

Name	Below S$250,000	
		%
Oh Kok Thai	Salary	79
	Bonus	6
	Other benefits	15
Hau Ee Boon	Salary	80
	Bonus	6
	Other benefits	14
Venetia Yong Chin Ching	Salary	78
	Bonus	6
	Other benefits	16
Zhang Peng	Salary	85
	Bonus	-
	Other benefits	15

The Board believes that it is in the best interest of the Company and the Group to disclose the Directors' remuneration in bands of S$250,000 rather in full, due to its confidentiality and sensitivity of remuneration packages. The Company also decided not to disclose information on the remuneration of the top four (4) key management personnel in dollars terms because of its confidentiality and the Company's concern over poaching of these key management personnel by competitors.

For the same reasons above, the Company believes it is not in the interests of the Company to disclose the total aggregate remuneration paid to the top four (4) key management personnel (who are not directors or the CEO) during FY2016.

There is no employee of the Group who is immediate family members of any Director or the CEO and whose remuneration exceeded S$50,000 during FY2016.

The RC had recommended Directors' fees of S$378,000 for FY2017 for the Directors, which will be tabled by the Board at the forthcoming AGM for shareholders' approval.

The Board has not included a separate annual remuneration report in its AR for FY2016 (as suggested by guidance note 9.1 of the Code) as the Board is of the view that the matters which are required to be disclosed in the annual remuneration report have already been sufficiently disclosed in the AR and in the financial statements of the Company.

4. ACCOUNTABILITY AND AUDIT

4.1 Accountability

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

4.2 Risk Management and Internal Controls

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

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

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

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

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

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

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

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

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

4.3 Audit Committee ("AC")

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

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

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

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

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

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

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

In FY2016, the AC met at least twice a year and also held informal meetings and discussions with Management from time to time. Details of the members' attendance at AC meetings in FY2016 are provided in Section 1.1 of the AR.

The AC performed the following functions in FY2016:-

(a) External Auditors

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

CORPORATE GOVERNANCE REPORT

For FY2016, the AC reviewed together with the external auditors:-

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

The external auditors did not render any non-audit services to the Group in FY2016, and the AC is of the opinion that the external auditors' independence has not been compromised. The aggregate audit fees paid and payable to the external auditors, Messrs Ernst & Young LLP in FY2016 are set out on page 64 of this AR.

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

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

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

The AC has recommended and the Board has accepted the AC's recommendation for the nomination of Messrs Nexia TS Public Accounting Corporation ("**Nexia TS**") in place of retiring external auditors, Messrs Ernst & Young LLP as the external auditors of the Company for the ensuing year, subject to the approval of the shareholders at the AGM.

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

The AC has met up with the external auditors together with the internal auditors without the presence of Management in FY2016.

(b) Review of financial statements

For FY2016, the AC reviewed the half-yearly and full year financial statements of the Company and the Group, including announcements relating thereto, to shareholders and the SGX-ST.

(c) Review of interested person transactions

The AC has reviewed interested person transactions of the Group for FY2016 and reported its findings to the Board, if any. Please refer to page 100 of the AR for further details on the interested person transactions of the Group for FY2016.

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

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

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

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

4.4 Internal Audit

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

In FY2016, the Company has outsourced its internal audit function to a professional firm Messrs Nexia TS. The internal auditor reports directly to the AC on audit matters and to the Chairman and Managing Director on administrative matters. The main objective of the internal audit function is to assist the Group in evaluating and assessing the effectiveness of internal controls and consequently to highlight the areas where control weaknesses exist, if any, and thus improvements could be made. The Company continues to work with the internal auditor to identify other scope of work which will help to further enhance the robustness of the Company's internal controls.

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

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

CORPORATE GOVERNANCE REPORT

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

The AC has recommended and the Board has approved the AC's recommendation for the appointment of Messrs Mazars LLP in place of the resigning internal auditors, Messrs Nexia TS with effect from 27 March 2017.

5. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

5.1 Shareholder Rights

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

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

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

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

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

[1] A Relevant Intermediary is:

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

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

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

5.2 Communication with shareholders

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

5.3 Conduct of Shareholder Meetings

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

The Company Secretaries prepare minutes of general meetings relating to the agenda of the meeting, and make these minutes, subsequently approved by the Board. These minutes will be available to shareholders upon their request.

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

6. DEALINGS IN SECURITIES

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

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

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

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

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

7. MATERIAL CONTRACTS

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

8. INTERESTED PERSON TRANSACTIONS

Save as disclosed in the financial statements, there was no interested person transaction with aggregate value of S$100,000 or more for the FY2016.

9. UTILISATION OF PLACEMENT PROCEEDS

As at 2 December 2016, the Company has fully utilized the placement proceeds ("**Proceeds**") amounting to S$24,840,000 as follows:-

Use of net Proceeds	**Amount Utilized (S$)**
Purchase of leasing assets	20,008,000
Capital injection into joint ventures	4,318,000
Operating expenses of leasing business	514,000
Total placement fund utilised to date	24,840,000
Balance of the Proceeds	**0**

The Proceeds have been fully used in accordance with the intended use and was in accordance with the percentage allocated as stated in the announcement released on 31 October 2013 (Announcement No. 00040).

STATISTICS OF SHAREHOLDINGS

As at 22 March 2017

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	7	0.38	337	0.00
100 - 1,000	152	8.21	89,156	0.02
1,001 - 10,000	652	35.20	2,495,538	0.64
10,001 - 1,000,000	1,021	55.13	76,678,835	19.78
1,000,001 AND ABOVE	20	1.08	308,484,834	79.56
TOTAL	**1,852**	**100.00**	**387,748,700**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	103,045,750	26.58
2	ROSSBAY PRIVATE LIMITED	40,000,000	10.32
3	SINGAPORE ENTERPRISES PRIVATE LIMITED	38,700,000	9.98
4	TEO KIANG ANG	28,617,400	7.38
5	KOK NYONG PATT	25,027,725	6.45
6	LEE TONG SOON	24,023,926	6.20
7	UNIGOLD ASIA LIMITED	22,252,725	5.74
8	DBS NOMINEES (PRIVATE) LIMITED	5,359,300	1.38
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,291,750	0.85
10	TEO KOK LEONG	2,852,000	0.74
11	PHILLIP SECURITIES PTE LTD	2,148,750	0.55
12	ANG YU SENG	1,960,000	0.51
13	UOB KAY HIAN PRIVATE LIMITED	1,788,750	0.46
14	LEE SZE KIAN	1,648,900	0.43
15	POH WAI LEONG (PAN WEILIANG)	1,553,000	0.40
16	CHUA YEW CHYE	1,400,000	0.36
17	CHEN LIPING	1,300,000	0.34
18	HL BANK NOMINEES (SINGAPORE) PTE LTD	1,269,000	0.33
19	MAYBANK KIM ENG SECURITIES PTE LTD	1,234,000	0.32
20	OCBC SECURITIES PRIVATE LIMITED	1,011,858	0.26
	TOTAL	**308,484,834**	**79.58**

STATISTICS OF SHAREHOLDINGS

As at 22 March 2017

SHAREHOLDING INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS AS AT 22 MARCH 2017

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Citibank Nominees Singapore Pte Ltd	103,045,750	26.58	–	–
Sunlead Evergrowing Capital Co. Limited (1)	–	–	100,000,000	25.79
Xu Cai Kui (2)	–	–	100,000,000	25.79
Zheng Fengwen (3)	–	–	100,000,000	25.79
Rossbay Private Limited	40,000,000	10.32	–	–
Heng Chin Ngor Doris (4)	–	–	40,000,000	10.32
Jo-Anne Chang (5)	–	–	40,000,000	10.32
Singapore Enterprises Private Limited	38,700,000	9.98	–	–
Teo Kiang Ang	28,617,400	7.38	–	–
Kok Nyong Patt	25,027,725	6.45	–	–
Lee Tong Soon (6)	24,023,926	6.20	12,500	0.01
Unigold Asia Limited	22,252,725	5.74	–	–
John Chen Seow Phun (7)	–	–	23,163,525	5.97

Notes:-

(1) Sunlead Evergrowing Capital Co. Limited is the beneficial owner of 100,000,000 shares held by Citibank Nominees Singapore Pte Ltd.

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

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

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

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

(6) Mr Lee Tong Soon is deemed to be interested in 12,500 shares in the capital of the Company which are held by his spouse, Mdm Lim Teck Eng.

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

SHAREHOLDERS' INFORMATION

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

RULE 723 OF THE SGX LISTING MANUAL – FREE FLOAT

As at 22 March 2017, approximately 27.91% of issued share capital of the Company was held in the hands of public as defined in the SGX Listing Manual. Accordingly, the Company confirms that Rule 723 of the Listing Manual is complied with.

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Pavillon Holdings Ltd. (the "**Company**") will be held at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691 on Thursday, 27 April 2017 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Statement by Directors and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon.

   (Resolution 1)

2. To approve the payment of Directors' fees of S$378,000 for the financial year ending 31 December 2017, with payment to be made in arrears. (2016 : S$423,000)

   (Resolution 2)

3. To re-elect Mr Kok Nyong Patt who retire pursuant to Regulation 107 of the Constitution of the Company.

   (Resolution 3)

   [See Explanatory Note (i)]

4. To re-elect Mr Foo Der Rong who retire pursuant to Regulation 107 of the Constitution of the Company.

   (Resolution 4)

   [See Explanatory Note (ii)]

5. To re-elect Mr Ko Chuan Aun who retire pursuant to Regulation 117 of the Constitution of the Company

   (Resolution 5)

   [See Explanatory Note (iii)]

6. To appoint Messrs Nexia TS Public Accounting Corporation as the Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young LLP and to authorise the Directors of the Company to fix their remuneration.

   (Resolution 6)

   [See Explanatory Note (iv)]

7. To transact any other ordinary business which may properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

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

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

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

(b) any subsequent bonus issue, consolidation or subdivision of shares.

(Resolution 7)

[See Explanatory Note (v)]

BY ORDER OF THE BOARD

Chew Kok Liang
Wong Chuen Shya (Huang Chunxia)
Company Secretaries

Singapore, 12 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Kok Nyong Patt will, upon re-election as Director of the Company, remain as Executive Director and will be considered non-independent.

(ii) Mr Foo Der Rong will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee, a member of the Audit and Nominating Committees, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(iii) Mr Ko Chuan Aun will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee, a member of the Audit and Remuneration Committees, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(iv) The Ordinary Resolution 6, if passed, will allow for the appointment of Messrs Nexia TS Public Accounting Corporation as the Company's auditors for the financial year ending 31 December 2017 in place of the retiring auditors, Messrs Ernst & Young LLP ("**Proposed Change of Auditors**") and to authorise the Directors of the Company to fix their remuneration. Information on Messrs Nexia TS Public Accounting Corporation, the rationale of the Proposed Change of Auditors, the confirmations pursuant to Rule 1203(5) of the Listing Manual, the Audit Committee's statement and the Directors' recommendation in connection with the Proposed Change of Auditors are set out in the Appendix to this Notice of AGM dated 12 April 2017.

(v) The Ordinary Resolution 7, will empower the Directors of the Company from the date of the meeting effective until the conclusion of the next Annual General Meeting of the Company to issue shares and convertible securities in the Company up to a number not exceeding, in total fifty per cent (50%) of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company for the time being for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting.

Notes

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at Block 1002 Tai Seng Avenue, #01-2536, Singapore 534409 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

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

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

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

PERSONAL DATA PRIVACY

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

IMPORTANT:

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

PAVILLON HOLDINGS LTD.

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ... (Name) .... (NRIC/Passport No.)
of..
being a member/members of Pavillon Holdings Ltd. (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Thursday, 27 April 2017 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	**Resolutions relating to:**	**No. of votes 'For'***	**No. of votes 'Against'***
1	Audited Financial Statements for the financial year ended 31 December 2016		
2	Approval of Directors' fees amounting to S$378,000 for the financial year ending 31 December 2017, with payment to be made in arrears.		
3	Re-election of Mr Kok Nyong Patt as a Director		
4	Re-election of Mr Foo Der Rong Meeting a Director		
5	Re-election of Mr Ko Chuan Aun as a Director		
6	Appointment of Messers Nexia TS Public Accountant Corporation as Auditors in place of Messers Ernst & Young LLP and to authorised the Directors to fix their remuneration		
7	Authority to issue shares		

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

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

Dated this .... day of 2017

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

* Delete where inapplicable

Notes :

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

   * A Relevant Intermediary is:

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

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

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

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2017.

GENERAL:

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

SINGAPORE ► CHINA ► VIETNAM ► CAMBODIA

Pavillon Holdings Ltd.
Company Registration No. 199905141N

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#01-2536, Singapore 534409
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