蘭亭

Pavillon Holdings Ltd.

POSITIONING FOR THE FUTURE


1,235.01
0.00
25,187.70
7,645.05
207.70
210.95
12,411.80
149.16
27,752.93
23.26
1.41%

CONTENT

CORPORATE MAP

Pavillon Holdings Ltd

- **Self-Managed Restaurants**
  - **SINGAPORE** Goodwood Park Indoor Stadium
- **Franchise Restaurants**
  - **CHINA Shanghai** Yangpu Sunshine Pudong
  - **VIETNAM** Ho Chi Minh City Hanoi
- **Eatery**
  - **SINGAPORE** Chinatown Point
- **Leasing Business**
  - **CHINA** Beijing Tianjin
- **Property Business**
  - **CHINA** Tianjin

CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

The Group attained a revenue of S$13.0 million, a slight decrease from S$14.4 million in the financial year ended 31 December 2019

DEAR SHAREHOLDERS,

It has been an eventful year marked by a slowdown in global economies, economic and political uncertainties. Despite this, the Group continues to prudently strategize, streamline operations and improve productivity for future growth. The Group successfully achieved ISO 22000 certification for our restaurant operations and Central Kitchen, and with the support of government grants, upgraded the machinery used in our operations. Our staff have also undergone continuous training for productivity and excellent service. On behalf of the Board of Directors of Pavillon Holdings Ltd. ("the Group"), we present the annual report of the Group for the financial year ended 31 December 2019 ("FY 2019").

FINANCIAL PERFORMANCE

The Group attained a revenue of S$13.0 million, a slight decrease from S$14.4 million in the financial year ended 31 December 2019 ("FY 2019"). This was mainly due to decreased revenue from Singapore restaurant operations arising from the slower market for the food and beverage (F&B) businesses, as well as a decrease in revenue from operations in China due to a decline in financial leasing business during the year. The decline in volume of financial leasing is mainly due to increased cautiousness and selectiveness of clientele, which is necessary given the climate of uncertainty.

Overall, the Group made a net profit of S$1.3 million, a turnaround from the loss of S$14.1 million in FY2018, largely driven by an increase in other income, as well as a decrease in expenses. Other income increased to S$10.4 million due to a valuation gain from deemed disposal of a subsidiary

DR. JOHN CHEN SEOW PHUN
Executive Chairman

MR LEE TONG SOON
Managing Director

(Fengchi IOT Co., Ltd.), a company principally engaged in the development of the logistics hub project in Tianjin, China, as well as a reversal on the prior year impairment loss on trade receivables. The Group has received unquoted shares valued at $3.9 million. The Group is satisfied with the valuation of unquoted shares that it is sufficient to substantially cover the amount due from the debtor. Consequently, the Group has reversed the impairment loss on the receivable.

The total assets of the Group stood at S$43.3 million, a decrease from S$50.3 million in FY 2018. While cash and cash equivalents decreased to S$8.3 million, trade and other receivables decreased to S$5.4 million. Total liabilities stood at S$6.8 million, down from S$7.7 million. As at 31 December 2019, the Group's net assets stood at S$36.5 million.

FUTURE PROSPECTS

The food and beverage industry in Singapore has been identified in Budget 2020 as a key sector that would be directly affected by the spread of the novel coronavirus COVID-19, and its effects can already be seen – the Braised Rice eatery at Chinatown Point had been experiencing steady growth until the Covid-19 outbreak affected Singapore, where there was a marked decrease in footfall in the mall. Similarly, the Thai Village Restaurant experienced a substantial number of cancellations of reservations after the Lunar New Year.

The Group will continue to seek new concepts and opportunities in the F&B industry locally and overseas. While COVID-19 is likely to have a significant impact on our business in 2020, the Group remains cautiously optimistic that the support provided by the government in the Budget 2020 COVID-19 response measures and the additional COVID-19 support measures will help mitigate the adverse effects of the outbreak on the Group. At the same time, we will continue to focus on reskilling the workforce, accelerating the development of digital skills, and adopting innovative solutions.

On the financial leasing end, the Group has been increasingly selective and cautious so as to minimise unnecessary risk and optimise earnings against a backdrop of increasing uncertainty. The Group will continue practicing the same judicious approach in 2020 given the current economic climate. On our logistics hub project in Tianjin, the Group evaluated various options and opted to enter a joint venture with a new partner, which has injected and expanded capital at a premium value of 30% into the Group's subsidiary, Fengchi IOT Co., Ltd. Together with the new partner, the Group has secured bank loan of RMB300m for the construction of the logistic hub. As a result, the Group's shareholding in Fengchi IOT Co., Ltd reduced to 49%. However, we are still actively working together with our partner in ensuring the speedy completion of the construction, as well as

the marketing of the logistic hub to potential tenants. While the completion of the bonded warehouse in Tianjin has been slightly delayed, it is on track to be completed within the year. The hub, a flagship development for the DongJiang Economic Zone, receives special incentives in the form of tax rebates from the Chinese government. Its success depends on how well it is tenanted out. If successful, it is expected to be a steady source of revenue in the Group's diversification into logistics and e-commerce services.

While there appears to be greater uncertaintly around the US-China trade war, the evolving Covid-19 situation presents greater uncertainties that affects all countries globally. In light of the unpredictability of current circumstances, the Group will continue to focus on our core businesses of F&B and financial leasing, and practice prudence and care as we streamline processes and drive growth. The Group will also work hard with our partners to drive the successful completion and operation of the logistics hub.

DIVIDENDS

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

CONCLUSION

With challenges come opportunities. As we bide our time for greater clarity and more benign circumstances, we continue to make improvements and forge ahead in the hope of better results in time to come. On behalf of the Board, we would like to take this opportunity to show our heartfelt appreciation to the staff and management team, whose dedication and hard work are essential for success of any businesses undertaken by the Group. To our clients, business associates and shareholders, a big thank-you for your patience and enduring support as we continue to strive for success.

OPERATIONS REVIEW

▶ TURNOVER AND EARNINGS

During the financial year ended 31 December 2019 ("FY2019"), the total revenue of the Group stood at S$13.0 million down by S$1.4 million from S$14.4 million during the financial year ended 31 December 2018 ("FY2018"). This was largely due to slower market for the food and beverage businesses, as well as a decrease in revenue from operations in China due to a decline in financial leasing business during FY2019.

Restaurant operations saw a decrease in revenue from S$12.6 million to S$12.4 million, resulting in a decrease in profit from S$388,000 in FY2018 to a loss of S$251,000 in FY2019.

Financial leasing operations saw a decrease in revenue from S$1.5 million to S$0.1 million largely due increased cautiousness and selectiveness of clientele, which is necessary given the climate of uncertainty.

Interest income saw an increase of S$16,000 due to larger funds placed in fixed deposit in China as compared to 2018. Other income increased by S$5.8 million largely due to gain from deemed disposal of Fengchi IOT Co., Ltd.

This results in a profit before tax of S$1.1 million for FY2019, turnaround from a loss before tax S$13.9 million in FY2018. This is largely due to a gain on deemed disposal of Fengchi IOT Co., Ltd. and reversal of impairment loss of receivables in FY2019.

▶ BALANCE SHEET AND CASH FLOWS

The Group has derecognised the intangible assets and land-use rights in FY2018 due to dilution of interest in Fengchi IOT Co., Ltd., which became an associated company of the Group. Correspondingly, the Group recognised its interest retained in Fengchi IOT Co., Ltd., as investments in associated companies. In 2019, the Group has received unquoted shares valued at $3.9 million from a trade debtor. The Group is satisfied with the valuation of unquoted shares that it is sufficient to substantially cover the amount due from the debtor. Consequently, the Group has reversed the impairment loss on the receivable that provided in FY2018.

Cash and cash equivalents saw a decrease of S$12.7 million to S$8.3 million, while trade and other receivables decreased from S$12.6 million to S$5.1 million, bringing current assets down to S$14.4 million in FY2019 from S$34.6 million in FY2018.

Trade and other payables increased from S$6.7 million to S$4.1 million, with total liabilities standing at S$6.8 million, down from S$7.7 million in FY2018. Net assets for FY2018 stands at S$36.5 million, down from S$42.5 million in the previous year.

Based on a year-on-year comparison, net cash flow from operating activities stands at S$16.1 million mainly due to recovery of impaired debt and gain on deemed disposal of Fengchi IOT Co., Ltd. Net cash flow used in investing activities of S$27.2 million mainly due to net cash outflows arising from deemed disposal of Fengchi IOT Co., Ltd, while net cash flow used in financing activities of S$1.5 million that was used in payment of lease liabilities. This concludes cash and cash equivalents at end of the financial year at S$8.3 million.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

1

DR. JOHN CHEN SEOW PHUN
Executive Chairman

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

2

MR 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.

3

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.

4

MR HOON TAI MENG
Independent Director

Mr Hoon was appointed an Independent Director of the Company on 1 February 2011. Besides having around 16 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).

5

MR FOO DER RONG
Independent Director

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

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

6

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 is currently the Chairman of HSK Resources Pte Ltd. He was the President and Executive Director of KOP Limited from May 2014 to October 2017. Prior to the reverse take-over exercise by the former, Mr Ko was the Group CEO and Executive Director of Scorpio East Holdings Ltd from March 2012 to May 2014. Mr Ko also holds chairmanships and directorships in various private and public companies. He is an Independent Director of Koon Holdings Ltd, KSH Holdings Ltd and Lian Beng Group Ltd. Mr Ko has more than 15 years of working experience with the former Trade Development Board of Singapore (TDB, now known as Enterprise Singapore or ESG). His last appointment with then TDB was Head of China Operations.

In the past 30 years, Mr Ko has been very actively involved in business investments in the PRC market. He was previously appointed as a Member of the Steering Committee of the Network China. In addition, he served as the Chairman of the Tourism Sub-Committee under the Singapore-Sichuan Trade & Investment Committee as well as Investment Advisor to the Fushun Foreign Trade & Economic Co-operation bureau, PRC respectively.

Mr Ko is currently holding an appointment as a Council Member of the Singapore-China Business Association as well as the Head of China Market Sub-Committee under the ESG Society. Mr Ko was awarded the Service to Education (Pewter) by the Ministry of Education in 2016. Mr Ko holds a Diploma in Export Marketing, which is equivalent to Danish Niels Brock International Business Degree Program.

7

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

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

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

KEY EXECUTIVES

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 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 ZHENG FENGWEN
Advisor – Real Estate & Finance business

Mr. Zheng Feng Wen was executive director and CEO from 27 march 2014 until 30 September 2019. He is presently Advisor of Real Estate and Finance business.

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 anagement, and once held the following positions: Chairman of ShanDong 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 Britishcompany, Vatukoula Gold Mine Ltd

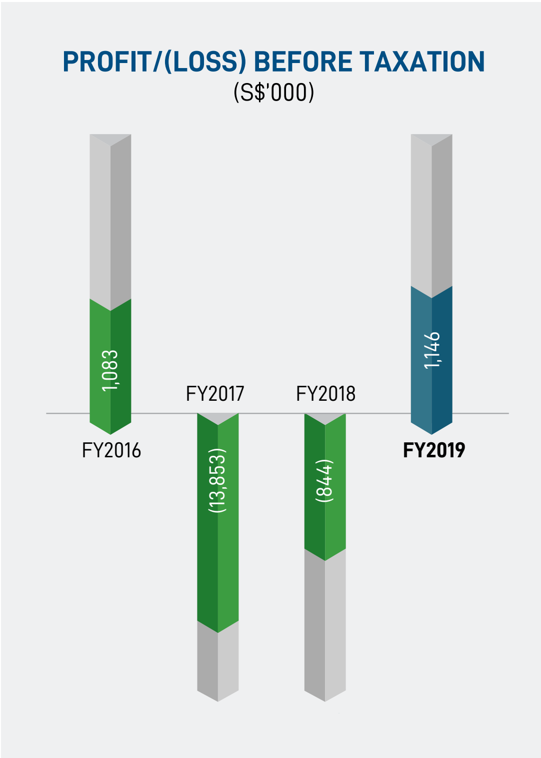
MR HAU YEE BOON
Executive Chef

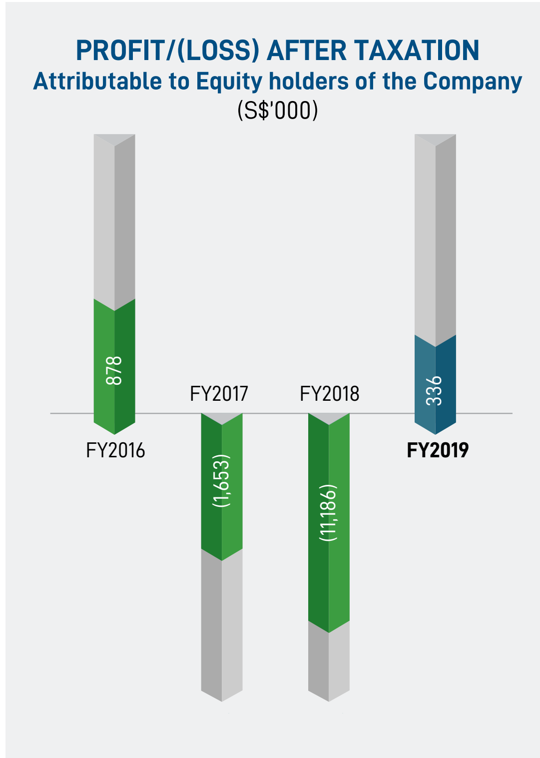
Mr Hau has a deep and extended relationship with the Group, having joined Thai Village Restaurant as one of the critical pioneer chefs in 1991, where he reported to the then Executive Chef, Mr Lee Tong Kuon. In 1999, Mr Hau and the then General Manager of the Group Mr Oh, ventured to China to establish the inaugural China branch. Together, Mr Oh and Mr Hau managed all China restaurant operations, including the setting up of the franchise. In 2012, Mr Lee decided to retire, and Mr Hau took over the baton from Mr Lee to take on the role of Executive Chef. Mr Hau is responsible for the management of the Group's restaurant operations.

MR LOH BENG KIAT, CALVIN
Financial Controller

Mr Loh was newly appointed on 15 April 2018. As the Financial Controller, he is responsible for the financial and management reporting functions of the Group. Mr Loh has over a decade of experience having held various finance management roles since 1997, as well as accountant roles before that. Prior to joining the Group, he was the Chief Financial officer of the HLH Group Ltd, a listed company that focuses on real estate and agricultural development, where he successfully managed all financial and capital aspects. He is a Singapore Chartered Accountant.

FINANCIAL HIGHLIGHTS





CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. John Chen Seow Phun
Executive Chairman

Mr Lee Tong Soon
Managing Director

Mr Kok Nyong Patt
Executive Director

Mr Hoon Tai Meng
Independent Director

Mr Foo Der Rong
Independent Director

Mr Ko Chuan Aun
Independent Director

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

COMPANY SECRETARY

Mr Chew Kok Liang

REGISTERED OFFICE

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

SHARE REGISTRAR

RHT Corporate Advisory Pte Ltd
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

AUDITORS

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

PRINCIPAL BANKER

United Overseas Bank Limited

THAI VILLAGE RESTAURANT PRESENCE

SELF-MANAGED RESTAURANTS

SINGAPORE (新加坡分店)

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

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

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

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

浦东潍坊路328号 (嘉瑞酒店内)
电话: (86) 21-68548282

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

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the directors,

(i) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 13 to 98 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

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

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019	At 31.12.2019	At 1.1.2019
Company Number of ordinary shares				
Dr John Chen Seow Phun	–	–	23,163,525[(1)]	23,163,525[(1)]
Lee Tong Soon	24,135,526	24,135,526	12,500[(2)]	12,500[(2)]
Kok Nyong Patt	25,027,725	25,027,725	–	–
Jo-Anne Chang	–	–	40,000,000[(3)]	40,000,000[(3)]

Note :

(1) 62,500 (2018: 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 (2018: 848,300) shares held by DBS Nominees Private Ltd. Additionally, 22,252,725 (2018: 22,252,725) shares are held in the name of Unigold Asia Limited, which is wholly owned by Dr. John Chen Seow Phun.

(2) 12,500 (2018: 12,500) shares are held in the name of Lee Chun Hui Crystal, who is the daughter of Lee Tong Soon.

(3) 40,000,000 (2018: 40,000,000) shares are held in the name of Rossbay Private Limited, of which Jo-Anne Chang is a director and shareholder.

The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

SHARE OPTIONS

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

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

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

AUDIT COMMITTEE

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

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

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

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

a. To review the audit plans of the internal auditor and independent auditor of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the internal auditor and independent auditor;

b. To review the half yearly and annual consolidated financial statements and the independent auditor's report on the consolidated financial statements of the Group and the financial position of the Company before their submission to the Board;

c. To review effectiveness of the Group's and the Company's key internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

d. To review the cooperation given by the management to the independent auditor;

e. To review legal and regulatory matters that may have a material impact on the consolidated financial statements, related compliance policies and programmes and any reports received from regulators;

f. To review the cost effectiveness and the independence and objectivity of the independent auditor;

g. To review the nature and extent of non-audit services provided by the independent auditor;

h. To recommend to the Board the appointment, re-appointment or removal of the independent auditor and approve the remuneration and terms of engagement of the independent auditor;

i. To review interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's (the "Singapore Exchange" or the "SGX-ST") Listing Manual; and

j. To conduct a review of interested person transaction to ensure that each transaction has been conducted on an arm's length basis.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

AUDIT COMMITTEE (CONTINUED)

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

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

The Audit Committee convened two (2) meetings during the financial year with full attendance from all members. The Audit Committee met with independent auditor and internal auditor once in February 2020 and August 2019 respectively without the presence of the management. These meeting enable the independent auditor and internal auditor to raise issues encounter in the course of their work directly to the Audit Committee.

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

INDEPENDENT AUDITOR

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

On behalf of the directors

....
Lee Tong Soon
Director

....
Kok Nyong Patt
Director

4 May 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAVILLON HOLDINGS LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Pavillon Holdings Ltd. (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including summary of significant accounting policies, as set out on pages 13 to 98.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)"s) 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAVILLON HOLDINGS LTD

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
Valuation of trade and other receivables (Refer to Notes 2.11, 3.1(a), 12 and 35(b) to the financial statements)	
As at 31 December 2019, the Group's gross finance lease receivables amounted to S$8,459,000 arising mainly from the leasing segment of the Group. For the financial year ended 31 December 2019, a major debtor is currently undergoing debts restructuring with an outstanding amount of S$8,224,000, and the assets of the debtor were seized by the People's Court in Tianjin, PRC (the "Court"). Management had assessed that the realisable value of the assets seized by the Court is approximately of S$2,306,000 which is lower than the outstanding amount. Accordingly, a loss allowance of S$5,918,000 for the major debtor was recognised as at 31 December 2019.	We have discussed with management on the recoverability of the receivable and evaluated management's judgement in determining the adequacy of the loss allowance recognised during the financial year ended 31 December 2019 by obtaining a representation letter from the Group's legal counsel to understand the status of the assets seized by the Court and reviewed the relevant supporting documents in determining the realisable value of these assets.
We focused on this area due to significant management's judgements and assumptions were involved in determining the credit risk of the receivables and the recognition of loss allowance had resulted in a significant loss and financial impact on the Group's financial results.	With the involvement of the component auditors, we had also reviewed the remaining lessee's historical and subsequent repayment records and correspondences between the Group and the lessees. We reviewed the adequacy and appropriateness of the disclosures in the financial statements.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
Dilution of equity interest from subsidiary corporations to associated companies (Refer to Note 2.4 and 18 to the financial statements)	
On 30 October 2018, a subsidiary corporation of the Group - Pavillon Financial Leasing Co, Ltd. ("PFL") entered into an agreement with a non-related party (the "Investor"). In accordance to the agreement, the Investor agreed to inject a total sum of RMB121,776,000 (equivalent to S$23,515,000) over 3 tranches. Upon the completion of the transaction, PFL's equity interest in Fengchi IOT Co., Ltd. ("IOT") and its subsidiary corporation will be diluted from 76.21% to 49%.	We examined the Capital Verification Report to ascertain the appropriateness of the date when the Group ceased to have control over IOT and its subsidiary corporation. We assessed the Group's ability to exercise significant influence over IOT and its subsidiary corporation by checking the background information of IOT and its subsidiary corporation via National Enterprise Credit Information Publicity System, and ascertained the voting power of the Group and its representative on the Board on IOT.
On 3 July 2019, the terms and conditions stated in the agreement had been fulfilled. Consequently, the Group has reclassified IOT and its subsidiary corporation from investment in subsidiary corporations to investment in associated companies on the basis that the equity interest in IOT and its subsidiary corporation had been reduced from 76.21% to 49%, and the Group has significant influence through its voting power and representative on the Board of IOT.	To determine the fair value of equity interest retained in IOT and its subsidiary corporation, we assessed the competence, capabilities and objectivity of the independent valuer engaged by management and obtained an understanding of the scope of work of the independent valuer.
We focused on this area due to significant management's assumptions involved in determination of the fair value and the classification of the equity interest retained in IOT and its subsidiary corporation.	With the involvement of our internal expert, we evaluated the appropriateness of the independent valuer's valuation method and key assumptions used to determine the fair value of the land-use rights and development expenditure incurred for the construction of the integrated logistic warehouse (the "Project"). In deriving the fair value of the Project, the independent valuer had considered the future economic benefits of the Project and the transacted price of other comparable land in the surrounding area. We reviewed the adequacy and appropriateness of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAVILLON HOLDINGS LTD

Other Information

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

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

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

Responsibilities of Management and Directors of the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, 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 (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
4 May 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 S$'000	2018 S$'000
Revenue	4	12,988	14,378
Other items of income			
Interest income – bank deposits		284	124
Reversal of impairment loss on financial assets at amortised costs	35(b)	3,862	-
Other income	5	6,511	728
Items of expenses			
Raw materials and changes in inventories	13	(4,675)	(4,684)
Employee compensation	6	(6,672)	(7,322)
Depreciation expense	20	(1,878)	(522)
Amortisation expense	23,24	(124)	(266)
Finance expenses	7	(68)	(30)
Currency exchange loss - net		(62)	(21)
Impairment loss on property, plant and equipment	20	(220)	-
Impairment loss on financial assets at amortised cost	35(b)	(5,259)	(11,828)
Other operating expenses	8	(3,340)	(4,446)
Total expenses		(22,298)	(29,083)
Share of loss of associated companies	18	(264)	-
Profit/(loss) before income tax		1,083	(13,853)
Income tax credit/(expense)	9(a)	181	(305)
Net profit/(loss)		1,264	(14,158)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation losses arising from consolidation		(274)	(616)
Items that will not be reclassified subsequently to profit or loss:			
Currency translation losses arising from consolidation		(340)	(53)
		(614)	(669)
Total comprehensive income/(loss)		650	(14,827)
Profit/(loss) attributable to:			
Equity holders of the Company		336	(11,186)
Non-controlling interests		928	(2,972)
		1,264	(14,158)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		62	(11,802)
Non-controlling interests		588	(3,025)
		650	(14,827)
Earnings/(loss) per share for loss attributable to equity holders of the Company (cents per share)			
– Basic	10	0.09	(2.88)
– Diluted	10	0.09	(2.88)

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

STATEMENTS OF FINANCIAL POSITION

For the financial year ended 31 December 2019

		Group	
		2019	2018
	Note	S$'000	S$'000
ASSETS			
Current assets			
Cash and cash equivalents	11	8,300	20,980
Trade and other receivables	12	5,075	12,636
Inventories	13	1,000	992
		14,375	34,608
Non-current assets			
Trade and other receivables	14	346	320
Financial asset, at FVOCI	17	3,862	-
Investments in associated companies	18	21,667	-
Property, plant and equipment	20	3,032	2,962
Intangible assets	23	-	50
Land-use rights	24	-	12,326
		28,907	15,658
Total assets		43,282	50,266
LIABILITIES			
Current liabilities			
Trade and other payables	25	4,088	6,686
Current income tax liabilities	9(b)	106	444
Borrowings	26	1,116	40
Finance lease liabilities	27	-	38
Provisions	28	20	99
		5,330	7,307
Non-current liabilities			
Trade and other payables	25	100	60
Deferred tax liabilities	29	67	80
Borrowings	26	1,080	-
Finance lease liabilities	27	-	165
Provisions	28	198	99
		1,445	404
Total liabilities		6,775	7,711
NET ASSETS		36,507	42,555
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	30	39,433	39,433
Other reserves	31	1,922	4,186
Accumulated losses		(10,961)	(11,297)
		30,394	32,322
Non-controlling interests	19(f)	6,113	10,233
TOTAL EQUITY		36,507	42,555

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

STATEMENTS OF FINANCIAL POSITION

For the financial year ended 31 December 2019

		Company	
		2019	2018
	Note	S$'000	S$'000
ASSETS			
Current assets			
Cash and cash equivalents	11	317	1,119
Trade and other receivables	12	1,987	3,337
		2,304	4,456
Non-current assets			
Trade and other receivables	14	3	15
Investments in subsidiary corporations	19	27,558	27,658
Property, plant and equipment	20	-	-
		27,561	27,673
Total assets		29,865	32,129
LIABILITIES			
Current liabilities			
Trade and other payables	25	2,067	1,266
Non-current liabilities			
Trade and other payables	25	100	60
Total liabilities		2,167	1,326
NET ASSETS		27,698	30,803
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	30	39,433	39,433
Accumulated losses	32	(11,735)	(8,630)
TOTAL EQUITY		27,698	30,803

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Attributable to the equity holders of the Company						
	Share capital	Foreign currency translation reserve	Capital reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
2019							
Balance as at 1 January 2019	39,433	(1,897)	6,083	(11,297)	32,322	10,233	42,555
Net loss for the financial year				336	336	928	1,264
Other comprehensive loss for the financial year	-	(274)	-	-	(274)	(340)	(614)
Dilution of equity interest from subsidiary corporations to associated companies (Note 18 (i))	-	615	(2,605)	-	(1,990)	(4,708)	(6,698)
Balance as at 31 December 2019	39,433	(1,556)	3,478	(10,961)	30,394	6,113	36,507
2018							
Balance as at 1 January 2018	39,433	(1,281)	3,478	(111)	41,519	8,629	50,148
Net loss for the financial year	-	-	-	(11,186)	(11,186)	(2,972)	(14,158)
Other comprehensive loss for the financial year	-	(616)	-	-	(616)	(53)	(669)
Effect of changes in shareholdings in a subsidiary corporation without change of control (Note 18(i))	-	-	2,605	-	2,605	4,629	7,234
Balance as at 31 December 2018	39,433	(1,897)	6,083	(11,297)	32,322	10,233	42,555

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 S$'000	2018 S$'000
Cash flows from operating activities			
Net profit/(loss)		1,264	(14,158)
Adjustments for:			
- Amortisation of intangible assets	23	2	10
- Amortisation of land-use rights	24	122	256
- Depreciation of property, plant and equipment	20	1,878	522
- Fair value loss on remeasurement of investment in associated company	8	-	142
- Gain on disposal of property, plant and equipment	5	-	(116)
- Gain on dilution of equity interest from subsidiary corporations to associated companies	5	(6,261)	-
- Gain on bargain purchase	5	-	(72)
- Impairment loss on property, plant and equipment	20	220	-
- Income tax (credit)/expense	9(a)	(181)	305
- Interest expense	7	68	30
- Interest income		(284)	(124)
- Reversal of impairment loss on investment in associated company	5	-	(241)
- Share of loss of associated companies	18	264	-
- Write-off of property, plant and equipment		-	13
- Unrealised currency translation gains		(6)	(330)
		(2,914)	(13,763)
Change in working capital, net of effects from acquisition of a subsidiary corporation:			
- Inventories		(8)	516
- Trade and other receivables		1,988	17,683
- Trade and other payables		17,153	(745)
- Provisions		20	18
Cash generated from operations		16,239	3,709
Income tax paid	9(b)	(157)	(527)
Net cash provided by operating activities		16,082	3,182
Cash flows from investing activities			
Acquisition of subsidiary corporation, net of cash acquired	38(b)	-	4,211
Additions to property, plant and equipment		(3,467)	(1,761)
Additions to intangible assets		-	(60)
Dilution of equity interest in a subsidiary corporation without loss of control	18(i)	-	7,234
Net cash outflows from dilution of equity interest from subsidiary corporations to associated companies	18(i)	(23,993)	-
Proceeds from disposal of property, plant and equipment		-	122
Interest received		284	124
Net cash (used in)/provided by investing activities		(27,176)	9,870

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 S$'000	2018 S$'000
Cash flows from financing activities			
Withdrawal of bank deposits		-	4,498
Principal payment of lease liabilities		(1,451)	-
Proceeds from borrowings		-	40
Repayment of finance lease liabilities		-	(4)
Repayment of borrowings		(40)	(4,090)
Interest paid		-	(30)
Net cash (used in)/provided by financing activities		(1,491)	414
Net (decrease)/increase in cash and cash equivalents		(12,585)	13,466
Cash and cash equivalents			
Beginning of financial year		20,980	7,614
Effects of currency translation on cash and cash equivalents		(95)	(100)
End of financial year	11	8,300	20,980

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2019 S$'000	Principal and interest payments S$'000	Non-cash changes				31 December 2019 S$'000
			Adoption of SFRS(I) 16 S$'000	New finance lease S$'000	Interest expense S$'000	Foreign exchange movement S$'000	
Borrowings	40	(40)	-	-	-	-	-
Lease liabilities	-	(1,451)	2,710	884	68	(15)	2,196
Finance lease liabilities	203	-	(203)	-	-	-	-

	1 January 2018 S$'000	Proceeds from borrowings S$'000	Principal and interest payments S$'000	Non-cash changes		31 December 2018 S$'000
				Interest expense S$'000	New finance lease S$'000	
Borrowings	4,090	40	(4,120)	30	-	40
Finance lease liabilities	-	-	(4)	-	207	203

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

1. CORPORATE INFORMATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)"s) under the historical cost convention, except as disclosed in the accounting policies below.

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

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

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1. Basis of preparation (continued)

Adoption of SFRS(I) 16 Leases

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.15 to the financial statements.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

(i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 Determining whether an Arrangement contains a Leases, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

(ii) On a lease-by-lease basis, the Group has:

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
(c) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
(d) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately on 1 January 2019.
(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.
(iii) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor.

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1. Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

(c) When the Group is the intermediate lessor

The Group leases an underlying asset under a head lease arrangement and subleases the same asset to third parties as an intermediate lessor. Prior to the adoption of SFRS(I) 16, the sublease is classified as an operating lease when the head lease is an operating lease. The intermediate lessor recorded rental income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rental expense in respect of the head lease on a straight-line basis over the term of the head lease.

Under SFRS(I) 16, accounting by the Group as an intermediate lessor depends on the classification of the sublease with reference to the ROU asset arising from the head lease rather than the underlying asset.

On 1 January 2019, the Group has reassessed the classification of the sublease based on the remaining contractual terms and condition of the head lease. Based on this assessment, all subleases of office space are considered as short-term lease and the impact assessed by management is immaterial to the Group.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	Increase
	S$'000
Property, plant and equipment (Note 20)	2,507
Borrowings	2,507

An explanation of the differences between the operating lease commitments of the Group as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	S$'000
Operating lease commitment as at 31 December 2018 (Note 33(b))	2,824
Less: Short-term leases	(227)
Less: Discounting effect using weighted average incremental borrowing rate of 2.77%	(90)
Lease liabilities recognised as at 1 January 2019	2,507

2.2 Revenue recognition

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (continued)

(a) Revenue from restaurant operations

The Group operates a chain of restaurants in the food and beverage business. Revenue arising from the sale of food and beverages is recognised in profit or loss at a point in time of sale, when the food and beverages are served to the customers. Payment of the transaction price is due immediately when the customer purchases the food.

The Group does not operate any customer loyalty programme.

(b) Leasing income

The Group operates a finance leasing business which is in the business relates to equipment and car leasing in People's Republic of China ("PRC"). Leasing income is recognised over time based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. Associated costs are charged to the cost of sales as incurred.

(c) Franchise income

The Group expanded its franchise network to overseas markets (i.e. PRC, Indonesia, Vietnam and Cambodia). Franchise income is recognised at a point in time upon the execution of franchise agreement which the Group granted the franchisee the rights to operate the restaurant. Payment of transaction price is due on or before the franchisee operates the restaurant.

(d) Royalty fees

Royalty fees from franchisees is recognised, over time whereby the Group considered the performance obligation is satisfied when franchisees subsequent sales occur. The transaction price is determined based on a percentage of the franchisees' revenue or a pre-determined amount in accordance with the terms as stated in the franchise agreements.

(e) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(f) Management fee income

Revenue from management services is recognised over time in the accounting period in which services are rendered.

(g) Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Government grants

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

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

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

2.4 Group accounting

(a) Subsidiary corporations

(i) Consolidation

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

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

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

(ii) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(a) Subsidiary corporations (continued)

(ii) Acquisitions (continued)

The excess of the (a) consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair values of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.

(iii) Disposals

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

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

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

(b) Transactions with non-controlling interests

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

(c) Associated companies

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

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

(i) Acquisitions

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(c) Associated companies (continued)

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

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

(iii) Disposals

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

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

2.5 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

(a) Measurement (continued)

(ii) Components of costs

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

(b) Depreciation

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

	Useful lives
Leasehold properties	over respective lease terms of 2 to 30 years*
Furniture and fittings	5 - 8 years
Plant and machinery	5 - 10 years
Motor vehicles	5 years
Computers	1 - 5 years
Operating supplies	5 years

* Certain leasehold properties was classified as operating lease under SFRS(I) 1-17. Upon transition to SFRS(I) 16, these leasehold properties are included as part of the carrying amounts of Property, plant and equipment in Note 20 to the financial statements and subject to the disclosure requirement under SFRS(I) 16 in Note 21(a) to the financial statements.

The leasehold properties are depreciated over the shorter of its lease term and useful life. The useful life is the period over which an asset is expected to be available for use by an entity. When assessing the useful life of an asset, all commercial, technical and legal factors, as well as the asset's expected utility to the entity should be considered.

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

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

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

(c) Subsequent expenditure

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

(d) Disposal

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

2.6 Intangible assets

Website development costs

Costs directly attributable to the development website are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the website and the costs can be measured reliably.

The website development costs are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Website development costs under development are not amortised until it is available for use. The website development costs have a finite useful life and are amortised using the straight-line basis over their estimated useful lives of six years.

2.7 Land-use rights

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

2.8 Borrowing costs

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

2.9 Investments in subsidiary corporations and associated companies

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

2.10 Impairment of non-financial assets

Property, plant and equipment
Land-use rights
Intangible assets
Investments in subsidiary corporations and associated companies

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets (continued)

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

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

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

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

2.11 Financial assets

(a) Classification and measurement

The Group classifies its financial assets in the measurement category of amortised cost and fair value through other comprehensive income ("FVOCI").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

<u>At initial recognition</u>

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

<u>At subsequent measurement</u>

(i) Debit instrument

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost and fair value through other comprehensive income ("FVOCI").

(ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "Fair value gains/(losses)" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "Dividend income".

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 35(b) to the financial statements details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and finance lease receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables

(c) Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.12 Offsetting of financial instruments

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

2.13 Borrowings

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

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

2.14 Trade and other payables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade and other payables (continued)

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

2.15 Leases

The accounting policy for leases before 1 January 2019 are as follows:

(a) When the Group is the lessee

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

Lessee – Operating lease

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

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

(b) When the Group is the lessor

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

(i) Lessor – Finance leases

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

The accounting policy for leases before 1 January 2019 are as follows: (continued)

(b) When the Group is the lessor (continued)

(ii) Lessor – Operating leases

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

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

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

The accounting policy for leases from 1 January 2019 are as follows:

(c) When the Group is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(i) Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

(ii) Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments consist of the fixed payment (including in-substance fixed payments), less any lease incentives receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

The accounting policy for leases from 1 January 2019 are as follows: (continued)

(c) When the Group is the lessee (continued)

(iii) Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expense to profit or loss on a straight-line basis over the lease term.

(d) When the Group is the lessor:

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retains in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Revenue". The right-of-use asset relating to the head lease is not derecognised.

2.16 Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

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

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions

(a) *General*

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

(b) *Asset dismantlement, removal or restoration*

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

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

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

2.19 Employee compensation

(a) *Defined contribution plans*

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

Singapore

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee compensation (continued)

(a) *Defined contribution plans* (continued)

<u>*PRC*</u>

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

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

(b) *Employee leave entitlement*

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

2.20 Currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

All other foreign exchange gains or losses impacting profit or loss are presented on the face of the consolidated statement of comprehensive income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Currency translation (continued)

(c) Translation of Group entities' financial statements

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

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

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

2.21 Segment reporting

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

2.22 Cash and cash equivalents

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

2.23 Share capital

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

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

3.1 Critical accounting estimates and assumptions

(a) Impairment of finance lease receivables and other receivables

Finance lease receivables

As at 31 December 2019, the Group's gross finance lease receivables amounted to S$8,459,000 (Note 12), arising mainly from the Group's leasing segment.

The Group applied the simplified approach by using a provision matrix to calculate expected credit loss ("ECL") for finance lease receivables. In measuring the ECL, finance lease receivables are grouped based on shared credit risk characteristic and days past due.

In calculating the ECL rates, the Group considers purely historical loss rates for each category of customers which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date. The historical observed default rates are updated at every reporting date.

Other receivables

As at 31 December 2019, the Group's gross other receivables amounted to S$8,728,000 (Note 12), arising mainly from the Group's leasing segment.

The Group measures ECL for other receivables using general approach. Under the general approach, the loss allowance is measure at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The assessment of the correlation between historical observed default rates and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances. The Group's historical credit loss experience may also not be representative of customer's actual default in the future.

The information about the ECL on the Group's finance lease receivables and other receivables are disclosed in Note 35(b) to the financial statements.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (continued)

(b) Estimated impairment of non-financial assets

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

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

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

Impairment of investments in subsidiary corporations

The recoverable amount of investments in subsidiary corporations have been determined based on higher or the fair value less cost to sell and the value-in-use. An impairment charge of S$100,000 was recognised for investments in subsidiary corporations during the financial year ended 31 December 2019 (2018: S$5,673,000) which reduced the carrying amounts of investments in subsidiary corporations from S$27,658,000 to S$27,558,000 (2018: from S$33,331,000 to S$27,658,000).

If the valuation of the impairment test assessment as at 31 December 2019 had been lower by 10%, the Company would not had reduced the carrying value of investments in subsidiary corporations further, as the impairment for a non-performing subsidiary corporation in Singapore had been fully impaired.

If the valuation of the impairment test assessment as 31 December 2018 had been lower by 10%, the Company would have reduced the carrying value of investments in subsidiary corporations by S$2,766,000.

Impairment of investments in associated companies

For the financial year ended 31 December 2019, carrying amount of the Group's investments in associated companies was S$21,667,000 (2018: S$Nil). Management has assessed and is of the opinion that there were no objective evidence or indication that the carrying amount of the Group's investments in associated companies may be impaired as at the reporting date, accordingly impairment assessment is not required.

Impairment of property, plant and equipment

The recoverable amount of property, plant and equipment for a non-performing subsidiary corporation in Singapore has been determined based on the value-in-use method. The cash flow projection used in the value-in-use calculation was based on financial budgets approved by management. Based on the cash flow projection, the Group has provided a full allowance for impairment loss of S$220,000 (2018: S$Nil) as at 31 December 2019 in view of the weak business outlook of the cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.2 Critical judgements in applying the entity's accounting policies

Determination of lease classification

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

4 REVENUE

Disaggregation of revenue

The Group derives revenue from the transfer of goods and services at a point in time and over time in the following major revenue stream and geographical regions. Revenue is attributed to countries by location of customers.

	Group					
	Singapore	Vietnam	Indonesia	Cambodia	PRC	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
2019						
Over time						
Royalty fees	-	54	17	-	104	175
Point in time						
Restaurant operations	12,446	-	-	-	-	12,446
Leasing income	-	-	-	-	123	123
Rental income	-	-	-	-	244	244
	12,446	54	17	-	471	12,988
2018						
Over time						
Royalty fees	-	54	25	33	48	160
Management fee	-	-	-	10	-	10
	-	54	25	43	48	170
Point in time						
Restaurant operations	12,580	-	-	-	-	12,580
Other	-	-	-	-	6	6
	12,580	-	-	-	6	12,756
Leasing income	-	-	-	-	1,494	1,494
Rental income	-	-	-	-	128	128
	12,580	54	25	43	1,676	14,378

5 OTHER INCOME

	Group	
	2019	2018
	S$'000	S$'000
Government grants		
- Temporary Employment Credit (1)	-	5
- Special Employment Credit (2)	34	33
- Wage Credit Scheme (3)	16	27
	50	65
Gain on disposal of property plant and equipment	-	116
Gain on bargain purchase (Note 38(c))	-	72
Gain on dilution of equity interest from subsidiary corporations to associated companies (Note 18)	6,261	-
Reversal of impairment loss on investments in associated companies (Note 18)	-	241
Other	200	234
	6,511	728

(1) The Temporary Employment Credit ("TEC") was announced as a Budget 2014 initiative to help employers adjust to the 1 percentage point increase in Medisave contribution rates which took effect in January 2015. With the TEC, employers will receive a one-year offset of 0.5% (2018: 0.5%) of wages for their Singaporean and Singapore Permanent Resident ("PR") employees.

(2) The Special Employment Credit ("SEC") was introduced as a Budget Initiative in 2011 to support employers, and to raise the employability of older low-wage Singaporeans. It was enhanced in 2012 to provide employers with continuing support to hire older Singaporean workers and Persons with Disabilities. At Budget 2016, the SEC was extended for three years (viz. 2017 to 2019) to provide wage offsets to employers hiring Singaporean workers aged 55 and above, and earning up to S$4,000. The Minister for Finance announced a further one-year extension of SEC to end-2020 at Budget 2019.

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

6 EMPLOYEE COMPENSATION

	Group	
	2019	2018
	S$'000	S$'000
Salaries and bonus	5,557	6,221
Employer's contribution to defined contributions plan	296	270
Other short-term benefits	819	831
	6,672	7,322

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For the financial year ended 31 December 2019

7 FINANCE EXPENSES

	Group	
	2019	2018
	S$'000	S$'000
Interest expense		
- Borrowing from financing platform in PRC	-	30
- Lease liabilities (Note 21(b))	68	-
	68	30

8 OTHER OPERATING EXPENSES

	Group	
	2019	2018
	S$'000	S$'000
Advertisement	88	78
Auditor's remuneration paid/payable		
- Auditor of the Company	97	72
- Other auditors [(a)]	32	30
Bank charges	222	220
Cleaning	263	141
Consumables	78	80
Entertainment	123	158
Fair value loss on remeasurement of investment in associated company (Note 18)	-	142
General expenses	76	115
Insurance	25	63
Printing and stationery	39	35
Professional fees	441	115
Rental expenses	247	1,638
Repair and maintenance	58	115
Stamp duty	33	12
Services charge	735	599
Telecommunication	28	36
Travelling and transportation	142	180
Upkeep of motor vehicles	41	84
Utilities	413	406
Other	159	127
Total other operating expenses	3,340	4,446

(a) Includes Shanghai Nexia TS Certified Public Accountants

9 INCOME TAXES

(a) Income tax expense

	Group 2019 S$'000	Group 2018 S$'000
Tax expense attributable to profit/(loss) is made up of:		
Profit/(loss) for the financial year:		
- Current income tax (Note 9(b))		
– Singapore	106	190
– PRC	19	154
	125	344
- Deferred income tax (Note 29)	(13)	(35)
	112	309
Over provision of income tax in prior financial years:		
- Current income tax – Singapore (Note 9(b))	(293)	(4)
	(181)	305

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

	Group 2019 S$'000	Group 2018 S$'000
Profit/(loss) before income tax	1,347	(13,853)
Share of loss of associated companies	264	-
Profit/(loss) before income tax and share of loss of associated companies	1,611	(13,853)
Tax calculated at tax rate of 17% (2018: 17%)	274	(2,355)
Effects of:		
- Different tax rates in other countries	357	(1,048)
- Income not subject to tax	(1,740)	-
- Expenses not deductible	749	1,038
- Tax incentives	(69)	(36)
- Deferred tax assets not recognised	515	2,705
- Over provision in prior financial years	(293)	(4)
- Other	26	5
Tax charge	(181)	305

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately S$18,972,000 (2018: S$15,944,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation.

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For the financial year ended 31 December 2019

9 INCOME TAXES (CONTINUED)

(b) Movement in current income tax liabilities:

	Group	
	2019	2018
	S$'000	S$'000
Beginning of financial year	444	645
Currency translation differences	(13)	(14)
Income tax paid	(157)	(527)
Tax expense (Note 9(a))	125	344
Over provision in prior financial years (Note 9(a))	(293)	(4)
End of financial year	106	444

10 EARNINGS/(LOSS) PER SHARE

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

	Group	
	2019	2018
	S$'000	S$'000
Profit/(loss) attributable to equity holders of the Company	336	(11,186)
Weighted average number of ordinary shares for basic earnings per share	387,748,700	387,748,700
Basic earnings/(loss) per share (cents per share)	0.09	(2.88)
Diluted earnings/(loss) per share (cents per share)	0.09	(2.88)

There were no dilutive potential ordinary shares during the financial years ended 31 December 2019 and 2018.

11 CASH AND CASH EQUIVALENTS

	2019	2018
	S$'000	S$'000
Group		
Cash at bank and on hand	8,300	7,411
Short-term bank deposits	-	13,569
	8,300	20,980
Company		
Cash at bank and on hand	317	119
Short-term bank deposits	-	1,000
	317	1,119

12 TRADE AND OTHER RECEIVABLES – CURRENT

	Group 2019 S$'000	Group 2018 S$'000
Finance lease receivables		
- Non-related parties	8,459	14,890
Less: Loss allowance (Note 35(b))	(5,974)	(4,827)
Finance lease receivables - net (Note 15)	2,485	10,063
Trade receivables		
- Non-related parties	15	122
Other receivables		
- Non-related parties [(a), (b)]	8,728	8,783
Less: Loss allowance (Note 35(b))	(6,691)	(7,001)
Other receivables - net	2,037	1,782
Prepayments	182	458
Deposits	341	191
Staff loans (Note 16)	15	20
	5,075	12,636

	Company 2019 S$'000	Company 2018 S$'000
Trade receivables		
- Non-related parties	8	41
- Subsidiary corporations	49	18
	57	59
Less: Loss allowance (Note 35(b))	(49)	-
Trade receivables – net	8	59
Other receivables		
- Non-related parties [(b)]	-	1,022
- Subsidiary corporations [(c)]	3,579	2,214
	3,579	3,236
Less: Loss allowance (Note 35(b))	(1,650)	-
Other receivables – net	1,929	3,236
Prepayments	39	29
Staff loans (Note 16)	11	13
	1,987	3,337

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For the financial year ended 31 December 2019

12 TRADE AND OTHER RECEIVABLES – CURRENT (CONTINUED)

Included in other receivables are the following:

(a) Amount due from a non-related party for a loan amounting to S$6,691,000 (2018: S$6,092,000). The loan is secured by various personal assets from the non-related party with interest fixed at 10% (2018: 10%) per annum and repayable by 20 November 2018.

However, in August 2018, management noted various parties had taken legal actions against the non-related party to demand for payments or take possession of the personal assets. Consequently, the Group also filed legal proceeding against the non-related party to demand for immediate payments.

In view of the uncertain outcome of the legal proceeding, the credit risk of the receivable had been increased, management had provided loss allowance to impair the entire outstanding amount in the financial year ended 31 December 2018.

(b) Amount due from a non-related party amounting to S$Nil (2018: S$1,000,000). It is secured by the personal property of the non-related party and is repayable in full by 19 May 2019. Interest is fixed at 1% per month. On 29 May 2019, the non-related party has fully repaid the loan.

(c) Non-trade receivables due from subsidiary corporations which are unsecured, interest-free and repayable on demand.

13 INVENTORIES

	Group	
	2019	**2018**
	S$'000	**S$'000**
Processed inventories	995	968
Raw materials	5	24
	1,000	992

The cost of inventories recognised as an expense presented on the Consolidated Statement of Comprehensive Income amounted to S$4,675,000 (2018: S$4,684,000).

14 TRADE AND OTHER RECEIVABLES – NON-CURRENT

	2019	**2018**
	S$'000	**S$'000**
Group		
Deposits	343	300
Staff loans (Note 16)	3	20
	346	320
Company		
Staff loans (Note 16)	3	15

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

14 TRADE AND OTHER RECEIVABLES – NON-CURRENT (CONTINUED)

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

	Borrowing rates		Fair value	
	2019	**2018**	**2019**	**2018**
	%	**%**	**S$'000**	**S$'000**
Group				
Deposits	0.2	0.3	341	274
Staff loans	5.3	5.3	3	17
Company				
Staff loans	5.3	5.3	3	13

15 FINANCE LEASE RECEIVABLES

The Group leases motor vehicles and equipment to non-related parties under finance leases. The various agreements will end between 2018 and 2019 and there are no options to extend the leases. However, the lessee can make early repayments of the outstanding principal plus interest to end the contract early.

	Group	
	2019	**2018**
	S$'000	**S$'000**
Gross receivables due		
- Not later than one year	240	10,455
- Later than one year but within five years	2,547	-
	2,787	10,455
Less: unearned finance income	(302)	(392)
Net investment in finance leases	2,485	10,063

The net investment in finance leases is analysed below:

	Group	
	2019	**2018**
	S$'000	**S$'000**
- Not later than one year	235	10,063
- Later than one year but within five years	2,250	-
Net investment in finance leases	2,485	10,063

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16 STAFF LOANS

	2019 S$'000	2018 S$'000
Group		
Receivables due		
- Not later than one year (Note 12)	15	20
- Later than one year but within five years (Note 14)	3	20
	18	40
Company		
Receivables due		
- Not later than one year (Note 12)	11	13
- Later than one year but within five years (Note 14)	3	15
	14	28

Staff loans include a loan amounting to S$14,000 (2018: S$26,000) made to a member of key management personnel of the Group (who is not the director of the Group). The loan is unsecured, interest free and repayable on demand.

	Group and Company	
	2019 S$'000	2018 S$'000
- Not later than one year	11	12
- Later than one year but within five years	3	13
	14	25

17 FINANCIAL ASSET, AT FVOCI

	Group	
	2019 S$'000	2018 S$'000
Unquoted equity security – Lingbao Gold Group Co., Ltd ("Lingbao")	3,862	-

The financial asset at FVOCI represents 1.15% equity interests of a company - Lingbao that is engaged in the mining, processing, smelting and sale of gold and other metallic products. Lingbao is a joint stock limited company incorporated in PRC, which partially of its shares are listed on the Stock Exchange of Hong Kong Limited. As the transaction was completed on 31 December 2019, the Group has determined that the transaction price represents the fair value based on the exit price concept. The fair value is within level 2 of the fair values hierarchy.

The Group has elected to measure the above financial asset at FVOCI due to management's intention to hold the financial asset for strategic investment purpose.

18 INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2019	2018
	S$'000	S$'000
Investments at equity accounting		
Beginning of financial year	-	3,829
Remeasurement of the retained equity interest in the former subsidiary corporations at its fair value	22,264	-
Share of loss of associated companies	(264)	-
Reversal of impairment losses (Note 5)	-	241
Fair value loss on remeasurement of investment in associated company (Note 8)	-	(142)
Fair value of previously held equity interest (Note 38(a))	-	(3,928)
Currency translation differences	(333)	-
End of financial year	21,667	-

	Company	
	2019	2018
	S$'000	S$'000
Investments at cost		
Beginning of financial year	-	3,829
Transfer to investments in subsidiary corporations (Note 19)	-	(3,829)
End of financial year	-	-

Set out below are the associated companies of the Group as at 31 December 2019 and 2018. The associated companies have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business.

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

Name of associated companies	Principal activities	Country of incorporation/ Principal place of business	Ownership interest at 2019	Ownership interest at 2018
Held through Pavillon Financial Leasing Co., Ltd.				
Fengchi IOT Co., Ltd. ("IOT") [(a), (b)]	Warehouse and logistic management	PRC	49% (i)	-
Held through IOT				
Tianjin Fengyu Corporate Secretarial Co., Ltd. [(c)]	Provision of corporate secretarial services	PRC	49% (i)	-

[(a)] *Audited by Shanghai Nexia TS Certified Public Accountants*
[(b)] *Reviewed by Nexia TS Public Accounting Corporation, Singapore for consolidation purposes*
[(c)] *The associated company is exempted from audit by law in the country of incorporation. It is not significant to the Group.*

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For the financial year ended 31 December 2019

18 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

(i) Dilution of equity interest from subsidiary corporations to associated companies

On 30 October 2018, the Group entered into an agreement with a non-related party for the injection of capital amounting to RMB 121,776,000 (equivalent to S$24,294,000) into IOT over 3 tranches.

On 10 December 2018, under the first tranche, additional capital amounting to RMB 36,533,000 (equivalent to S$7,234,000) have been injected by a non-related party for the registered and issued share capital of IOT. Following the capital injection exercise, the Group's equity interest in IOT diluted by 23.79% from 100% to 76.21%. This resulted in an increase in non-controlling interests by S$4,629,000 and an increase in capital reserve by S$2,605,000.

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

	Group 2019 S$'000
Consideration received from non-controlling interests	7,234
Carrying amount of interests in the subsidiary corporations	(4,629)
Excess of the consideration received recognised in capital reserve (Note 31(b)(i))	2,605

During the financial year ended 31 December 2019, the Group received the remaining amounts of RMB36,533,000 (equivalent to S$7,054,000) and RMB48,710,000 (equivalent to S$9,406,000) in January 2019 and April 2019 respectively.

On 3 July 2019, the registration of the additional capital was completed. Consequently, IOT became an associated company of the Group as the Group's equity interest in IOT has been reduced from 76.21% to 49%. As the Group has significant influence through its voting power and its representative on the Board of IOT.

The effects of the dilution of equity interest on the cash flows of the Group were:

	Group 3 July 2019 S$'000
Carrying amounts of assets and liabilities as at the date of disposal:	
Cash and cash equivalents	23,993
Trade and other receivables	1,685
Property, plant and equipment (Note 20)	4,646
Intangible assets (Note 23)	48
Land-use rights (Note 24)	12,040
Total assets	42,412
Trade and other payables	19,711
Net assets derecognised	22,701
Less: Capital reserve (Note 31(b)(i))	(2,605)
Less: Non-controlling interests	(4,708)
Net assets disposed of	15,388

18 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

(i) Dilution of equity interest from subsidiary corporations to associated companies (continued)

	Group 3 July 2019 S$'000
Net assets disposed of (as above)	15,388
Reclassification of currency translation reserve (Note 31(b)(ii))	615
Gain on dilution of equity interest (Note 5)	6,261
	22,264
Remeasurement of the retained equity interest in the former subsidiary corporations at its fair value	(22,264)
Less: Cash and cash equivalents in the subsidiary corporations	(23,993)
Net cash outflows on dilution of equity interest	(23,993)

(ii) Set out below are the summarised financial information for the associated companies

No financial information for the financial year ended 31 December 2018 were disclosed as the Group had disposed of all the investments in associated companies.

Summarised statement of financial position

	2019 S$'000
Current	
Assets	29,600
Liabilities	(221)
Total net current assets	29,379
Non-current	
Assets	27,518
Liabilities	(19,310)
Total net non-current assets	8,208
Net assets	37,587

Reconciliation of summarised financial information

Proportion of the Group's ownership	49%
Group's share of net assets	18,418
Fair value adjustment	3,264
Others	(15)
Carrying value of the Group's interest in the associated companies	21,667

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18 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

(ii) Set out below are the summarised financial information for the associated companies (continued)

Summarised statement of comprehensive income

	For the financial period from 3 July 2019 to 31 December 2019 S$'000
Revenue	3
Loss before income tax	(538)
Income tax expense	(1)
Total comprehensive loss, representing net loss	(539)

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

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	2019 S$'000	2018 S$'000
Company		
Cost		
Beginning of financial year	33,611	30,042
Addition [(b)]	-	100
Loans to subsidiary corporations [(a)]	-	(360)
Transfer from investments in associated companies [(c)] (Note 18)	-	3,829
End of financial year	33,611	33,611
Accumulated impairment losses		
Beginning of financial year	(5,953)	(392)
Impairment charge	(100)	(5,673)
Reversal	-	112
End of financial year	(6,053)	(5,953)
	27,558	27,658

2019

The impairment test assessment was carried out by management as at 31 December 2019 for the subsidiary corporation – Thai Village Express Pte. Ltd. The recoverable amount was determined based on value-in-use which has indicated that the recoverable amount for the investment is lower than it's carrying amount. Consequently, due to weak business outlook, the cost of investment for the subsidiary corporation had been fully impaired.

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

2018

The impairment test assessment was carried out by management as at 31 December 2018 for the subsidiary corporation – Pavillon Financing Leasing Co., Ltd. The recoverable amount was determined based on fair value less cost to sell, by reference from the recent transacted price, which indicated that the recoverable amount for the investment is lower than it's carrying amount. Consequently, the Company had recognised impairment loss of S$5,673,000.

(a) Loans to subsidiary corporations

Loans to subsidiary corporations were unsecured and interest-free. There were no definite date of repayment as the Company intends to provide the loans as financing for the operations of the subsidiary corporations on a long-term basis. The settlement of these loans is neither planned nor likely to occur in the foreseeable future, accordingly, these loans are considered to be quasi-capital loans and form part of the Company's costs of investments in the subsidiary corporations. During the financial year ended 31 December 2018, the Company has received the repayment of the loan from the subsidiary corporation amounted to S$260,000. The remaining amount of S$100,000 has been capitalised as the share capital of the subsidiary corporation (Note 19 (b)).

(b) Injection of capital into subsidiary corporation – Thai Village Express Pte. Ltd.

During the financial year ended 31 December 2018, the Company injected capital amounting to S$100,000 into their subsidiary corporation, Thai Village Express Pte. Ltd. which will be used as their operational working capital.

(c) Reclassification of investment in an associated company

On 28 October 2018, the Group, through its subsidiary corporation, Pavillon Financial Leasing Co., Ltd. entered into a share transfer agreement to acquire the remaining 50% equity interest in State Research Pavillon Financial Leasing Co., Ltd. ("SRPFL"). The transfer of shares was completed on 28 December 2018 and the Group's interest in SRPFL increased to 87.99%. The transfer resulted in the Group gaining control over SRPFL. Accordingly, the Company's investment in SRPFL amounting to S$3,829,000 was reclassified to investments in subsidiary corporations (Notes 18 and 38).

(d) Significant restrictions

Cash and cash equivalents of S$6,056,400 (2018: S$18,484,000) are held in People's Republic of China ("PRC") and are subject to local exchange control regulations. These local exchange regulations provide for restrictions on exporting capital from the country, other than through dividends.

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19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

(e) Details of the Group's subsidiary corporations are as follows:

Name of subsidiary corporation	Principal activities	Country of business/ incorporation	Proportion of ordinary directly shares held by the Parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2019	2018	2019	2018	2019	2018
Held by the Company								
Thai Village Restaurant Pte. Ltd. [(a)]	Operation of restaurants	Singapore	100%	100%	100%	100%	-	-
Thai Village Express Pte. Ltd. [(a)]	Operation of restaurants and food stalls	Singapore	100%	100%	100%	100%	-	-
Pavillon Financial Leasing Co., Ltd. [(b) (c)]	Financial leasing of all kind of machineries, tools and equipment	PRC	75.98%	75.98%	75.98%	75.98%	24.02%	24.02%
Pavillon Business Development (Shanghai) Co., Ltd. [(b)]	Business development, trading, import and export of machineries and investment holdings	PRC	100%	100%	100%	100%	-	-
State Research Pavillon Finance Leasing Co., Ltd. [(b)]	Financial leasing of all kind of machineries, tools and equipment	PRC	50%	50%	87.99%	87.99%	12.01%	12.01%
Fengchi Real Estate Sdn. Bhd. [(d)]	Property management	Malaysia	100%	100%	100%	100%	-	-

19 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

(e) Details of the Group's subsidiary corporations are as follows: (continued)

Name of subsidiary corporation	Principal activities	Country of business/ incorporation	Proportion of ordinary directly shares held by the Parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2019	**2018**	**2019**	**2018**	**2019**	**2018**
Held through Pavillon Business Development (Shanghai) Co., Ltd.								
Tianjin Pavillon Assets Management Co., Ltd. [(b)]	Asset Management, enterprise management, mergers and acquisitions and financial advisory services	PRC	100%	100%	100%	100%	-	-
Held through Pavillon Financial Leasing Co., Ltd.								
Fengchi IOT Co., Ltd. [(e)]	Warehouse and logistic management	PRC	-	76.21%	-	57.9%	-	42.1%
Held through Fengchi IOT Co., Ltd.								
Tianjin Fengyu Corporate Secretarial Co., Ltd. [(e)]	Provision of corporate secretarial services	PRC	-	100%	-	57.9%	-	42.1%

(a) Audited by Nexia TS Public Accounting Corporation
(b) Audited by Shanghai Nexia TS Certified Public Accountants for consolidation purposes
(c) Reviewed by Nexia TS Public Accounting Corporation, Singapore for consolidation purposes
(d) The subsidiary corporation is dormant and is exempted from audit by law in the country of incorporation. It is not significant to the Group
(e) Dilution of equity interest from subsidiary corporations to associated companies (Note 18(i))

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19. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

(f) Carrying value of non-controlling interests

	2019 S$'000	2018 S$'000
Pavillon Financial Leasing Co., Ltd.	6,139	10,233
Other subsidiary corporations with immaterial non-controlling interests	(26)	-
Total	6,113	10,233

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

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

Summarised statement of financial position

	2019 S$'000	2018 S$'000
Pavillon Financial Leasing Co., Ltd.		
Current		
Assets	5,688	7,510
Liabilities	(5,852)	(1,266)
Total net current (liabilities)/assets	(164)	6,244
Non-current		
Assets	29,793	22,274
Liabilities	-	-
Total net non-current assets	29,793	22,274
Net assets	29,629	28,518

Summarised statement of comprehensive income

	2019 S$'000	2018 S$'000
Pavillon Financial Leasing Co., Ltd.		
Revenue	98	1,494
Profit/(loss) before income tax	3,887	(10,086)
Income tax expense	-	(154)
Total comprehensive income/(loss), representing net profit/(loss)	3,887	(10,240)

19. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

(f) Carrying value of non-controlling interests (continued)

Summarised statement of cash flows

	2019 S$'000	2018 S$'000
Pavillon Financial Leasing Co., Ltd.		
<u>Cash flows from operating activities</u>		
Cash generated by operations	5,862	11,526
Interest paid	(1)	(65)
Income tax paid	(149)	(660)
Net cash provided by operating activities	5,712	10,801
Net cash used in investing activities	(3,657)	(9,331)
Net cash used in financing activities	(1,015)	(4,090)
Net increase/(decrease) in cash and cash equivalents	1,040	(2,620)
Cash and cash equivalents		
Beginning of financial year	892	3,600
Effects of currency translation on cash and cash equivalents	(12)	(88)
End of financial year	1,920	892

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties S$'000	Furniture and fittings S$'000	Plant and machinery S$'000	Motor vehicles S$'000	Computers S$'000	Operating supplies S$'000	Assets under construction S$'000	Total S$'000
2019								
Cost								
Beginning of financial year	1,576	2,234	249	1,704	168	32	1,502	7,465
Adoption of SFRS(I)16 (Note 2.1)	2,507	-	-	-	-	-	-	2,507
Currency translation differences	(16)	(5)	-	(13)	(2)		(20)	(56)
Additions	884	263	40	-	5	-	3,159	4,351
Dilution of equity interest from subsidiary corporations to associated companies (Note 18(i))	-	(6)	-	-	-	-	(4,641)	(4,647)
End of financial year	4,951	2,486	289	1,691	171	32	-	9,620
Accumulated depreciation								
Beginning of financial year	1,105	1,903	208	1,144	131	12	-	4,503
Currency translation differences	-	(1)	-	(10)	(1)	-	-	(12)
Depreciation charge	1,421	222	15	192	24	4	-	1,878
Dilution of equity interest from subsidiary corporations to associated companies (Note 18(i))	-	(1)	-	-	-	-	-	(1)
End of financial year	2,526	2,123	223	1,326	154	16	-	6,368
Accumulated impairment loss								
Beginning of financial year	-	-	-	-	-	-	-	-
Impairment charge	-	188	28	-	-	4	-	220
End of financial year	-	188	28	-	-	4	-	220
Net book value								
End of financial year	2,425	175	38	365	17	12	-	3,032

Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 21(a).

20 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold properties S$'000	Furniture and fittings S$'000	Plant and machinery S$'000	Motor vehicles S$'000	Computers S$'000	Operating supplies S$'000	Assets under construction S$'000	Total S$'000
2018								
Cost								
Beginning of financial year	1,576	2,173	258	1,696	167	26	64	5,960
Currency translation differences	-	(2)	-	(10)	(2)	-	(29)	(43)
Additions	-	59	12	412	10	6	1,469	1,968
Reclassification	-	2	-	-	-	-	(2)	-
Acquisition of a subsidiary corporation (Note 38)	-	6	-	-	1	-	-	7
Disposal/Write off	-	(4)	(21)	(394)	(8)	-	-	(427)
End of financial year	1,576	2,234	249	1,704	168	32	1,502	7,465
Accumulated depreciation								
Beginning of financial year	1,054	1,687	203	1,351	94	9	-	4,398
Currency translation differences	-	(1)	-	(7)	(1)	-	-	(9)
Depreciation charge	51	217	12	194	45	3	-	522
Disposal/Write off	-	-	(7)	(394)	(7)	-	-	(408)
End of financial year	1,105	1,903	208	1,144	131	12	-	4,503
Net book value								
End of financial year	471	331	41	560	37	20	1,502	2,962

Included within additions in the consolidated financial statements are motor vehicles acquired under finance lease amounting to S$Nil (2018: S$207,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computers S$'000
2019	
Cost	
Beginning and end of financial year	16
Accumulated depreciation	
Beginning and end of financial year	16
Net book value	
End of financial year	-
2018	
Cost	
Beginning and end of financial year	16
Accumulated depreciation	
Beginning and end of financial year	16
Net book value	
End of financial year	-

21 LEASES – THE GROUP AS A LESSEE

Nature of the Group's leasing activities

Properties

The Group leases office premises and restaurant for the purpose of back office operations and operations of restaurants and food staffs respectively.

Leasehold properties

The Group has made an upfront payment to secure the right-of-use of 30-year leasehold properties, which is used for the head office of the Group.

The Group also makes annual payments for leasehold properties. The right-of-use of the properties are classified as Property, plant and equipment (Note 20).

The Group also makes annual payments for leasehold properties.

There are no externally imposed covenant on these lease arrangements.

Motor vehicle

The Group entered into a finance lease agreement for leasing a motor vehicle for daily operation.

21 LEASES – THE GROUP AS A LESSEE (CONTINUED)

(a) Carrying amounts of ROU assets classified within Property, plant and equipment

	Leasehold properties	Motor vehicle	Total
	S$'000	S$'000	S$'000
At 1 January 2019	2,507	398	2,905
Currency translation differences	(16)	-	(16)
Addition	884	-	884
Depreciation	(1,370)	(82)	(1,452)
At 31 December 2019	2,005	316	2,321

(b) Interest expense

	2019
	S$'000
Interest expense on lease liabilities (Note 7)	68

(c) Lease expense not capitalised in lease liabilities

	2019
	S$'000
Lease expense – short-term leases	227

(d) Total cash outflow for all the leases in 2019 was S$1,383,000.

22 LEASES – THE GROUP AS A LESSOR

Nature of the Group's leasing activities – Group as a lessor

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

Revenue from leasing segment is disclosed in Note 4 to the financial statements.

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22 LEASES – THE GROUP AS A LESSOR (CONTINUED)

Nature of the Group's leasing activities – Group as an intermediate lessor

Sub-leases – classified as operating leases

The Group acts as an intermediate lessor under arrangement in which it sub-leases out office premises to third parties for monthly lease payments. The sub-lease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as an operating leases.

Income from sub-leasing the office space recognised during the financial year ended 31 December 2019 was S$244,000 (2018: S$128,000).

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	31 December 2019	1 January 2019
	S$'000	S$'000
Less than one year	52	587
One to two years	-	52
Total undiscounted lease payment	52	639

23 INTANGIBLE ASSETS

	Group	
	2019	2018
	S$'000	S$'000
Cost		
Beginning of financial year	60	-
Additions	-	60
Dilution of equity interest from subsidiary corporations to associated companies (Note 18(i))	(60)	-
End of financial year	-	60
Accumulated amortisation		
Beginning of financial year	10	-
Amortisation charge	2	10
Dilution of equity interest from subsidiary corporations to associated companies (Note 18(i))	(12)	-
End of financial year	-	10
Net book value		
End of financial year	-	50

24 LAND-USE RIGHTS

	Group	
	2019	2018
	S$'000	S$'000
Cost		
Beginning of financial year	12,582	9,136
Currency translation differences	(164)	(219)
Additions	-	3,665
Dilution of equity interest from subsidiary corporations to associated companies (Note 18(i))	(12,418)	-
End of financial year	-	12,582
Accumulated amortisation		
Beginning of the financial year	(256)	-
Amortisation charge	(122)	(256)
Dilution of equity interest from subsidiary corporations to associated companies (Note 18(i))	378	-
End of financial year	-	(256)
Net book value		
End of financial year	-	12,326

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

As at 31 December 2017, the title for the land-use rights has not been transferred to the Group. Notwithstanding the fact that the Group has not obtained the relevant title of the land-use rights, the management considered that the Group had obtained the rights to use through contractual agreement with the local government agency. On 12 January 2018, the Group obtained the legal title of the land-use right.

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

25 TRADE AND OTHER PAYABLES

	Group	
	2019	**2018**
	S$'000	**S$'000**
Current		
Trade payables		
- Non-related parties	496	295
Other payables		
- Non-related parties	2,996	5,426
- Directors	99	189
- Accruals for operating expenses	497	736
- Franchise deposits	-	40
	4,088	6,686
Non-current		
Franchise deposits	100	60
Total trade and other payables	4,188	6,746

	Company	
	2019	**2018**
	S$'000	**S$'000**
Current		
Other payables		
- Non-related parties	88	52
- Subsidiary corporations	1,740	766
- Directors	99	189
- Accruals for operating expenses	140	219
- Franchise deposits	-	40
	2,067	1,266
Non-current		
Franchise deposits	100	60
Total trade and other payables	2,167	1,326

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

25 TRADE AND OTHER PAYABLES (CONTINUED)

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

	Fair value	
	2019	**2018**
	S$'000	**S$'000**
Group and Company		
Franchise deposits	78	48

	Borrowing rates	
	2019	**2018**
	%	**%**
Group and Company		
Franchise deposits	5.3	5.3

26 BORROWINGS

	Group	
	2019	**2018**
	S$'000	**S$'000**
Current		
Borrowing from financing platform in PRC	-	40
Lease liabilities	1,116	-
	1,116	40
Non-current		
Lease liabilities	1,080	-
Total borrowings	2,196	40

Borrowing from internet financing platform in PRC was secured over certain finance lease receivables (Note 15). The interest on the borrowing was fixed at 4.35% (2018: 4.35%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26 BORROWINGS (CONTINUED)

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group	
	2019	**2018**
	S$'000	**S$'000**
6 months or less	657	40
6 – 12 months	459	-
1 – 5 years	1,026	-
Over 5 years	54	-
	2,196	40

27 FINANCE LEASE LIABILITIES

As at 31 December 2018, the Group leases certain motor vehicles from a non-related party under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The Impact of adoption is disclosed in Note 2.1 to the financial statements.

	Group
	2018
	S$'000
Minimun lease payment due	
- Not later than 1 year	47
- Between 1 and 5 years	182
	229
Less: Future finance charges	(26)
Present value of finance lease liabilities	203

27 FINANCE LEASE LIABILITIES (CONTINUED)

The present value of finance lease liabilities is analysed as follows:

	Group
	2018
	S$'000
Not later than 1 year	38
Between 1 and 5 years	165
Total	203

28 PROVISIONS

	Group	
	2019	**2018**
	S$'000	**S$'000**
Provision for reinstatement cost		
Beginning of financial year	198	180
Additions	20	18
End of financial year	218	198
Current	20	99
Non-current	198	99
	218	198

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

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29 DEFERRED INCOME TAXES

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

	Group	
	2019	2018
	S$'000	S$'000
Deferred income tax liabilities, representing accelerated tax depreciation		
- to be settled within one year	67	80

Movement in deferred income tax liabilities account is as follows:

	Group	
	2019	2018
	S$'000	S$'000
Beginning of financial year	80	115
Tax credited to profit or loss (Note 9(a))	(13)	(35)
End of financial year	67	80

30 SHARE CAPITAL

	Group and Company	
	Number of shares	Issued and paid-up share capital S$'000
As at 31 December 2019 and 31 December 2018	387,748,700	39,433

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

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

31 OTHER RESERVES

	Group	
	2019	2018
	S$'000	S$'000
(a) Composition		
Capital reserve	3,478	6,083
Currency translation reserve	(1,556)	(1,897)
	1,922	4,186

31 OTHER RESERVES (CONTINUED)

(b) Movements:

		Group	
		2019	2018
		S$'000	S$'000
(i)	*Capital reserve*		
	Beginning of financial year	6,083	3,478
	Changes in ownership interests in subsidiary corporations (Note 18(i))	-	2,605
	Dilution of equity interest from subsidiary corporations to associated companies (Note 18(i))	(2,605)	-
	End of financial year	3,478	6,083
(ii)	*Currency translation reserve*		
	Beginning of financial year	(1,897)	(1,281)
	Currency translation differences of financial statements of foreign subsidiary corporations	(614)	(669)
	Add: non-controlling interests	340	53
	Reclassification on dilution of equity interest from subsidiary corporations to associated companies (Note 18(i))	615	-
	End of financial year	(1,556)	(1,897)

Other reserves are non-distributable.

32 ACCUMULATED LOSSES

Retained profits of the Group and the Company are distributable, except for accumulated losses of associated company amount to S$264,000 (31 December 2018: S$Nil).

Movements in accumulated losses of the Company is as follows:

	Company	
	2019	2018
	S$'000	S$'000
Beginning of financial year	(8,630)	(1,648)
Net loss	(3,105)	(6,982)
End of financial year	(11,735)	(8,630)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33 COMMITMENTS

(a) *Capital commitments*

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

	Group	
	2019	**2018**
	S$'000	**S$'000**
Capital commitment in relations to capital injection into investments in PRC		
– Subsidiary corporations	95,833	118,958
– Associated company	189	-
	96,022	118,958

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

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

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group
	2018
	S$'000
Not later than one year	1,558
Between one and five years	1,192
Later than five years	74
	2,824

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

34 CONTINGENT LIABILITIES

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

35 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Currency risk

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

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

	SGD	RMB	Other	Total
	S$'000	S$'000	S$'000	S$'000
31 December 2019				
Financial assets				
Cash and cash equivalents	2,223	6,056	21	8,300
Trade and other receivables	601	4,638	-	5,239
Financial assets, at FVOCI	-	3,862	-	3,862
Inter-company balances	1,740	7,502	-	9,242
	4,564	22,058	21	26,643
Financial liabilities				
Trade and other payables	(1,363)	(2,824)	(1)	(4,188)
Borrowings	(1,636)	(560)	-	(2,196)
Inter-company balances	(1,740)	(7,502)	-	(9,242)
	(4,739)	(10,886)	(1)	(15,626)
Net financial (liabilities)/assets	(175)	11,172	20	11,017
Add: Net financial (assets)/liabilities denominated in respective entities' functional currencies	175	(9,241)	(20)	(9,086)
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	-	1,931	-	1,931

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD S$'000	RMB S$'000	Other S$'000	Total S$'000
31 December 2018				
Financial assets				
Cash and cash equivalents	2,474	18,484	22	20,980
Trade and other receivables	1,608	10,869	21	12,498
Inter-company balances	1,816	3,987	-	5,803
	5,898	33,340	43	39,281
Financial liabilities				
Trade and other payables	(1,431)	(5,274)	(37)	(6,742)
Borrowings	-	(40)	-	(40)
Finance lease liabilities	(203)	-	-	(203)
Inter-company balances	(1,816)	(3,987)	-	(5,803)
	(3,450)	(9,301)	(37)	(12,788)
Net financial assets	2,448	24,039	6	26,493
Add: Net financial (assets)/liabilities denominated in respective entities' functional currencies	(2,448)	(22,029)	15	(24,462)
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	-	2,010	21	2,031

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	SGD S$'000	RMB S$'000	Other S$'000	Total S$'000
31 December 2019				
Financial assets				
Cash and cash equivalents	317	-	-	317
Trade and other receivables	14	1,929	8	1,951
	331	1,929	8	2,268
Financial liabilities				
Trade and other payables	(2,167)	-	-	(2,167)
Net financial assets	(1,836)	1,929	8	101
Add: Net financial assets denominated in the Company's functional currency	1,842	-	-	1,842
Currency exposure of financial assets net of those denominated in the Company's functional currency	-	1,929	8	1,934
31 December 2018				
Financial assets				
Cash and cash equivalents	1,119	-	-	1,119
Trade and other receivables	1,292	2,010	21	3,323
	2,411	2,010	21	4,442
Financial liabilities				
Trade and other payables	(1,326)	-	-	(1,326)
Net financial assets	1,085	2,010	21	3,116
Add: Net financial assets denominated in the Company's functional currency	(1,085)	-	-	(1,085)
Currency exposure of financial assets net of those denominated in the Company's functional currency	-	2,010	21	2,031

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The strengthening of RMB against SGD by 3% (2018: 2%), at the reporting date would increase/(decrease) loss after tax by the amounts shown below. This analysis assumes that all other variables including tax rate being held constant.

	Profit/(loss) after tax	
	2019	**2018**
	S$'000	**S$'000**
Group		
RMB against SGD		
- Strengthened	(48)	33
- Weakened	48	(33)

	Loss after tax	
	2019	**2018**
	S$'000	**S$'000**
Company		
RMB against SGD		
- Strengthened	48	33
- Weakened	(48)	(33)

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group and the Company do not have significant interest-bearing assets and liabilities, the Group's and the Company's income and expense are substantively independent of changes in market interest rates.

(iii) Price risk

The Group is exposed to equity price risk arising from the investment held by the Group which is classified as financial asset, at FVOCI.

The security is unquoted share and the fair value is within level 2 of the fair value hierarchy. If price for the unquoted share had changed by 10% with all other variables including tax rate being held constant, the effects on other comprehensive income would have been increase/decrease by S$386,000.

The Company is not exposed to equity price risk as the Company does not hold any equity financial assets.

NOTES TO THE FINANCIAL STATEMENTS

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35 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) *Credit risk*

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

Credit exposure to an individual counterparty is restricted by credit limits that are approved by management based on ongoing credit evaluations. The counterparty's payment patterns and credit exposure are continually monitored at the entity level by respective managements.

Sales of restaurant operations is required to be settled in cash, NETS or using major credit cards, which has mitigated the credit risk. The trade receivables of the Group comprise of the sales settled in NETS and credit card which are not past due as at 31 December 2019 and 2018.

The finance lease receivables of the Group comprise 1 debtor (2018: 1 debtor) that individually represented 91% (2018: 89%) of finance lease receivables.

The other receivables of the Group comprise 1 debtor (2018: 1 debtor) that individually represented 99% (2018: 72%) of other receivables.

The Group does not have concentration risk on trade receivables as the amount as at the reporting date is not significant to the Group.

As the Group does not hold any collateral or other credit enhancement to cover its credit risks associated with its financial assets (other than finance lease receivables), the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The movement in credit loss allowance are as follows:

Group	**Finance lease receivables S$'000**	**Other receivables S$'000**	**Total S$'000**
Balance at 1 January 2019	4,827	7,001	11,828
Currency translation difference	(250)	(310)	(560)
Loss allowance recognised during the financial year	5,259	-	5,259
Reversal of loss allowance during the financial year	(3,862)	-	(3,862)
Balance at 31 December 2019 (Note 12)	5,974	6,691	12,665
Balance at 1 January 2018	-	-	-
Loss allowance recognised during the financial year	4,827	7,001	11,828
Balance at 31 December 2018 (Note 12)	4,827	7,001	11,828

Company	**Trade receivables S$'000**	**Other receivables S$'000**	**Total S$'000**
Balance at 1 January 2018	-	-	-
Loss allowance recognised during the financial year	49	1,650	1,699
Balance at 31 December 2018 (Note 12)	49	1,650	1,699

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The loss allowance account in respect of finance lease receivables and other receivables is used to record loss allowance. Unless the Group and the Company satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The Group's and the Company's cash and cash equivalents, trade receivables, deposits and staff loans are subject to immaterial credit loss.

(i) Finance lease receivables

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for finance lease receivables. In measuring the expected credit losses ("ECL"), finance lease receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the ECL rates, the Group considers purely historical loss rates for each category of customers which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date.

Finance lease receivables are written off when there is no reasonable expectation of recovery, such as a lessee failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments for more than a year when they fall due, and writes off the financial asset when there is no reasonable ground to recover the receivables after all enforcement activity has been taken by the Group

The Group's credit risk exposure in relation to finance lease receivables under SFRS(I) 9 as at 31 December 2019 and 2018 are set out in the provision matrix as follows:

Finance lease receivables

2019	**Gross amount**	**Loss allowance**	**Carrying amount**
	S$'000	**S$'000**	**S$'000**
Group			
Not past due	235	-	235
> 365 days past due	8,224	(5,974)	2,250
	8,459	(5,974)	2,485
2018			
Not past due	1,119	(6)	1,113
< 30 days past due	731	(22)	709
30 days to 60 days past due	1,564	(78)	1,486
60 days to 90 days past due	1,181	(94)	1,087
90 days to 365 days past due	6,248	(580)	5,668
> 365 days past due	4,047	(4,047)	-
	14,890	(4,827)	10,063

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For the financial year ended 31 December 2019

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Finance lease receivables (continued)

During the financial year ended 31 December 2019, the former executive director has underwritten a debt by entered into an agreement with a subsidiary corporation of the Group – Pavillon Financing Leasing Co., Ltd. ("PFL") through a company of his connected person to transfer their existing unquoted shares to PFL as a partial settlement of the debt amounted to S$3,862,000 (equivalent to RMB20,000,000). Consequently, the loss allowance provided in prior financial year had been reversed out to profit or loss.

The unquoted share is classified as financial asset, at FVOCI (Note 17). Based on the agreement, the transferor has the right to redeem the shares within 12 months at a 12% premium.

(ii) Other receivables

The Group uses the general approach to measure the loss allowance for other receivables as described in Note 3(a) to the financial statements. Other receivables are individually determined to be impaired when the Group determined that the financial assets has significant increase in credit risk since initial recognition, such as the debtors have financial difficulties and have defaulted on payments during the financial year. Loss allowance for those financial assets with significant increase in credit risk amounted to S$Nil (2018: S$7,001,000) has been recognised during the financial year.

(iii) Non-trade amounts due from subsidiary corporations

The amount due from subsidiary corporations is for short term funding requirements. The Company uses a general approach for assessment of ECL for these receivables. Impairment on these balances has been measured on the 12-month expected loss basis which credit risk has increased significantly since initial recognition. Loss allowance for a non-performing subsidiary corporation with significant increase in credit risk amounted to S$1,650,000 (2018: S$Nil) has been recognised during the financial year.

(iv) Credit risk exposure

The Group's and the Company's short-term deposits are placed as fixed rate investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed only with reputable licensed financial institutions with high credit-ratings.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through having an adequate amount of committed credit facilities to enable it to meet its normal operating commitments. As at the reporting date, assets held by the Group and the Company for managing liquidity risk included cash and cash equivalents as disclosed in Note 12 to the financial statements.

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

Group	**Within 1 year S$'000**	**Between 1 and 5 year S$'000**	**Over 5 year S$'000**
31 December 2019			
Trade and other payables	4,088	100	-
Lease Liabilities	1,116	1,026	54
	5,204	1,126	54
31 December 2018			
Trade and other payables	6,686	60	-
Borrowings	40	-	-
Finance lease liabilities	47	182	-
	6,773	242	-
Company			
31 December 2019			
Trade and other payables	2,067	100	-
31 December 2018			
Trade and other payables	1,266	60	-

(d) Capital risk

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

NOTES
TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk (continued)

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

	Group	
	2019	**2018**
	S$'000	**S$'000**
Net debt	(1,916)	(13,911)
Total equity	36,507	42,555
Total capital	34,591	28,644
Gearing ratio	N.A.[1]	N.A.[1]

(1) The cash position exceeds the total of trade and other payables and borrowings. The Group is in a net cash positions as at 31 December 2019 and 2018 respectively.

	Company	
	2019	**2018**
	S$'000	**S$'000**
Net debt	1,850	207
Total equity	27,698	30,803
Total capital	29,548	31,010
Gearing ratio	6%	0.7%

The Group and the Company are not subjected to externally imposed capital requirements for the financial years ended 31 December 2019 and 2018 respectively.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within level 1 that are observable or the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (continued)

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
2019	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Financial assets, at FVOCI	-	3,862	-	3,862

The fair value of financial instrument that is not traded in an active market (e.g. over-the counter derivatives) is determined by using the transaction price represents the fair value based on the exit price concept. The instrument is classified as Level 2.

The fair values of current financial assets and liabilities carried at amortised cost approximates their carrying amount. The fair value of non-current financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(f) Financial instruments by category

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

	2019	**2018**
	S$'000	**S$'000**
Group		
Financial assets at amortised cost	13,539	33,478
Financial assets at FVOCI	3,862	-
Financial liabilities at amortised cost	4,188	6,746
Company		
Financial assets at amortised cost	2,268	4,442
Financial liabilities at amortised cost	2,167	1,326

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TO THE FINANCIAL STATEMENTS

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36 RELATED PARTY TRANSACTIONS

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

(a) Sales of purchases of goods and services

	Group	
	2019	**2018**
	S$'000	**S$'000**
Subsidiary corporations		
Management fee	1,190	1,209
Sales of goods	20	-
Related parties		
Management fee	58	10
Rental income	336	128

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

(b) Key management personnel compensation

	Group	
	2019	**2018**
	S$'000	**S$'000**
Directors of the Company		
Salaries and bonus	1,659	1,597
Employer's contribution to defined contributions plan	47	48
Other benefit	134	133
	1,840	1,778
Other key management personnel		
Salaries and bonus	607	512
Employer's contribution to defined contributions plan	71	87
	678	599

37 SEGMENT INFORMATION

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

1. Food and beverages operations, which mainly related to operation of restaurant outlets, management fees from restaurants, franchise fee and royalties;

2. Leasing operations, which mainly relates to equipment and car leasing;

3. Properties operations, which mainly relates to the proposed logistics and warehousing management services of the Tianjin Free Trade Zone project; and

4. All other segments, which mainly relate to management fees from related companies within the Group.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37 SEGMENT INFORMATION (CONTINUED)

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

2019	**Food and beverages S$'000**	**Leasing S$'000**	**Properties S$'000**	**All other segments S$'000**	**Eliminations S$'000**	**Notes**	**Total S$'000**
Revenue							
Sales to external parties	12,446	123	244	175	-		12,988
Inter-segment sales	21	-	394	1,248	(1,663)	A	-
Results							
Segment profit/(loss)	(251)	3,850	(795)	(3,075)	1,535	C	1,264
Interest income	-	40	213	31	-		284
Amortisation of intangible asset and land-use-right	-	-	-	(124)	-		(124)
Depreciation of property, plant and equipment	(1,345)	(5)	(457)	(71)	-		(1,878)
Impairment loss on finance lease receivables	-	(5,259)	-	(5,259)	-		(5,259)
Impairment loss on other receivables	-	-	-	(1,652)	1,652	B	-
Reversal of impairment loss on finance lease receivables	-	3,862	-	-	-		3,862
Segment assets	7,640	43,674	1,130	31,921	(41,083)	D	43,282
Segment assets includes:							
Additions to:							
Financial asset, at FVOCI	-	3,862	-	-	-		3,862
Property, plant and equipment	306	-	1	3,160	-		3,467
Segment liabilities	4,641	6,408	2,537	4,111	(10,922)	D	6,775

37 SEGMENT INFORMATION (CONTINUED)

2018	Food and beverages S$'000	Leasing S$'000	Properties S$'000	All other segments S$'000	Eliminations S$'000	Notes	Total S$'000
Revenue							
Sales to external parties	12,580	1,494	128	176	-		14,378
Inter-segment sales	33	-	1,505	1,199	(2,737)	A	-
Results							
Segment profit/(loss)	388	(10,085)	(2,916)	(7,083)	5,843	C	(13,853)
Interest income	-	65	25	34	-		124
Depreciation of property, plant and equipment	(380)	(2)	(64)	(76)	-		(522)
Amortisation of intangible asset	-	-	(10)	-	-		(10)
Amortisation of land-use rights	-	-	(256)	-	-		(256)
Impairment loss on finance lease receivables	-	(4,827)	-	-	-		(4,827)
Impairment loss on other receivables	-	(5,891)	(1,110)	-	-		(7,001)
Segment assets	5,930	37,769	27,989	34,356	(55,778)	D	50,266
Segment assets includes:							
Additions to:							
Land-use rights	-	-	3,665	-	-		3,665
Intangible assets	-	-	60	-	-		60
Property, plant and equipment	493	2	-	1,473	-		1,968
Segment liabilities	2,701	1,322	6,118	3,377	(5,807)	D	7,711

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TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37 SEGMENT INFORMATION (CONTINUED)

Notes:

A Inter-segment revenues are eliminated on consolidation.

B Impairment loss on non-trade amount due from a subsidiary corporation is eliminated on consolidation.

C The following items are added to/(deducted from) segment (loss)/profit to arrive at "(loss)/profit before income tax" presented in the consolidated statement of comprehensive income:

	2019	2018
	S$'000	S$'000
Fair value loss on remeasurement of investment in associated company	-	(142)
Gains on bargain purchase	-	72
Impairment loss on investment in associated companies	-	241
Impairment loss on trade and other receivables	1,699	-
Impairment loss on investment in subsidiary corporations	100	5,672
Share of loss from associated companies	(264)	-
	1,535	5,843

D The elimination in relating to segment assets and segment liabilities are inter-segment transactions.

37 SEGMENT INFORMATION (CONTINUED)

Geographical information:

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

	Revenue	
	2019	2018
	S$'000	S$'000
Singapore	12,446	12,580
PRC	471	1,676
Other countries	71	122
	12,988	14,378

	Non-current assets	
	2019	2018
	S$'000	S$'000
Singapore	1,681	1,530
PRC	23,018	13,808
	24,699	15,338

Non-current assets information presented above consist of property, plant and equipment, intangible assets, land-use rights and investments in associated companies as present on the statement of financial position.

Major customer information:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38 BUSINESS COMBINATION

On 28 October 2018, the Group, through its subsidiary corporation Pavillon Financial Leasing Co., Ltd. entered into a share transfer agreement to acquire the remaining 50% equity interest in State Research Pavillon Financial Leasing Co., Ltd. ("SRPFL"). On 28 December 2018, the transfer of shares was completed. The Group's effective controlling interest has increased from 50% to 87.99%, consequently the Group obtained control over SRPFL and accounted for it as a subsidiary corporation.

Details of the consideration paid, the assets acquired and the liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	2018 S$'000
Cash paid	-
Fair value of previously held equity interest (Note 18) [1]	3,928
Payable amount [2]	3,928
Consideration transferred for the business	7,856

(1) The remeasurement to fair value of the Group's existing interest of SRPFL resulted in a fair value loss of S$142,000 has been recognised in other operating expenses (Note 8).

(2) The Group has separately entered into a deed of debt assignment with the seller to offset against the receivable amount due from a related party of the seller.

(b) Effect on cash flows of the Group

	2018 S$'000
Cash paid (as above)	-
Cash and cash equivalents in subsidiary corporation acquired	4,211
Cash inflow on acquisition	4,211

38 BUSINESS COMBINATION (CONTINUED)

(c) Identifiable assets acquired and liabilities assumed

	At fair value 2018 S$'000
Cash and cash equivalents	4,211
Property, plant and equipment (Note 20)	7
Trade and other receivables	3,766
Total assets	7,984
Trade and other payables, representing total liabilities	(56)
Total identifiable net assets	7,928
Less: Gain on bargain purchase (Note 5)	(72)
Consideration transferred for the business	7,856

(d) Acquisition-related costs

The Group did not incur any acquisition-related costs in respect of the acquisition of SRPFL.

(e) Acquired receivables

The fair value of trade and other receivables is S$3,753,000, which is mainly comprises receivables amount due from a subsidiary corporation of the Group.

(f) Revenue and profit contribution

SRPFL did not contributed revenue and net profit to the Group as the date of completion is close to the date of the reporting period.

Had SRPFL been acquired from 1 January 2018, consolidated revenue and consolidated loss for the financial year ended 31 December 2018 would have been S$14,643,000 and S$13,917,000 respectively.

39 EVENT OCCURRING AFTER BALANCE SHEET DATE

The impact of the coronavirus disease 2019 (COVID-19) outbreak on public life and industry in various countries, including the jurisdictions in which the Group operates, stricter measures has been taken by the governments including travel restrictions. This could result in a negative impact on the financial performance of the Group in the coming financial years. The Group is unable to quantify the magnitude and duration of such impact and has not considered such impact (if any) on the Group's financial statements for the current financial year.

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40 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards and amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2020 and which the Group has not early adopted.

Effective for annual periods beginning on or after 1 January 2020

- Amendments to SFRS(I) 3 : Business Combinations – definition of a business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of material
- Amendments to Reference to the Conceptual Framework in SFRS(I) standards
- Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement
- Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements.

Effective for annual periods beginning on or after 1 January 2021

- SFRS(I) 17 Insurance Contracts

Effective date: to be determined*

- Amendments to SFRS(I) 10 and SFRS(I) 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

41 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Pavillon Holdings Ltd. on 4 May 2020.

CORPORATE GOVERNANCE REPORT

The Board of Directors of Pavillon Holdings Ltd. (the "**Company**") recognises the importance of and is committed to maintain high standard of corporate governance within the Company and its subsidiaries (the "**Group**") 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 provisions as set out in the Code of Corporate Governance 2018 (the "**Code**") and accompanying Practice Guidance, issued by the Corporate Governance Council on 6 August 2018 and adopted by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

1. BOARD MATTERS

1.1 The Board's conduct of affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

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

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

A brief profile of each Director is set out on pages 6 and 7 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.

The Board 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 issuances 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 clearly sets out the authority and duties; and 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-year and full year results. Ad-hoc meetings are convened as and when warranted by particular circumstances. In addition to physical meetings, the Company's Constitution allows Board meetings to be conducted by way of tele-conference, provided that the requisite quorum of at least two (2) directors is present.

Directors receive a regular flow of information from Management about the Group and Board papers so that they are equipped to play a part 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.

During the financial year from 1 January 2019 to 31 December 2019 ("**FY2019**"), the Board held various meetings and the attendance of each Director at every Board and Board Committee meeting is summarised as follows: -

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

(1) Attended the meeting as an invitee.
(2) Mr Zheng Fengwen had resigned with effect from 1 October 2019.

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.

The appointment and cessation of the Company Secretary is subject to the approval of the Board as a whole.

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

Should the Directors need independent professional advice, the Company will, upon direction by the Board, appoint a professional advisor to render the advice, and the costs of such professional fees will be borne by the Company.

1.2 Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Presently, the Board comprises three (3) Executive Directors, three (3) Independent Directors and one (1) Non-Executive and Non-Independent Director. As the Chairman is not an Independent Director, the Board noted that pursuant to Provision 2.2 of the Code, the Code recommends for Independent Directors to make up a majority of the Board. Though the current composition is not in compliance with Provision 2.2 of the Code, the independence element is not compromised as the Independent Directors and Non-Independent Non-Executive Directors form a majority of the Board and participate actively in board's deliberation. Nevertheless, the Board is also seeking suitable Independent Directors for appointment and ensuring that the composition of the Board is aligned with the development of the business operations.

The Board exercises objective and independent judgement on the Group's corporate affairs. No individual or group of individuals dominates the Board's decision-making process. In addition, the roles of Chairman 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 substantial 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 substantial 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. Save for Mr Hoon Tai Meng, none of the Independent Director has served on the Board beyond nine years from the date of his/her first appointment. Notwithstanding that Mr Hoon Tai Meng has served on the Board beyond nine (9) years, the NC, with the concurrence of the Board, is satisfied that Mr Hoon Tai Meng has been able to objectively scrutinize the Management and provide the check and balance required, and also exercises independent business judgement to the best interests of the Company. Mr Hoon Tai Meng had abstained from the discussions pertaining to the review of his independence. 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.

CORPORATE GOVERNANCE REPORT

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 take account of the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

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

The Board, taking into account the nature of operations of the Company and the recommendation of the NC, considers its Independent Directors to be independent in character and judgement and of sufficient caliber and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The Independent Directors have no financial or contractual interests in the Group other than by way of their fees as set out in the financial statements. The NC and the Board are of the view that its current size meets the needs for quick and effective decision-making and their combined diversity and wealth of experience enable them to contribute positively to the strategic growth and governance of the Group. Key information regarding the Directors' academic and professional qualifications and other appointments are set out on pages 6 to 7 of this AR.

1.3 Chairman and Chief Executive Officer ("CEO")

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Mr Zheng Fengwen had resigned as Executive Director and CEO of the Group with effect from 1 October 2019.

There is a clear separation of the roles and responsibilities of the Executive Chairman and Managing Director of the Group. The Executive Chairman, Dr John Chen Seow Phun ("**Dr Chen**"), 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 oversee the business direction, long term strategic planning and the overall management and operations of the Group. 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 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 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 and the 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.

1.4 Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of 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;

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(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 principal commitments and whether or not he/she is independent and in the case of a re-nomination, to his/her performance and contribution;

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

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

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

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

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

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

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

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

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

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

With effect from 1 January 2019, Listing Rule 720(5) of the SGX-ST requires all directors of an issuer to submit themselves for re-nomination and re-appointment at least once every three years. In this respect, Mr Lee Tong Soon, the Managing Director of the Company shall retire from office at least once every three years, subject to the retirement rotation of the Board, notwithstanding with the regulation of the Constitution.

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

The Directors retiring by rotation pursuant to Regulation 107 of the Company's Constitution at the forthcoming AGM are Mr Hoon Tai Meng, Mr Kok Nyong Patt and Mr Ko Chuan Aun. 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 28 May 2020. The Board had concurred with the NC and accepted the recommendation of the re-election of the three (3) retiring Directors. The retiring Directors will be offering themselves for re-election.

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

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

Key information regarding the Directors is provided on pages 106 to 115 of the AR.

1.5 Board Performance

Principle 5: The Board undertakes a formal annual assessments of its effectiveness as a whole, and that of each of its board committees and individual directors.

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

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

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

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

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

Name of Director	**John Chen Seow Phun**
Age	66
Country of principal residence	Singapore
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	25 April 2019
The Board's comments on the re-election	Not applicable, Dr Chen is not due for re-election.
Job Title	Executive Chairman
Board Committees Served	None
Professional qualifications	Dr Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada.
Shareholding in the Company and its subsidiaries (as at 15 April 2020)	The Company 23,163,525 Shares (as set out on page 14 of the AR) Dr Chen is deemed to be interested in 22,252,725 Shares held by Unigold Asia Limited and 62,500 Shares held by his spouse. He is also the beneficial owner of 848,300 Shares held by DBS Nominees (Private) Limited. Subsidiaries of the Group Nil

Principal Commitments including Directorships	Past Directorships National University Health System Pte Ltd Pattern Discovery Technologies Pte Ltd Present Directorships 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 Hong Lai Huat Group Limited Fu Yu Corporation Limited DATAESP Pte Ltd JLM Foundation Ltd SAC Advisors Pte Ltd Pavillon Financial Leasing Co., Ltd. Pavillon Business Development (Shanghai) Co. Ltd. Fengchi IOT Management Co., Ltd. MHC Asia Holdings Pte. Ltd. Other Principal Commitments Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

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Name of Director	Lee Tong Soon
Age	61
Country of principal residence	Singapore
Date of first appointment as director	15 November 1999
Date of last re-election as director	25 April 2019
The Board's comments on the re-election	Not applicable, Mr Lee is not due for re-election.
Job Title	Managing Director
Board Committees Served	None
Professional qualifications	Mr Lee holds a Bachelor Degree in Arts and Social Science from the National University of Singapore.
Shareholding in the Company and its subsidiaries (as at 15 April 2020)	The Company 24,135,526 Shares (as set out on page 14 of the AR) Mr Lee is also deemed interested in 12,500 Shares held by his daughter. Subsidiaries of the Group Nil
Principal Commitments including Directorships	Past Directorships Thai Village (China) Pte. Ltd. Shanghai Thai Village Restaurant Management Co., Ltd. Thai Village Restaurant (Shanghai) Co., Ltd. Tianjin Pavillon Asset Management Co., Ltd. Fengchi Real Estate Sdn. Bhd. Present Directorships Thai Village Restaurant Pte Ltd. Thai Village Express Pte Ltd. Pavillon Financial Leasing Co., Ltd. Pavillon Business Development (Shanghai) Co., Ltd. State Research Pavillon Financial Leasing Co., Ltd. Other Principal Commitments Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

Name of Director	Kok Nyong Patt
Age	60
Country of principal residence	Singapore
Date of first appointment as director	15 November 1999
Date of last re-election as director	27 April 2017 Due for re-election at the AGM to be held on 28 May 2020.
The Board's comments on the re-election	The Board of Directors of the Company had accepted and approved the NC's recommendation, who has reviewed and considered Mr Kok's contribution and performance as an Executive Director of the Company.
Job Title	Executive Director
Board Committees Served	None
Professional qualifications	None
Shareholding in the Company and its subsidiaries (as at 15 April 2020)	The Company 25,027,725 Shares (as set out on page 14 of the AR) Subsidiaries of the Group Nil
Principal Commitments including Directorships	Past Directorships Thai Village (China) Pte. Ltd. Shanghai Thai Village Restaurant Management Co., Ltd. Thai Village Restaurant (Shanghai) Co., Ltd. Renoz Associates Pte. Ltd. Pavillon Asia Properties Sdn. Bhd. Present Directorships Thai Village Restaurant Pte. Ltd. Thai Village Express Pte. Ltd. Fengchi Real Estate Sdn. Bhd. New Development Hotel Management Pte. Ltd. Other Principal Commitments Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

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Name of Director	Hoon Tai Meng
Age	68
Country of principal residence	Singapore
Date of first appointment as director	1 February 2011
Date of last re-election as director	25 April 2018 Due for re-election at the AGM to be held on 28 May 2020.
The Board's comments on the re-election	The Board of Directors of the Company had accepted and approved the NC's recommendation, who has reviewed and considered Mr Hoon's contribution and performance as an Independent Director of the Company.
Job Title	Independent Director, Chairman of Audit Committee, and member of Nominating Committee and Remuneration Committee
Board Committees Served	Chairman of Audit Committee Member of Nominating Committee Member of Remuneration Committee
Professional qualifications	Mr Hoon 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).
Shareholding in the Company and its subsidiaries (as at 15 April 2020)	The Company Nil Subsidiaries of the Group Nil

Principal Commitments including Directorships	Past Directoships 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. 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. Present Directorships Sin Ghee Huat Corporation Ltd. Cocoaorient Pt.e Ltd. Ee Hoe Hean Club Koufu Group Limited Hock Lian Seng Holdings Ltd. Other Principal Commitments RHTLaw Taylor Wessing LLP
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

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Name of Director	**Foo Der Rong**
Age	67
Country of principal residence	Singapore
Date of first appointment as director	1 May 2012
Date of last re-election as director	25 April 2019
The Board's comments on the re-election	Not applicable, Mr Foo is not due for re-election.
Job Title	Independent Director, Chairman of Remuneration Committee and member of Audit Committee and Nominating Committee
Board Committees Served	Chairman of Remuneration Committee Member of Audit Committee Member of Nominating Committee
Professional qualifications	Mr Foo holds a Bachelor of Commerce from the then Nanyang University.
Shareholding in the Company and its subsidiaries (as at 15 April 2020)	The Company Nil Subsidiaries of the Group Nil
Principal Commitments including Directorships	Past Directorships 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. Present Directorships Southern Lion Sdn. Bhd. Tian International Pte. Ltd. Matex International Ltd. Noel Gifts International Ltd. SLB Development Ltd. Aedge Group Ltd Other Principal Commitments Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

Name of Director	**Ko Chuan Aun**
Age	63
Country of principal residence	Singapore
Date of first appointment as director	25 July 2016
Date of last re-election as director	27 April 2017 Due for re-election at the AGM to be held on 28 May 2020.
The Board's comments on the re-election	The Board of Directors of the Company had accepted and approved the NC's recommendation, who has reviewed and considered Mr Ko's contribution and performance as an Independent Director of the Company.
Job Title	Independent Director, Chairman of Nominating Committee and member of Audit Committee and Remuneration Committee
Board Committees Served	Chairman of Nominating Committee Member of Audit Committee Member of Remuneration Committee
Professional qualifications	Mr Ko holds a Diploma in Export Marketing, which is equivalent to Danish Niels Brock International Business Degree Program.
Shareholding in the Company and its subsidiaries (as at 15 April 2020)	The Company Nil Subsidiaries of the Group Nil

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Principal Commitments including Directorships	Past Directorships Starbridge Pte. Ltd. Star Ridge Holdings Pte. Ltd. Homely Holdings Pte. Ltd. Smartview Singapore Pte. Ltd. TCM Lifestyle Holdings Pte. Ltd. Homely Hardware Pte. Ltd. Brothers (Holdings) Limited Star Route Pte. Ltd. Athena Corporation Pte. Ltd. Belleware Consmetics Pte. Ltd. Global Vantage Innovative Group Pte. Ltd. KOP Limited Super Group Ltd. San Teh Limited Present Directorships HSK Resources Pte. Ltd. Lian Beng Group Ltd. Koon Holdings Limited Singapore Koh Clan Association Ltd. KSH Holdings Ltd. Other Principal Commitments Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

Name of Director	**Jo-Anne Chang**
Age	46
Country of principal residence	Singapore
Date of first appointment as director	1 September 2014
Date of last re-election as director	25 April 2018
The Board's comments on the re-election	Not applicable, Ms Chang is not due for re-election.
Job Title	Non-Executive and Non-Independent Director
Board Committees Served	None
Professional qualifications	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. Ms Chang also holds a Master of Business Administration (MBA) from the New York University Leonard N. Stern School of Business.
Shareholding in the Company and its subsidiaries (as at 15 April 2020)	The Company 40,000,000 Shares (as set out on page 14 of the AR) Ms Chang is deemed to be interested in 40,000,000 Shares held by Rossbay Private Limited. Subsidiaries of the Group Nil
Principal Commitments including Directorships	Past Directorships Nil Present Directorships Rossbay Private Limited Pure Accord Sdn. Bhd. Pure Oasis Sdn. Bhd. Attractive Heritage Sdn. Bhd. Gingerflower Boutique Hotel Sdn. Bhd. Dalaston Limited Urban Townhouse Sdn. Bhd. Alford Associates Limited Heeren Palm Suites Sdn. Bhd. Heeren Straits Hotel Sdn. Bhd. Thrive Charm Sdn. Bhd. Chytron Company Limited Other Principal Commitments Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of Interest (including any competing business)	None

Notes:

The Company had procured the undertaking of the Directors in the formal set out in Appendix 7.7 under Listing Rule 720(1) of the SGX-ST.

The Directors who subject to re-election had responded negative to items (a) to (k) listed in Appendix 7.4.1 (Announcement of Appointment) of the Listing Manual of the SGX-ST ("**Listing Manual**").

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2. REMUNERATION MATTERS

2.1 Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management directors and key management personnel. No director is involved in deciding his or her 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 RC comprises three (3) members, all of whom are Independent Directors, namely Mr Foo Der Rong, Mr Hoon Tai Meng and Mr Ko Chuan Aun, and is chaired by Mr Foo. Each member of the RC shall abstain from voting on any resolutions in respect of his/her remuneration package.

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

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

(b) reviewing and recommending to the Board, share option scheme, share award plans or any long-term incentive schemes which may be set up from time to time, reviewing whether Directors or key management personnel should be eligible for such schemes and evaluating the costs and benefits of such scheme;

(c) ensuring all aspects of remuneration including but not limited to Director's fees, salaries, allowances, bonuses, options, share based incentives and awards, and benefits-in-kind are covered;

(d) determining the specific remuneration package and service contracts/terms of employment for each Director and key management personnel;

(e) considering the eligibility of Directors for participation under long-term incentive schemes;

(f) considering and making recommendations to the Board concerning the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration, and details of the specific remuneration packages of the Directors and key management personnel of the Company to those required by law or by the Code; and

(g) considering the obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of services, to ensure that such contracts of services contain fair and reasonable termination clauses which are not overly onerous.

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

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

2.2 Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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

(a) the term of service is for a period of three (3) years and is subject to review thereafter;

(b) the remuneration includes, amongst others, a fixed salary, fees, a variable performance bonus, which is designed to align the Executive Directors' interests with that of the Shareholders; and

(c) there are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the Executive Director.

The Independent and Non-Executive Directors do not have any service agreements with the Company and they receive Directors' fees, in accordance with their level of contributions, taking into account factors such as effort and time spent, and responsibilities of the Directors. The Company recognises 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.

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.

As recommended in the Code that provision be made in allowing the Company to reclaim incentive components of remuneration from the executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss of the Company, the RC has taken steps to incorporate the claw back provision into their respective service agreements and employment contracts.

2.3 Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of the remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

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The remuneration paid to the Directors for services rendered for FY2019 are as follows: -

Directors

	Salary	Fee	Bonus	Other benefits	Total
	%	%	%	%	%
Directors					
Between S$500,000 and S$749,000					
Chen Seow Phun, John	72.3	-	10.8	16.9	100
Between S$250,000 and S$449,000					
Lee Tong Soon	83.8	-	13	3.3	100
Kok Nyong Patt	78.6	-	12	9.3	100
Zheng Fengwen [(1)]	85.8	-	6	8.2	100
Below $250,000					
Hoon Tai Meng	-	100	-	-	100
Foo Der Rong	-	100	-	-	100
Ko Chuan Aun	-	100	-	-	100
Jo-Anne Chang	-	100	-	-	100

Key management personnel

The remuneration paid to key management personnel for services rendered for FY2019 are as follows: -

	Salary	Fee	Bonus	Other benefits	Total
	%	%	%	%	%
Key Management Personnel					
Below $250,000					
Oh Kok Thai	79.1	-	9.7	11.2	100
Loh Beng Kiat	81.5	-	8.4	10.1	100
Hau Ee Boon	78.5	-	9.5	12	100
Zheng Fengwen [(2)]	72.6	-	24	3.4	100
Zhang Peng	77.2	-	-	22.8	100

[(1)] Remuneration paid to Mr Zheng Fengwen as Executive Director and CEO of the Company for the period from 1 January 2019 to 30 September 2019.

[(2)] Remuneration paid to Mr Zheng Fengwen as Real Estate and Finance Business Advisor of the Company for the period from 1 October 2019 to 31 December 2019.

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

For the same reasons above, the Company believes it is not in the interests of the Company to disclose the total aggregate remuneration paid to the top five (5) key management personnel (who are not directors or the CEO) during FY2019.

There is no employee of the Group who is immediate family members of any Director or the CEO and whose remuneration exceeded S$100,000 during FY2019.

The RC had recommended Directors' fees of S$198,000 for the financial year ending 31 December 2020 for the Directors, which will be tabled by the Board at the forthcoming AGM for Shareholders' approval.

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

3. ACCOUNTABILITY AND AUDIT

3.1 Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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 adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls and risk management systems, is conducted at least annually. Such review can be carried out by internal auditors/independent auditors;

- ensure that the internal control and risk management systems recommendations made by internal auditor and independent auditor have been implemented by the Management; and

- ensure the Board is in a position to comment on the adequacy and effectiveness of the internal controls and risk management systems of the Group.

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

The Board has received assurance from the Executive Chairman, the 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

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(b) regarding the adequacy and 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 Managing Director, the Financial Controller and senior management of the subsidiaries in relation to the financial information for the year.

Based on the various management controls put in place and the reports from the internal and independent auditors, reviews and confirmations by the Management, the Board with the concurrence of the AC, is of the opinion that the system of internal controls addressing financial, operational, compliance and information technology controls, 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.

3.2 Audit Committee

Principle 10: The Board has an AC which discharges its duties objectively.

The AC comprises three (3) members, all are Independent Directors, namely Mr Hoon Tai Meng, Mr Foo Der Rong and Mr Ko Chuan Aun 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 and responsibilities.

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, (a) within a period of two years commencing on the date of their ceasing to be a partner or director of the auditing firm; and (b) for as long as they have any financial interest in the auditing firm. The Board is of the view that the AC has sufficient financial management expertise and experience to discharge the AC's functions.

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, and risk management systems.

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

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

In FY2019, 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 FY2019 are provided in Section 1.1 of this corporate governance report.

The AC performed the following functions in FY2019: -

(a) Independent Auditors

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

For FY2019, the AC reviewed together with the auditors: -

(i) the audit plan (including, among others, the nature and scope of the audit before the audit commenced and the risk management systems issues of the Group);

(ii) their evaluation of the financial controls in areas which could have a material impact on the financial statements;

(iii) their auditors' report;

(iv) the assistance given to them by the Company's officers;

(v) the consolidated statement of financial position and income statement of the Company; and

(vi) the interested person transactions of the Group.

The auditors confirmed that the non-audit services provided to the Group in FY2019 is S$37,270 which is below 50% of audit fees, and the AC is of the opinion that the auditors' independence has not been compromised. The aggregate audit fees paid and payable to the auditors, Messrs Nexia TS Public Accounting Corporation in FY2019 is S$165,442.

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

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

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

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

CORPORATE GOVERNANCE REPORT

The AC has met up with the independent auditors together with the internal auditors without the presence of Management in FY2019.

(b) Review of financial statements

For FY2019, the AC reviewed the half-year and full year financial statements of the Company and of the Group, including announcements relating thereto, to the Shareholders and the SGX-ST. The AC also reviewed the assurance from the CEO and Financial Controller on the financial records and financial statements.

(c) Review of interested person transactions

The AC has reviewed interested person transactions of the Group for FY2019 and reported its findings to the Board, if any. Please refer to page 125 of the AR for further details on the interested person transactions of the Group for FY2019.

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

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

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

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

In FY2019, the Company has outsourced its internal audit function to a professional firm Messrs Mazars LLP. The internal auditor reports directly to the AC on audit matters and to the Chairman and Managing Director on administrative matters. The main objective of the internal audit function is to assist the Group in evaluating and assessing the effectiveness of internal controls and consequently to highlight the areas where control weaknesses exist, if any, and thus improvements could be made. The Company continues to work with the internal auditor to identify other scope of work which will help to further enhance the robustness of the Company's internal controls.

The AC has reviewed the adequacy of the internal audit function annually and ensured that the internal audit function is independent, effective, 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 recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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

4. SHAREHOLDER RIGHTS AND ENGAGEMENTS

4.1 Shareholders Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

4.2 Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company treats all the 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.

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

The Company recognises that effective communication can highlight transparency and enhance accountability to the Shareholders. The Company provides information to the 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 the Shareholders and the public have fair access to the information.

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

All the Shareholders will receive the AR and/or circular and the notice of the AGM and/or extraordinary general meeting within the notice period prescribed by the regulations. The notice is also advertised in a local newspaper and made available on SGXNet. The Company encourages the Shareholders' participation effectively in and vote at general meetings and all the 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.

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

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

CORPORATE GOVERNANCE REPORT

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.

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

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 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. The independent auditors are also present to assist the Directors in addressing any relevant queries from the Shareholders.

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

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.

Presently, the Company does not have an investor policy or protocol in place nor a dedicated investor relations team. The Company will assess the need to establish an investor policy or protocol or investor relations team as and when it deems necessary.

[1] A Relevant Intermediary is:

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

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

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

5. MANAGING STAKEHOLDER RELATIONSHIPS

5.1 Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

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 Company is committed to maintain and improve 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, the Shareholders and Stakeholders can access more information of the Company and the Corporate Profile of the Company from the Company's website www.thaivillagerestaurant.com.sg.

The Sustainability Report for FYE 2019 to keep stakeholders informed on the Group's business and operations will be published on company website by end of May 2020.

Dealings In Securities

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

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

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

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

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

Material Contracts

(Listing Manual Rule 1207(8))

Other than disclosed in the audited financial statements and the service agreements between the Executive Directors and the Company, there was no material contracts to which the Company or any of its subsidiary is a party and which involve the 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.

Interested Person Transactions

(Listing Manual Rule 907)

Save as disclosed in the financial statements, there was no interested person transactions with aggregate value of S$100,000 or more for the FY2019.

STATISTICS OF SHAREHOLDINGS

AS AT 15 APRIL 2020

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	13	0.73	607	0.00
100 - 1,000	157	8.85	89,206	0.02
1,001 - 10,000	618	34.82	2,326,575	0.60
10,001 - 1,000,000	966	54.42	75,673,486	19.52
1,000,001 AND ABOVE	21	1.18	309,658,826	79.86
TOTAL	**1,775**	**100.00**	**387,748,700**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	101,788,750	26.25
2	ROSSBAY PRIVATE LIMITED	40,000,000	10.32
3	SINGAPORE ENTERPRISES PTE LTD	38,700,000	9.98
4	TEO KIANG ANG	28,617,400	7.38
5	KOK NYONG PATT	25,027,725	6.45
6	LEE TONG SOON	24,135,526	6.22
7	UNIGOLD ASIA LIMITED	22,252,725	5.74
8	DBS NOMINEES (PRIVATE) LIMITED	6,073,550	1.57
9	CHAN I-HARN ALVIN (CHEN YIHAN ALVIN)	3,032,000	0.78
10	TEO KOK LEONG	2,852,000	0.74
11	PHILLIP SECURITIES PTE LTD	2,198,750	0.57
12	LEE SZE KIAN	2,097,200	0.54
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,754,750	0.45
14	ABN AMRO CLEARING BANK N.V	1,783,200	0.45
15	LIM TIONG SOON	1,578,900	0.41
16	ANG YU SENG	1,554,500	0.40
17	CHUA YEW CHYE	1,400,000	0.36
18	CHEN LIPING	1,300,000	0.34
19	LIM KIM SOON	1,261,600	0.33
20	CITIBANK NOMINEES SINGAPORE PTE LTD	1,219,250	0.31
	TOTAL	**308,597,826**	**79.59**

SHAREHOLDING INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS AS AT 15 APRIL 2020

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
UOB Kay Hian Private Limited	101,788,750	26.25	–	–
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)	24,135,526	6.22	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 UOB Kay Hian Private Limited.

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

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

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

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

(6) Mr Lee Tong Soon is deemed to be interested in 12,500 shares in the capital of the Company which are held by his daughter, Miss Lee Chun Hui, Crystal.

(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, Madam Lim Kok Huang. He is the beneficial owner of 848,300 shares held by DBS Nominees (Private) Limited.

STATISTICS OF SHAREHOLDINGS

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
Subsidiary Holdings	0	Nil

RULE 723 OF THE SGX LISTING MANUAL – FREE FLOAT

As at 15 April 2020, approximately 27.88% 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.

Pavillon Holdings Ltd.
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