



*On Our
Transformational
Journey*

CORPORATE PROFILE

Since our inception, Sakae Holdings Ltd. has developed and expanded into an outstanding portfolio of brands – Sakae Sushi, Sakae Delivery, Sakae Teppanyaki, Sakae Shoppe, Hei Sushi, Hei Delivery, Senjyu, Crepes & Cream, Nouvelle Events & Catering, and Sachi – all synonymous with quality dining.

The Group is poised for growth with a vision to build global brands synonymously with healthy and quality food. These brands offer consumers a myriad of options to savour all kinds of gastronomic Japanese cuisine. Sakae Sushi – the flagship brand of the Group, is the first name that will come to mind when Japanese food is mentioned. The brand and the organisation have come a long way since its first outlet opening in 1997 in Singapore amidst the Asian Financial Crisis. The brand has remained resilient amidst various uncontrollable economic challenges over the years, and continues to expand steadily with its team of dedicated and committed talents.

Till today, our team continues to uphold the same values, commitment and discipline towards food quality and safety. As such, the familiar “Green Frog” logo, representing Sakae’s core values & brand promise, is now iconic and is easily recognisable by consumers. Our concept of trendy quick service kaiten (conveyor belt) sushi concept, along with continuous efforts in customer centric initiatives, food quality, business processes and excellent services have allowed us to grow over 100 outlets internationally, serving over a vast array of sushi, sashimi and other delectable cuisines.

Our constant pursuit towards offering the highest standards of quality food at reasonable prices has led to the expansion of our food sources, and having fresh supplies imported directly from overseas regularly. We work closely with our suppliers, go on regular farm visits and conduct weekly laboratory tests on bacteria count, to ensure that our raw materials are sustainable and of high quality.

As we continue on our journey to building global brands, we constantly seek to improve our operational efficiency and service standards, as well as keeping a focus on our customers’ varying preferences in local and international markets, enabling us to grow our market share and expand our global presence. We strongly believe that our farm-to-table approach, strong commitment towards food safety and quality, as well as constant innovation drive, can create and promote strong brand loyalty. Sakae is also dedicated to building a sustainable eco-friendly environment for the future generations. With these strategies, values, never ending commitment and passion, it drives us towards our vision of building Sakae to be the top brand recall for Sushi globally – “Think Sushi, Think Sakae”.





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OUR VISION

To build global brands

OUR CORE VALUES

- E** - Excellence is our minimum standard
- P** - Productivity in everything we do
- I** - Innovation to simplify and compete
- C** - Compassion to all

OUR MISSION

To provide safe quality food with excellent service at great value

MESSAGE TO SHAREHOLDERS



Dear Shareholders,

Financial Year 2016 ("FY2016") was a challenging year, during which we felt the effects of the economic slowdown and continued uncertainty in the global economy. However, the Group continued to take steps to address the rising food and labour costs to minimize erosion of profits. We took steps to consolidate our stores operations while working on our farm-to-table approach with sustainable high quality food products. We also continue to streamline our operations to improve productivity and efficiency, while boosting our market presence strategically, both locally and overseas.

Financial Year in Review

Our Group revenue in FY2016 totalled \$86.4 million, a decrease of 10.2% compared to \$96.2 million in the previous year ("FY2015"). The decrease in revenue was due to intense competition in the Food & Beverage industry, rationalisation of non-performing outlets and a weaker Malaysian Ringgit, which negatively impacted the conversion of our Malaysia operations' financial results to our reporting currency in Singapore Dollars.

During the year, the Group has successfully completed its acquisition of the seafood trading business which resulted in gain on acquisition of subsidiary of \$0.6 million.

In addition, lower profit performance also arises due to increased food and labour costs, heightened interest rates and bank loans, apart from declining revenue.

Our Group headquarters at Sakae Building, located at 28 Tai Seng Street also recorded an increase in revaluation reserve, net of deferred tax, of \$0.9 million in FY2016.

Continue our brand building journey

When we opened our first store in 1997 amidst the Asian Financial Crisis, many had thought the move was an unwise business decision. Against all odds, we survived and thrived in the deeply unfavorable operating environment to build our flagship brand- Sakae Sushi – into a prominent regional icon, bringing it another baby step closer to our global dream.

Today upon entering into yet another challenging economic environment, I remain confident that we can rise to the challenge, having weathered many crises including the Financial Crisis, SARS (Severe Acute Respiratory Syndrome), Bird flu amongst many others. We will continue our brand building journey and deliver a collective commitment towards our goal.

With our basic core values in mind, we will strive to build the Sakae brand to provide safe and high quality food with sustainable farm-to-table approach, keeping in mind the varied needs of our customers. By focusing on our strength, we believe we will emerge stronger and have in place a more robust business, bringing real value to our consumers while we ride through the global economic slowdown. We will constantly improve the efficiency of our operations, and continue to be customer-centric.

Building on our Four Pillars

FY2016 proved to be a challenging year for most businesses, and we remain hopeful of the silver lining every crisis presents us – opportunities to strengthen and better equip ourselves for the good times. Having been through difficult economic times when we first started the business, we are confident that we will only emerge from this financial tsunami stronger.

Through the years, we remain committed to building global brands, while providing safe quality food at greater value with excellent service. In order to realise our vision to build Sakae to be a global brand, we identified four main pillars of growth: Human Capital, Global Food Resource, Real Estate Management and Corporate Advisory Services.

Human Capital

People is our No 1 asset. Every year, we send our people for training and skills development, and seek to guide them to be more enterprising and innovative. We start inter-departmental projects to exchange ideas and experience so as to create a think-tank that allows Sakae to scale to greater heights.

Global Food Resource

For Global Food Resource, we will continue to work directly with farms for more sustainable food sources of raw materials. We have fortified strategic partnerships with our suppliers, and have been looking at fish farms worldwide to cultivate sustainable fish sources.

Real Estate Management

Astute real estate management is another key element for our growth. We invest in our Sakae Building and other real estate for our centralised operations, as well as in restaurant premises or their

surroundings, to increase their neighbouring real estate value and enhance our Group asset value. Within our real estate management, we continue to secure higher occupancy to generate additional streams of income.

Corporate Advisory Services

Last but not least is Corporate Advisory Services. Along with the above 3 pillars, we need to have wide network in order to leapfrog the brand to the next level. The large networks which involves funds management experts, advisory experts, people from specialised areas, amongst many others will enable us to tap on these resources efficiently and effectively. These networks which have led to the establishment of our corporate finance and financial services will seek ways to grow our Group funding, while expanding our business networks, both locally and internationally.

We will continue to build strong foundations to achieve a sustainable future. Moving towards our next level of growth, we will further tap on technology to drive greater innovation focus on improving productivity to increase efficiencies, and create expansion opportunities in existing and new markets. These strategic thrusts are key to our long-term growth and brand development which will continue to enhance our competitive edge.

On our Transformational Journey

Over the years, we have built a culture that has allowed us to strengthen our core fundamentals and productivity, which will be important as we embark on our next phase of transformational journey. Our multi-pronged growth strategy which focuses on outlets expansion in local and overseas markets, constant technology review and adoption, would continue to put Sakae in good stead as we surge forward confidently through unpredictable global economic conditions.

As we embark on our transformational journey, Sakae will review and consolidate its stores and strengthen its operations, while identifying good growth opportunities in Asia, and make inroads into the rest of the world. At the same time, we will explore new ways to evolve our business so as to meet the ever-changing needs of our existing and potential customers.

Promotions and Strategic Alliances

As a group, we plan to shore up on our market strength and retain market share through implementing promotional strategies that will help our customers enhance their dollar value. We anticipate a change in customer profile as the economic downturn claims jobs and lowers consumer confidence. We strongly believe that we will be able to retain our customer pool by increasing our value and maintaining food quality. We will cross promote amongst various brands within our organization with promotional set meals, and collaborate with other complementary brands in the market to help us maintain our market position. We will continue to seek to build alliances with like-minded partners as well.

Feeding Your Children & Ours Since 1997

Although the crisis has made customers more prudent in their spending habits, we anticipate that demand for affordable food will increase, and this presents us with opportunities to boost customer traffic at our restaurants and cumulatively enhance business growth.

Furthermore, with more young families coping with inflation, and a rise in demand for healthy lifestyles, we continue to leverage on our market position as a mid-range sushi brand offering affordable Japanese cuisine to the mass market casual dining crowd.

With different generations of customers, we have to learn to connect with them through various means. Over the year, we have strengthened and widened our digital market presence and customer engagement through social media, and believe that social media marketing and online customer engagement will further expand our customer reach and brand recall. We hope to do our part in educating the young about eating healthily through continued outreach initiatives, and our Sakae Junior Club.

Outlook and Strategy

Given the robust economic growth in Asia, the region will continue to be the key growth driver for Sakae. With its growing customer base, wide diversity and increasingly sophisticated palates, it is essential to not only provide affordable quality food, but also a necessity to constantly renew our menu offerings.

We will continue to focus on improving our core operations while planning strategic moves to expand the business. As we embark on the transformational journey, we continue to be receptive to wider developments and capitalise opportunities. We believe that our multi-pronged growth strategy which focus on outlet expansion of local and overseas market, constant review and adoption of technology to improve customers' experience and convenience, would continue to put Sakae in good stead, as we surge forward confidently through increasingly unpredictable global economic conditions.

Thank You

All these years, it has been an enriching journey as Sakae continue to grow and develop our brands in both existing and new markets, locally and internationally. Having come thus far, we want to thank you, our valued shareholders, for your loyal support. I would also like to express my sincere gratitude to our business partners, associates, valued customers who has supported us in this journey. Last but not least, I would like to thank our colleagues of Sakae for your relentless contributions, commitment and hard work.

We would not have been able to come so far without your continued support. Your unwavering commitment to our core values has enabled Sakae to build on the progress we have made thus far, and will continue to drive us towards new realms of growth while delivering on the needs of our customers.

As we forge forward, your commitment and confidence in Sakae will continue to propel our success in the years to come. While we embark on our transformational journey, we seek your unwavering support and commitment for Sakae as we work towards a global brand with a shared vision and passion.

Yours truly,

Douglas Foo
Chairman, Sakae Holdings Ltd.

CORPORATE STRUCTURE AND GLOBAL PRESENCE



	Sakae Sushi		Sakae Shoppe
	Hei Sushi		Sakae Delivery
	Sakae Teppanyaki		Hei Delivery
	Sachi		Sakae Corporate Advisory
	Senju		Sakae Global Resources
	Crepes & Cream		Sakae Foundation
	Nouvelle Events & Catering		Cocosa
	Innotech Consulting		

	China		Chile		Philippines		Vietnam
	Malaysia		Singapore		Japan		Indonesia

OUR INNOVATIONS

Our Innovations (Continuous Innovations And Productivity Upgrading)

Innovation as one of our core values has propelled continuous growth for Sakae by simplifying and enhancing work processes.

Our continuous growth has been achieved through the advancement of technological innovation and technological patents in our Central Kitchen and our restaurants island wide, enabling Sakae to raise productivity and streamline operations.

The emphasis on quick service and trendy kaiten (conveyor belt) sushi has also contributed to the expansion of over 100 outlets and alliances built across Singapore, China, Indonesia, Japan, Malaysia, the Philippines, Vietnam, and Chile. The emergence of newer automation technology will continue at Sakae through continuous innovation and productivity upgrading.

Patented
Interactive Menu (IM)



Radio Frequency
Identification System
(RFID)



Sushi Robot



Solar Panel



Automated Storage
Retrieval System
(ASRS)



Delivery Website



Patented Portable
Conveyor Belt



Mobile Delivery App



Second Tier Belt

OPERATIONS REVIEW



We continue to establish ourselves as a global brand, and the Group will continue to bring Sakae brands to more locations where new market opportunities can be seized and maximized.

Managing challenges

The Group's revenue for financial year ended December 31, 2016 ("FY2016") was \$86.4 million, a decrease of 10.2% compared to \$96.2 million in the previous year ("FY2015"). The decrease in revenue was due to intense competition in the Food & Beverage industry, rationalisation of non-performing outlets and a weaker Malaysian Ringgit, which negatively impacted the conversion of our Malaysia operations' financial results to our reporting currency in Singapore Dollars.

During the year, the Group has successfully completed its acquisition of the seafood trading business which resulted in gain on acquisition of subsidiary of \$0.6 million.

In addition, lower profit performance also arises due to increased food and labour costs, heightened interest rates and bank loans, apart from declining revenue.

Our Group headquarters at Sakae Building, located at 28 Tai Seng Street also recorded an increase in revaluation reserve, net of deferred tax, of \$0.9 million in FY2016.

The Group continues to make critical investments in new property, plant and equipment with the opening of new outlets overseas. The Group also extended advance to strategic business partner in the food trading totalling \$1.3 million, which is now our subsidiary. Also, the Group further extended loan to strategic business partners in the restaurant businesses totalling A\$0.5 million, in the form of the convertible loan. On a prudence basis, the Group has made a full allowance for potential impairment loss on the convertible loan note receivable. The Group is committed to take all necessary steps to recover the value of its convertible loan note receivable, despite the full allowance for potential impairment loss made.

The Group will also continue to manage the use of raw materials for its restaurant business effectively, and expand procurement of raw materials in line with its farm- to-table approach. The Group has extended its business to include revenue from food trading to boost revenue and profit. Although cost of sales in food trading is much higher than retail sales, higher profit margins also were the case.

Due to the economic downturn coupled with escalating operational expenditure, the Group reported a loss before tax of \$13.0 million in FY2016, as compared to a loss before tax of \$4.9 million in FY2015. Income tax credits was at \$0.6 million in FY2016 as compared to an income tax credits of \$0.2 million in FY2015, as a result of the Group's increased losses.

Administrative expenses decreased by 7.7% from \$42.6 million in FY2015 to \$39.3 million in FY2016, mainly due to labour cost management and other measures put in place. Other operating expenses increased by 6.5% from \$27.7 million in FY2015 to \$29.5 million in FY2016, mainly due to provision of \$3.4 million for early termination of leases as the Group carries out rationalisation of non-performing outlets by the first half of 2017 and a full allowance of A\$1.0 million for potential impairment loss on its convertible loan note receivable in FY2016 as the underlying conditions have not been met.

The Group continues to explore new endeavors to increase productivity and efficiency in its operations. Over the years, we have made conscious and considerable efforts in raising productivity to streamline our operations and business processes to achieve greater efficiency.

Rising above challenges

Operating conditions in the Food and Beverage industry are expected to remain challenging with higher food, rental and staff costs. Going forward, the Group will continue to review and consolidate our operations to optimise efficiencies so as to manage these challenges. Simultaneously, we will constantly look out for and seize opportunities to grow and develop the Sakae brand globally.

Fortifying Brand Presence & Building Global Brands

Since its inception, the business has grown and innovated constantly. Through the years, we remain committed to building global brands, while providing safe and quality food at greater value, coupled with excellent service.



Over the year in review, we undertook various marketing activities to extend our customer reach and market share. To constantly meet the requirements of astute customer, Sakae constantly sources for good quality and interesting products and innovatively creates and develops new offerings for all brands every year. We are also continually looking into areas for improvement, and focus on customer centric initiatives to suit the lifestyle of our customers.

As we continue to establish ourselves as a global brand, the Group will continue to bring Sakae brands to more locations where new market opportunities can be seized and maximized.

Driving Innovation & Productivity

We believe that constant innovation is the driving force for growth. We also believe that through our emphasis on continuous innovation, we can continue to drive productivity as we forge forward to scale greater heights.

Over the years, we have made conscious and considerable efforts in raising productivity to streamline our operations, business processes and achieving greater efficiency. While seeking out innovative ways to boost productivity and uniquely market ourselves aggressively against an evolving, intensely competitive restaurant environment, we continue to execute carefully planned strategic moves to expand our business.

Forging Ahead on our Transformational Journey

Moving forward, the F&B industry will continue to remain challenging as labour costs will continue to rise, together with acute labour shortages and high rental costs. We will review and consolidate our stores and strengthen our operations, while identifying good growth opportunities in Asia, and make inroads into the rest of the world. At the same time, we will explore new ways to evolve our business so as to meet the ever-changing needs of our existing and potential customers.



OUR BRANDS



SAKAE SUSHI

Sakae's flagship brand: Value-for-money Japanese food

Sakae Sushi – the flagship brand of Sakae Holdings Ltd. is the first name that will come to mind when Japanese food is mentioned. Since our first outlet was introduced in 1997 amidst the Asian Financial Crisis, the brand has come a long way, on the fast track of growth with local and international expansion. 19 years on from our first outlet, Sakae Sushi has remained resilient amidst various uncontrollable economic challenges over the years. It continues to poise itself for growth as a trendy quick service kaiten (conveyor belt) sushi concept, synonymous with innovative dining experience and excellent quality, offering reasonable pricing in a vibrant and cosy ambience.

Being the largest kaiten sushi chain in Singapore, Sakae Sushi's simple three-tier pricing system offers customers a no-frill dining experience. With over 200 gastronomic creations by our chefs, our customers can indulge generously with our fresh and healthy ingredients, including Vitamin E enriched rice.

Our dining experience constantly delights our customers with unique technology and innovation at the heart of our operations. Our patented Interactive Menu (IM) on iPads offers hassle-free food ordering, sushi games on iPads keep customers entertained while dining, self-service hot water taps provides customers with ease of having their green tea anytime.

Our never-ending commitment and passion drives us towards our vision of building Sakae Sushi into a global brand synonymous with sushi.



SAKAE DELIVERY

SAKAE DELIVERY

Delectable Japanese food served to your doorstep

Offering right-to-the-doorstep service, Sakae Delivery was the first in the market to deliver healthy Japanese meals. Conceived from a vision to deliver and offer accessibility to every one seeking quick, healthy Japanese meals, our delivery service is available island-wide, including Jurong Island. Year on year, we see a surging growth in demand for delivery, especially during festive seasons.

Japanese food lovers and health conscious customers can enjoy their favourite dishes from the comfort of their homes by ordering via our online delivery website or mobile website, or by calling our call centre hotline.

Through our constant customer-centric initiatives, we continue to provide great convenience to our customers, thus getting us a step closer to customers' desire of having sushi anytime, anywhere.



榮 SAKAE TEPPANYAKI



SAKAE TEPPANYAKI

Flaming hot Japanese delights

Sakae Teppanyaki serves up a previously expensive dining affair to the masses with its affordable gastronomic experience. With a contemporary elegance, large Teppanyaki griddle and classy open dining concept, Sakae Teppanyaki dishes out only the best from our team of experienced chefs.

Our current menu serves a wide range of dishes that include fresh seafood, lobsters and fresh oysters. We also have on our menu high quality meats, including premium beef and a wide selection of mushrooms and vegetables. Our uniquely healthy menu will create an unforgettable dining experience.

Sakae Teppanyaki has received rave reviews and is a hot favourite amongst food lovers.

SAKAE Shoppe



SAKAE SHOPPE

Premium Japanese food at wholesale prices is just a mouse click away

Sakae Shoppe takes pride in delighting our customers with premium products priced at good value. Air flown straight from Japan, our products are of a top-notch quality – fresh and handpicked specially for quality assurance.

Our parent company, Sakae Holdings Ltd. is well-known for several successful Food & Beverage brands, such as our Flagship brand - Sakae Sushi, a kaiten sushi restaurant chain that has been serving quality, and value-for money Japanese cuisine to generations.

To meet the growing demand of fresh Japanese cuisines, Sakae Shoppe was born to provide our customers with the convenience of shopping online for affordable premium raw Japanese ingredients from the comfort of their homes.

Offering a wide variety of products at competitive prices, in addition to our commitment towards customer service, Sakae Shoppe is poised to become our customer's top choice when shopping for premium Japanese products.



CREPES & CREAM

Mouth-watering sweet and savoury crepes

Diners with a craving for something sweet are constantly delighted with our mouth-watering ingenious treats using premium ingredients such as Bud's Ice Cream of San Francisco and fresh fruits. The specialty of Crepes & Cream is its ingenious and inventive crepes.

More than just desserts, Crepes & Cream specializes in sweet and savoury crepes. It's aromatic, wafer thin crepes are from a custom blended crepe mixture, unique to Crepes & Cream.

Reflecting its international appeal, it's savoury crepes come in an assortment of fillings that cut across various cuisines including Japanese and Italian. Crepes & Cream has proven itself to be a hip and trendy space, where customers can sit back and enjoy a quick snack or hangout with friends.

OUR BRANDS

HEI SUSHI & HEI DELIVERY

Good quality Halal certified Japanese cuisine

Hei Sushi has been serving customers who value a halal kaiten sushi restaurant experience. Hei Sushi bridges the gap for good halal Japanese cuisine at unbelievably great value, and is Halal accredited by MUIS.

Prior to Hei Sushi, there was simply no other affordable Japanese Halal cuisine served in a trendy quick service kaiten (conveyor belt) sushi concept. Hei Sushi, modelled after its sister brand, Sakae Sushi, bridges this gap for good quality Halal certified Japanese cuisine.

Diners get to choose from an extensive menu with over 200 varieties of delectable Japanese dishes at Hei Sushi. Apart from a wide selection of sushi, diners can also enjoy items such as Mini Baked Rice with a variety of toppings, perfectly grilled Yakimono items, Fusion Udon with Japanese sesame sauce topped with shredded cheese, Hibachi (slow cooked on a grill plate) and Nabemono (Japanese steamboat). Kids are also able to enjoy kiddy sets created especially for them. Customers can look forward to enjoying dishes crafted with the preferences of the local Muslim community in mind, to appeal to a varied customer base.



NOUVELLE
EVENTS & CATERING



NOUVELLE EVENTS & CATERING

Singapore's premier Food & Beverage consultant

Nouvelle Events & Catering is one of Singapore's leading premier Food & Beverage consultants. Today, it remains the only specialist caterer in Singapore that can offer a unique on-site kaiten (conveyor belt) sushi dining experience in a venue of your preference. This has been made possible by our award-winning patented portable conveyor belt that can bring the kaiten experience into any venue, be it a corporate function room, beside a swimming pool or even in the garden at your backyard under the stars.

Our very dedicated team of chefs and consultants go the extra mile to make your private or corporate event; impressive, exciting and enjoyable for guests, and is pleasing to all senses. Besides offering excellent buffet fare, 'live' stations like ice-crafting Sashimi station, live Teppanyaki station and Crepes station, many others can be set up to serve appetising local or international favourites prepared instantly by our chefs.

With the integration of the Central Kitchen into our HQ, Nouvelle has been able to fully integrate and optimise their processes. This has brought about greater synergy and efficient operational flow in ensuring food quality and safety. Besides facilitating growth in our business unit, Nouvelle is able to render stronger support to our Sakae restaurants and extend our B2B arm to distribute sushi, air-flown salmon and seafood products to major hotels and restaurants efficiently.

SENJYU

Premium Japanese food at its best

Senjyu, which means 'eternity of life', conveys a lifelong passion in serving the freshest and finest Japanese food. Inspired by the truest traditions of Japanese cuisine and infused with the imagination of contemporary tastes brings about sophistication without excessive price tags.

Senjyu is a mid-to-upscale Japanese restaurant targeted at Japanese food lovers seeking to add a touch of sophistication and class to their palettes. It has grown to numerous restaurants in Singapore and Malaysia.

Infusing art and culinary finesse to deliver a memorable gastronomic experience, the freshest and finest air-flown ingredients are used to craft premium dishes such as Wagyu, Tataki, Senjyu Dynamite Maki, Kaki No Cheese Yaki (grilled live oyster topped with melted cheese), Otoro Sashimi and an impressive spread of Teppanyaki choices.

Such insistence on quality, freshness and the best gourmet disciplines craft the ideal balance between authenticity and modernity. Savour the best of both worlds, perfected with a touch of elegance and creativity. It all adds up to a dining experience that is distinctly Senjyu.



SACHI

Where casual dining, quality and value meet

Elevating the food court experience to the next level, Sachi is a place where casual healthy dining, fresh quality and value meet.

Offering you an unique assortment of Japanese dishes, Sachi will pleasantly surprise and tantalise taste buds, while offering you a feast for your eyes. Serving up satisfying hot dishes, Sachi also offers a suite of delectable and fresh Sushi, Sashimi and Chinmi assortments.



COCOSA

Under Sakae Global Food Resources, Cocosa was recently acquired to develop and continue our sustained food resources journey. Cocosa was founded in 1945 by pioneers exporters, who contributed to the development of our country fishing. Since 1983, Conservas y Congelados S.A, was acquired by a new generation of industry professional.

Our modern processing plant is located in the city of Calbuco, X region, Chile, known as a hub of seafood exportation. Our strategic location, just meters from the sea, allows us to guarantee the freshness of our raw materials.

Our plant has modern facilities approved for export to the most demanding markets. Cocosa operates under the Hazard Analysis Critical Control Point (HACCP), thus ensuring quality treatment recognized by the world's major countries. This is contributed to a policy of strong technological development and reinvestment in our process lines.

Our staffs are highly qualified, with many years of experience in all our departments.

We have a specialized Quality Control Department, which ensures a thorough checks and survey on the different production processes, to achieve optimum final product.

Please visit our website www.cocosaholdings.com for more information.

BOARD OF DIRECTORS



From left to right: Douglas Foo, Nandakumar Ponniya Servai, Foo Lillian, Lim Chee Yong and Chan Wing Leong

DOUGLAS FOO

Chairman

As Founder and Chairman of Sakae Holdings Ltd., Mr Douglas Foo has led the growth and development of the Group, which has since established over 100 outlets and alliances built across Singapore, China, Indonesia, Japan, Malaysia, the Philippines, Vietnam and Chile. He continues to spearhead the overall strategic direction and management of the Group's global strategic plans, and its philanthropic initiatives.

Mr Foo is the recipient of numerous illustrious accolades and awards, which are testament of his outstanding management and entrepreneurial efforts. For his achievements, Mr Foo was awarded JCS Top Outstanding Young Person Award in 2002, Rotary-ASME Entrepreneur of the Year in 2002, Singapore Youth Award in 2003, prestigious ASEAN Youth Award in 2004, International Management Action Award in 2007, Singapore Youth Award (Medal of Commendation) in 2008, WSQ Champion Award in 2010, ASEAN-China Young Entrepreneur Award in 2011, the Public Service Star Award in 2013 from His Excellency, the President of the Republic of Singapore for his tireless efforts in his philanthropic and voluntary contributions to society.

In addition, he was crowned the "Entrepreneur of the Year" by Asia Corporate Excellence and Sustainability (ACES). This revered honor is bestowed upon an illustrious entrepreneur who has shown an extraordinary ability to communicate their vision to stakeholders and leads the company towards the status of a mega brand. The recipient of this award displays strong entrepreneurial passion, flair, perseverance, and stands out as a grand example of a remarkable entrepreneur. Mr Foo was also conferred Seri Pangeran Temenggong Sultan Mahmud Badaruddin III (S.P.T.M) which carries the title Dato' Seri by His Royal Highness Sultan Mahmud Badaruddin III, Prabu Diraja, Sultan Palembang Darussalam.

In September 2013, Mr Foo was selected to attend the prestigious Eisenhower Fellowship in the USA which provides professionals who have demonstrated exemplary leadership, with an intensive and individually designed programme that inspires to achieve consequential outcomes across sectors and borders. Through his fellowship, he has broadened his perspective on global branding, charity and foundation establishment sustainability issues and business expansion funding. He will seek to apply this invaluable knowledge to strengthen our Group as we forge ahead.

Mr Foo serves as a director on numerous boards for Corporate, Governmental and Non-profit organizations, and is a Board Member of Intellectual Property Office of Singapore (IPOS) Board. He also holds a Bachelor Degree in Business Administration (Finance) from the Royal Melbourne Institute of Technology University.

FOO LILIAN

Chief Executive Officer & Executive Director

Ms Foo Lilian was appointed as our Chief Executive Officer with effect from 1 March 2014, and has been our Executive Director since 2 May 2002. With over a decade of F&B experience, Ms Foo helps to drive Strategic Planning, Overall Management, Day-to-Day Operations, and spearheads Business Development, as well as the Management of Overseas Strategic Development and Store Expansion. With her combined background in F&B, IT and Operations, Ms Foo aims to continue propelling the business towards Sakae's vision of becoming a Global Brand. Ms Foo has been appointed the (F&B) Sector Ambassador of Singapore Workforce Development Agency, and holds a Master's Degree in Business Administration from Leicester University in the United Kingdom. She also earned herself a Bachelor Degree in Science (Information Systems & Computer Science) from the National University of Singapore, and is a Graduate Diploma in Marketing from The Chartered Institute of Marketing in the United Kingdom.

CHAN WING LEONG

Lead Independent Director

Mr Chan Wing Leong was appointed as Independent Director on 30 April 2005. Mr Chan holds an honours degree in Economics from the University of Singapore. He joined the Administrative Service in 1981 in the Ministry for Trade and Industry after graduation and moved to Ministry of Defence companies and the Economic Development Board thereafter. Mr Chan was an investment banker from 1988 to 1995 at Schrodgers PLC and Bankers Trust Corp in both Singapore and Hong Kong, and returned to Singapore in 1995 to take up the appointment of CFO and President (New Businesses) at Sembawang Corporation (renamed as SembCorp) until 2001. At SembCorp, he held concurrent positions as Chairman of SembMedia, SembFoods, Pacific Internet and Delifrance, and as Board Director of Jurong Shipyard. He was also Chairman and CEO of EasyCall Limited from 2001 to 2002. He is currently Deputy President (Administration) and CFO of the Singapore Institute of Technology, and is a Board Director of NTUC Link Pte Ltd.

LIM CHEE YONG

Independent Director

Mr Lim Chee Yong was appointed as our Independent Director on 14 July 2003. From October 1982 to April 1987, Mr Lim served as a senior corporate banking officer in Overseas Union Bank Limited. In May 1987, he joined Banque Paribas, Singapore Branch as a deputy manager of banking, where he stayed until April 1989. He was appointed an executive director of Alliance Technology and Development Limited, a company listed on the Main Board of the SGX-ST, in May 1989. Mr Lim left Alliance Technology and Development Limited in March 2000. Mr Lim was also an independent director of Twinwood Engineering Limited, a company listed on the SGX-CATALIST, from 1997 to 2007. Mr Lim holds a Bachelor's Degree (Honours) in Banking, Insurance and Finance from the University of Wales, United Kingdom and is currently President & CEO of China Oceanis Group of Companies and Geojee Sea World Limited.

NANDAKUMAR PONNIYA SERVAI

Independent Director

Mr Nandakumar Ponniya Servai was appointed as our Independent Director on 14 March 2011. He is a Principal at the international law firm of Baker & McKenzie, Wong & Leow in Singapore specialising in the practice of international arbitration. Mr Ponniya handles a wide variety of matters including construction-related, commercial and corporate matters. Mr Ponniya obtained his law degree from the National University of Singapore and was admitted to practice in Singapore in 1996. He is also admitted to practise as a solicitor of England and Wales and as an attorney-at-law in New York State, USA. In addition, he is a Fellow of the Chartered Institute of Arbitrators, and also serves on statutory tribunals such as the Income Tax Review Board and the Law Society's Inquiry Panel. Aside from his active practice, Mr Ponniya serves as an adjunct assistant professor at the National University of Singapore and the Singapore Management University, and is also a visiting lecturer at the Faculty of Law, Universitas Pelita Harapan, Indonesia. He is also a member of the Expert Panel of the Centre for Cross-Border Commercial Law in Asia (CEBCLA). Mr. Ponniya is also an independent director of BlackGold Natural Resources Ltd.

KEY MANAGEMENT

GLADYS LIM CHENG LENG

Managing Director – Nouvelle Events & Catering

Ms Gladys Lim joined the Group in May 1999. Other than managing Nouvelle Events, the B2B arm of our business, Ms Lim also ensures smooth operations of our Central Kitchen, warehousing and procurement. Ms Lim is also assisting our CEO in the restaurant operations of the Group in Singapore. Ms Lim graduated from the CBS (Accounting) Course from ITE College.

DANNY CHEAH YOU MENG

General Manager

Mr Cheah joined the Group in April 2013 and is currently managing the Malaysia operations as well as the Group's strategic development and expansion in Malaysia. Prior to joining the Group, Mr Cheah has worked in the Food & Beverage Industry for more than 20 years. He has handled various portfolios from Project Management head, Operations Management and Business Development in both small and medium enterprises in the Food & Beverage Industry. He holds a Diploma in Administrative Management from Stamford College.

VOON SZE YIN

Vice President – Group Finance & Administration

Ms Voon Sze Yin is responsible for the Group's overall financial accounting, tax and administration matters. Ms Voon holds a Bachelor Degree in Commerce (Accounting and Finance) from the University of Melbourne, and is currently a Chartered Accountant of The Institute of Chartered Accountants in Australia. Prior to joining our Group in April 2011, Ms Voon was a senior audit manager with Deloitte & Touche LLP, Singapore.

SANDY XU XIAN LI

Head – Human Resource

Ms Sandy Xu is responsible for the full spectrum of Human Resource functions of the Company. With more than 10 years in Human Resource, Ms Xu has developed a well-rounded skill set to excel in improving human resource management to meet and exceed organizational goals. She is also adept in employee relations, process improvement and talent development. Prior to joining Sakae Holdings Ltd, she has solid foundation through her experience from both multinational company and small medium enterprise, both in Food & Beverage and Retail industry. She graduated from Nanyang Polytechnic with a Diploma specialized in Human Resource Management and currently pursuing a part-time Bachelor Degree in Human Resource Management at Singapore University of Social Sciences.



CORPORATE SOCIAL RESPONSIBILITY



Sakae is committed to an active and socially responsible corporate culture. This is reflected in the adoption of environmentally friendly technology and equipment at our headquarters and at our outlets.

We believe in giving back to society, and through Sakae Foundation, continue to dedicate time and resources in supporting various charities, communities and causes to serve and give from the heart; as we stand by one of our core values – Compassion to All.

Sakae Foundation

Sakae Foundation, which currently contributes and supports several charitable beneficiaries, renders our support through sponsorships and visits to various organisations including Radin Mas Senior Citizens' Home and schools. Our foundation will continue to grow our efforts in philanthropic and voluntary contributions, and leave happy frog prints. We launched our Facebook page - "Project Happy Frog Prints", with the hope of fortifying our relationship with global communities and continue bringing joy, one frog print at a time.

Contributions to Labour Movement

Sakae was awarded the NTUC May Day Friend of Labour Award in 2016. These awards are bestowed on persons and companies that have made significant contributions to the Labour Movement. They are presented annually during the May Day Dinner.

Supporting National Defense

At Sakae, we believe in contributing towards Singapore's national security. National Service (NS) is a vital component of national defence, and we support our employees' NS commitments by implementing NS-friendly policies. With our close supportive team culture, other team mates will step up to cover duties of their colleagues who need to be away.

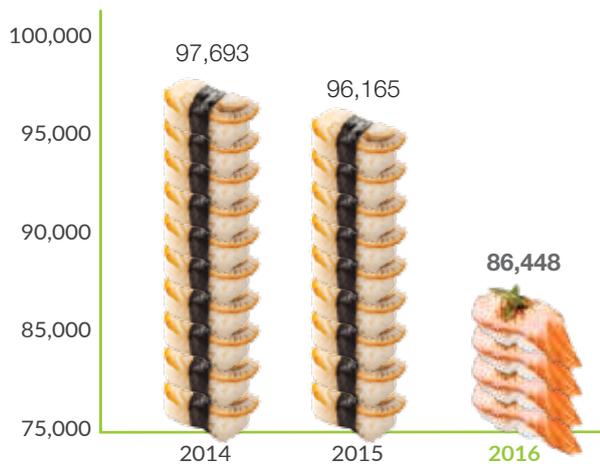
Sakae also regularly takes part in SAF Day, by encouraging their NSmen colleagues to take part in the SAF Day Rededication Ceremonies. Going beyond that, Sakae also offers attractive SAF Day promotions at our dining establishments.

With this, Sakae was a recipient of the Total Defence Awards, which includes the Minister for Defence Award, Honorary Member of the Minister for Defence Award (MiDAs) League, the SAF Day Certificate of Appreciation, the SAF Award for Employers and the Ministry of Home Affairs (MHA) Award for the NSmen's Employers Commendation Category.

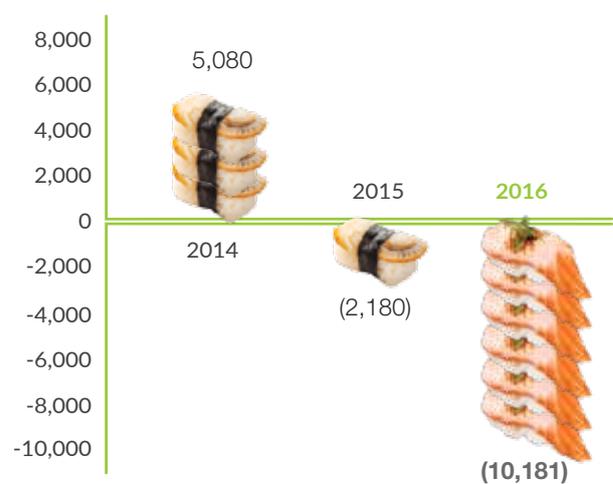
FINANCIAL HIGHLIGHTS

Results	2014 \$'000	2015 \$'000	2016 \$'000
Revenue	97,693	96,165	86,448
Profit/(Loss) before associates and tax ("Operating profit/(loss) before tax")	5,080	(2,180)	(10,181)
Profit/(Loss) before tax	4,046	(4,854)	(12,989)
Profit/(Loss) attributable to shareholders	2,091	(4,631)	(12,636)
Non-current assets	80,799	78,432	81,083
Non-current liabilities	17,513	15,372	8,852
Total equity / Net tangible assets ("NTA")	51,833	44,953	33,398
Net assets per share (cents)	37.16	32.23	23.95
Earnings/(Loss) per share ("EPS") (cents)	1.50	(3.32)	(9.06)

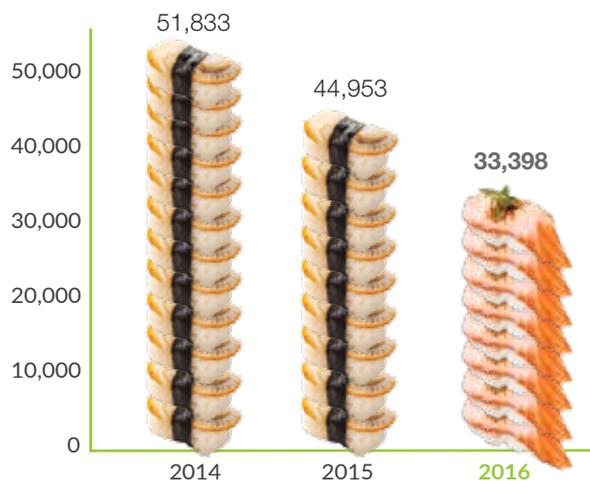
Revenue (\$'000)



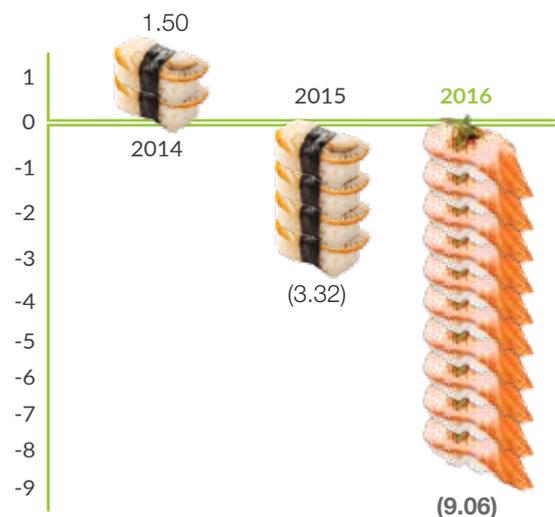
Operating profit/(loss) before tax (\$'000)



NTA (\$'000)



EPS (cents)



Corporate Governance Report

Sakae Holdings Ltd. (the “Company” and together with its subsidiaries, the “Group”) is continuously committed to maintain a high standard of corporate governance and has put in place self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value.

The Board of Directors (the “Board”) is pleased to report compliance of the Company with the benchmark set by the 2012 Code of Corporate Governance (the “Code”) during the financial year ended 31 December 2016 (“FY2016”), except where otherwise stated. The Board will continue to improve with developments in corporate governance by enhancing its principles and framework.

BOARD MATTERS

Principle 1: Board's Conduct of Affairs

Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group. It focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegates the formulation of business policies and day-to-day management to the Executive Directors. The Board is also responsible for considering sustainability issues relating to the environment and social factors as part of the strategic formulation of the Group and also to set the Company's values and standards and provide guidance to Management to ensure that the Company's obligations to its shareholders and the public are met. All Directors objectively make decisions at all times as fiduciaries in the interests of the Company.

The principal functions of the Board are:

- (a) to approve the Group's key business strategies and financial objectives;
- (b) to approve major investments and divestments, and funding proposals;
- (c) to oversee the processes for evaluating the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls, including safeguarding of shareholder's interests and the Company's assets; and
- (d) to assume responsibility for corporate governance.

The Board has identified and formalised in writing matters reserved for Board approval. Some of the matters reserved for the Board are review and approval of periodic financial results announcements and annual audited financial statements, declaration of dividends and other returns to shareholders, major corporate policies on key areas of operation, including corporate or financial restructuring and share issuances, mergers and acquisitions, material acquisitions and disposals, approval of transactions involving interested person transactions and appointment of new Directors. This would provide clear directions to Management on matters that must be approved by the Board.

The Board discharges its responsibilities either directly or indirectly through Board Committees such as Nominating Committee, Remuneration Committee and Audit Committee. These committees function within clearly defined and written terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board. The ultimate responsibility for the final decision on all matters lies with the entire Board.

Every Executive Director receives appropriate training to develop individual skills in order to discharge his or her duties. The Group also provides extensive information about its history, mission and values to the Directors.

The Board holds at least four scheduled meetings each year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving acquisitions, financial performance, and to endorse the release of the interim and annual financial results. Where necessary, additional meetings may be held to address significant transactions or issues.

Ad-hoc Board meeting will be convened as and when they are deemed necessary in between the scheduled meetings. During the year, an ad-hoc board meeting was held to discuss the letter of complaint received by the Independent Directors from a Minority Shareholder in October 2016.

Corporate Governance Report

The Company's Articles of Association permits a Board meeting to be conducted by way of tele-conference and video-conference.

When a physical Board meeting is not possible, timely communication with members of the Board can be achieved through electronic means.

The number of Board and Board Committee Meetings held in FY2016 and the attendance of each member of the Board is presented below. Matters arising from each meeting will be followed-up and reported to the Board. Minutes of all Board Committee and Board meetings are circulated to members for review and confirmation. These minutes could also enable Directors to be kept abreast of matters discussed at such meetings. Besides Board meetings, the Board exercises control on matters that require Board's deliberation and approval through the circulation of Directors' resolution(s).

Name of Director	Board		Audit Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Douglas Foo Peow Yong	5	5	–	–
Foo Lilian	5	5	–	–
Lim Chee Yong	5	5	4	4
Chan Wing Leong	5	5	4	4
Nandakumar Ponniya Servai	5	4	4	3

Name of Director	Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Douglas Foo Peow Yong	1	1	1	1
Foo Lilian	–	–	–	–
Lim Chee Yong	1	1	1	1
Chan Wing Leong	1	1	1	1
Nandakumar Ponniya Servai	–	–	–	–

New Directors, if any, upon appointment, will be given a comprehensive orientation programme, which is presented by the CEO to familiarise new Directors with the Group's business activities, operations, strategic directions and policies, key business risks and corporate governance practices as well as their statutory responsibilities as a director to ensure that new Directors have an insight of the Group. Upon appointment, the new Director will also be provided with formal letters, setting out their duties and obligations. There was no new director appointed in 2016.

The Company worked closely with a professional corporate secretarial firm, Messrs. Tricor WP Corporate Services Pte. Ltd. to provide its Directors with regular updates on the latest changes to the Code of Corporate Governance and Listing Manuals.

During the financial year, the Directors received updates on regulatory changes to the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and developments in accounting standards with explanation on the impact to the Group. The Directors also received updates on the business activities, operations and strategic directions of the Group through regular meetings and presentations by the Company's CEO and senior management. The regular presentations allow the Board of Directors to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

Directors are encouraged to participate in relevant training programmes. The Company will fund all relevant training programmes for Board members.

Corporate Governance Report

Principle 2: Board Composition and Guidance

The Board comprises the following Executive and Non-Executive Directors as at the date of this report:

Executive Directors:

Douglas Foo Peow Yong	(Executive Chairman)
Foo Lilian	(Executive Director and Chief Executive Officer)

Non-Executive Directors:

Lim Chee Yong	(Non-Executive and Independent Director)
Chan Wing Leong	(Non-Executive and Lead Independent Director)
Nandakumar Ponniya Servai	(Non-Executive and Independent Director)

The Directors appointed are qualified professionals who possess a diverse range of expertise, qualifications, skills and experience. These include experiences in information technology, management, accounting, banking, finance and law. The Directors as a group provides an appropriate balance and diversity of skills, experience and knowledge to the Company. Key information regarding the Directors' academic and professional qualifications and other appointments is set out under Board of Directors section of the Annual Report.

There is a strong and independent element on the Board with Independent Directors forming at least half of the Board where the Chairman of the Board and Chief Executive Officer are immediate family members. The independence of each Director is reviewed by the Nominating Committee annually. The Nominating Committee adopts the definition of what constitutes an Independent Director from the 2012 Code.

For the purpose of evaluating the true independence of directors who have served beyond nine years from the date of their first appointment, the NC had set out the criteria for the basis for the evaluation. The evaluation criteria included participation and contribution through quality discussion, rigorous enquiring on the Management's performance and commitment to the Company's affairs to determine whether such directors have acted, and are likely to continue to act, in the best interests of the shareholders. Using these criteria as a basis for its decision, the NC had conducted a rigorous evaluation on Mr Lim Chee Yong and Mr Chan Wing Leong who have served the Board beyond nine years. The NC considered the directors concerned are not involved in any relationships set out under Guideline 2.3(a) to (f) of the 2012 Code. The NC agreed that at all times, the Directors concerned have participated, deliberated and expressed their individual viewpoints, objectively debated issues brought up at meetings and scrutinised Board matters and Board Committee matters. Each of the Directors concerned objectively and constructively, challenges the assumptions and viewpoints by the Management. Each has sought clarification and advice, as and when he considered necessary, from the management and external advisors to form decisions objectively in the best interests of the Group and its stakeholders. The Directors concerned also exercised strong independence in character and judgment whilst discharging their duties as members of the Board and Board Committees. The Company has benefited from the Directors concerned, who had over time, gained substantial insight of the Group's businesses and this had helped them to provide views constructively and objectively to the Board and Management. The Board considers each of the Directors concerned brings a high level of experience, invaluable expertise and understanding about the Company and its industry, experience and knowledge which is ultimately beneficial to the Company and its members. The Directors concerned, who are familiar with the business, will continue to contribute positively to the deliberation of the Board & Board Committee. The independence of the Directors concerned was not in any way affected or impaired by the length of service. The Board is satisfied that Mr Lim and Mr Chan have remained independent in their judgement and can continue to discharge their duties objectively. No NC member is involved in deliberation in respect of his independence.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The Board is of the view that the effective blend of skills, experiences and knowledge remains a priority. The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience. The Board will constantly examine its size annually with a view to determine its impact upon its effectiveness and review its appropriateness for the nature and scope of the Group's operations.

The Board believes that there is a good balance of power and authority as all critical committees are chaired by the Independent Directors.

Corporate Governance Report

Principle 3: Chairman and Chief Executive Officer (“CEO”)

The Group’s Chairman is Mr Douglas Foo Peow Yong who is responsible for spearheading the Group’s overall direction and management of the Group’s global strategic plans.

Ms Foo Lilian has been officially appointed as the Group’s CEO with effect from 1 March 2014, and she continues to be responsible for the day-to-day operations of the Group. Mr Douglas Foo Peow Yong is a brother of Ms Foo Lilian.

Both Mr Foo and Ms Foo are responsible for the monitoring of the quality, quantity and timeliness of information flow between the Board and the management and ensure that Directors receive accurate and timely information and effective communication with shareholders.

Mr Foo is the founder of the Group and has played a key role in developing the Group’s business. Through the Group’s successful development these few years, Mr Foo has demonstrated his vision, strong leadership and enthusiasm in this business.

The Board has considered and is of the view that there are sufficient safeguards and checks to ensure that there is a good balance of power and authority. No individual or small group of individuals dominates the Board’s decision-making process. The Board seeks to ensure that decisions are made collectively. Furthermore, all the Board committees are chaired by Independent Directors of the Company.

Mr Chan Wing Leong continues to be the Lead Independent Director of the Company and he is available to shareholders where they have concerns which contact through the normal channels of the Chairman or CEO has failed to resolve or for which such contact is inappropriate. The Lead Independent Director shall represent the independent directors in responding to shareholders’ questions and comments that are directed to the independent directors as a group.

The Independent and Non-Executive Directors would communicate without the presence of the Management as and when the need arise.

BOARD COMMITTEE

Nominating Committee (“NC”)

Principle 4: Board Membership

The NC comprises Mr Lim Chee Yong as Chairman, Mr Chan Wing Leong and Mr Douglas Foo Peow Yong as members. The majority of whom, including the Chairman of the NC, are Independent Non-Executive Directors. The Chairman of the NC is not associated in any way with any substantial shareholders of the Company. Mr Chan Wing Leong, the lead Independent Director, is a member of the NC.

The Board has reviewed and updated the written terms of reference of the NC which sets out the objectives and authority of the NC. The NC is primarily responsible for:-

- (a) review and assess candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment of directors;
- (b) review and recommend to the Board new appointments, re-appointments or re-election of directors to the Board;
- (c) determine annually whether or not a Director is independent;
- (d) decide, in relation to a Director who has multiple board representations, whether or not such Director is able to and has been adequately carrying out his duties as Director of the Company;
- (e) regularly review and recommend to the Board on the structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;

Corporate Governance Report

- (f) review and recommend to the Board of training and professional development programs for the Board;
- (g) review and recommend to the Board of board succession plans for directors, in particular, the Chairman and the Chief Executive Officer; and
- (h) assess the performance of the Board as a whole and contribution of each director to the effectiveness of the Board. This assessment process shall be disclosed annually.

PARTICULARS OF DIRECTORS AS AT 31 DECEMBER 2016

Name of Director	Date of first appointment	Date of last re-election	Nature of appointment	Membership of Board committees	Directorship and Chairmanship, both present and those held over the preceding three years, in other listed companies and other principal commitments
Douglas Foo Peow Yong	17 February 1997	23 April 2014	Executive Chairman	Member of Nominating Committee and Remuneration Committee	Director of Sakae Group of companies
Foo Lilian	2 May 2002	21 April 2015	Executive Director / Chief Executive Officer	None	Director of Sakae Group of companies
Lim Chee Yong	14 July 2003	21 April 2015	Non-Executive and Independent Director	Chairman of Audit Committee and Nominating Committee, Member of Remuneration Committee	President and CEO of China Oceanis Group of companies President and CEO of Geoje Sea World Limited
Chan Wing Leong	30 April 2005	30 April 2016	Non-Executive and Lead Independent Director	Chairman of Remuneration Committee, Member of Audit Committee and Nominating Committee	Deputy President (Administration) & CFO of Singapore Institute of Technology Director of NTUC Link Pte Ltd Chairman of Agape Methodist Hospice
Nandakumar Ponniya Servai	14 March 2011	30 April 2016	Non-Executive and Independent Director	Member of Audit Committee	Independent director of BlackGold Natural Resources Ltd. Principal of Baker & McKenzie.Wong & Leow

Other key information of the Directors is set out under Board of Directors section of this Annual Report.

All Directors are subject to the provisions of the Company's Articles of Association whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every AGM.

Corporate Governance Report

The NC recommended to the Board that Mr Douglas Foo Peow Yong and Ms Foo Lilian be nominated for re-appointment at the forthcoming AGM. In making the recommendation, the NC had considered the Directors' overall contribution, performance, participation, preparedness and attendance.

When a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the position. The NC then nominates the most suitable candidate to be appointed to the Board. Under the Company's Articles of Association, any Director appointed by the Board shall hold office until the conclusion of the next AGM and shall then be eligible for re-election at that meeting.

There was no Alternate Director who shall bear all the duties and responsibilities of a Director.

The independence of Directors is assessed annually by the NC. The NC considered an Independent Director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the Director's independent judgement, which is in the best interests of the Company. On an annual basis, each Director is required to submit a return as to his independence to the Company Secretary. The NC shall review the returns and determine whether the Director is to be considered independent.

The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company and Group. During the year, the NC had reviewed and determined that Mr Lim Chee Yong, Mr Chan Wing Leong and Mr Nandakumar Ponniya Servai are Independent Directors of the Company.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance. The Board Committees are chaired by majority of Independent Directors and half of the Board consists of Independent Directors.

The NC had reviewed on board succession planning for directors, in particular, the Chairman and CEO. As part of the succession planning, Ms Foo Lilian was appointed as Chief Executive Officer of the Company with effect from 1 March 2014 while Mr Douglas Foo had relinquished his position as Chief Executive Officer and remains as Executive Chairman of the Group to focus on spearheading the Group's overall direction and global strategic plans. The NC and Board acknowledged that there is a need for progressive refreshing of the Board.

All Directors are required to declare their board representations. The NC will consider whether the Director is able to adequately carry out his/her duties as a Director of the Company, taking into consideration the number of listed company board representations and other principal commitments. The NC is satisfied that all the Directors are able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Directors of the Company.

Principle 5: Board Performance

On an annual basis, the NC in consultation with the Chairman of the Board, will review and evaluate the performance of the Board as a whole, taking into consideration the attendance record at the meetings of the Board and Board Committees and also the contribution of each Director to the effectiveness of the Board.

The Board has a formal process for assessing the effectiveness of the Board as a whole with objective performance criteria and contribution of each individual Director to the effectiveness of the Board. The NC conducted an assessment of the functions and effectiveness of the Board as a whole, assessment of the Board Committees, assessment on each individual director to the effectiveness of the Board and assessment of the contribution by the Chairman in the financial year 2016. The assessment report was reviewed by the Board and the recommendations were discussed with a view to improve the overall effectiveness of the Board. The NC is of the view that the performance of the Board as a whole has been satisfactory.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

Corporate Governance Report

Directors are required to ensure that they are in a position to devote the necessary time commitment and attention to the Company's matters and for the proper performance of their duties. Directors, while holding office, are at liberty to accept other board appointments, other than in listed entities, so long as such appointment is not in conflict with the Company's business and does not materially interfere with their performance as a director of the Company. Considering satisfaction of the current directors' participation and involvement in various active discussions relating to the Company, the Board agreed not to determine maximum number of listed company board representations which any director may hold.

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information at least quarterly, including board papers and related materials with background and explanatory notes required to support the decision-making process. The Board is also provided with updates on the relevant new laws, regulations and changing commercial risks in the Company's operating environment. Orientation to the Company's business strategies and operations is conducted as and when required.

All Directors have separate and independent access to senior management and to the Company Secretary. The Company Secretary attends all Board and Board Committee meetings and prepares minutes of meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Articles of Association and relevant rules and regulations, including requirements of the Companies Act and the Listing Manual of SGX-ST, are complied with. In addition, the Company Secretary's responsibilities include advising the Board on all governance matters. Board shall decide on appointment and removal of Company Secretary.

In the event that the Directors, whether as a group or individually, require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

Remuneration Committee ("RC")

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises Mr Chan Wing Leong as Chairman and Mr Lim Chee Yong and Mr Douglas Foo Peow Yong as members. The majority of whom, including the Chairman of the RC, are Independent and Non-Executive Directors.

The Board recognises that the composition of the RC does not comprise entirely of Non-Executive Directors. However, the Board is of the view that the current composition of the RC is able to provide the necessary objective inputs to the various decisions made by the Board. Mr Douglas Foo Peow Yong, a member of the RC and an Executive Director abstained from all discussions, deliberations and decision of his own remuneration.

The Board has reviewed and updated the written terms of reference of the RC, which sets out the objectives and authority of the RC. The RC is primarily responsible for:-

- (a) review and recommend to the Board a general framework of remuneration for the Board and key management personnel;
- (b) determine the specific remuneration packages for each Director and key management personnel;
- (c) determine performance-related elements of remuneration and eligibility for benefits under long-term incentive schemes to align interests of executive Directors and link rewards to corporate and individual performance; and
- (d) administer the Company's share option scheme.

In carrying out the above responsibilities, 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. The RC had engaged Carrot Consulting Pte Ltd in setting up remuneration plan for Executive Chairman and Senior Management.

The RC's recommendations are made in consultation with the Chairman of the Board and submitted to the entire Board for endorsement. The remuneration of the Non-Executive and Independent Directors is in the form of a fixed fee. The payment of fees to Non-Executive Directors is subject to approval at the AGM of the Company. The remuneration of the Executive Directors and CEO as well as key management personnel are reviewed by the RC.

Corporate Governance Report

The Directors are not involved on deciding their own remuneration. The members of the RC do not participate in any decisions concerning their own remuneration.

Principle 8: Level and Mix of Remuneration

The Company sets remuneration packages to ensure that it is competitive and sufficient to attract, retain and motivate Directors and key management personnel of the required experience and expertise to run the Company successfully.

In setting remuneration packages for the key management personnel, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. A significant part of the remuneration package is linked to the achievement of stretching, pre-determined corporate performance targets, focusing on profitability, measures reflecting customer experience and key products for the financial year under review. The RC is satisfied that the performance conditions of the key management personnel have been met.

As part of its review, the RC ensures that the performance-related elements of remuneration form a significant part of the total remuneration package of the Executive Directors and is designed to align the Directors' interest with the creation of sustainable shareholder value and promote long-term success of the Company in terms of profitability and organic growth.

The Company has renewed the service agreements with the two Executive Directors namely Mr Douglas Foo Peow Yong and Ms Foo Lilian respectively for another year. The service agreements cover the terms of employment, specifically salaries and bonuses.

Principle 9: Disclosure on Remuneration

The following tables show a breakdown of the remuneration of Directors and key management personnel for FY2016.

Remuneration band & name of directors	Salary	Bonus	Directors' Fees	Total
	%	%	%	%
\$500,000 to below \$750,000				
Douglas Foo Peow Yong	85.7	14.3	–	100
Foo Lilian	85.7	14.3	–	100
Below \$250,000				
Lim Chee Yong	–	–	100	100
Chan Wing Leong	–	–	100	100
Nandakumar Ponniya Servai	–	–	100	100

Remuneration band & name of top 5 key management personnel	Salary	Bonus	Incentive and other benefits	Total
	%	%	%	%
\$250,000 to below \$500,000				
Gladys Lim Cheng Leng	56.3	43.5	0.2	100
Below \$250,000				
Voon Sze Yin	92.0	7.7	0.3	100
Sandy Xu Xian Li	93.4	–	6.6	100
Cheah You Meng	76.5	23.5	–	100
Andy Liu Hong Wei	88.4	11.6	–	100

Corporate Governance Report

For competitive reasons, the Company is disclosing each individual Director's remuneration in bands of \$250,000. The Group remunerates its key management personnel competitively. To maintain confidentiality of staff remuneration and to prevent poaching of key management personnel in a highly competitive industry, the Company shall disclose the remuneration of the key management personnel of the Group, in this report, in bands of \$250,000 without aggregate of total remuneration paid to the key management personnel.

For the financial year ended 31 December 2016, there is an employee of the Company namely Mr Foo Kia Hee, being the father of Mr Douglas Foo Peow Yong, the Executive Chairman, and Ms Foo Lilian, the Chief Executive Officer, whose remuneration fell between \$100,000 and \$150,000.

The Company has a share option scheme known as Sakae Employee Share Option Scheme (the "ESOS") which was approved by shareholders of the Company at an Extraordinary General Meeting on 14 July 2003. However, the existing ESOS Scheme had expired. No options were granted under the ESOS during the FY2016.

The Company also has a performance share scheme known as Sakae Performance Share Scheme (the "Scheme") which was approved by shareholders of the Company on 21 April 2008. This will increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. The Scheme will further strengthen the Company's competitiveness in attracting and retaining local and foreign talent. Persons who are controlling shareholders or Associates of a controlling shareholder would not be eligible to participate in the Scheme. The Committee (as defined in the circular dated 28 March 2008), being designated as the committee responsible for the administration of the Scheme, comprises of 3 Directors namely Mr Chan Wing Leong, Mr Douglas Foo Peow Yong and Mr Lim Chee Yong. As at the date of this Annual Report, no awards have been granted under the Scheme. For more details of the Scheme, please refer to the Report of the Directors of this Annual Report as well as circular of the Company dated 28 March 2008.

Principle 10: Accountability

The Board is accountable to the shareholders and the management is accountable to the Board. The Board is provided with management accounts and such explanation and information to assess the Group's performance and make informed decisions. The Board takes adequate steps to ensure compliance with regulatory requirements.

The Company provides a balanced and understandable assessment of the Company's performance through quarterly results reporting.

The management provides all members of the Board with appropriately detailed management accounts and such explanations and information and as the Board may require from time to time to enable the Board to make a balanced and informed assessment.

Principle 11: Risk Management and Internal Controls

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investments and the Group's assets and business. The system of internal controls provides reasonable, but not absolute assurance that the Group will not be adversely affected.

The Company's external auditors, Messrs. Deloitte & Touche LLP, will carry out, in the course of their statutory audit, a consideration of the effectiveness of the Company's internal controls relevant to the audit, annually to the extent of their scope as laid out in their audit plan. Material non-compliance and internal control weaknesses noted during their audit, and the auditors' recommendations, are reported to the AC members.

The Board, through the AC, reviews the adequacy of the Group's risk management framework and internal controls, to ensure risk management and internal controls are in place. In this aspect, the AC reviews the audit plans, and the findings of the auditors and ensures that the Group follows up on auditors' recommendations raised, if any, during the audit process. The AC guides management to check and ensure the adequacy of the internal controls.

Corporate Governance Report

Based on the internal controls and risk management framework established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, various Board Committees and the Board, the Board, with the concurrence of the Audit Committee, are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks and those related to information technology systems and risk management systems, were adequate as at 31 December 2016. With written confirmation from the Chief Executive Officer, Ms Foo Lillian and Chief Financial Officer, Ms Voon Sze Yin, and the assistance of external audit conducted, the Board has received assurance that the financial records have been properly maintained and the financial statements of the Company give a true and fair view of the Company's operations and finances. The assurance from Ms Foo Lillian and Ms Voon Sze Yin also includes effectiveness of the Company's risk management and internal control systems.

Audit Committee ("AC") Principle 12: Audit Committee

As at 31 December 2016, the AC comprises of Mr Lim Chee Yong, Mr Chan Wing Leong and Mr Nandakumar Ponniya Servai. The Chairman of the AC is Mr Lim Chee Yong. All of the AC members including the Chairman of the AC, are Independent and Non-Executive Directors. The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.

The Board has reviewed and updated the written terms of reference of the AC which sets out the objectives and authority. Its primary functions are as follows:-

- (a) to review and discuss with internal and/or external auditors their reports on major accounting and control issues observed during the annual audit and review management's implementation of the recommended improvement actions;
- (b) to review on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and financial risk management systems;
- (c) to review the balance sheet and profit and loss account and announcements of results before submission to the Board for approval;
- (d) to review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;
- (e) to review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- (f) to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;
- (g) to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and
- (h) to review the internal control procedures and ensure co-ordination between the internal auditors and the management.

The AC meets regularly and also holds informal meetings and discussions with the external and internal auditors as well as the management from time to time. The AC has full discretion to invite any Director or executive officer to attend its meetings.

The AC has been given full access to and obtained the co-operation from the management of the Company. The AC has reasonable resources to enable it to discharge its functions properly. It receives periodic updates on changes in accounting standards from external auditors.

Corporate Governance Report

The AC has met with the external auditors without the presence of the management to review matters that might be raised privately. The AC also met with the external auditors to discuss the results of their examinations and their evaluations of the systems of internal accounting controls. During the year, the AC has reviewed the scope and quality of their audits and the independence and objectivity of the external auditors as well as the cost effectiveness. The AC is satisfied that the Company's auditors are still able to meet the audit requirements and statutory obligation of the Company.

The AC has reviewed the volume of all audit and non-audit services to the Group by the external auditors. Please refer to page 102 for details of the audit and non-audit fees. The AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC is pleased to recommend the re-appointment of Messrs. Deloitte & Touche LLP as the Company's external auditors at the forthcoming Annual General Meeting. The AC receives update on changes in accounting standards from external auditors.

The AC shall continue to monitor the scope, cost effectiveness and result of the audit.

The AC and the Board are satisfied that the appointment of different auditors for its Singapore-incorporated subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The Company has also engaged suitable auditing firm for its foreign-incorporated subsidiaries. The Company therefore is in compliance with Rule 712, 715 and 716 of the Listing Manual of the SGX-ST.

The AC had established a whistle blowing policy and had formed a Whistle Blowing Committee which consists of two Independent Non-Executive Directors of the Company, i.e. Mr Chan Wing Leong and Mr Lim Chee Yong, as channel for persons employed by the Group to report in confidence any possible corporate improprieties in matters of financial reporting or non-compliance with regulations, policies and fraud, etc., without any prejudicial implications for these employees. The Whistle Blowing Committee and the AC is vested with the power and authority to receive, investigate and enforce appropriate action when any such non-compliance matter is brought to its attention.

As at date of report, there were two reports received through the whistle-blowing mechanism. In handling the whistle-blowing reports, the AC carefully considers the allegations raised, makes consultations with independent advisors, and carries out necessary investigations. No irregularities have been identified.

Principle 13: Internal Audit

The Company has appointed Messrs. Foo Kon Tan Advisory Services Pte Ltd as the Company's internal auditors for the purposes of reviewing the effectiveness of the Company's material internal controls. The Internal Auditors reports directly to the AC although they also report administratively to the CEO.

The AC has reviewed the internal audit programme, the scope and results of internal audit procedures and is satisfied that the outsourced internal audit function is adequately resourced and has appropriate standing.

The internal auditors, Messrs. Foo Kon Tan Advisory Services Pte Ltd meets the standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

The Board treats all shareholders fairly and equitably and facilitates the exercise of shareholders' rights.

The Board is accountable to the shareholders and recognise its obligation to provide timely and fair disclosure of material information to shareholders, investors and public.

The Board allows all shareholders to exercise its voting rights by participation and voting at general meetings. Shareholders were informed about the voting procedures that govern general meetings of shareholders. The Company's Articles of Association allow a member of the Company to appoint one or two proxies to attend and vote at general meetings.

Corporate Governance Report

The Board will review the Company's Articles of Association from time to time. Where amendment to its Articles of Association is required to align the relevant provisions with the requirements of the Listing Manual of the SGX-ST, shareholders' approval will be obtained.

Principle 15: Communication with Shareholders

The Company does not practice selective disclosure. Information on any new initiatives is disseminated via SGXNET, news releases and the Company's website. The Company always updates its website at www.sakaeholdings.com through which shareholders can access information on the Group. Price-sensitive information is publicly released on an immediate basis where required under the Listing Manual. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have a fair access to the information.

General meetings have always been the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. These meetings allow the Company to gather views or input and address shareholders' concern.

The Board does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board has not declared any dividend for the financial year ended 31 December 2016 as the Group did not have available profits during the year.

Principle 16: Conduct of Shareholder Meetings

The AGM of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the Annual Report and the notice of AGM. Notice of AGM is dispatched to shareholders together with explanatory notes or circular on items of special business (if necessary), at least 14 days before the meeting. Shareholders are encouraged to attend the AGM of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Shareholder who is a relevant intermediary (as defined in the Companies Act, Cap. 50) can appoint more than 2 proxies to attend the AGM. At the AGM, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairpersons of each of the Board committees. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders. Minutes of general meetings include substantial and relevant queries or comments from shareholders relating to the agenda of the meeting and responses from the Board and management. These minutes would be available to shareholders upon their request.

The Company ensures that there are separate resolutions at general meetings on each distinct issue.

All resolutions were put to vote by hand at the AGM held on 30 April 2016 in accordance with the provisions of the Company's Articles of Association. In accordance with the mandatory voting by poll, the Company will put all resolutions to vote by poll this year.

RISK MANAGEMENT

(Listing Manual Rule 1207(4)(b)(iv))

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

Corporate Governance Report

SECURITIES TRANSACTIONS

(Listing Manual Rule 1207(19))

The Company has adopted an internal code on dealings in securities which is applicable to all Directors and employees of the Group and its subsidiaries with regards to dealing in the Company's securities.

The Company issues circulars to its Directors, officers and employees of the Group to inform them not to deal in the Company's shares on short term considerations or whilst they are in possession of unpublished material price sensitive information and during the period commencing two weeks before the announcement of the Company's quarterly financial results and one month before the announcement of the Company's full year financial results and ending on the date of the announcement of such financial results.

MATERIAL CONTRACTS

(Listing Manual Rule 1207(8))

Save for the contracts in relation to the following events, there were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholders subsisting as at the financial year ended 31 December 2016:

1. Acquisition of 51% equity interest in Cocosa Export S.A.; and
2. Acquisition of 40% equity interest in Novitee Pte. Ltd.

INTERESTED PERSON TRANSACTIONS

(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on an arm's length basis.

For the period under review, the Group has not carried out interested person transactions.

Directors' Statement

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2016.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 38 to 108 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2016, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Douglas Foo Peow Yong
 Foo Lilian
 Lim Chee Yong
 Chan Wing Leong
 Nandakumar Ponniya Servai

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and Company in which interests are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company			Ordinary shares	
Douglas Foo Peow Yong	17,926,740	17,926,740	74,000,100	74,000,100
Foo Lilian	100	100	–	–

By virtue of Section 7 of the Singapore Companies Act, Douglas Foo Peow Yong is deemed to have an interest in the Company and all the related corporations of the Company.

Directors' Statement

The directors' interests in the shares and options of the Company at January 21, 2017 were the same at December 31, 2016 except for the following:

Name of directors and Company in which interests are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At end of year	At January 21, 2017	At end of year	At January 21, 2017
The Company	Ordinary shares			
Douglas Foo Peow Yong	17,926,740	31,926,740	74,000,100	60,000,100

4 SHARE OPTIONS

- (a) The Sakae Employees' Share Option Scheme ("ESOS") was approved by the shareholders of the Company at an Extraordinary General Meeting held on July 14, 2003. As of year end, the ESOS was expired and was not renewed.

There were no issued shares of the Company under options granted pursuant to the ESOS.

- (b) The Sakae Performance Share Scheme ("PSS") was approved by the shareholders of the Company at an Extraordinary General Meeting held on April 21, 2008.

The committee administering the PSS comprises:

Chan Wing Leong (Chairman)
Lim Chee Yong
Douglas Foo Peow Yong

The Performance Share Scheme complements the ESOS as it increases the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. Shares will be awarded based on pre-determined dollar amounts such that the quantum of shares is dependent on the closing price of shares transacted on the market day the award is vested. The PSS shall continue in force at the discretion of the Committee, up to a maximum of ten years.

There were no shares issued to employees of the Company during the financial year.

- (c) *Option to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

- (d) *Option exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

- (e) Unissued shares under option

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

Directors' Statement

5 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Mr Lim Chee Yong and other members include Mr Chan Wing Leong and Mr Nandakumar Ponnaiya Servai. The Audit Committee has met four times since the last Annual General Meeting (“AGM”) and has reviewed the following, where relevant, with the executive directors and the external and internal auditors of the Company:

- (a) The audit plans and results of the internal auditors’ examination and evaluation of the Group’s systems of internal accounting controls;
- (b) The Group’s financial and operating results and accounting policies;
- (c) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors of the Company and the external auditors’ report on those financial statements;
- (d) The quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) The co-operation and assistance given by the management to the Group’s internal and external auditors; and
- (f) The re-appointment of the internal and external auditors of the Group.

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Douglas Foo Peow Yong

Foo Lilian

June 5, 2017

Independent Auditor's Report

To the members of Sakae Holdings Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sakae Holdings Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 38 to 108.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Qualified Opinion

- (a) As disclosed in Note 2 to the financial statements, the Group has not applied the equity accounting method to account for its share of results and net assets of its associates, Griffin Real Estate Investment Holdings Pte. Ltd. ("GREIH") and Gryphon Capital Management Pte. Ltd. ("GCM"), since the financial year ended December 31, 2012 and has made a full provision for impairment loss on its investment in GREIH amounting to \$6,642,000 and \$10,099,000 at the Company level and the Group level respectively and its investment in GCM amounting to \$150,000 and \$369,000 at the Company level and the Group level respectively as at December 31, 2016 and 2015.

The non-equity accounting of its investment in the associates, GREIH and GCM, for the financial years ended December 31, 2016 and 2015 is not in accordance with FRS 28 *Investments in Associates and Joint Ventures*.

As the unaudited management accounts of GREIH and GCM were considered by the management to be unreliable as described in Note 2, we have not been able to obtain sufficient appropriate audit evidence to enable us to determine what the Group's share of results and net assets of GREIH and GCM and the related disclosures under FRS 112 *Disclosure of Interests in Other Entities* should have been had the equity accounting method been applied.

- (b) As disclosed in Note 2 to the financial statements, the Group and Company have continued to provide full allowance for potential impairment loss on its investments in GREIH and GCM. Given the uncertainties in relation to the developments and outcome of (a) the present litigations involving GREIH and GCM, and (b) the Company's report on this matter relating to GREIH to the Commercial Affairs Department in 2013, we have not been able to obtain sufficient appropriate audit evidence to enable us to determine whether any provision for impairment loss is required, and if made, the amount of impairment loss that is required to be provided, on the investments in GREIH and GCM at the Company level and the Group level as at December 31, 2016 and 2015.

Our opinion on the auditors' report for the financial statements for the financial year ended December 31, 2015 was qualified on the same basis.

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.

Independent Auditor's Report

To the members of Sakae Holdings Ltd.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the consolidated 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis of Qualified Opinion* section above, we were unable to obtain sufficient appropriate audit evidence to enable us to determine (a) what the Group's share of results and net assets of GREIH and GCM and the related disclosures should have been had the equity accounting method been applied, and (b) whether any provision for impairment loss is required, and if made, the amount of impairment loss that is required to be provided, on the investments in GREIH and GCM at the Company level and the Group level as at December 31, 2016 and 2015. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis of Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters

How the matter was addressed in the audit

Loan covenant and going concern assumption

The Group is highly geared (total bank borrowings as at December 31, 2016 is \$50.6 million), has regular debt repayments and covenants as stipulated in the bank loan agreements.

As disclosed in Note 20 to the financial statements, as at December 31, 2016, the Group was not able to maintain a certain level of debt to equity ratio as required in the bank loan agreement. Subsequent to year end, the bank issued a revised facility letter to the Group to revise the covenant, such that the Group is in compliance with the revised covenant.

Impacted by the economic downturn and stiff competition in Food & Beverage industry, the Group incurred losses of a total amount of \$12.4 million during the year with a decline in revenue from prior year by 10.1%, generated a negative operating cash flow of \$2.4 million and is in the current liability position amounting to \$37.4 million as at year end.

Our audit approach included the following substantive procedures:

- Obtained an understanding of management's perspectives relating to the business;
- Challenged management's assessment of the appropriateness of the going concern assumption for reasonableness;
- Obtained confirmation reply from the lenders confirming the outstanding amount as at December 31, 2016;
- Obtained the cash flows and challenged the key assumptions used by the management;
- Checked the outstanding short-term revolving loans as at December 31, 2016, which were due subsequent to the year end, were approved by lenders for roll-over;
- Checked to the approval of the additional credit facility obtained subsequent to year end;

Independent Auditor's Report

To the members of Sakae Holdings Ltd.

Key audit matters

How the matter was addressed in the audit

Loan covenant and going concern assumption (cont'd)

As disclosed in Note 5(c)(iv) to the financial statements, management is of the view that the going concern assumption continues to be appropriate based on the following grounds:

- 1) Ability of the Group to continue to generate sufficient cash flows from its future operations in order to meet its day-to-day expenditure;
- 2) Credit facilities from the Group's lenders to be available over the next twelve months or as and when is required. As at December 31, 2016, the Group and the Company have short-term revolving bank loans of \$39,500,000 which are renewable at maturity; and
- 3) Subsequent to the end of reporting period, the Group and the Company have further obtained \$5,000,000 credit facilities from a bank for the Group and Company to carry out outlets rationalisation strategy.

- Reviewed management's assessment regarding compliance with loan covenants stipulated in the loan agreements and the revised facility letter received after year end; and
- Reviewed the related disclosures and classifications in the financial statements in accordance with FRSs, including financial risk management policies and objectives on liquidity management.

Impairment of assets - Freehold land, building on freehold land and leasehold building

Property, plant and equipment ("PPE") (Note 17) represents a significant portion of the Group's and Company's total assets and their proportion as at December 31, 2016 is 71% and 68% respectively.

Out of the total balance, freehold land, building on freehold land and leasehold building are stated at valuation based on the market valuation as at December 31, 2016. Their proportion to the Group's and Company's total PPE is 89% and 95% respectively.

As disclosed in Note 4(ii)(c) to the financial statements, these assets are revalued based on the valuation performed by independent professional valuers engaged by the Group.

In determining the fair value of these assets, the valuer has used comparable sales method which involve the making of certain assumptions, such as the market price of similar properties located in the vicinity.

In relying on the valuation report of a professional valuer, the Group has exercised judgment in arriving at a value which is reflective of the current market conditions.

Our audit approach focused on evaluating and challenging the key assumptions used by management which include the following procedures:

- Obtained valuation reports and discussed with valuers to understand the assumptions and valuation techniques used;
- Assessed the competency, capabilities, independence and objectivity of the valuers;
- Evaluated the appropriateness of the valuation techniques used by the valuer for the respective asset, taking into account the nature of each asset;
- Compared the market rental rate or market price of the respective investment property to comparable properties in the vicinity;

We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

Independent Auditor's Report

To the members of Sakae Holdings Ltd.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) 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.
- (e) 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.
- (f) 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.

Independent Auditor's Report

To the members of Sakae Holdings Ltd.

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, except for the matters referred to in the *Basis for Qualified Opinion* paragraphs, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chua How Kiat.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

June 5, 2017

Statement of Financial Position

As at 31 December 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	8,627	11,713	3,327	7,228
Trade receivables	8	1,871	3,609	1,332	2,286
Other receivables and prepayments	9	11,304	10,304	3,855	7,844
Inventories	10	2,357	2,698	1,524	1,657
Convertible loan note receivable	11	–	498	–	498
Held for trading investments	12	2,790	2,950	2,113	2,170
Income tax recoverable		838	525	–	70
Total current assets		27,787	32,297	12,151	21,753
Non-current assets					
Other receivables and prepayments	9	–	195	–	–
Other investment	13	192	–	–	–
Subsidiaries	14	–	–	10	10
Due from subsidiaries	14	–	–	17,316	16,688
Associates	15	–	–	–	–
Joint venture	16	150	–	–	–
Property, plant and equipment	17	77,237	74,646	63,176	64,685
Investment properties	18	2,800	2,873	–	–
Goodwill	19	704	718	–	–
Total non-current assets		81,083	78,432	80,502	81,383
Total assets		108,870	110,729	92,653	103,136
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank loans	20	50,227	36,327	46,822	36,327
Trade payables	21	6,657	7,212	4,322	4,591
Other payables and accruals	22	3,658	6,100	2,152	4,661
Provisions	23	4,616	744	2,702	342
Due to subsidiaries	14	–	–	1,064	653
Income tax payable		28	65	2	–
Total current liabilities		65,186	50,448	57,064	46,574
Non-current liabilities					
Bank loans	20	388	7,019	–	7,019
Deferred tax liabilities	24	8,464	8,353	7,900	8,286
Total non-current liabilities		8,852	15,372	7,900	15,305
Capital, reserves and non-controlling interests					
Issued capital	25	10,736	10,736	10,736	10,736
Treasury shares	26	(892)	(892)	(892)	(892)
Capital reserve		166	166	–	–
Currency translation reserve		(2,179)	(2,300)	–	–
Revaluation reserve	27	41,559	40,599	40,744	39,820
Accumulated (losses) profits		(15,992)	(3,356)	(22,899)	(8,407)
Equity attributable to equity holders of the Company		33,398	44,953	27,689	41,257
Non-controlling interests		1,434	(44)	–	–
Total equity		34,832	44,909	27,689	41,257
Total liabilities and equity		108,870	110,729	92,653	103,136

See accompanying notes to the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Note	Group	
		2016 \$'000	2015 \$'000
Revenue	28	86,448	96,165
Cost of sales		(32,624)	(33,077)
Gross profit		53,824	63,088
Other operating income	29	5,853	5,828
Administrative expenses		(39,320)	(42,622)
Other operating expenses		(29,537)	(27,670)
Non-operating expenses		(2,808)	(2,674)
Finance costs - interest expense on bank loans		(1,001)	(804)
Loss before tax		(12,989)	(4,854)
Income tax credit	30	573	223
Loss for the year	31	(12,416)	(4,631)
Loss attributable to:			
Equity holders of the Company		(12,636)	(4,631)
Non-controlling interests		220	-
		(12,416)	(4,631)
Basic and diluted losses per share (cents)	32	(9.06)	(3.32)
Loss for the year		(12,416)	(4,631)
Other comprehensive income (loss):			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation of properties	27	1,165	1,180
Deferred tax liability relating to revaluation of properties	24	(205)	(205)
		960	975
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		164	(1,829)
Other comprehensive income (loss) for the year, net of tax		1,124	(854)
Total comprehensive loss for the year		(11,292)	(5,485)
Total comprehensive loss attributable to:			
Equity holders of the Company		(11,555)	(5,485)
Non-controlling interests		263	-
		(11,292)	(5,485)

See accompanying notes to the financial statements.

Statement of changes in Equity

Year ended 31 December 2016

Group	Issued capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Currency translation reserve \$'000	Revaluation reserve \$'000	Accumulated profits (losses) \$'000	Attributable to equity holders of the Company	Non-controlling interests	Total \$'000
							\$'000	\$'000	
Balance as at January 1, 2015	10,736	(892)	166	(471)	39,624	2,670	51,833	(44)	51,789
<i>Total comprehensive (loss) income for the year</i>									
Loss for the year	-	-	-	-	-	(4,631)	(4,631)	-	(4,631)
Other comprehensive (loss) income	-	-	-	(1,829)	975	-	(854)	-	(854)
Total	-	-	-	(1,829)	975	(4,631)	(5,485)	-	(5,485)
Dividends paid (Note 33), representing transactions with owners, recognised directly in equity	-	-	-	-	-	(1,395)	(1,395)	-	(1,395)
Balance as at December 31, 2015	10,736	(892)	166	(2,300)	40,599	(3,356)	44,953	(44)	44,909
<i>Total comprehensive (loss) income for the year</i>									
Loss for the year	-	-	-	-	-	(12,636)	(12,636)	220	(12,416)
Other comprehensive (loss) income	-	-	-	121	960	-	1,081	43	1,124
Total	-	-	-	121	960	(12,636)	(11,555)	263	(11,292)
Non-controlling interest arising from acquisition of a subsidiary (Note 35), representing transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	1,215	1,215
Balance as at December 31, 2016	10,736	(892)	166	(2,179)	41,559	(15,992)	33,398	1,434	34,832

Company	Issued capital	Treasury shares	Revaluation reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at January 1, 2015	10,736	(892)	38,890	(3,360)	45,374
<i>Total comprehensive (loss) income for the year</i>					
Loss for the year	-	-	-	(3,652)	(3,652)
Other comprehensive income	-	-	930	-	930
Total	-	-	930	(3,652)	(2,722)
Dividends paid (Note 33), representing transactions with owners recognised directly in equity	-	-	-	(1,395)	(1,395)
Balance as at December 31, 2015	10,736	(892)	39,820	(8,407)	41,257
<i>Total comprehensive (loss) income for the year</i>					
Loss for the year	-	-	-	(14,492)	(14,492)
Other comprehensive income	-	-	924	-	924
Total	-	-	924	(14,492)	(13,568)
Balance as at December 31, 2016	10,736	(892)	40,744	(22,899)	27,689

See accompanying notes to the financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Group	
	2016	2015
	\$'000	\$'000
Operating activities		
Loss before tax	(12,989)	(4,854)
Adjustments for:		
Depreciation of property, plant and equipment	5,878	5,679
Depreciation of investment property	22	22
Amortisation of prepaid lease	50	50
Gain on disposal of property, plant and equipment, net	–	(15)
Write-off of property, plant and equipment	487	190
Impairment loss on property, plant and equipment	453	471
Impairment loss recognised on trade receivables	264	23
Impairment loss recognised on other receivables	409	–
Impairment loss recognised on convertible loan note receivable	1,017	–
Loss (Gain) on disposal of held for trading investments	13	(1)
Dividend income from held for trading investments	(40)	(103)
Fair value loss on held for trading investments	13	329
Provision for early termination of leases	3,405	–
Provision for reinstatement costs	643	90
Gain on acquisition of subsidiary	(647)	–
Unrealised foreign exchange loss (gain)	(149)	1,164
Interest expense	1,001	804
Interest income	(92)	(86)
Operating cash flows before movements in working capital	(262)	3,763
Trade receivables	1,609	(1,592)
Other receivables and prepayments	8	827
Inventories	341	(207)
Trade payables	(599)	698
Other payables and accruals	(2,513)	345
Cash (used in) generated from operations	(1,416)	3,834
Interest paid	(1,001)	(804)
Interest received	92	86
Income taxes and withholding taxes paid	(60)	(1,744)
Net cash (used in) from operating activities	(2,385)	1,372
Investing activities		
Proceeds from disposal of property, plant and equipment	–	38
Purchase of property, plant and equipment	(2,665)	(4,653)
Investment in convertible loan note	(498)	(498)
Repayment from (loan to) related party	35	(230)
Advance to supplier	(1,278)	(2,545)
Dividend income from held for trading investments	40	103
Proceeds from disposal of held for trading investments	124	2
Purchase of held for trading investments	–	(2,625)
Cash arising from acquisition of subsidiary (Note 35)	251	–
Investment in joint venture	(150)	–
Net cash used in investing activities	(4,141)	(10,408)
Financing activities		
Dividends paid	–	(1,395)
Proceeds from bank loans	19,847	13,800
Repayment of bank loans	(16,389)	(1,635)
Net cash from financing activities	3,458	10,770
Net (decrease)/increase in cash and cash equivalents	(3,068)	1,734
Cash and cash equivalents at beginning of year	11,713	11,313
Effects on exchange rate changes on the balance of cash held in foreign currencies	(18)	(1,334)
Cash and cash equivalents at end of year	8,627	11,713

See accompanying notes to the financial statements.

Notes to the Financial Statements

31 December 2016

1 GENERAL

The Company (Registration No. 199604816E) is incorporated in Singapore with its principal place of business and registered office at 28 Tai Seng Street, Singapore 534106. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company consist of the business of operating restaurants, kiosks and cafes, trading, sushi processing and operating as caterer and franchiser.

The principal activities of the subsidiaries, associates and joint venture are disclosed in Notes 14, 15 and 16 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2016 were authorised for issue by the Board of Directors on June 5, 2017.

2 INVESTMENTS IN ASSOCIATES (GREIH and GCM)

The Company made the following announcements in relation to the matters concerning the Company's associate companies - Griffin Real Estate Investment Holdings Pte. Ltd. ("GREIH") and Gryphon Capital Management Pte. Ltd. ("GCM") below:

- (a) The Company invested in associates, GREIH and GCM, pursuant to a Subscription and Joint Venture Agreement (the "JVA") dated September 3, 2010, which the Company and other companies, including a company owned by an ex-Non-Executive (and also Non-Independent) Director of the Company (the "Company's ex-NED"), are parties thereto. The Company invested \$4,000,000 and \$2,642,000 in GREIH in January 2011 and June 2012 respectively and \$150,000 in GCM in January 2011 to acquire a 24.69% and 20% equity stake in GREIH and GCM respectively. The details of the Company's investments in GREIH and GCM are described in Note 15 to the financial statements.
- (b) The Company is represented on the board of GREIH by the Company's Executive Chairman, who engaged a reputable international firm of accountants in 2012 to inspect the accounting records and report on the financial affairs of GREIH (the "Accountants' Report"), arising from concerns over certain transactions undertaken in GREIH which had come to the notice of the Company's Executive Chairman. The findings in the Accountants' Report state that various financial transactions undertaken in GREIH may appear to be irregular and in breach of the Singapore Companies Act (the "Act") and the JVA (the "Subject Transactions"), and may also adversely affect the Company's interests and value of its investments in GREIH. The Subject Transactions include payments of substantial sums of monies that have been made by GREIH and apparent contracts which purport to oblige GREIH to make substantial payments to companies related to senior management of GREIH that had not been properly disclosed to the Company or to the Company's representative on the board of GREIH in breach of the JVA.
- (c) The Subject Transactions have been recognised in the unaudited management accounts for the financial year ended December 31, 2012 (the "Management Accounts") of GREIH which were provided to the Company. As the GREIH's Management Accounts included the questionable Subject Transactions identified in the Accountants' Report, there were some concerns by management about the reliability of the associates' Management Accounts for the purpose of equity accounting in accordance with FRS 28. Accordingly, the Company did not rely on the Management Accounts of GREIH and GCM for equity accounting purposes since the financial year ended December 31, 2012, and its share of associates' results in GREIH and GCM for the financial years ended December 31, 2012, 2013, 2014, 2015 and 2016 were not accounted for.
- (d) In February 2013, the Company commenced an action (Suit 122) against the Company's ex-NED in the High Court of Singapore in respect of alleged breaches of his duties qua director of the Company.

Notes to the Financial Statements

31 December 2016

2 INVESTMENTS IN ASSOCIATES (GREIH and GCM) (cont'd)

- (e) In January 2013, the Company's Executive Chairman brought the Subject Transactions to the attention of the Commercial Affairs Department, which has been investigating the matter. In December 2013, the Company also filed two separate actions in the High Court of Singapore (Suit 1098 and Suit 1099) against various defendants in connection with the affairs of GREIH and GCM. It is contended by the Company in the two actions that the affairs of GREIH and GCM have been conducted in a manner that is oppressive and prejudicial to the interests of the Company.

The Company has sought various reliefs from the High Court of Singapore, an order that GREIH be wound up, alternatively, an order that the Company's shares in GREIH be bought out, including declarations that certain agreements and transactions are void, repayment of various sums of monies by one or more of the defendants to GREIH and GCM, an account by one or more of the defendants of all profits and gains that they have made or received as a result of a number of transactions which the Company says were not properly authorised and repayment of certain sums of monies to the Company. The above does not represent an exhaustive list of the reliefs sought by the Company in the two actions.

- (f) In September 2014, a shareholder of GREIH, Gryphon Real Estate Investment Corporation Pte. Ltd. ("GREIC") commenced another action (Suit 969) against the Company and the Company's Executive Chairman, a director of the Company (the "Director"). It is alleged in the claim, among other things, that the Company and the Director have conducted the affairs of GREIH in a manner oppressive to GREIC and/or in disregard of and/or prejudicial to GREIC's interests as a shareholder of GREIH. GREIC in this action seeks, among other things, declarations that the Company and the Director are liable to account to, or indemnify, GREIH for certain sums of monies, and an order that dividends or interim dividends be distributed to the shareholders of GREIH. The Company and the Director have denied, through their lawyers, the claims against them in this action.
- (g) The trial of Suit 122 and Suit 1098 commenced on January 15, 2016. The trial of these two Suits concluded on February 26, 2016. All parties have filed their Closing and reply Closing Submissions by the timelines stipulated by the High Court. Suit 1099 and Suit 969 have been deferred for now pursuant to directions made by the High Court.
- (h) In the legal actions that the Company has commenced in the High Court of Singapore, one of the reliefs that Sakae seeks is that a portion of the sale proceeds from ERC Unicampus Pte Ltd's ("ERC Unicampus") sale of Big Hotel be repaid to GREIH. ERC Unicampus sold Big Hotel to a third party sometime in December 2015. The Company has therefore filed an application for an interim proprietary injunction to restrain ERC Unicampus from disposing of or otherwise dealing with a portion of the sale proceeds from ERC Unicampus' recent sale of Big Hotel and for that portion to be placed with ERC Unicampus' solicitors, Rajah & Tann Singapore LLP, as stakeholders, pending the final disposal of the legal actions. In that application, the Company has calculated the amount that should be restrained as being in the region of \$33,000,000 based on the limited information that the Company has. The injunction and the amount are being contested by ERC Unicampus.

On June 30, 2016, the High Court granted the Company's application for the interim proprietary injunction, and calculated the amount that should be restrained as being \$9,710,000 million. The Company applied to the High Court for leave to appeal against the part of the High Court's decision which relates to the quantum of monies over which the injunction has been granted. The Company did so, on the basis that the quantification of the monies raises, among other things, a novel point in law. The leave application was heard on August 31, 2016. On April 5, 2017, the High Court refused the Company's application for leave to appeal and maintained the decision that the amount that should be restrained as being \$9,710,000.

Notes to the Financial Statements

31 December 2016

2 INVESTMENTS IN ASSOCIATES (GREIH and GCM) (cont'd)

- (i) On April 7, 2017, the High Court handed down its Judgment in Suit Nos. 122 and 1098 of 2013. The High Court found that the Company had made out most of its claims of minority oppression. In its Judgment, the High Court granted a substantial number of the reliefs that the Company had sought in these Suits, including, but not limited to the following:
- (i) the Company's ex-NED to pay to the Company the sum of \$2,642,000 and interest thereon from February 8, 2013;
 - (ii) various reliefs that the Company's ex-NED, Andy Ong, and his associates, Ho Yew Kong and Ong Han Boon to pay a total of about S\$35,000,000 to GREIH; and
 - (iii) the Company was invited to put forward its nomination for a private liquidator for GREIH.
- (j) On April 20, 2017, the High Court ordered that GREIH be wound up and appointed the Company's nominees, Mr Aaron Loh Cheng Lee and Ms Ee Meng Yen Angela of Ernst & Young Solutions LLP, as liquidators of GREIH.
- (k) On May 5, 2017, Mr Ho Yew Kong filed a Notice of Appeal to the Court of Appeal against part of the High Court's Judgment dated April 7, 2017 where adverse findings and/or rulings were made against him. On May 8, 2017, ERC Holdings Pte Ltd, Mr Andy Ong, Mr Ong Han Boon, Gryphon Capital Management Pte Ltd, ERC Unicampus Pte Ltd, ERC Institute Pte Ltd and ERC Consulting Pte Ltd also filed a Notice of Appeal to the Court of Appeal against the whole of the High Court's Judgment date April 7, 2017.
- (l) In view of the uncertainty in relation to the developments and outcome of litigation and investigations, the Company had decided to adopt a conservative and prudent approach in the financial statements and made full allowance for potential impairment loss on its investment in GREIH amounting to \$6,642,000 and \$10,099,000 at the Company level and the Group level respectively and its investment in GCM amounting to \$150,000 and \$369,000 at the Company level and the Group level respectively since 2012, as at December 31, 2016 and 2015 as shown in Note 14 to the financial statements.
- (m) Pursuant to demands made by the Company in relation to the relief at paragraph 2(i) above, the Company received from Mr Andy Ong the sum of \$3,238,000 (being the sum of \$2,642,000 plus interest thereon from February 8, 2013 to May 5, 2017) on May 12, 2017 and the sum of \$3,000 (being the remaining interest from May 6, 2017 to May 12, 2017) on May 15, 2017.
- Though the Company has recovered the amount in May 2017, this was a subsequent non-adjusting event. Therefore, the allowance for impairment loss in GREIH up to the amount of \$2,642,000 was not reversed out from the financial statements as at December 31, 2016.
- As there continues to be uncertainties to the recoverability of any value in the investments, apart from the \$2,642,000 above, the Group and Company have therefore retained its allowance for impairment loss.
- (n) The legal and professional fees incurred during the year by the Company with respect to the proceedings highlighted in the points above were \$2,808,000 (2015: \$2,674,000). The Group would like to reiterate that despite the allowance for impairment being made in its financial statements, the Company will take all necessary steps to recover the value of its investments in the associates. The Company will make further announcements on this matter as and when there are any material developments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 Share-based Payment, leasing transactions that are within the scope of FRS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 Inventories or value in use in FRS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2016, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following new/revised FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments* ⁽²⁾
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)* ⁽²⁾
- FRS 116 *Leases* ⁽³⁾
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative* ⁽¹⁾
- Improvements to FRSs (December 2016) ⁽⁴⁾

⁽¹⁾ Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

⁽²⁾ Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

⁽³⁾ Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.

⁽⁴⁾ For effective date, refer to summary for more information.

Consequential amendments were also made to various standards as a result of these new/revised standards.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after January 1, 2018. The Group will be adopting the new framework for the first time for financial year ending December 31, 2018, with retrospective application to the comparative financial year ending December 31, 2017 and the opening statement of financial position as at January 1, 2017 (date of transition).

Based on a preliminary assessment of the potential impact arising from IFRS 1 *First-time adoption of IFRS*, management does not expect any changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs, and the election of certain transition options available under IFRS 1.

Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1. Particularly, management is evaluating the following transition options, and if elected, may result in material adjustments on transition to the new framework:

- (1) Option to use fair value as deemed cost for certain properties
- (1) Option to reset the translation reserve to zero as at date of transition

The preliminary assessment above may be subject to change arising from the detailed analysis.

Management anticipates that the adoption of new FRSs and amendments to FRS that were issued but not effective until future periods will not have a material impact on the financial statements of the Group and the Company in the year of their initial adoption except as disclosed below:

FRS 109 Financial Instruments

FRS 109 was issued in December 2014 to replace FRS 39 Financial Instruments: Recognition and Measurement and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition and (iii) impairment requirements for financial assets.

All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to financial instruments. Additional disclosures will also be made with respect of trade and other receivables, including any significant judgement and estimation made, and describe any other significant new disclosures. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the entity's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 109.

FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management anticipates that the initial application of FRS 115 in the future may have a material impact on the amounts reported and disclosure made in the company's financial statements. Additional disclosures for trade receivables and revenue may be required, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 115.

FRS 116 Leases

FRS 116 was issued in June 2016 and will supersede FRS 17 Leases and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management anticipates that the initial application of the new FRS 116 will result in changes to the accounting policies relating to operating leases, where the group is a lessee. A lease asset will be recognised on balance sheet, representing the Group's right to use the leased asset over the lease term and, recognise a corresponding liability to make lease payments. Additional disclosures may be made with respect of lease assets and liabilities. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 116.

Details of the operating lease arrangements are disclosed in Note 34 to the financial statements.

Improvements to FRSs (December 2016)

Standards included in this cycle of improvements project comprise of the following. Amendments apply for periods beginning on or after January 1, 2018, unless otherwise stated.

Standard	Topic	Key amendment
FRS 112 <i>Disclosure of Interests in Other Entities</i>	Clarification of the scope of the disclosure requirements	<p>The amendments clarify the scope of FRS 112 by specifying that disclosure requirements in the Standard, except for those in paragraphs B10-B16 (on summarised financial information), apply to any interests that are classified as held for sale, held for distribution to owners or discontinued operations in accordance with FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</p> <p>The amendments apply for periods beginning on or after January 1, 2017.</p>
FRS 28 <i>Investments in Associates and Joint Ventures</i>	Measuring investees at fair value through profit or loss on an investment-by-investment basis	<p>The amendments clarify that:</p> <ul style="list-style-type: none"> • the option for a venture capital organisation or other qualifying entity to measure associates and joint ventures at fair value through profit or loss (rather than equity method) is made on an investment-by-investment basis upon initial recognition of each investment. • for an entity that is not an investment entity ("IE") and that has an associate or joint venture that is an IE, <ul style="list-style-type: none"> (a) the entity may elect to retain the fair value measurement used by that IE associate or joint venture on their subsidiaries, when applying the equity method. (a) the choice to retain the fair value measurement above is available on an investment-by-investment basis, and the election will be made for each IE associate or joint venture at the later of: <ul style="list-style-type: none"> (i) initial recognition of the IE associate or joint venture; (ii) when an associate or joint venture becomes an IE; and (iii) when an IE associate or joint venture first becomes a parent.

Management anticipated that the initial application of Improvements to FRSs will not result in material impact on the financial statements of the Group and Company in the period of initial adoption.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries, associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment at the acquisition date*; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instrument other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near future; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other gains and losses' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 5.

Cumulative redeemable preference shares

Preference shares that provide for mandatory redemption by the issuer for fixed or determinable amount at a fixed or determinable future date, or give the holders the right to require the issuer to redeem the instruments at or after a particular date for a fixed or determinable amount, are classified as "Other investment", and stated at cost less impairment in recoverable value.

Dividends are recognised in profit or loss when the Group's right to receive payments is established.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Convertible loan note receivable

Convertible loan notes are regarded as compound instruments, consisting of an asset component and an equity conversion component. The component parts of compound instruments are classified separately as financial assets and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the asset component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as an asset on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity conversion component is determined by deducting the amount of the asset component from the fair value of the compound instrument as a whole.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 45 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised costs, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs (see below).

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

The Group does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES - Inventories comprising beverages and food supplies, non-food supplies and merchandise, are stated at the lower of cost (first-in first-out method) and net realisable value. Cost comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Land and building held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at the revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Any revaluation increase arising on the revaluation of the land and building is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of the land and building is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of the asset.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Building on freehold land	-	1.00% - 2.00%
Leasehold building	-	Over the remaining lease period
Production equipment	-	6.70%
Restaurant equipment	-	20%
Renovation	-	20%
Furniture and fittings	-	20%
Computers	-	100%
Motor vehicles	-	20% - 25%
Office equipment	-	20%

Assets under construction-in-progress are not depreciated as these assets are yet available for use. Depreciation will commence when these assets are available for their intended use.

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to accumulated profits. No transfer is made from the revaluation reserve to accumulated profits except where an asset is derecognised.

INVESTMENT PROPERTY - Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction or redevelopment for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation (except for freehold land) and any accumulated impairment losses.

Depreciation is charged so as to write-off the cost of investment property, other than freehold land, over its estimated useful life, using the straight-line method on the following base:

Building on freehold land	-	1.00% - 2.00%
Freehold property	-	1.00%

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition-date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Gain on acquisition of subsidiary arises when the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree is less than the fair value of the identifiable net assets of the subsidiary acquired. This difference is recognised in profit or loss.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Before recognising a gain on a bargain purchase, management shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognise any additional assets or liabilities that are identified in that review.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

ASSOCIATES AND JOINT VENTURE- An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the group's share of losses of an associate or a joint venture exceeds the group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the associate or joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

IMPAIRMENT OF NON-FINANCIAL ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of impairment loss is treated as a revaluation increase.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue from the rendering of food and beverage services is recognised at the point of consumption or sale.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service charges and consultancy fee income

Service charges and consultancy fee income are recognised when the services are rendered on a time proportionate basis.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sale and other measures are recognised by reference to the underlying arrangement.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

Notes to the Financial Statements

31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interest and not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in currency translation reserve.

Goodwill arising on the acquisition of a foreign operation is treated as asset of the foreign operation and translated at the closing rate.

SEGMENT REPORTING - An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

The Group determines and presents operating segments based on information that internally is provided to the Group's chief operating decision makers. All operating segments' operating results are reviewed regularly by the Group's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash at bank and on hand and short-term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) **Critical judgements in applying the Group's accounting policies**

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Accounting for investments in associates

As described in Note 3 to the financial statements, under the equity accounting method, investments in associates are to be carried in the statements of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Management has considered the unaudited management accounts of the associates to be unreliable. As described in Note 2(c), management has decided that it is not appropriate for the Company to equity account for its share of associates' results for the financial years ended December 31, 2016 and 2015.

Notes to the Financial Statements

31 December 2016

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

As described in Note 3 to the financial statements, at the end of each reporting period, the Company reviews the carrying amount of its investments in the associates to determine whether there is any indication that the investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the investments is estimated in order to determine the extent of the impairment loss (if any). As described in Note 2(n), management has assessed the recoverability of the investments in associates and had decided to make a full allowance for impairment loss on the investments in associates at the Company level and the Group level amounting to \$6,792,000 and \$10,468,000 respectively since financial year ended as at December 31, 2012. The carrying amount of investments in associates at the end of the reporting period is disclosed in Note 15 to the financial statements.

Though the Company has recovered the amount of \$2,642,000 plus interests of \$599,000 in May 2017, as disclosed in Note 2(m), this was a subsequent non-adjusting event. Therefore, the allowance for impairment loss in GREIH up to the amount of \$2,642,000 was not reversed out from the financial statements as at December 31, 2016.

As there continues to be uncertainties to the recoverability of any value in the investments, apart from the \$2,642,000 above, the Group and the Company have therefore retained its allowance for impairment loss.

(b) Rental of portions of the leasehold building under operating leases

The Group rents out portions of a leasehold building under non-cancellable operating leases (Note 34). In accordance with FRS 40 Investment Property, when a property comprises a portion that is held to earn rentals and another portion that is held for use in the production or supply of goods or services or for administrative purposes, if these portions could be sold separately (or leased out separately as a finance lease), the Group accounts for the portions separately. However, if the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. About 3 out of 7 floors (2015 : 3 out of 7 floors) of the leasehold building are leased out to tenants as operating leases. As the leasehold building is currently not strata-titled and thus it could not be sold separately, and a significant portion of the leasehold building is held for use as offices and factories by the Group. In addition, based on the revised subletting policy of the lessor ("JTC") and a letter from JTC to the Company, the Company is to reduce its current sublet quantum from 50% to the maximum allowable sublet quantum of 30% by December 31, 2017. Accordingly, the management has exercised judgement using principles of FRS 40 in accounting for the entire leasehold building as property, plant and equipment.

Notes to the Financial Statements

31 December 2016

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, details of which are described in Note 19. The carrying amount of goodwill at the end of the reporting period was \$704,000 (2015 : \$718,000).

(b) Impairment of property, plant and equipment

The Group and Company assesses annually whether property, plant and equipment have any indication of impairment in accordance with its accounting policy. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of the fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Management is confident that the allowance for impairment, where necessary, is adequate. The carrying amounts of property, plant and equipment of the Group and Company at the end of the reporting period are disclosed in Note 17 to the financial statements.

(c) Valuation of freehold land, building on freehold land and leasehold building

As described in Note 17, the Group's freehold land, building on freehold land and leasehold building are revalued based on the valuation performed by independent professional valuers.

In determining the fair value of the Group's leasehold building in Singapore, the valuer has used various methods of valuation which involve the making of certain assumptions and the use of estimates, which includes the Group being able to perform and observe all the stipulations contained in the lease agreement, one of which is that the Group has fulfilled the requirement to make a fixed investment in plant and machinery of \$6.95 million to exercise the option to extend the lease for another 30 years beyond the original lease term of 30 years. Although the Group did not invest the stipulated amount, Jurong Town Corporation ("JTC") had confirmed in writing on June 5, 2012 that JTC had agreed to waive the investment shortfall and approved the option to extend the lease by another 30 years. In relying on the valuation report of the professional valuer, the Group has exercised judgement in arriving at a value which is reflective of the current market conditions. In 2016, the Group recognised a revaluation surplus of \$924,000 (2015 : \$930,000), net of deferred tax, on the building. As at December 31, 2016, the carrying amount of the building was \$60.0 million (2015 : \$60.0 million).

In determining the fair value of the Group's freehold land and building on freehold land, based on the valuation report of the professional valuers, the allocation of the market valuation between freehold land and building on freehold land as at December 31, 2016 were RM7,340,000 (\$2,350,000) [2015 : RM7,250,000 (\$2,364,000)] and RM3,645,000 (\$1,167,000) [2015 : RM3,650,000 (\$1,190,000)] respectively for freehold land and building on freehold land in Malaysia and CLP1,577,641,000 (\$3,409,000) and CLP757,587,000 (\$1,636,000) respectively for freehold land and building on freehold land in Chile. As at December 31, 2016, the net revaluation surplus for freehold land of RM69,000 (\$23,000) [2015 : RM152,000 (\$54,000)] and the net revaluation surplus for the building of RM39,000 (\$13,000) [2015 : deficit for the building of RM27,000 (\$9,000)] for freehold land and building on freehold land in Malaysia and \$Nil for freehold land and building on freehold land in Chile, net of deferred tax have been recorded in the revaluation reserve.

Notes to the Financial Statements

31 December 2016

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(d) Depreciation and useful lives of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. As described in Note 3, the Group reviews the estimated useful lives of its property, plant and equipment at the end of each annual reporting period. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual value of these assets. The carrying amounts of the property, plant and equipment are disclosed in Note 17 to the financial statements.

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) **Categories of financial instruments**

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	17,722	21,383	7,540	13,711
Held for trading investments	2,790	2,950	2,113	2,170
Other investment	192	–	–	–
	<u>20,704</u>	<u>24,333</u>	<u>9,653</u>	<u>15,881</u>
Financial liabilities				
Amortised cost	<u>64,485</u>	<u>56,179</u>	<u>56,552</u>	<u>53,017</u>

Notes to the Financial Statements

31 December 2016

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

Company

As at December 31, 2016

Financial assets			
	(a)	(b)	(c) = (a) - (b)
<i>Type of financial assets</i>	<i>Gross amounts of recognised financial assets</i>	<i>Gross amounts of recognised financial liabilities set off in the statement of financial position</i>	<i>Net amounts of financial assets presented in the statement of financial position</i>
	\$'000	\$'000	\$'000
Amount due from subsidiaries	43,451	(8,414)	35,037

Financial liabilities			
	(a)	(b)	(c) = (a) - (b)
<i>Type of financial liabilities</i>	<i>Gross amounts of recognised financial liabilities</i>	<i>Gross amounts of recognised financial assets set off in the statement of financial position</i>	<i>Net amounts of financial liabilities presented in the statement of financial position</i>
	\$'000	\$'000	\$'000
Amount due to subsidiaries	9,478	(8,414)	1,064

Notes to the Financial Statements

31 December 2016

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

As at December 31, 2015

Financial assets			
	(a)	(b)	(c) = (a) - (b)
	<i>Gross amounts of recognised financial assets</i>	<i>Gross amounts of recognised financial liabilities set off in the statement of financial position</i>	<i>Net amounts of financial assets presented in the statement of financial position</i>
	\$'000	\$'000	\$'000
Type of financial assets			
Amount due from subsidiaries	35,522	(6,008)	29,514
Financial liabilities			
	(a)	(b)	(c) = (a) - (b)
	<i>Gross amounts of recognised financial liabilities</i>	<i>Gross amounts of recognised financial assets set off in the statement of financial position</i>	<i>Net amounts of financial liabilities presented in the statement of financial position</i>
	\$'000	\$'000	\$'000
Type of financial liabilities			
Amount due to subsidiaries	6,661	(6,008)	653

The Group does not have any other financial instruments which are subject to enforceable master netting arrangements or similar netting arrangements.

(c) **Financial risk management policies and objectives**

Risk management is carried out by the Finance Department under policies approved by the Board of Directors. The Group's overall risk management programme seeks to minimise potential adverse effects of financial performance of the Group.

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group does not hold or issue derivative financial instruments for speculative purpose.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

Notes to the Financial Statements

31 December 2016

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(i) Foreign exchange risk management

The Group is exposed to foreign currency risk as a result of its transactions where the denominations differ from the functional currencies of the respective Group entities.

At the end of reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the Group's functional currency are as follows:

	Assets		Liabilities	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Australian dollar	99	5,993	–	–
United States dollar	852	3,821	–	–

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against Singapore dollars. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the Australian dollar and United States dollar strengthen/weaken by 10% against the functional currency of the Group, profit or loss before tax will increase (decrease) by:

	2016	2015
	\$'000	\$'000
Australian dollar	10	599
United States dollar	85	382

(ii) Interest rate risk management

Summary quantitative data of the Group's interest-bearing financial instruments can be found in section (iv) of this Note.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If the interest rates had been 50 basis points higher or lower and all other variables were held constant, the profit or loss of the Group's and Company's for the year ended December 31, 2016 would decrease/increase by \$12,000 and \$27,000 respectively (2015 : the profit or loss of the Group's and Company's for the year ended December 31, 2015 would decrease/increase by \$4,000 and \$13,000 respectively). This is mainly attributable to the Group's and Company's exposure to interest rates on its variable rate borrowings.

Notes to the Financial Statements

31 December 2016

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 9 to the financial statements respectively.

(iv) Liquidity risk management

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group's strategy to manage liquidity risk is to ensure that the Group has sufficient funds to meet all its potential liabilities as they fall due, including shareholder distributions.

As at December 31, 2016, the Group and the Company have net current liabilities of \$37,399,000 (2015 : \$18,151,000) and \$44,913,000 (2015 : \$24,821,000) respectively. As disclosed in Note 20 to the financial statements, the Group did not maintain a certain level of debt to equity ratio required by a bank as stipulated in the bank loan facility letter at the end of the reporting period. Subsequent to year end, the bank issued a revised facility letter to the Group to revise the covenant.

Management is of the view that the Group and the Company will be able to operate as going concern on the following grounds:

- (a) Ability of the Group to continue to generate sufficient cash flows from its future operations in order to meet its day-to-day expenditure;
- (b) Credit facilities from the Group's lenders to be available over the next twelve months or as and when is required. At the end of the reporting period, the Group and the Company have short-term revolving bank loans of \$39,500,000 (2015 : \$34,500,000) which are renewable at maturity; and
- (c) Subsequent to the end of reporting period, the Group and the Company have further obtained \$5,000,000 credit facilities from a bank for the Group and Company to carry out outlets rationalisation strategy.

Notes to the Financial Statements

31 December 2016

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
2016						
Non-interest bearing instruments	-	13,870	-	-	-	13,870
Fixed interest rate instruments	2.34	43,925	391	-	(1,023)	43,293
Variable interest rate instruments	1.90	7,621	-	-	(299)	7,322
		65,416	391	-	(1,322)	64,485
2015						
Non-interest bearing instruments	-	12,833	-	-	-	12,833
Fixed interest rate instruments	2.44	35,341	-	-	(841)	34,500
Variable interest rate instruments	1.67	1,823	7,250	172	(399)	8,846
		49,997	7,250	172	(1,240)	56,179

Notes to the Financial Statements

31 December 2016

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
Company						
2016						
Non-interest bearing instruments	-	9,730	-	-	-	9,730
Fixed interest rate instruments	2.04	40,307	-	-	(807)	39,500
Variable interest rate instruments	1.90	7,621	-	-	(299)	7,322
		57,658	-	-	(1,106)	56,552
2015						
Non-interest bearing instruments	-	9,671	-	-	-	9,671
Fixed interest rate instruments	2.44	35,341	-	-	(841)	34,500
Variable interest rate instruments	1.67	1,823	7,250	172	(399)	8,846
		46,835	7,250	172	(1,240)	53,017

Notes to the Financial Statements

31 December 2016

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

Non-derivative financial assets

The following tables detail the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
2016						
Non-interest bearing instruments	–	15,706	–	–	–	15,706
Variable interest rate instruments	1.07	5,051	–	–	(53)	4,998
Fixed interest rate instruments	–	–	–	–	–	–
		<u>20,757</u>	<u>–</u>	<u>–</u>	<u>(53)</u>	<u>20,704</u>
2015						
Non-interest bearing instruments	–	13,909	–	–	–	13,909
Variable interest rate instruments	1.10	9,803	–	–	(107)	9,696
Fixed interest rate instruments	5.70	573	139	94	(78)	728
		<u>24,285</u>	<u>139</u>	<u>94</u>	<u>(185)</u>	<u>24,333</u>

Notes to the Financial Statements

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5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
Company						
2016						
Non-interest bearing instruments	–	7,812	–	–	–	7,812
Variable interest rate instruments	0.10	1,843	–	–	(2)	1,841
Fixed interest rate instruments	–	–	–	–	–	–
		9,655	–	–	(2)	9,653
2015						
Non-interest bearing instruments	–	9,218	–	–	–	9,218
Variable interest rate instruments	1.11	6,233	–	–	(68)	6,165
Fixed interest rate instruments	6.0	528	–	–	(30)	498
		15,979	–	–	(98)	15,881

(v) Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities approximate their respective fair values, either due to their relatively short-term maturity or that they are floating rate instruments that are re-priced to market interest rates on or near the end of reporting period.

The fair values of the non-current portion of the loan to related party, held for trading investments and bank loans are disclosed in Notes 9, 12 and 20 to the financial statements respectively.

(d) **Capital management policies and objectives**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, to maximise the return to stakeholders through the optimisation of the debt and equity balances, and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, and equity attributable to the equity holders of the Company, comprising issued capital as disclosed in Note 25, reserves and accumulated profits. The Group is required to maintain certain financial ratios in order to comply with covenants in bank loan agreements with banks.

Notes to the Financial Statements

31 December 2016

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

The management reviews the capital structure on a semi-annual basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. The management also ensures that the Group and the Company maintain the financial ratios within a set range to comply with the financial loan covenants imposed by the banks.

As at December 31, 2016, the Group did not maintain a certain level of debt to equity ratio required by a bank as stipulated in the bank loan facility letter. Subsequent to year end, the bank issued a revised facility letter to the Group to revise the covenant.

Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from prior year.

6 OTHER RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

In addition to the related party information disclosed elsewhere in the notes to the financial statements, Group entities entered into the following transactions with related parties during the year.

	2016	2015
	\$'000	\$'000
Sales	(208)	(16)
Purchases	2,595	134
Interest income	(11)	(9)
Rental income	(68)	-
Rental expense	6	-

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2016	2015
	\$'000	\$'000
Short-term benefits	1,875	1,639
Post-employment benefits	108	81
Total	1,983	1,720

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Financial Statements

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7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash at bank	8,447	11,437	3,300	7,137
Cash on hand	180	276	27	91
Cash and cash equivalents in the statement of cash flows	8,627	11,713	3,327	7,228

Cash and cash equivalents comprised cash held by the Group and short-term deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

8 TRADE RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Outside parties	2,852	4,326	2,290	3,003
Less: Allowance for doubtful debts	(981)	(783)	(958)	(783)
	1,871	3,543	1,332	2,220
Related party (Note 6)	66	66	66	66
Less: Allowance for doubtful debts	(66)	–	(66)	–
	–	–	–	–
	1,871	3,609	1,332	2,286

The average credit period on sales of goods is 45 days (2015 : 45 days). No interest is charged on the overdue trade receivables. The group has recognised an allowance for doubtful debts of 100% against all receivables over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable. Allowance for doubtful debts are recognised against trade receivables between 90 and 180 days made on a case-by-case basis based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

70% (2015 : 41%) of the Group's trade receivables and 73% (2015 : 49%) of the Company's trade receivables respectively are neither past due nor impaired. The credit risk on this balance is limited due to the customer base being large and unrelated. Management believes that no allowance of doubtful debts is required as these trade receivables are considered to be of good credit quality and recoverable. There are only three and three (2015 : seven and four) customers who represent more than 5% of the total balance of the Group's and Company's trade receivables respectively.

Included in the Group's and Company's trade receivable balances are debtors with total carrying amount of \$559,000 (2015 : \$2,131,000) and \$357,000 (2015 : \$1,168,000) respectively, which are past due at the reporting date for which the Group and Company have not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group and Company respectively do not hold any collateral over these balances.

Notes to the Financial Statements

31 December 2016

8 TRADE RECEIVABLES (cont'd)

The table below is an analysis of trade receivables as at the end of each reporting period:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Not past due and not impaired	1,312	1,478	975	1,118
Past due but not impaired ⁽ⁱ⁾	559	2,131	357	1,168
	<u>1,871</u>	<u>3,609</u>	<u>1,332</u>	<u>2,286</u>
Impaired receivables - individually assessed ⁽ⁱⁱ⁾	1,047	783	1,024	783
Less: Allowance for doubtful debts	(1,047)	(783)	(1,024)	(783)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total trade receivables, net	<u>1,871</u>	<u>3,609</u>	<u>1,332</u>	<u>2,286</u>
⁽ⁱ⁾ Aging of receivables that are past due but not impaired				
1 to 30 days	437	1,213	257	518
31 to 60 days	27	140	24	64
61 to 90 days	10	255	6	247
> 90 days	85	523	70	339
	<u>559</u>	<u>2,131</u>	<u>357</u>	<u>1,168</u>

⁽ⁱⁱ⁾ These amounts are stated before any deduction for impairment losses.

Movement in the allowance for doubtful debts:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the year	783	760	783	760
Impairment loss recognised in profit or loss	264	23	241	23
Balance at end of the year	<u>1,047</u>	<u>783</u>	<u>1,024</u>	<u>783</u>

Notes to the Financial Statements

31 December 2016

9 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Loan to related party (Note 6)	–	230	–	–
Less: Non-current portion	–	(195)	–	–
	–	35	–	–
Other receivables	1,153	570	553	413
Less: Allowance for impairment loss	(409)	–	(409)	–
	744	570	144	413
Advance to supplier	–	2,545	–	2,545
Advance to related party (Note 6)	2,960	–	–	–
Government grant receivable	172	685	172	685
Deposits	4,641	5,116	2,565	3,099
Prepayments	1,120	1,353	974	1,102
Amount due from related party (Note 6)	1,667	–	–	–
Total	11,304	10,304	3,855	7,844

In determining the recoverability of other receivables, management considers any change in the credit quality of the other receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk of other debtors is limited as the other debtors' base is large and unrelated.

Except for the allowance for impairment loss of \$409,000 (2015: \$Nil), the Company has not recognised any other allowances as management is of the view that these receivables are recoverable.

In 2015, loan to related party was unsecured, bore interest at rates ranging from 5.0% to 5.2% per annum and with repayment term of between 5 to 10 years.

In 2015, advance to supplier represented advance to Cocosa Export S.A. ("Cocosa Export") for the production of trading products supplied to a subsidiary, Cocosa Asia Pte. Ltd. The amount payable by the subsidiary to the supplier was offset against the advance extended to the supplier. In 2016, the Group acquired 51% of the issued share capital of Cocosa Export. Pursuant to the acquisition, Cocosa Export is now a subsidiary of the Group.

In 2016, advance to a related party represents advance to a supplier for the production of trading products supplied to a subsidiary, Cocosa Export.

10 INVENTORIES

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Beverages and food supplies	1,854	2,099	1,170	1,279
Non-food supplies	378	483	265	287
Merchandise	125	116	89	91
	2,357	2,698	1,524	1,657

Notes to the Financial Statements

31 December 2016

11 CONVERTIBLE LOAN NOTE RECEIVABLE

	Group and Company	
	2016	2015
	\$'000	\$'000
Convertible loan note	1,017	498
Less: Allowance for impairment loss	(1,017)	–
Net	–	498

The unsecured convertible loan note which bore interest of 6% per annum, payable quarterly, was subscribed on September 25, 2015 from a private company incorporated in Australia (“Australian Private Company”). Included in the convertible note agreement were the following conditions:

- (a) The note is convertible into ordinary shares of the note issuer at any time between date of issue of the note and the redemption date (i.e. September 24, 2016) at the option of the Company as follows:
- (i) If the EBIDTA of the note issuer achieved and exceeded AUD1,000,000, the loan note will be convertible based on the following formula: or;
- $$\frac{\text{Total value of convertible note to be converted}}{\text{EBIDTA} \times 5}$$
- (ii) Upon completion of trade sale which is defined as the sale of (a) the main undertaking of the business of the note issuer or (b) more than 50% of all fully paid ordinary shares of the note issuer then on issue at the time of such sale; or
- (iii) If the note issuer successfully applied to list on the Australian Stock Exchange (being 10% for AUD500,000 and 20% for AUD1,000,000).
- (b) The Company may at any time up to the redemption date by written notice to the note issuer to redeem the convertible notes.
- (c) The Company may at any time after the redemption date convert the notes to ordinary shares.

On May 20, 2016, an additional unsecured convertible loan note of AUD500,000 was subscribed, subject to the same conditions as set out above.

During the year, pursuant to discussions held in relation to the acquisition of a business by the Australian Private Company (“Business Acquisition”), the Company had agreed to convert, by way of issuing a letter, dated May 20, 2016 (the “Conversion Letter”), both notes and outstanding interests, into ordinary shares representing 20% of equity interest in the Australian Private Company (“Conversion”). It has always been the understanding and agreement between the Company and the Australian Private Company that the parties had entered into the Agreement for the sole purpose of, inter alia, the Business Acquisition being completed on terms acceptable to the Company. This was also stated in the Conversion Letter. As at the date of the financial statements, the Business Acquisition deal did not materialise, and the Company has yet to receive any documents evidencing its legal and beneficial ownership in the Australian Private Company. As far as the Company is aware and to the best of its knowledge, the Company is not a shareholder of the Australian Private Company, and it has also issued a letter, dated April 27, 2017, to revoke the Conversion Letter with immediate effect. As such, management is of the view that the Company should remain as a convertible loan note holder.

Management has assessed the economic performance of the investment and is of the view that full impairment is required.

Notes to the Financial Statements

31 December 2016

12 HELD FOR TRADING INVESTMENTS

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Quoted equity shares, at fair value	2,790	2,950	2,113	2,170

The investment above includes investments in quoted equity securities that offer the Group and the Company the opportunity for return through dividend income and fair value gains. The fair values of these securities are based on closing quoted bid price in an active market on the last market day of the financial year.

The quoted equity shares are classified as Level 1 (2015 : Level 1) in the fair value hierarchy.

13 OTHER INVESTMENT

	Group	
	2016	2015
	\$'000	\$'000
Unquoted investment - Cumulative redeemable preference shares	192	-

The investment in the unquoted preference shares, comprising of 601,206 Class A Preference Share at RM1.00 each, represents an investment in an entity that is in the business of distributing, wholesaling and retailing of fast moving consumer goods, in particular, edible goods.

Management is of the view that there is no reliable measure of the fair value of this investment and therefore the investment are stated at cost less impairment losses. Management has also assessed the economic performance of the investment and is of the view that no impairment is required.

14 SUBSIDIARIES

	Company	
	2016	2015
	\$'000	\$'000
Unquoted equity shares, at cost	364	364
Less: Allowance for impairment loss	(354)	(354)
Net	10	10
Due from subsidiaries	35,037	29,514
Less: Allowance for impairment loss	(17,721)	(12,826)
Net	17,316	16,688
Due to subsidiaries	1,064	653

Management is of the view that the amounts due from the subsidiaries represent deemed capital investment in subsidiaries, as there is no contractual obligation for repayment by the subsidiaries.

Notes to the Financial Statements

31 December 2016

14 SUBSIDIARIES (cont'd)

Movement in the allowance for impairment loss on amounts due from subsidiaries:

	Company	
	2016	2015
	\$'000	\$'000
Balance at beginning of the year	12,826	12,826
Impairment loss recognised in profit and loss	4,895	–
	17,721	12,826

Management carried out a review of the investments in subsidiaries and amount due from subsidiaries at the end of each reporting period to determine whether there is any indication that the investments and receivables have suffered an impairment loss in accordance with the accounting policy. Management made the assessment based on existing financial performance as well as operating profit forecasts of certain subsidiaries. The review led to an accumulated impairment loss on investment of \$354,000 (2015 : \$354,000) and impairment loss on receivables of \$17,721,000 (2015 : \$12,826,000) as at year end.

Details of the Group's significant subsidiaries as at December 31, 2016 and 2015 are as follows:

Subsidiaries	Effective equity interest and voting power held by the Group		Country of incorporation (or registration) and operations	Principal activities
	2016	2015		
	%	%		
<u>Held by the Company</u>				
Apex–Pal Investment Pte. Ltd. ⁽¹⁾	100	100	Singapore	Investment holding
Sakae Corporate Advisory Pte. Ltd. ⁽⁶⁾	100	100	Singapore	Provision of corporate advisory services
<u>Held by Apex–Pal Investment Pte. Ltd.</u>				
Alliance Support Services Pte. Ltd. ⁽⁵⁾	100	100	Singapore	Provision of cleaning services
Apex–Pal Malaysia Sdn. Bhd. ⁽⁴⁾	100	100	Malaysia	Operation of restaurants, kiosks and cafes
Apex–Pal F&B (Beijing) Ltd ⁽³⁾	100	100	People's Republic of China	Operation of restaurants, kiosks and cafes
Apex–Pal (Chengdu) Co. Ltd ⁽³⁾	100	100	People's Republic of China	Operation of restaurants, kiosks and cafes
Nouvelle Events Sdn Bhd ⁽²⁾	100	100	Malaysia	Investment property holding
Swift Equity Sdn Bhd ⁽²⁾	100	100	Malaysia	Investment property holding
Oishi Sushi Pte. Ltd. ⁽⁵⁾	100	100	Singapore	Operation of restaurants, kiosks and cafes
Sakae Kyo Pte. Ltd. ⁽⁵⁾	100	100	Singapore	Operation of restaurants, kiosks and cafes

Notes to the Financial Statements

31 December 2016

14 SUBSIDIARIES (cont'd)

Subsidiaries	Effective equity interest and voting power held by the Group		Country of incorporation (or registration) and operations	Principal activities
	2016	2015		
	%	%		
<u>Held by Apex-Pal Investment Pte. Ltd.</u> (cont'd)				
Sakae Sushi (Scape) Pte. Ltd. ⁽⁵⁾	100	100	Singapore	Operation of restaurants, kiosks and cafes
Sakae Sushi (J8) Pte. Ltd. ⁽⁵⁾	100	100	Singapore	Operation of restaurants, kiosks and cafes
Yummy Venture Pte. Ltd. ⁽⁵⁾	100	100	Singapore	Operation of restaurants, kiosks and cafes
Cocosa Holdings Pte. Ltd. ⁽⁵⁾	51	90	Singapore	Investment holding
Hei Restaurants Chain Pte. Ltd. ⁽⁵⁾⁽⁸⁾	100	–	Singapore	Operation of restaurants, kiosks and cafes
<u>Held by Cocosa Holdings Pte. Ltd.</u>				
Cocosa Asia Pte. Ltd. ⁽⁵⁾	51	100	Singapore	Trading in canned and frozen seafood products
Cocosa Export S.A. ⁽⁶⁾⁽⁷⁾	51	–	Chile	Trading in canned and frozen seafood products

Notes

- (1) Audited by Deloitte & Touche LLP, Singapore
- (2) Audited by Beh, Lee & Associates
- (3) Audited by Si Chuan Yi Dian Tong Certified Public Accountants Co., Ltd.
- (4) Audited by Deloitte Malaysia
- (5) Audited by A Garanzia LLP
- (6) Audited by Ernst & Young LLP, Santiago
- (7) Newly acquired during the year
- (8) Newly incorporated during the year

On March 4, 2016, the Company entered into a Framework Agreement with, inter alia, Julio Leonardo Pérez Gutiérrez (“JLPG”). JLPG is the ultimate owner of Cocosa Export, being a supplier of the Group, a company incorporated in Chile which is primarily engaged in the production and trading of canned and frozen seafood (the “Business”). Pursuant to the Framework Agreement, the Company will collaborate with JLPG for the purposes of participating in the Business.

On October 18, 2016, the collaboration was completed in a manner such that the Company, through its wholly owned subsidiary, owns 51% of Cocosa Holdings Pte. Ltd. (“Cocosa Holdings”) while JLPG owns the remaining 49%. Details for the acquisition of subsidiary are disclosed in Note 35 to the financial statements.

Notes to the Financial Statements

31 December 2016

14 SUBSIDIARIES (cont'd)

Management has assessed and considered that there are no subsidiary which has non-controlling interests that are material to the Group.

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2016	2015
Investment holding	Singapore	2	2
Provision of corporate advisory services	Singapore	1	1
Operation of restaurants, kiosks and cafes	Singapore	6	5
Trading in canned and frozen seafood products	Singapore	1	1
Operation of restaurants, kiosks and cafes	Malaysia	1	1
Operation of restaurants, kiosks and cafes	People's Republic of China	2	2
Provision of maintenance, cleaning and management services	Singapore	1	1
Investment property holding	Malaysia	2	2
Dormant entity	United States of America	1	1
Dormant entity	Indonesia	1	1
Dormant entity	Hong Kong	1	1
Dormant entities and entities that have yet to commence operations	Singapore	7	6
Dormant entity	People's Republic of China	1	1
Dormant entity and entity that has yet to commence operation	Vietnam	1	–
		28	25

15 ASSOCIATES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cost of investments in associates	6,792	6,792	6,792	6,792
Share of post acquisition losses	(55)	(55)	–	–
	6,737	6,737	6,792	6,792
Excess of interests in the net fair value of associates' identifiable net assets over cost of investment	3,731	3,731	–	–
	10,468	10,468	6,792	6,792
Less: Allowance for impairment loss	(10,468)	(10,468)	(6,792)	(6,792)
	–	–	–	–

Notes to the Financial Statements

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15 ASSOCIATES (cont'd)

Movement in the allowance for impairment loss:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balance at beginning and end of the year	10,468	10,468	6,792	6,792

The breakdown in allowance for impairment loss on investments in associates is as follows:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
GREIH	10,099	10,099	6,642	6,642
GCM	369	369	150	150
	10,468	10,468	6,792	6,792

Details of the Group's associates as at December 31, 2016 and 2015 are as follows:

Associates	Proportion of ownership interest and voting power held		Country of incorporation and operations	Principal activities
	2016	2015		
	%	%		
Griffin Real Estate Investment Holdings Pte Ltd ("GREIH")	24.69	24.69	Singapore	Investment property holding
Gryphon Capital Management Pte Ltd ("GCM")	20.00	20.00	Singapore	Provision of management and consultancy services

On September 3, 2010, the Company announced the acquisition of the associates (the "Acquisitions") from an ex-NED as follows:

- (i) 24.69% equity interest in GREIH for \$4,000,000. On March 17, 2010, GREIH had completed the purchase of a commercial property at 470 North Bridge Road for a consideration of \$46,000,000;
- (ii) 20% equity interest in GCM for \$150,000. GCM provides management services to GREIH.

In January 2011, the Acquisitions were approved by the Company's shareholders and were completed. Accordingly, the effective date of acquisition of the associates was determined to be January 31, 2011.

In 2011, the excess of interests in the net fair value of associates' identifiable net assets over cost of investment of \$3,731,000 arose from the value of the commercial property of GREIH as at the effective date of acquisition. Thereafter, the Group's share in the commercial property of GREIH is carried at this fair value at the effective date of acquisition less subsequent accumulated depreciation. In the unaudited management accounts of GREIH, the commercial property is accounted for as investment property which is carried at cost less accumulated depreciation.

The Group has applied the equity method of accounting in 2011 using the unaudited management accounts of GREIH and GCM from January 1, 2011 to December 31, 2011 as the financial year-end of the associates is June 30. The results of the associates were not material to the Group in 2011.

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15 ASSOCIATES (cont'd)

In June 2012, the Company invested an additional \$2,642,000 in new shares in GREIH as part of GREIH's shares issue exercise in order to maintain the Company's equity interest at 24.69%. For the financial years ended December 31, 2016, 2015 and 2014, the Company did not apply the equity method of accounting on its investments in associates and had made a full allowance for impairment loss on its investments in GREIH and GCM at the Company level and the Group level as described in Note 2 to the financial statements.

16 JOINT VENTURE

	Group	
	2016	2015
	\$'000	\$'000
Cost of investment in joint venture	150	–

Details of the Group's joint venture as at December 31, 2016 and 2015 are as follows:

Joint Venture	Proportion of ownership interest and voting power held		Country of incorporation and operations	Principal activities
	2016	2015		
	%	%		
Novitee Pte. Ltd.	40.00	–	Singapore	Provision of software consultancy and development services
<u>Held by Novitee Pte. Ltd.</u>				
Balanced Consultancy Pte. Ltd.	40.00	–	Singapore	Provision of software consultancy and development services
Jerisys Pte. Ltd.	40.00	–	Singapore	Provision of software consultancy and development services

On November 24, 2016, the Group announced the acquisition of shares from Novitee Pte. Ltd., through its wholly owned subsidiary. Pursuant to the share subscription agreement, the Group shall subscribe for 66,667 new ordinary shares, representing 40.0% of the enlarged share capital of Novitee Pte. Ltd., for a total consideration of \$350,000. As at December 31, 2016, the Group has made the first tranche payment of \$150,000.

The Group has joint control over Novitee Pte. Ltd. by virtue of its contractual right to appoint two out of four directors to its board.

The Group has not recognised the share of loss amounting to \$20,000 from Novitee Pte. Ltd. which is immaterial.

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17 PROPERTY, PLANT AND EQUIPMENT

	Freehold land		Building on land		Leasehold building	Production equipment	Restaurant equipment	Renovation	Furniture and fittings		Computers	Motor vehicles	Office equipment	Construction in-progress	Total
	\$'000	(ii), (iii)	\$'000	(ii), (iii)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At December 31, 2014	2,677	1,430	60,000	-	13,580	13,301	7,944	4,288	1,628	318	754	105,920			
Adjustments	-	-	-	-	(215)	19	139	(33)	-	(18)	(2)	(110)			
Reclassifications	-	-	-	-	386	180	233	(109)	-	13	(703)	-			
Reclassification to other receivables	-	-	-	-	-	-	-	-	-	-	(393)	(393)			
Additions	-	-	-	-	1,342	1,770	257	291	145	37	811	4,653			
Disposals	-	-	-	-	(82)	(844)	(9)	(18)	-	(5)	-	(458)			
Write-offs	-	-	-	-	(879)	(1,367)	(1,107)	(420)	(348)	(70)	(43)	(4,234)			
Eliminated on revaluation	-	-	(1,121)	-	-	-	-	-	-	-	-	(1,121)			
Revaluation increase (decrease)	71	(12)	1,121	-	-	-	-	-	-	-	-	-	-	-	1,180
Exchange differences	(384)	(202)	-	-	(783)	(400)	(545)	(214)	(8)	(9)	(12)	(2,557)			
At December 31, 2015	2,364	1,216	60,000	-	13,349	13,159	6,912	3,785	1,417	266	412	102,880			
Adjustments	-	-	-	-	119	127	1	(47)	-	(40)	36	196			
Reclassifications	-	-	37	-	59	16	46	7	-	-	(165)	-			
Additions arising from acquisition of subsidiary	3,257	1,556	-	397	-	-	-	-	21	1	-	5,232			
Additions	-	8	-	11	396	1,438	257	137	69	-	349	2,665			
Disposals	-	-	-	-	-	-	-	-	-	-	-	-			
Write-offs	-	-	-	-	(192)	(1,323)	(457)	(265)	-	-	-	(2,237)			
Eliminated on revaluation	-	(54)	(1,150)	-	-	-	-	-	-	-	-	(1,204)			
Revaluation increase (decrease)	30	22	1,113	-	-	-	-	-	-	-	-	1,165			
Exchange differences	108	55	-	19	(137)	(85)	(104)	10	-	1	-	(133)			
At December 31, 2016	5,759	2,803	60,000	427	13,594	13,332	6,655	3,627	1,507	228	632	108,564			

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17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Building on		Leasehold building		Production equipment	Restaurant equipment	Renovation	Furniture and fittings		Computers	Motor vehicles	Office equipment	Construction in-progress	Total
	Freehold land	land	building	building	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(ii), (iii)	(ii), (iii)	(i)	(i)	(v)									
<u>Group</u> (cont'd)														
Comprising:														
December 31, 2014														
At cost	-	-	-	-	13,580	13,301	7,944	4,288	1,628	318	754	41,813		
At valuation	2,677	1,430	60,000	-	-	-	-	-	-	-	-	-	64,107	
	2,677	1,430	60,000	-	13,580	13,301	7,944	4,288	1,628	318	754	105,920		
December 31, 2015														
At cost	-	-	-	-	13,349	13,159	6,912	3,785	1,417	266	412	39,300		
At valuation	2,364	1,216	60,000	-	-	-	-	-	-	-	-	-	63,580	
	2,364	1,216	60,000	-	13,349	13,159	6,912	3,785	1,417	266	412	102,880		
December 31, 2016														
At cost	-	-	-	-	427	13,332	6,655	3,627	1,507	228	632	40,002		
At valuation	5,759	2,803	60,000	-	-	-	-	-	-	-	-	-	68,562	
	5,759	2,803	60,000	427	13,594	13,332	6,655	3,627	1,507	228	632	108,564		
Accumulated depreciation:														
At December 31, 2014	-	-	-	-	9,677	8,662	5,509	4,093	1,060	281	-	29,282		
Adjustments	-	-	-	-	(175)	(244)	48	2	-	(8)	-	(377)		
Reclassifications	-	-	-	-	198	(5)	(115)	(108)	-	30	-	-		
Depreciation	-	29	1,121	-	1,455	1,704	899	259	199	13	-	5,679		
Eliminated on disposals	-	-	-	-	(82)	(334)	(7)	(8)	-	(5)	-	(436)		
Eliminated on write-offs	-	-	-	-	(879)	(1,226)	(1,105)	(420)	(348)	(66)	-	(4,044)		
Eliminated on revaluation	-	-	(1,121)	-	-	-	-	-	-	-	-	(1,121)		
Exchange differences	-	(3)	-	-	(477)	(248)	(323)	(199)	(5)	(8)	-	(1,263)		
At December 31, 2015	-	26	-	-	9,717	8,309	4,906	3,619	906	237	-	27,720		

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17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Building on		Leasehold building		Production equipment	Restaurant equipment	Renovation	Furniture and fittings		Computers	Motor vehicles	Office equipment	Construction in-progress	Total
	Freehold land	land	building	building	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(ii), (iii)	(ii), (iii)	(i)	(i)	(v)									
Group (cont'd)														
Accumulated depreciation:														
At December 31, 2015	-	26	-	-	9,717	8,309	4,906	3,619	906	237	-	-	27,720	
Adjustments	-	-	-	-	48	(44)	12	(53)	-	(28)	-	-	(65)	
Reclassifications	-	-	7	-	-	-	(12)	5	-	-	-	-	-	
Additions arising from acquisition of subsidiary	-	26	-	7	-	-	-	-	2	-	-	-	35	
Depreciation	-	36	1,143	2	1,285	2,115	835	254	202	6	-	-	5,878	
Eliminated on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	
Eliminated on write-offs	-	-	-	-	(166)	(907)	(414)	(263)	-	-	-	-	(1,750)	
Eliminated on revaluation	-	(54)	(1,150)	-	-	-	-	-	-	-	-	-	(1,204)	
Exchange differences	-	17	-	-	(102)	(64)	(68)	(35)	(1)	(1)	-	-	(254)	
At December 31, 2016	-	51	-	9	10,782	9,409	5,259	3,527	1,109	214	-	-	30,360	
Accumulated impairment:														
At December 31, 2014	-	-	-	-	-	43	-	-	-	-	-	-	43	
Impairment loss charge during the year	-	-	-	-	-	424	47	-	-	-	-	-	471	
At December 31, 2015	-	-	-	-	-	467	47	-	-	-	-	-	514	
Impairment loss charge during the year	-	-	-	-	20	403	30	-	-	-	-	-	453	
At December 31, 2016	-	-	-	-	20	870	77	-	-	-	-	-	967	
Carrying amount:														
At December 31, 2015	2,364	1,190	60,000	-	3,632	4,383	1,959	166	511	29	412	-	74,646	
At December 31, 2016	5,759	2,752	60,000	418	2,792	3,053	1,319	100	398	14	632	-	77,237	

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17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Leasehold building \$'000	Restaurant equipment \$'000	Renovation \$'000	Furniture and fittings \$'000		Computers \$'000	Motor vehicles \$'000	Office equipment \$'000	Construction in-progress \$'000	Total \$'000
Cost or valuation:										
At December 31, 2014	60,000	7,629	8,703	4,261	2,728	1,578	227	561	85,687	
Adjustments	-	-	(55)	-	-	-	-	-	(55)	
Reclassifications	-	220	3	(126)	(109)	-	12	-	-	
Reclassification to other receivables	-	-	-	-	-	-	-	(393)	(393)	
Additions	-	491	1,145	32	114	145	35	287	2,249	
Disposals	-	(122)	(131)	(10)	(38)	-	-	-	(301)	
Write-offs	-	(855)	(1,377)	(1,098)	(397)	(348)	(69)	(43)	(4,187)	
Eliminated on revaluation	(1,121)	-	-	-	-	-	-	-	-	(1,121)
Revaluation increase	1,121	-	-	-	-	-	-	-	-	1,121
At December 31, 2015	60,000	7,363	8,288	3,059	2,298	1,375	205	412	83,000	
Adjustments	-	29	(34)	-	(41)	-	(39)	36	(49)	
Reclassifications	37	28	(8)	-	7	-	-	(64)	-	
Additions	-	309	561	1	51	69	-	249	1,240	
Disposals	-	(1,210)	(804)	(72)	(25)	-	-	-	(2,111)	
Write-offs	-	(138)	(820)	(386)	(253)	-	-	-	(1,597)	
Eliminated on revaluation	(1,150)	-	-	-	-	-	-	-	-	(1,150)
Revaluation increase	1,113	-	-	-	-	-	-	-	-	1,113
At December 31, 2016	60,000	6,381	7,183	2,602	2,037	1,444	166	633	80,446	
Comprising:										
December 31, 2015										
At cost	-	7,363	8,288	3,059	2,298	1,375	205	412	23,000	
At valuation	60,000	-	-	-	-	-	-	-	60,000	
December 31, 2016										
At cost	-	6,381	7,183	2,602	2,037	1,444	166	633	20,446	
At valuation	60,000	-	-	-	-	-	-	-	60,000	
	60,000	6,381	7,183	2,602	2,037	1,444	166	633	80,446	

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17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold building	Restaurant equipment	Renovation	Furniture and fittings	Computers	Motor vehicles	Office equipment	Construction in-progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(iv)								
Company (cont'd)									
Accumulated depreciation:									
At December 31, 2014	-	6,243	6,208	3,449	2,659	1,028	222	-	19,809
Reclassifications	-	198	(5)	(115)	(108)	-	30	-	-
Depreciation	1,121	618	1,014	295	97	194	5	-	3,344
Eliminated on disposals	-	(101)	(76)	(8)	(13)	-	-	-	(198)
Eliminated on write-offs	-	(856)	(1,224)	(1,097)	(400)	(348)	(65)	-	(3,990)
Eliminated on revaluation	(1,121)	-	-	-	-	-	-	-	(1,121)
At December 31, 2015	-	6,102	5,917	2,524	2,235	874	192	-	17,844
Adjustments	-	27	(1)	(2)	(46)	-	(28)	-	(50)
Reclassifications	7	(15)	(9)	(14)	5	-	-	-	(26)
Depreciation	1,143	519	997	250	107	197	2	-	3,215
Eliminated on disposals	-	(993)	(704)	(75)	(25)	-	-	-	(1,797)
Eliminated on write-offs	-	(137)	(599)	(377)	(253)	-	-	-	(1,366)
Eliminated on revaluation	(1,150)	-	-	-	-	-	-	-	(1,150)
At December 31, 2016	-	5,503	5,601	2,306	2,023	1,071	166	-	16,670
Accumulated impairment:									
At December 31, 2014	-	-	-	-	-	-	-	-	-
Impairment loss charge during the year	-	-	424	47	-	-	-	-	471
At December 31, 2015	-	-	424	47	-	-	-	-	471
Impairment loss charge during the year	-	16	318	27	-	-	-	-	361
Reversal of impairment	-	-	(210)	(22)	-	-	-	-	(232)
At December 31, 2016	-	16	532	52	-	-	-	-	600
Carrying amount:									
At December 31, 2015	60,000	1,261	1,947	488	63	501	13	412	64,685
At December 31, 2016	60,000	862	1,050	244	14	373	-	633	63,176

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17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (i) The Group has pledged the leasehold building with carrying amount of \$60.0 million (2015 : \$60.0 million) to secure the bank loans as disclosed in Note 20.
- (ii) A freehold land and building on freehold land were stated at valuation based on the market valuation as at December 31, 2016 as determined by KGV [2015 : KGV], an independent valuer not connected with the Group. The market valuation was determined by adopting the market comparable method which considers recent transaction prices for similar properties in the vicinity. There has been no change to the valuation technique during the year. The net revaluation surplus, after netting the related deferred tax provision, for both the freehold land and building on freehold land amounting to RM108,000 (\$36,000) [2015 : RM125,000 (\$45,000)] has been recorded in the revaluation reserve. Had the freehold land and building on freehold land been carried at historical cost, their carrying amounts would have been approximately RM5,274,000 (\$1,688,000) [2015 : RM5,274,000 (\$1,720,000)] and RM2,925,000 (\$936,000) [2015 : RM2,990,000 (\$975,000)] respectively.

Based on the market valuation as determined by KGV, the allocation of the market valuation between freehold land and building on freehold land as at December 31, 2016 were RM7,340,000 (\$2,350,000) [2015 : RM7,250,000 (\$2,364,000)] and RM3,645,000 (\$1,167,000) [2015 : RM3,650,000 (\$1,190,000)] respectively.

The freehold land and building on freehold land is a 2 ½ storey commercial boutique bungalow with an area of 1,605 sqm, located at No. 7 Jalan Udang Harimau 2, Medan Niaga Kepong, 51200 Kuala Lumpur, Malaysia. The building on freehold land is used as office and factory and the Group has 100% (2015 : 100%) interest in the property.

The freehold land and building on freehold land have been pledged to financial institutions to secure credit facilities totaling \$1,920,000 (2015 : \$1,957,000) which was undrawn at the end of the reporting period.

- (iii) A freehold land and building on freehold land were stated at valuation based on the market valuation as at December 31, 2016 as determined by Jose Mardones G., an independent valuer not connected with the Group. The market valuation was determined by adopting the market comparable method which considers recent transaction prices for similar properties in the vicinity. There has been no change to the valuation technique during the year. Had the freehold land and building on freehold land been carried at historical cost, their carrying amounts would have been approximately CLP1,414,000,000 (\$3,056,000) and CLP\$236,000,000 (\$510,000) respectively.

Based on the market valuation as determined by Jose Mardones G., the allocation of the market valuation between freehold land and building on freehold land as at December 31, 2016 were CLP1,577,641,000 (\$3,409,000) and CLP757,587,000 (\$1,636,000) respectively.

The freehold land and building on freehold land are production plant and land located in the town of Calbuco X region, Chile. The building on freehold land is used as office and factory and the Group has 100% interest in the property.

The freehold land and building on freehold land have been pledged to financial institutions to secure credit facilities totaling CLP1,447,553,000 (\$3,129,000).

- (iv) The leasehold building was stated at valuation based on the market valuation as at December 31, 2016 as determined by Dennis Wee Realty Pte Ltd ("Dennis Wee Realty") [2015 : Dennis Wee Realty], an independent valuer not connected with the Group. The market valuation was determined by adopting the comparable sales method, making reference to sales of similar properties in the vicinity and adjustments for differences in location, land area, land shape, floor area, floor loading, ceiling height, age, condition, tenure, design and layout, dates of transaction, and the prevailing market conditions. There has been no change to the valuation technique during the year. The net revaluation surplus, after netting the related deferred tax provision, amounting to \$924,000 (2015 : \$930,000) has been recorded in the revaluation reserve. Had the leasehold building been carried under the cost model, the carrying amount would have been approximately \$14.6 million (2015 : \$15.2 million).

The leasehold building is a 7 storey commercial building with an area of 18,743 sqm, located at 28 Tai Seng Street, Singapore 534106, and used as office, warehouse and central kitchen production. The Group and Company have 100% (2015 : 100%) interest in the property. The property is held under a land use term for 30 years with expiry on August 31, 2036, with an option at expiry to extend for a further 30 years.

- (v) Included in the cost of renovations as of year end is a provision for reinstatement costs for the Group and Company of \$1,299,000 and \$484,000 (2015 : \$744,000 and \$342,000) respectively.
- (vi) The Group has carried out a review of the recoverable amount of its property, plant and equipment, having regard to the ongoing performance of its outlets. The review has led to an additional impairment loss of \$453,000 (2015 : \$471,000) recognised in profit or loss as the recoverable amount of the relevant assets of certain outlets by management is lower than the carrying amount.

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17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. Details of the freehold property, freehold land, building on freehold land and leasehold building, and information about the fair value hierarchy are as follows:

	Level 1	Level 2	Level 3	Fair Values
	\$'000	\$'000	\$'000	\$'000
<u>Group</u>				
<u>As at December 31, 2016</u>				
Freehold land	–	–	5,759	5,759
Building on freehold land	–	–	2,752	2,752
Leasehold building	–	–	60,000	60,000
	–	–	68,511	68,511
<u>As at December 31, 2015</u>				
Freehold land	–	–	2,364	2,364
Building on freehold land	–	–	1,190	1,190
Leasehold building	–	–	60,000	60,000
	–	–	63,554	63,554
<u>Company</u>				
<u>As at December 31, 2016</u>				
Leasehold building	–	–	60,000	60,000
<u>As at December 31, 2015</u>				
Leasehold building	–	–	60,000	60,000

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17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

There were no transfers between the levels during the year. Details of valuation techniques and significant unobservable inputs used in the fair value measurement are as follows:

Description	Fair values		Valuation techniques	Significant unobservable input(s)	Range	
	2016 \$'000	2015 \$'000			2016	2015
<u>Malaysia</u>						
Freehold land	2,350	2,364	Comparable sales method	Price per square metre ⁽¹⁾	\$1,412 - \$1,481	\$1,216 - \$1,648
Building on freehold land	1,167	1,190	Comparable sales method	Price per square metre ⁽¹⁾	\$688 - \$861	\$701 - \$877
<u>Chile</u>						
Freehold land	3,409	–	Comparable sales method	Price per square metre ⁽¹⁾	\$45	–
Building on freehold land	1,636	–	Comparable sales method	Price per square metre ⁽¹⁾	\$398	–
<u>Singapore</u>						
Leasehold building	60,000	60,000	Comparable sales method	Price per square metre (built-in) ⁽¹⁾	\$3,095 - \$3,200	\$3,095 - \$3,200

(1) Any significant increases (decreases) in these inputs would result in a significantly higher (lower) fair value measurement.

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18 INVESTMENT PROPERTIES

	Freehold land	Building on freehold land	Freehold properties	Total
	\$'000	\$'000	\$'000	\$'000
<u>Group</u>				
Cost:				
At December 31, 2014	1,263	568	1,568	3,399
Exchange difference	(178)	(80)	(222)	(480)
At December 31, 2015	1,085	488	1,346	2,919
Exchange difference	(20)	(9)	(25)	(54)
At December 31, 2016	1,065	479	1,321	2,865
Accumulated depreciation:				
At December 31, 2014	–	18	12	30
Depreciation	–	11	11	22
Exchange difference	–	(4)	(2)	(6)
At December 31, 2015	–	25	21	46
Depreciation	–	11	11	22
Exchange difference	–	(2)	(1)	(3)
At December 31, 2016	–	34	31	65
Carrying amount:				
At December 31, 2015	1,085	463	1,325	2,873
At December 31, 2016	1,065	445	1,290	2,800

Rental income from the investment properties amounted to \$122,000 (2015 : \$98,000) and direct operating expenses (including repair and maintenance) arising from the rental generating investment properties during the year is \$13,000 (2015 : \$33,000).

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18 INVESTMENT PROPERTIES (cont'd)

Particulars of the investment properties as at December 31, 2016 are as follows:

Name of property	Description	Tenure	Existing use	Strata Gross floor area	Group's interest in the property
No. 3 Jalan Udang Harimau 2 Medan Niaga Kepong 51200 Kuala Lumpur Malaysia	2½ storey commercial boutique bungalow	Freehold	Property rental	899 sqm	100%
Surian Residences Condominium Jalan PJU 7/15 Mutiara Damansara 47810 Petaling Jaya Selangor Darul Ehsan Malaysia	One condominium unit (with 2 carparks)	Freehold	Property rental	194 sqm	100%
No. B4 Garden Shoppe @ One City Jalan USJ 25/1A 47650 Subang Jaya Selangor Darul Ehsan Malaysia	An intermediate four-storey shop-coffee building	Freehold	Property rental	163.5 sqm	100%

The market valuation of the freehold land and building on freehold land as at December 31, 2016 were RM4,115,000 (\$1,317,000) [2015 : RM4,070,000 (\$1,327,000)] and RM1,740,000 (\$557,000) [2015 : RM1,730,000 (\$564,000)] respectively. The total market valuation of the freehold properties as at December 31, 2016 were RM4,590,000 (\$1,469,000) [2015 : RM4,510,000 (\$1,471,000)]. The market valuations were determined by KGV [2015 : KGV], an independent valuer not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the properties in the relevant locations.

The market valuation was determined by adopting the market comparable method which considers recent transaction prices for similar properties in the vicinity. There has been no change to the valuation technique during the year for the freehold land and building on freehold land. In estimating the fair value of the properties, the highest and best use of the properties is the current use.

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18 INVESTMENT PROPERTIES (cont'd)

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties are as disclosed above. The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Level 1	Level 2	Level 3	Fair Values
	\$'000	\$'000	\$'000	\$'000
<u>As at December 31, 2016</u>				
Freehold land	–	–	1,317	1,317
Building on freehold land	–	–	557	557
Freehold properties	–	–	1,469	1,469
	–	–	3,343	3,343
<u>As at December 31, 2015</u>				
Freehold land	–	–	1,327	1,327
Building on freehold land	–	–	564	564
Freehold properties	–	–	1,471	1,471
	–	–	3,362	3,362

There were no transfers between the levels during the year. Details of valuation techniques and significant unobservable inputs used in the fair value measurement are as follows:

Description	Fair values		Valuation techniques	Significant unobservable input(s)
	2016	2015		
	\$'000	\$'000		
Freehold land	1,317	1,327	Comparable sales method	Price per square metre
Building on freehold land	557	564	Comparable sales method	Price per square metre
Freehold properties	1,469	1,471	Comparable sales method	Price per square metre

Notes to the Financial Statements

31 December 2016

19 GOODWILL

	Group	
	2016	2015
	\$'000	\$'000
At beginning of the year	718	835
Exchange differences	(14)	(117)
At end of year	704	718

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit ("CGU") that is expected to benefit from that business combination which relates to the business assets of the former Genki Sushi outlets in Malaysia.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial performance of the outlets and extrapolated for the next three (2015 : three) years based on an estimated growth rate of 5% (2015 : 5%). The rate used to discount the forecasted cash flows of the CGU was 7% (2015 : 8%).

At the end of the reporting period, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

20 BANK LOANS

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Loan A (1) (Secured)	7,322	8,846	7,322	8,846
Loan A (2) (Secured)	37,500	23,500	37,500	23,500
Loan B	2,000	2,000	2,000	2,000
Loan C	–	3,500	–	3,500
Loan D	–	3,000	–	3,000
Loan E	–	2,500	–	2,500
Loan F (1) (Secured)	698	–	–	–
Loan F (2) (Secured)	2,431	–	–	–
Loan G	664	–	–	–
	50,615	43,346	46,822	43,346
Less: Non-current portion of long term loans	(388)	(7,019)	–	(7,019)
Current portion	50,227	36,327	46,822	36,327

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20 BANK LOANS (cont'd)

Details of the bank loans are set out below:

Loan A(1) A long-term bank loan of \$12,374,000 was raised to finance the construction of the operational headquarters, the leasehold building at Tai Seng Street [Note 17(iv)]. The bank loan carries variable interest at rates ranging between 1.89% and 2.39% (2015 : 1.75% and 2.36%) per annum. The 10 year term loans are repayable over 120 monthly instalments which commenced in February 2011. The outstanding loan amount is \$7,322,000 (2015 : \$8,846,000) at the end of reporting period.

As at December 31, 2016, the Group did not maintain a certain level of debt to equity ratio required by a bank as stipulated in the bank loan facility letter. As a results, the total outstanding loan amount of \$7,322,000 has been classified under current liabilities.

The bank did not request for accelerated repayment of the loan and the terms of the loan have not changed. Subsequent to year end, the bank issued a revised loan facility letter to revise the debt to equity ratio, such that the Group is now in compliance with the covenant.

Loan A(2) Short-term bank loans of \$37,500,000 (2015 : \$23,500,000) bear interests at rates ranging from 1.89% to 2.15% (2015 : 2.13% to 2.90%) per annum and are renewable upon maturity for one to three months (2015 : one to three months).

The Group has pledged the leasehold building [See Note 17 (i)] with carrying amount of \$60.0 million (2015 : \$60.0 million) to secure the bank loan A (1) and A (2).

Loan B Short-term bank loans of \$2,000,000 (2015 : \$2,000,000) bear interest rates ranging from 2.12% to 2.66% (2015 : 1.99% to 2.40%) per annum and are renewable upon maturity for one to three months (2015 : one to six months).

Loan C In 2015, short-term bank loans of \$3,500,000 bore interest rates ranging from 1.46% to 2.40% per annum and were renewable upon maturity for one to six months. The loans were fully repaid in 2016.

Loan D In 2015, short-term bank loans of \$3,000,000 bore interest rates ranging from 1.60% to 2.60% per annum and were renewable upon maturity for one to three months. The loans were fully repaid in 2016.

Loan E In 2015, short-term bank loans of \$2,500,000 bore interest rates ranging from 1.50% to 2.12% per annum and were renewable upon maturity for one to three months. The loans were fully repaid in 2016.

Loan F(1) During the year, a long term bank loan was novated from a related party (Note 6) to the Group's newly acquired subsidiary (Note 35). This loan was raised to finance the purchase of a freehold land and building on freehold land which is pledged as security for the loan. The bank loan carries fixed interest rate at 5.38% per annum. The 3 year term loan is repayable over 12 quarterly instalments which commenced from April 2016. As at December 31, 2016, the outstanding loan amount is CLP322,780,000 (\$698,000).

Loan F(2) Short-term bank loan of CLP1,124,773,000 (\$2,431,000) bears fixed interest rate at 5.38% per annum and is renewal upon maturity for one to three months.

The Group has pledged the freehold land and building on freehold land [See Note 17 (iii)] with carrying amount of CLP 2,335,228,000 (\$5,045,000) to secure the bank loan F(1) and F(2).

Loan G Short-term bank loan of CLP307,295,000 (\$664,000) bears fixed interest rate at 5.38% per annum and is renewable upon maturity for three to six months.

Management is of the view that the carrying amounts of the above loans approximate fair values based on the borrowing rates currently available for bank loans with similar terms and maturity and the interest rates approximate the market interest rates.

Subsequent to the end of reporting period, the Group and the Company have further obtained \$5,000,000 credit facilities from a bank for the Group and Company to carry out outlets rationalisation strategy.

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21 TRADE PAYABLES

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Outside parties	5,596	5,989	3,812	4,015
Deferred revenue	1,061	1,223	510	576
	<u>6,657</u>	<u>7,212</u>	<u>4,322</u>	<u>4,591</u>

The average credit period on purchases of goods is 30 days (2015 : 30 days). No interest is charged for outstanding balances exceeding its credit period.

Deferred revenue arises from the Group's and Company's customer loyalty programmes. The consideration received in sales transaction is allocated between the loyalty award credits and the other component of the sales. The amount allocated to the loyalty award credits is determined by reference to its fair value and is deferred until the awards are redeemed or liability is extinguished.

22 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Accrued expenses	2,234	4,637	1,384	3,579
Other payables	1,141	1,180	485	799
Amount due to director	283	283	283	283
	<u>3,658</u>	<u>6,100</u>	<u>2,152</u>	<u>4,661</u>

Amount due to director is interest-free, unsecured and repayable on demand.

23 PROVISIONS

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Provision for reinstatement costs	1,299	744	484	342
Provision for early termination of leases	3,317	–	2,218	–
	<u>4,616</u>	<u>744</u>	<u>2,702</u>	<u>342</u>

Movement of provision for reinstatement costs:

Balance at beginning of the year	744	711	342	398
Provision during the year	643	90	214	–
Utilisation of provision during the year	(49)	(57)	(33)	(56)
Written off during the year	(39)	–	(39)	–
Balance at end of the year	<u>1,299</u>	<u>744</u>	<u>484</u>	<u>342</u>

Provision for reinstatement costs relates to the dismantling, removing and restoring the premises to their original condition upon expiry of the lease. During the year, provision of reinstatement costs amounting to \$3,405,000 has been recognised as an expense, of which \$88,000 was utilised.

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23 PROVISIONS (cont'd)

On December 31, 2016, the Company reassessed the accounting estimates of the amortisation period and amount per square foot for existing premises. Management takes the view that the change in estimates better reflect the future liabilities required.

The change in estimate is applied prospectively from December 31, 2016. The financial effect of this reassessment, assuming that there is no change in the lease period and area of the premises, is to increase the reinstatement expense in the current financial year by \$120,000.

Provision for early termination of leases are recognised on loss-making operating outlets that the Group has commenced negotiations with the respective landlords on early termination of leases prior to the end of the reporting period. The provision is made in accordance with the relevant clauses within the lease agreements entered into between the Group and the landlord, which include lease payments for the remaining lease period and any lease compensations.

24 DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group and Company, and movements thereon, during the current and prior reporting periods:

	Revaluation reserve	Accelerated tax depreciation	Others	Total
	\$'000	\$'000	\$'000	\$'000
<u>Group</u>				
At December 31, 2014	7,872	1,197	(392)	8,677
Charge to other comprehensive income	205	–	–	205
Credit to profit and loss (Note 30)	(145)	(300)	(60)	(505)
Exchange differences	(31)	(50)	57	(24)
At December 31, 2015	7,901	847	(395)	8,353
Additions arising from acquisition of subsidiary	470	(37)	–	433
Charge to other comprehensive income	205	–	–	205
Credit to profit and loss (Note 30)	(149)	(360)	(21)	(530)
Exchange differences	3	(11)	11	3
At December 31, 2016	8,430	439	(405)	8,464

	Revaluation reserve	Accelerated tax depreciation	Total
	\$'000	\$'000	\$'000
<u>Company</u>			
At December 31, 2014	7,653	730	8,383
Charge to other comprehensive income	191	–	191
Credit to profit or loss	(145)	(143)	(288)
At December 31, 2015	7,699	587	8,286
Charge to other comprehensive income	189	–	189
Credit to profit or loss	(149)	(426)	(575)
At December 31, 2016	7,739	161	7,900

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25 ISSUED CAPITAL

	Group and Company			
	2016	2015	2016	2015
	'000	'000	\$'000	\$'000
	Number of ordinary shares			
Issued and paid up:				
At beginning and end of the year	142,000	142,000	10,736	10,736

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

The total number of issued shares (excluding treasury shares) was 139,472,000 (2015 : 139,472,000).

26 TREASURY SHARES

	Group and Company			
	2016	2015	2016	2015
	'000	'000	\$'000	\$'000
	Number of ordinary shares			
At beginning and end of the year	2,528	2,528	892	892

The Company acquired 2,528,000 of its own shares through purchases on the Singapore Exchange Securities Trading Limited in FY2013. The total amount paid to acquire the shares was \$892,000 and has been deducted from shareholders' equity. The shares are held as treasury shares.

27 REVALUATION RESERVE

The property revaluation reserve arises on the revaluation of the freehold land and building on freehold land, and leasehold building disclosed in Notes 17(ii) and 17(iv) to the financial statements respectively.

28 REVENUE

	Group	
	2016	2015
	\$'000	\$'000
Food and beverage sales	80,097	88,930
Service charge	6,204	7,014
Income from franchisees	–	83
Consultancy fee income	147	138
Total	86,448	96,165

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29 OTHER OPERATING INCOME

	Group	
	2016	2015
	\$'000	\$'000
Interest income	92	86
Rental income	3,377	3,282
Government grants	922	1,430
Exchange gain	210	482
Gain on disposal of property, plant and equipment	–	15
Gain on disposal of held for trading investments	7	1
Dividend income from held for trading investment	40	103
Gain on acquisition of subsidiary (Note 35(c))	647	–
Fair value gain on held for trading investments	63	–
Others	495	429
Total	<u>5,853</u>	<u>5,828</u>

30 INCOME TAX CREDIT

	Group	
	2016	2015
	\$'000	\$'000
Current tax expense	84	486
Adjustments recognised in the year in relation to the current tax of prior years	(262)	(348)
Deferred tax expense (credit) (Note 24)		
Current	(626)	(510)
Underprovision in prior year	96	5
Withholding tax	135	144
Total income tax credit	<u>(573)</u>	<u>(223)</u>

Domestic income tax credit is calculated at 17% (2015 : 17%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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30 INCOME TAX CREDIT (cont'd)

The total credit for the year can be reconciled to the accounting loss as follows:

Group

	Group	
	2016	2015
	\$'000	\$'000
Loss before tax	(12,989)	(4,854)
Income tax (credit) expense calculated at 17% (2015 : 17%)	(2,208)	(825)
Effect of income that is exempt from taxation	(96)	(90)
Tax effect of expense that are not deductible in determining taxable profit	1,432	1,195
Tax effect of income that are not taxable in determining taxable profit	(11)	–
Tax rebates	(45)	(43)
Effect of revaluation of assets for taxation purposes	(149)	(145)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(189)	(111)
Effect of unused tax losses not recognised as deferred tax assets	724	97
Effect of previously unrecognised and unused tax losses now recognised for offset against tax payable	–	(102)
Withholding tax	135	144
Adjustments recognised in the year in relation to the current tax of prior years	(262)	(348)
Adjustments recognised in the year in relation to the deferred tax of prior years	96	5
	<u>(573)</u>	<u>(223)</u>

The Group has undistributed profits of \$2,729,000 (2015 : \$4,054,000). The potential deferred tax liability of approximately \$136,000 (2015 : \$203,000) has not been recognised as management 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.

Unrecognised tax losses, capital allowances and other temporary differences

As at December 31, 2016, the Group has tax losses of approximately \$7,764,000 (2015 : \$3,503,000) that are available for offset against future taxable profits, for which no deferred tax assets are recognised on these amounts due to uncertainty of their utilisation. The utilisation of the tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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31 LOSS FOR THE YEAR

This has been arrived at after charging:

	Group	
	2016	2015
	\$'000	\$'000
Directors' remuneration	1,143	1,055
Remuneration paid to immediate family members of the Chief Executive Officer	174	169
Directors' fees	100	100
Audit fees:		
Paid to auditors of the Company	81	67
Paid to other auditors	46	33
Non-audit fees:		
Paid to other auditors	7	13
Employee benefits expense (including directors' remuneration)	29,267	32,719
Defined contribution plan (included in employee benefits expense)	2,387	2,227
Cost of inventories recognised as expense	32,624	33,077
Rental expenses (as included in "other operating expenses")	15,149	15,926
Contingent rental expenses of the leased premises included in rental expenses	442	962
Utilities (as included in "other operating expenses")	3,135	3,645
Impairment loss recognised on trade receivables	264	23
Impairment loss recognised on other receivables	409	–
Impairment loss recognised on convertible loan note receivable	1,017	–
Provision for early termination	3,405	–
Provision for reinstatement costs	643	90
Depreciation of investment properties	22	22
Depreciation of property, plant and equipment	5,878	5,679
Write-off of property, plant and equipment	487	190
Impairment of property, plant and equipment	453	471
Amortisation of prepaid lease	50	50
Legal and professional fees (as included in "non-operating expenses")	2,808	2,674
Net foreign exchange losses	549	1,052

Notes to the Financial Statements

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32 BASIC AND DILUTED LOSSES PER SHARE (CENTS)

	Group	
	2016	2015
	\$'000	\$'000
Loss after tax attributable to equity holders of the Company (\$'000)	(12,636)	(4,631)
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	139,472	139,472
Basic losses per share (cents)	(9.06)	(3.32)

There is no dilution of earnings per share as no share options were granted.

33 DIVIDENDS

	Group and Company	
	2016	2015
	\$'000	\$'000
A final dividend of 1.0 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of 2014	–	1,395
	–	1,395

No final dividend was proposed by the directors for the year ended December 31, 2016.

34 OPERATING LEASE ARRANGEMENTS

	Group	
	2016	2015
	\$'000	\$'000
<u>The Group as lessee</u>		
Minimum lease payments under operating leases	15,149	15,926

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2016	2015
	\$'000	\$'000
Within one year	9,126	12,174
In the second to fifth years inclusive	7,139	12,683
After five years	2,238	6,365
Total	18,503	31,222

Notes to the Financial Statements

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34 OPERATING LEASE ARRANGEMENTS (cont'd)

Operating lease payments include rentals payable by the Group for certain of its office and shop premises. Leases are negotiated for an average term of three years. Some of the leases contain escalation clauses and provide for contingent rentals based on percentages of sales. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

The Group as lessor

The Group rents out portions of a building under non-cancellable operating leases.

At the end of the reporting period, the Group has the following future minimum lease receipts:

	Group	
	2016	2015
	\$'000	\$'000
Within one year	2,774	2,513
In the second to fifth years inclusive	3,169	4,745
	5,943	7,258

35 ACQUISITION OF SUBSIDIARY

On March 4, 2016, the Company entered into a Framework Agreement with JLPG (Note 14).

JLPG was the ultimate owner of Cocosa Export, a company incorporated in Chile which is primarily engaged in the production and trading of canned and frozen seafood (the "Business"). Pursuant to the Framework Agreement, the Company collaborated with JLPG for the purposes of participating in the Business (the "Collaboration").

The Collaboration is carried out as follows:

Step 1: the entire issued and paid-up capital of a subsidiary, Cocosa Holdings Pte. Ltd. ("Cocosa Holdings", which wholly-owned Cocosa Asia Pte. Ltd.) was transferred to JLPG (the "Cocosa Holdings Transfer");

Step 2: upon completion of the Cocosa Holdings Transfer, JLPG procured the sale and transfer of the entire issued and paid-up capital of Cocosa Export (the "Cocosa Export Shares") to Cocosa Holdings, pursuant to which Cocosa Holdings holds 99% of the capital interest in Cocosa Export, with remaining 1% being held by JLPG; and

Step 3: a wholly-owned subsidiary of the Group, Sakae Global Resources Pte Ltd subscribed for such number of shares in Cocosa Holdings, being increased in share capital by way of issuance of new shares, such that the effective shareholding of the Group and JLPG in Cocosa Holdings, Cocosa Asia and Cocosa Export be 51% and 49% respectively ("Acquisition of Cocosa Group").

On October 18, 2016, the Group completed the Collaboration, for a total capital injection of US\$3,000,000 (\$4,175,000) to be made in the following manner:

- 1) US\$1,000,000 by way of capitalisation of the equivalent amount from the outstanding sum due and owing from Cocosa Export to the Group, which was recorded as "Advance to supplier" (Note 9) in 2015; and
- 2) US\$2,000,000 within the second year of Completion (the "Second Year"), but no later than the end of the Second Year.

Management considered the effective date of the acquisition to be October 1, 2016. This transaction has been accounted for by the acquisition method of accounting.

Notes to the Financial Statements

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35 ACQUISITION OF SUBSIDIARY (cont'd)

- (a) Assets acquired and liabilities assumed at the date of acquisition:

	2016
	\$'000
Current assets	
Cash and cash equivalents	251
Trade receivables	156
Other receivables and prepayments	3,863
Income tax recoverable	282
Total current assets	<u>4,552</u>
Non-current asset	
Property, plant and equipment	<u>5,197</u>
Current liabilities	
Bank loans	(2,912)
Trade payables	(44)
Other payables and accruals	(3,734)
Income tax payable	(35)
Total current liabilities	<u>(6,725)</u>
Non-current liabilities	
Bank loans	(729)
Deferred tax liabilities	(433)
Total non-current liabilities	<u>(1,162)</u>
Net assets acquired	<u><u>1,862</u></u>

The accounting for the Acquisition of Cocosa Group has been determined based on the necessary market valuations and other calculations for the items listed.

- (b) Non-controlling interest:

The non-controlling interest arising from the Acquisition of Cocosa Group recognised at the acquisition date was measured by reference to the fair value of its net assets as at September 30, 2016, which amounted to \$1,215,000.

- (c) Gain on acquisition of subsidiary:

	2016
	\$'000
Fair value of identifiable net assets disposed (arising from Step 1 of the Collaboration)	618
Fair value of identifiable net assets acquired (arising from Step 3 of the Collaboration)	(2,480)
Net fair value of identifiable net assets acquired arising from the Collaboration	(1,862)
Less: Non-controlling interest	1,215
Gain on acquisition of subsidiary, recorded under "other operating income"	<u>(647)</u>

The Collaboration is in such a way whereby the capital injection amount of \$4,175,000 is to acquire new shares issued by Cocosa Holdings, as such the capital injection amount will remain within the Group.

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35 ACQUISITION OF SUBSIDIARY (cont'd)

(d) Impact of acquisition on the results of the Group:

During the year, the acquisition of the subsidiary resulted in inclusion of post-acquisition revenue of \$1,363,000 and loss before tax of \$5,000 in the Group's financial statements.

Had the business combination during the year been effected at January 1, 2016, the revenue of the Group would have been \$89,260,000, and the loss before tax for the year would be \$12,883,000.

Management considers the above "pro-forma" numbers to represent an appropriate measure of the performance of the combined Group on annualised basis and to prove a reference point for comparison in future periods.

36 SEGMENT INFORMATION

Products and services from which reportable segments derive their revenues

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focused on the category of each type of goods and services. The Group's reportable segments under FRS 108 *Operating Segments* are therefore as follows:

- Sakae Sushi, which is the main brand in provision of food and beverages to retail customers from the general public.
- Other products and services, which is inclusive of other brands and services offered by the Group namely Sakae Teppanyaki, Sakae Delivery, Hei Sushi, Senjyu, Sachi, Crepes & Cream and Nouvelle Events. Each of these does not constitute 10% or more of total Group's revenue, profit for the year and assets.

Information regarding the Group's reportable segments is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue		Net profit (loss)	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Sakae Sushi	64,031	74,667	(3,122)	6,718
Other products and services	22,417	21,498	(367)	(2,412)
Total	86,448	96,165	(3,489)	4,306
Central administration costs and directors' salaries			(11,544)	(11,510)
Other operating income			5,761	5,742
Non-operating expenses			(2,808)	(2,674)
Interest income			92	86
Finance costs			(1,001)	(804)
Loss before tax			(12,989)	(4,854)
Income tax credit			573	223
Loss for the year			(12,416)	(4,631)

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36 SEGMENT INFORMATION (cont'd)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, other operating income and finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets

	2016	2015
	\$'000	\$'000
Sakae Sushi	14,258	25,356
Other products and services	23,037	14,512
Total segment assets	37,295	39,868
Unallocated assets	71,575	70,861
Consolidated total assets	108,870	110,729

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible and certain financial assets attributable to each segment.

All assets are allocated to reportable segments other than corporate assets.

Other segment information

	Depreciation		Additions to property, plant and equipment	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Sakae Sushi	3,106	2,867	1,802	3,209
Other products and services	1,332	1,438	240	898
Unallocated corporate items	1,462	1,396	623	546
Total	5,900	5,701	2,665	4,653

Geographical segments

In line with the Group's business strategy, the Group's operations are located mainly in Singapore and Malaysia. The segmental information for geographical regions is based on the locations of customers.

	Revenue		Non-current assets	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Singapore	52,880	61,781	64,009	66,040
Malaysia	29,874	31,856	10,522	11,790
Chile	1,363	–	5,433	–
Others	2,331	2,528	1,119	602
Total	86,448	96,165	81,083	78,432

No information about major customers is presented as the Group provides its goods and services to the general public as a whole.

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37 COMMITMENTS

	Group	
	2016	2015
	\$'000	\$'000
Commitments for the payment of consideration on acquisition of joint venture (Note 16)	200	–

38 Events after the reporting period

On March 17, 2017, the Company has through its subsidiary, Sakae Fintech Pte. Ltd. ("Sakae Fintech"), entered into a non-binding memorandum of understanding ("MOU") with three subscribers in relation to, inter alia, the proposed allotment and issue of shares in Sakae Fintech to the subscribers for the provision of certain services to Sakae Fintech.

Under the terms of the MOU, the proposed subscription will be fully satisfied by the allotment an issue of 30,000 ordinary shares in the enlarged issued and paid-up capital of Sakae Fintech, with an aggregate value of S\$30,000 to the subscribers.

There were further significant developments after the reporting period in relation to the legal suits in connection with the Company's investments in associate (GREIH), please refer to Note 2 for the details.

Statistic of Shareholdings

As at 29 May 2017

Total number of issued shares	:	142,000,000
Total number of issued shares excluding treasury shares and shares (if any) held by a subsidiary	:	139,472,000
Total number and percentage of treasury shares	:	2,528,000 (1.81%)
Total number and percentage of shares held by a subsidiary	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

The Company cannot exercise any voting rights in respect of ordinary shares held by it as treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	6	0.61	127	0.00
100 - 1,000	614	62.72	91,760	0.07
1,001 - 10,000	171	17.47	802,300	0.57
10,001 - 1,000,000	179	18.28	16,987,872	12.18
1,000,001 AND ABOVE	9	0.92	121,589,941	87.18
TOTAL	979	100.00	139,472,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	73,994,500	53.05
2	DOUGLAS FOO PEOW YONG	31,926,740	22.89
3	GOH KHOON LIM	4,320,000	3.10
4	OCBC SECURITIES PRIVATE LIMITED	4,140,100	2.97
5	LIM SONG CHIANG	1,803,000	1.29
6	PHILLIP SECURITIES PTE LTD	1,576,700	1.13
7	JOSEPH QUEK	1,561,600	1.12
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,183,301	0.85
9	TAN KEK LEA (CHEN JILI)	1,084,000	0.78
10	LOW BEIJING (LIU BEIJING)	820,000	0.59
11	FOO KIA HEE	770,100	0.55
12	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	682,200	0.49
13	CITIBANK NOMINEES SINGAPORE PTE LTD	665,000	0.48
14	TAN YEOW LEONG BOBBY (CHEN YAOLONG BOBBY)	626,100	0.45
15	POH BOON KHER MELVIN (FU WENKE MELVIN)	602,000	0.43
16	ALEXANDER THOMAS ZBORAY	596,000	0.43
17	GOH FUQIANG KENNETH	581,000	0.42
18	HON LAI KYUEN	500,000	0.36
19	PEK ENG LEONG	492,100	0.35
20	TOH SOON HUAT	475,000	0.34
TOTAL		128,399,441	92.07

Statistic of Shareholdings

As at 29 May 2017

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 29 May 2017.

Name	Direct Interest	No. of Ordinary shares		
		% ⁽⁵⁾	Deemed Interest	% ⁽⁵⁾
Douglas Foo Peow Yong	31,926,740	22.89	60,000,100 ⁽¹⁾	43.02
28 Holdings Pte Ltd	–	–	13,860,000 ⁽²⁾	9.94
Goh Khoon Lim	4,320,000	3.10	13,860,000 ⁽³⁾	9.94
Gan Suat Lui	–	–	13,860,000 ⁽⁴⁾	9.94

Notes:

- (1) Mr Douglas Foo Peow Yong is deemed to be interested in 100 shares held by his wife, Ms Koh Yen Khoon and 60,000,000 shares held in trust by Raffles Nominees (Pte) Ltd.
- (2) 28 Holdings Pte. Ltd. is deemed interested in 13,860,000 shares held in trust by Raffles Nominees (Pte) Ltd.
- (3) Mr Goh Khoon Lim is deemed interested in 13,860,000 shares held by 28 Holdings Pte. Ltd. through his not less than 20% shareholding in 28 Holdings Pte. Ltd.
- (4) Ms Gan Suat Lui is deemed interested in 13,860,000 shares held by 28 Holdings Pte. Ltd. through her not less than 20% shareholding in 28 Holdings Pte. Ltd.
- (5) Percentage is based on 139,472,000 shares (excluding treasury shares and shares (if any) held by a subsidiary) as at 29 May 2017.

FREE FLOAT

As at 29 May 2017, approximately 20.34% of the total number of issued shares excluding treasury shares and shares (if any) held by a subsidiary of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

TREASURY SHARES

As at 29 May 2017, the Company held 2,528,000 treasury shares, representing 1.81% of the total issued shares excluding treasury shares and shares (if any) held by the Company.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**Meeting**”) of Sakae Holdings Ltd. (the “**Company**”) will be held at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, on Tuesday, 27 June 2017 at 10:00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors’ Statements and Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring by rotation pursuant to Article 91 of the Company’s Articles of Association and who, being eligible, offers himself for re-election:

Mr Douglas Foo Peow Yong (See Explanatory Note (i))	(Resolution 2)
Ms Foo Lillian (See Explanatory Note (i))	(Resolution 3)

Mr Douglas Foo Peow Yong will, upon re-election as a Director of the Company, remain as member of the Remuneration Committee and Nominating Committee.
3. To approve the payment of Directors’ fees of S\$100,000 (FY2015: S\$100,000) for the financial year ended 31 December 2016. **(Resolution 4)**
4. To re-appoint Messrs Deloitte & Touche LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Special Business

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

6. Authority to allot and issue shares

“That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:-

 - (a)
 - (i) allot and issue shares in the capital of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
 - (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

Notice of Annual General Meeting

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments, made or granted pursuant to this Resolution) does not exceed 50% ("**50% Limit**") of the Company's total number of issued shares, excluding treasury shares and shares (if any) held by a subsidiary, (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the Company's total number of issued shares, excluding treasury shares, (as calculated in accordance with sub-paragraph (2) below). Pursuant to Practice Note 8.3 of the Listing Manual of the SGX-ST ("Practice Note 8.3"), which took effect on 13 March 2017, the 50% Limit is provisionally raised from 50% to 100% for pro rata renounceable rights issues, subject to conditions set out in Practice Note 8.3. In this regard, the Company shall be allowed to issue such number of shares up to a limit of 100% of the Company's total number of issued shares excluding treasury shares and shares (if any) held by subsidiary for a *pro rata* renounceable rights issue. Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares, excluding treasury shares, is based on the Company's total number of issued shares, excluding treasury shares, at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **(See Explanatory Note (ii))** **(Resolution 6)**

7. Authority to allot and issue Shares under the Sakae Performance Share Scheme

"That pursuant to Section 161 of the Companies Act, the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of the Sakae Performance Share Scheme (the "**Performance Share Scheme**") and to allot and issue such number of fully paid Shares from time to time as may be required to be issued pursuant to the vesting of awards under the Performance Share Scheme provided always that the aggregate number of Shares to be allotted and issued pursuant to the Performance Share Scheme and all share awards or share options granted under any other schemes implemented by the Company (if any) shall not exceed 15% of the total number of issued Shares (excluding treasury shares and shares (if any) held by a subsidiary) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

(See Explanatory Note (iii))
(Resolution 7)

Notice of Annual General Meeting

8. To grant approval for the renewal of the Share Buyback Mandate

“That:-

- (a) For the purposes of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the Ordinary Shares not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:-
- (i) market purchases (each a “**Market Purchase**”) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”); and/or
 - (ii) off-market purchases (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable,

be and is hereby authorised and approved generally and unconditionally (the “**Share Buyback Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:
- (i) the date on which the next annual general meeting of the Company (“AGM”) is held or required by law to be held;
 - (ii) the date on which the share buybacks pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked;

- (c) in this Resolution:

“**Prescribed Limit**” means 10% of the issued Shares of the Company (excluding treasury shares and shares (if any) held by a subsidiary) as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued Shares of the Company shall be taken to be the number of issued Shares of the Company as altered (excluding any treasury shares and shares (if any) held by a subsidiary that may be held by the Company from time to time);

“**Relevant Period**” means the period commencing from the date on which the last AGM of the Company was held or was required by law to be held before this Resolution, and expiring on the date the next AGM is held or required by law to be held, whichever is the earlier, after this Resolution; and

“**Maximum Price**” in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase: 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase: 110% of the Average Closing Price, where:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five day period;

Notice of Annual General Meeting

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

“**Market Day**” means a day on which the SGX-ST is open for trading in securities; and

- (d) the Directors of the Company be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.” **(See Explanatory Note (iv))**
(Resolution 8)

9. To transact any other business which may be properly transacted at an Annual General Meeting.

By Order of the Board

Chan Lai Yin
Company Secretary

Singapore, 12 June 2017

Explanatory Notes:

- (i) The detailed information of Mr Douglas Foo Peow Yong and Ms Foo Lilian can be found under the section entitled ‘Board of Directors’ of the Annual Report. Ms Foo Lilian is a sister of Mr Douglas Foo Peow Yong, the Executive Chairman. Save for this relationship, Mr Douglas Foo Peow Yong and Ms Foo Lilian have no relationship (including immediate family relationships) with the other Directors, the Company or its 10% shareholders. Mr Douglas Foo Peow Yong will, upon re-election as a Director of the Company, remain as Chairman of the Board, and member of Nominating and Remuneration Committees.
- (ii) The Ordinary Resolution 6 is to empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting (“AGM”) of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding the aggregated of (i) 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders of the Company (the General Limit) and (ii) additional 50% for Renounceable Rights Issues, of the total number of issued shares (excluding treasury shares) in the capital of the Company (the Additional Limit), provided that the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares) at the time Ordinary Resolution 6 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

The authority for the Additional Limit is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 until 31 December 2018 by which date no further shares shall be issued pursuant to this Resolution, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (“the Enhanced Rights Issue Limit”). The Enhanced Rights Issue Limit is aimed at helping companies raise funds expediently for expansion activities or working capital. It is subject to the condition that the Company complies with applicable legal requirements including but not limited to provisions in the Companies Act requiring the Company to seek shareholders’ approval and disclosure requirements under the Listing Manual on the use of the proceeds as and when the funds are materially disbursed and a status report on the use of proceeds in the annual report; and limitations in any existing mandate from shareholders.

The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be likely to promote the success of the Company for the benefit of shareholders as a whole.

- (iii) Ordinary Resolution 7 is to empower the Directors of the Company, to grant awards and to allot and issue such number of fully paid Shares from time to time as may be required to be issued pursuant to the Sakae Performance Share Scheme.

Notice of Annual General Meeting

- (iv) Ordinary Resolution 8 relates to the renewal of the Share Buyback Mandate originally approved by Shareholders on 23 April 2014 and, if passed, will empower the Directors of the Company to purchase or otherwise acquire ordinary shares of the Company by way of market or off-market purchases or acquisitions of up to 10% of the total number of issued shares (excluding treasury shares and shares (if any) held by a subsidiary) in the capital of the Company at the Maximum Price (as defined in Ordinary Resolution 8 above). The authority conferred by Ordinary Resolution 8 will continue in force until the earliest of:
- (a) the date on which the next AGM of the Company is held or required by law to be held;
 - (b) the date on which the Share Buybacks are carried out to the full extent mandated; or
 - (c) the date on which the authority contained in the Share Buyback Mandate is varied or revoked.

Please refer to the Appendix to this Notice of AGM for details.

The Company may use internal resources and/or external borrowings and/or a combination of both to finance purchases of Shares pursuant to the Share Buyback Mandate. In purchasing or acquiring Shares pursuant to the Share Buyback Mandate, the Directors will, principally consider the availability of internal resources. In addition, the Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions pursuant to the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buyback Mandate will depend on, inter alia, how the Shares are purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The Company's total issued share capital will be diminished by the total nominal amount of the Shares purchased by the Company. The NTA of the Company and the Group will be reduced by the aggregate purchase price paid by the Company for the Shares. The purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

An illustration of the financial impact of the Share Buybacks by the Company pursuant to the Share Buyback Mandate on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2016 is set out in paragraph 2.7.3 of the Appendix.

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead, subject to note 3 below. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A member who is a relevant intermediary entitled to attend the Meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, 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;
 - b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, 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.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
 5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, not less than 48 hours before the time set for the Meeting.

Notice of Annual General Meeting

Personal Data Privacy

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

SAKAE HOLDINGS LTD.

Company Registration Number 199604816E
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT: FOR CPF INVESTOR ONLY

1. This Annual Report 2016 is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR YOUR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.
4. PLEASE READ THE NOTES TO THE PROXY FORM

Personal data privacy

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

I/We _____ (Name)

of _____ (Address)

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

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "**Meeting**") as my/our proxy/proxies to vote for me/us on my/our behalf, at the Meeting to be held at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106 on Tuesday, 27 June 2017, at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any matter arising at the Meeting.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions Relating to:	No. of votes*	
		For	Against
1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 together with the Auditors' Report thereon		
2.	Re-election of Mr Douglas Foo Peow Yong as Director		
3.	Re-election of Ms Foo Lilian as Director		
4.	Approval for payment of Directors' fees		
5.	Re-appointment of Messrs Deloitte & Touche LLP as the Company's Auditors		
6.	Authority to allot and issue shares		
7.	Authority to allot and issue Shares under the Sakae Performance Share Scheme		
8.	To grant approval for the renewal of the Share Buyback Mandate		

* If you wish to exercise all your votes "For" or "Against", please tick [✓] within the box provided. Alternatively, please indicate the no. of votes as appropriate.

Dated this _____ day of _____ 2017.

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

Signature(s) of Member(s)
or, Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
4. A member who is a relevant intermediary entitled to attend the Meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, 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;
 - b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, 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. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument appointing a proxy or proxies to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the Company’s registered office at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, not less than 48 hours before the time set for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
 9. An investor who buys shares using CPF monies (“CPF Investor”) and/or SRS monies (“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.

GENERAL:

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Douglas Foo Peow Yong
(Chairman)

Foo Lilian
(Executive Director and Chief Executive Officer)

Chan Wing Leong
(Non-Executive and Lead Independent Director)

Lim Chee Yong
(Non-Executive and Independent Director)

Nandakumar Ponniya Servai
(Non-Executive and Independent Director)

AUDIT COMMITTEE

Lim Chee Yong (Chairman)
Chan Wing Leong
Nandakumar Ponniya Servai

NOMINATING COMMITTEE

Lim Chee Yong (Chairman)
Chan Wing Leong
Douglas Foo Peow Yong

REMUNERATION COMMITTEE

Chan Wing Leong (Chairman)
Lim Chee Yong
Douglas Foo Peow Yong

COMPANY SECRETARY

Chan Lai Yin (ACIS)

REGISTERED OFFICE

28 Tai Seng Street
Sakae Building, Level 7
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SHARE REGISTRAR

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50 Raffles Place, #32-01
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Singapore 048623

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
6 Shenton Way, #33-00
OUE Downtown 2,
Singapore 068809
Partner-in-charge: Chua How Kiat
Date of appointment: 20 June 2013

PRINCIPAL BANKERS

United Overseas Bank Ltd
DBS Bank Ltd
Standard Chartered Bank (Singapore) Limited





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