SAKAE®
HOLDINGS

Bringing Joy • Enduring Spirit • One Sakae Heartbeat

Sakae Holdings Ltd.

Annual Report 2014

sakaeholdings.com

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OUR VISION

To build global brands

OUR MISSION

To provide safe quality food with excellent service at the best value

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

Corporate Profile

Since inception in 1996, Sakae Holdings Ltd. has developed and grew an outstanding portfolio of brands – Sakae Sushi, Sakae Teppanyaki, Sakae Delivery, Sakae Junior Club, Hei Sushi, Hei Delivery, Senjyu, Kyo by Sakae, Crepes & Cream, Sakae Express, Sachi, Sakae Shoppe and Nouvelle Events – all synonymous with quality dining.

The Group is poised for growth with a vision to build global brands synonymous 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 opened in 1997 in Singapore right at the heart of the Asian Financial Crisis. The brand remained resilient and continued to expand steadily with its team of dedicated and committed talents.

Till today, this team continues to hold strongly the same values and commitment discipline to food quality and safety. As such, the familiar "Green Frog" logo, representing Sakae's ideology for growth and values, is now a common sight and easily recognisable by all consumers.

Our concept of quick service and trendy kaiten (conveyor belt) sushi, along with continuous improvement in customer centric initiatives, food quality, business processes and excellent service have allowed us to grow over 100 outlets across Singapore, China, India, Indonesia, Malaysia, the Philippines, Thailand, Vietnam, U.S.A. and Japan.

Our constant pursuit to offer highest standards of quality food at reasonable price has led us to expand our food sources and have fresh supplies importation directly from overseas. 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 build global brands, we constantly improve our operational efficiency and service standards as well as keeping focus on our customers' varying preferences in local and international markets to allow 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 committed to build a sustainable eco-friendly environment for the future generations. With these strategies and values, we will continue to forge towards our vision to be the top brand recall for Sushi globally – "Think Sushi, Think Sakae".

Message to **Shareholders**

Dear Shareholders,

Financial Year 2014 ("FY2014") has been an exciting year for the Group. Amidst uncertainties in the global economic environment, including Singapore, we managed to weather the changes and successfully overcome considerable challenges posed by an increasingly difficult operating environment. While boosting our market presence locally, as well as overseas, we accelerated our efforts on productivity and innovations.

Financial Year in Review

Our Group revenue in FY2014 totalled $97.7 million, a 1.3% decrease from the $99.0 million in the previous year. The slight decrease in revenue was due to more intense competition in the Food & Beverage industry, and also attributable to weaker Malaysian Ringgit which negatively impacted the conversion of our Malaysia operations' financial results to our reporting currency in Singapore Dollars.

Our Group successfully achieved an increase in other operating income by 16.8%, from $3.8 million in FY2013 to $4.5 million in FY2014. This was mainly due to higher tenant occupancy at our headquarters building, credits from government scheme to support rising staff cost in the current tight labour market and also increased government grants received in support of productivity projects embarked upon in 2014. Our Group continues to explore new endeavours 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, business processes to achieve greater efficiency. Through the various government grants we received, we were able to drive innovation and harness industry leading technology. Within our headquarters building, we continued to secure higher occupancy to generate additional streams of income. With the Group's continued emphasis on farm-to-table approach, we continue to explore and seek new endeavours to increase productivity and efficiency in operations.

In terms of profitability, the Group reported profit before tax of $4.0 million in FY2014, as compared to $6.8 million in FY2013, which is mainly attributable to increased operational cost. Income tax expenses (including additional tax charges of $0.3 million adjusted from prior year) increased by 58.9% from $1.2 million in FY2013 to $1.9 million in FY2014. In sum, net profit for FY2014 was $2.1 million, a decrease compared with $5.5 million in FY2013, mainly due to rising operating and administrative expenses.

Expanding Our Frog Prints

To realise our vision of top brand recall for Sakae, we continue to focus on improving our core operations, while planning strategic moves to expand the business. This receptivity to wider developments is essential to capitalise on the opportunities in store.

We believe that our multi-pronged growth strategy which focuses on outlets expansion in local and overseas markets, constant innovation in great tasting gastronomic concepts, high quality food products and strict cost discipline would continue to put Sakae in good stead as we surge forward confidently through unpredictable global economic conditions.

We have always set out to build a sustainable global brand name that not only secures brand recognition and affiliation, brand image and profitability, but also fulfils our stakeholders' expectations for improved consumer visibility, awareness and top brand recall. As an international company which understands the power of brand development, we continued to strengthen our menu offerings, store developments, diversify our various sub-brands and generated novel dining experiences over the year.

Within Singapore, we continue to strengthen our store expansions by improving our ambience, menu offerings with creative choices, Interactive Menu (IM) design to facilitate customers' orders and soft touches from our dedicated service staff. A new concept, Senjyu which was brought over from Malaysia started its operations in previous year. Senjyu is a modern, contemporary Japanese concept which seeks to add a touch of sophistication and class to their palettes. Customers can savour top quality Japanese cuisine prepared with the freshest and finest air-flown ingredients, including signature selections of Wagyu Beef, live oysters and fresh sashimi. We have thus far received very encouraging feedbacks and sales from this new brand release. We will continue to develop new menu items and listen to our customers as they savour our delightful menu offerings while dining in a chic and modern dining ambience.

During 2014, we continue to strengthen our geographical footprint in Malaysia by bringing more Sakae Sushi outlets out of Klang Valley, Penang, Ipoh, Kuching, Johor Bahru, Kulai, Malacca to Seremban and Kuantan. We continue to expand our sister brands like Nouvelle Events, our events and catering specialist to Malaysia and work on more brand engagements through our sushi making classes and events, birthday parties, wedding receptions and many more. We have also expanded our footprints in

China with 2 new stores, one in Beijing and one in Chengdu. So far, the sales for these new outlets have been well received and encouraging. We will continue to fine-tune the menu offerings to suit the local markets.

Currently, we have over 100 outlets spanning Singapore, China, India, Indonesia, Malaysia, the Philippines, Thailand, Vietnam, U.S.A and Japan. We are also on a constant lookout for forging synergistic alliances to leap frog our brand closer together with like-minded partners who share our same vision of building global brands synonymous with quality Japanese food globally.

Connecting Digitally

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, targeting avenues such as Facebook, Instagram and YouTube. We undertook a menu launch on our Sakae Sushi Facebook page with daily 1-for-1 deals, generating much response.

We believe that social media marketing and online customer engagement will further expand our customer reach and brand recall. With innovation as one of our core values, we look towards harnessing technology to further increase our presence and generate brand loyalty.

Outlook and Strategy

Amid continued uncertainty in the global economy, with a weak 2015 growth forecast for major economies, except the US, we have to proceed prudently. Some of the impediments towards growth such as large sovereign debt in Europe, high unemployment and fragile growth in Japan are complex issues and may take some time more to unravel. This will certainly have an impact on Singapore, with its open economy, as well as overseas as we continue to spread our wings.

We will continue to manage our operating costs, seek ways to boost productivity and innovatively market ourselves aggressively against an evolving, intensely competitive restaurant environment. With rising middle-class income, and an increasing growth in appetite for a wider varieties of food products, both staple and discretionary, we intend to keep up with these trends and will continually revamp our menus regularly, offering food of high quality and diverse choices for all our brands.

We will continue to engage our customers and aim to develop our various teams to spearhead service level improvements and overseas market development. People are our Number 1 asset. We cannot create a sustainable culture of innovation and productivity without talent. Every year, we send our people for training and skills development, and provide scholarships to groom our leaders of the next generation. We seek to guide them to be more enterprising and innovative, as 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.

Having the vision in mind for Sakae to be the top global brand recall, we continue to focus on improving our core operations while planning strategic moves to expand the business. This receptivity to wider developments is essential to capitalise on the opportunities in store.

Building our Pillars of Success

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

As a leading company with a clear focus on Food & Beverages, Human Capital is vital. We will continue to build on our capabilities, improve our employees' skills, provide competitive benefits and create career opportunities for our staff. Our dream for Sakae is to build 30,000 restaurants in 5 continents globally. If we aim to be a global sushi restaurant player, we would need a lot of motivated and well-trained people. Testament to our efforts in the continuous pursuit towards excellence, the Group has been recognised and awarded with the WSQ Training Excellence Award by WDA. We established our first Institute of Technical Education, Singapore On-The-Job ("ITE-OJT") training centre in 1997, and became an in-house Workforce Skills Qualifications ("WSQ") Approved Training Organisation in 2006. We have since adopted the WSQ training and certification system. In addition, we have been working closely with At-Sunrice GlobalChef Academy, a leading local culinary institute, to develop training programmes for our fellow colleagues.

Global Food Resource

For Global Food Resource, we will continue to work directly with farms for more sustainable food sources of raw materials. While we have Vitamin E enriched rice, the fresh and sustainable supplies of raw materials from farm will definitely aid us in bringing fresh sushi to our customers anytime, anywhere. In the area of global food resource, we know the importance of securing fresh produce from diverse sources and have a farm-to-table approach, ensuring a modern cold-chain supply system with an Automated Self-Retrieval System that stores raw materials and ensures efficient usage and tracking of inventory. We have fortified strategic partnerships with our suppliers, and have been looking at fish farms worldwide to cultivate sustainable fish sources. In the long run, we aspire to develop sustainable aqua cultural practices which could benefit the wider fish farming industry.

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, in order to increase their neighbouring real estate value and enhance our Group asset value.

Sakae Corporate Advisory

Last but not least, we have started working on Sakae Corporate Advisory. In the course of our business, and on our investment trips and engagements, we regularly encountered many financiers and budding companies. This large network has much potential, and led to the establishment of our corporate finance and financial services arm. This division will seek ways to grow our Group funding, while looking for suitable growth companies to invest in. This division will diversify our sources of income, while expanding our business networks. Our aim is to help our client to develop a strategic investor relations programme, and enable them to leverage capital and catalyse growth.

Acknowledgements

Right from the start when we opened the first Sakae Sushi outlet in 1997, I have always believed that we need to have the right systems and processes in place in order to grow steadily. My Eisenhower Fellowship experience has broadened my perspective on various ways to achieve our objective of becoming a sustainable global brand, by incorporating strategic thrusts such as cultivating sustainable food sources, developing financial and business networks and possible alliances to further leverage on, whilst strengthening our essential human capital.

As we forge forward, I look forward to working with my colleagues to develop sustainable initiatives that will propel our growth to the next level, and sharing my insights with you. It has been a fruitful journey as Sakae has grown not only in Singapore, but across Asia.

In closing, on behalf my fellow Directors, I would like 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 the management and employees of Sakae for your relentless contributions, commitment and support. Your advice, efforts and confidence in us has enabled our growth, and we look forward to your continued partnership and support in the year ahead as we continue to develop and grow to be the market leader in the respective territories that we operate in.

Douglas Foo
Chairman

Corporate Structure
and Global Presence

- United States of America
- China
- Japan
- Thailand
- India
- Philippines
- Vietnam
- Malaysia
- Singapore
- Indonesia

SAKAE HOLDINGS

Apex-Pal Investment Pte. Ltd.

- Alliance Support Services Pte. Ltd.
- Oishi Sushi Pte. Ltd.
- Sakae Sushi (J8) Pte. Ltd.
- Sakae Kiosk Pte. Ltd.
- Sakae Sushi (Scape) Pte. Ltd.
- Yummy Venture Pte. Ltd.
- Apex-Pal (M) Sdn Bhd
- Nouvelle Events Sdn Bhd
- Swift Equity Sdn Bhd
- Apex-Pal (Chengdu) Co. Ltd.
- Apex-Pal F&B (Beijing) Ltd.
- Apex-Pal International (Beijing) Ltd.

- Sakae Sushi
- Hei Sushi
- Sakae Teppanyaki
- Sakae Express
- Sachi
- Senjyu
- Crepes & Cream
- Nouvelle Events
- Innotech Consulting

Worldwide Outlets

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, thus raising productivity and streamlining operations. This continuous growth has been achieved through advancement of technological innovation and technological patents in our Central Kitchen and our restaurants island wide.

The emphasis on quick service and trendy kaiten (conveyor belt) sushi has contributed to the expansion of over 100 outlets across Singapore, China, India, Indonesia, Japan, Malaysia, the Philippines, Thailand, USA and Vietnam.

Emergent of newer automation technology will continue at Sakae through continuous innovation and productivity upgrading.

Our Pillars

OUR PILLARS OF SUCCESS FOR SAKAE'S GLOBAL GROWTH

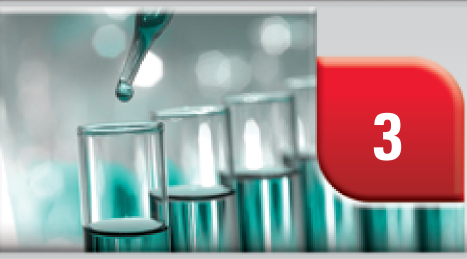
Insight Into Sakae's Foodchain

1

On a regular basis, we make farm visits to ensure that our food sources are safe.

2

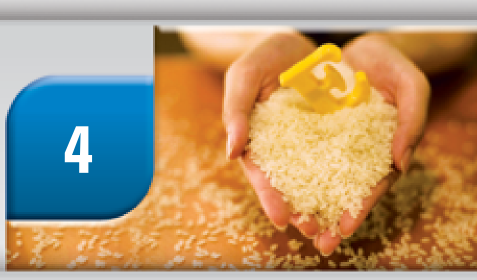
Our food supplies are sent to our Central Kitchen at HQ which houses all our operations.



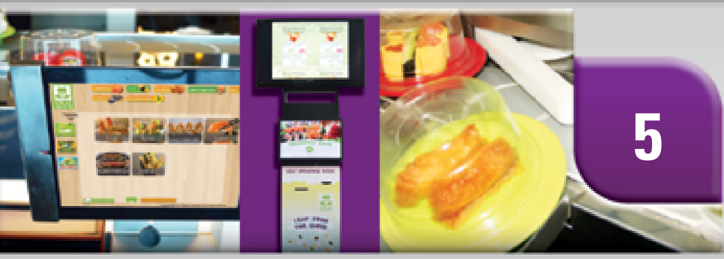
3

We send our products for weekly laboratory tests for bacteria count.

4



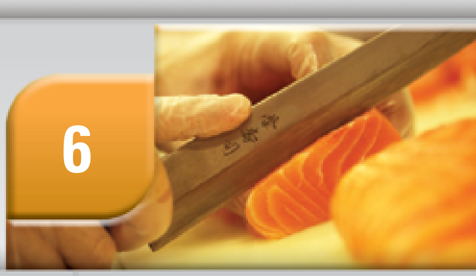
Our sushi rice is enriched with Vitamin E for added health benefits to our customers.



5

We invest in state-of-the-art technologies that bring greater convenience to our customers and at the same time ensure food safety.

6



Our chefs prepare great tasting food with pride and passion.

VIP CARD | PROMOTION | SAKAEHOLDINGS.COM | CALL FOR DELIVERY | OUR OUTLETS

Operations **Review**

A Resilient Year

The Group reported revenue in FY2014 of $97.7 million, a marginal decrease of 1.3% compared to $99.0 million in the previous year. The decrease in revenue was due to more intense competition in the Food & Beverage industry, and also attributable to weaker Malaysian Ringgit which negatively impacted the conversion of our Malaysia operations' financial results to our reporting currency in Singapore Dollars.

The Group successfully achieved an increase in other operating income by 16.8%, from $3.8 million in FY2013 to $4.5 million in FY2014. This was mainly due to higher tenant occupancy at our headquarters building, credits from government scheme to support rising staff cost in the current tight labour market and also increased government grants received in support of productivity projects embarked upon in 2014. The Group continues to explore new endeavours 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, business processes to achieve greater efficiency. Through the various government grants we received, we were able to drive innovation and harness industry leading technology. Within our HQ, we continued to secure higher occupancy to generate additional streams of income. With the Group's continued emphasis on farm-to-table approach, we continue to explore and seek new endeavours to increase productivity and efficiency in operations.

In terms of profitability, the Group reported profit before tax of $4.0 million in FY2014, as compared to $6.8 million in FY2013, which is mainly attributable to increased operational cost. Income tax expenses (including additional tax charges of $0.3 million adjusted from prior year) increased by 58.9% from $1.2 million in FY2013 to $1.9 million in FY2014. In sum, net profit for FY2014 was $2.1 million, a decrease compared with $5.5 million in FY2013. This was mainly due to rising operating expenses from increased cost of utilities, dishwashing and store rental expenses as well as rising administrative expenses from higher staff expenses with increased headcount and increased depreciation expenses.

Through the years, we remain committed to building global brands, while providing safe and quality food at greater value, coupled with excellent service. We are on a global brand-building journey and every initiative taken year-on-year, focuses on propelling us towards realising this vision and goal.

Despite rising costs, the Group managed to review and sustain our operations and continue to forge ahead with productivity initiatives, fortifying efforts in innovation and continuous development of new products through menu launches for various brands.

Strengthening Brand Presence

The Group's continuous emphasis on food safety, incessant efforts in offering new range of quality dining and interesting changes in dishes, as well as periodic launches of new menus, have increased brand loyalty from our customers for our various brands.

Over the year in review, we undertook various marketing activities to extend our customer reach and market share. As part of brand development efforts and to continuously excite the taste buds of our astute customers, we launched a new Sakae Sushi menu in July 2014 with over 120 new high quality selections at reasonable prices. The tantalising menu features unique flavour combinations of Japanese classics with influences from Peranakan, Korean, French and Chinese cuisine. This menu was created with the freshest ingredients specially sourced to pamper our customers' taste buds. Our range of tantalising fresh sashimi selections, skillfully cut by our chefs to the perfect texture, and all our other specially created dishes will provide customers with the greatest satisfaction, especially when enjoyed together with our exclusive range of sake which are sourced and imported directly from a sake brewery in Nagoya, Japan.

We believe that constant innovation is the driving force for growth, and harnessed on digital media to aid the launch our new menu on Sakae Sushi Facebook page with our daily 1-for-1 deals. Customer engagement is of paramount importance amid the dynamic restaurant scene in Singapore, and we constantly strive to go further on this front.

During our 17th Anniversary in 2014, we also launched a promotion reaching out to diners to come savour our fare and participate in our "Eat Sushi, Fly to Japan" campaign. This proved most successful, and perhaps another highlight of our marketing efforts over the year was our sponsorship of mandopop king Jay Chou's Opus Jay 2 Tour. With our success to date, we intend to enhance efforts to tap on various digital platforms and media channels to increase our outreach efforts to our valued customers.

Another brand that has a fast growing segment is our Halal brand, Hei Sushi. Created to widen our outreach into new segments, our menu has evolved greatly to be distinctively differentiated from Sakae Sushi, and includes a wide variety of mouth-watering items such as fusion udon, Japanese steamboat and mini baked rice. The menu has been very well received, and has since attracted not only the Muslim community, but also customers from various cultures, thus increasing our customer base. We have specially created new menu offerings, different from Sakae so that customers can enjoy wider menu selections and also create a unique identity for Hei Sushi.

For lovers of our Sakae Teppanyaki food, we scouted for and introduced a new menu in September 2014. We have delicately designed tantalising sets, which offer customers the 'wow' experience with perfectly matched combinations of dishes at great value. We also created various party sets like two-person and four-person set meals, to aid customers with their desired choices and budgets. To cater to the younger fans at National University of Singapore, our Sakae Express brand also served up an exclusive delectable offering of dishes for the NUS Tembusu College freshmen year programme.

To cater to customers seeking a mid to upscale, premium Japanese dining experience, we created Senjyu which means 'eternity of life'. Located in the heart of Yishun neighbourhood, Senjyu serves up the freshest and finest Japanese food which infuses art and culinary finesse to deliver a memorable gastronomic experience.

In August 2014, we launched a new menu with 80 new premium selections. The refreshed menu features a modern interpretation of traditional Japanese dining that offers delectable fusion fare, prepared with the freshest and finest air-flown ingredients that include signature selections of Wagyu Beef, Live Oysters, 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. Using Senjyu's Singapore Facebook page, we rolled out daily deals, enticing diners who demand a touch of sophistication and class to their palettes as they savour top quality Japanese cuisine.

Achieving Sustainable Growth

At Sakae, we believe in sustainable long-term growth. Through the years, we remain committed to building global brands, while providing safe and quality food at greater value, coupled with excellent service. We are on a global brand-building journey, and every initiative taken year-on-year focuses on propelling us towards realising this vision and goal.

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.

We continue to fortify our effort on improving our core operations while manage our operating costs. While seeking out innovative ways to boost productivity and uniquely market ourselves aggressively against an evolving, intensely competitive restaurant environment, we execute carefully planned strategic moves to expand our business.

We have come this far due to the loyal support from our business partners, associates, valued customers, and last but not least, the resilient and dynamic spirit of all our staff. As we enter our 18th anniversary in 2015, we remain confident in realizing our vision of top brand recall, and remain focused on fortifying our core competencies, while accelerating our efforts to aggressively market our brands to increase brand presence and better engage our customers.

SAVOUR OUR NEW DELECTABLE VARIETIES

At Sakae, we are dedicated to bringing high quality Japanese cuisine at reasonable pricing. With our diversified restaurant concepts and menus, there's always a new reason to dine with us.

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 the 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. 18 years on from our first outlet, Sakae Sushi has attained sustainable growth and 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 food at 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 hastle-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 and our Sakae Automated Teller Machine (ATM) provides customers the flexibility and convenience to order and make payment for take-aways at the outlets.

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

SAKAE DELIVERY

Delectable Japanese food served to your doorstep

Offering right-to-the-doorstep service since 2007, Sakae Delivery was the first in the market to deliver healthy Japanese meals. Having been conceived from a vision to deliver and offer accessibility to every one for quick, healthy Japanese meals, our delivery service is available island-wide, including Jurong Island. Year on year, we see healthy growth in delivery sales in terms of demand, especially during festive seasons.

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

Through our constant customer-centric initiatives, we have provided great convenience to our customers, by enabling online ordering and payment functions, on both our websites and mobile applications.

Thus getting us a step closer to customers' desire of having sushi anytime, anywhere.

SAKAE TEPPANYAKI

Flaming hot Japanese delights

Sakae Teppanyaki has brought 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, fresh oysters and various live fishes. We also have on our menu high quality meats, including Wagyu Beef and wide selections of mushrooms and vegetables. Our uniquely healthy menu will create an unforgettable dining experience.

Sakae Teppanyaki has received rave reviews and is fast becoming a hot favourite among food lovers. Since its debut in January 2007, our teppanyaki menu is available across eight outlets.

Our Brands

SAKAE EXPRESS

Grab-and-go your healthy Japanese delights

Modelled after our flagship brand, Sakae Express caters to health conscious busy individuals on the go. Unlike fast food, Sakae Express pairs the convenience of a grab-and-go concept with healthy Japanese variety.

Sakae Express' presence in the National University of Singapore, has brought its gastronomic offerings to the staff and students of the university, as well as visitors and campus residents. From main courses like Ramen (noodles) to Donburi (rice bowls), and all-time favourite items such as Chawanmushi (steamed egg), assorted Sushi and Sashimi, there is something for everyone.

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 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 have three 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's distinctly Senjyu.

Our Brands

SAKAE SHOPPE

Premium Japanese food at wholesale prices is one mouse click away

Sakae Shoppe takes pride in delighting our customers with premium products at good value. Air flown straight from Japan, our quality products are fresh and handpicked for quality assurance.

Our parent company, Sakae Holdings is most well-known for owning several successful Food & Beverage brands, such as Sakae Sushi, a kaiten sushi restaurant chain that has been serving quality, value-for-money Japanese cuisine to generations here in Singapore.

To meet the growing demand of fresh Japanese cuisine as with those in our well-received menus, Sakae Shoppe was born to provide our customers with the convenience of shopping online for 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 dedicated to becoming our customers' top choice when they decide to shop for premium Japanese produce.

NOUVELLE EVENTS

Singapore's premier Food & Beverage consultants

Set up in 2001, Nouvelle Events has become one of Singapore's 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. 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, pleasing to all senses. Besides offering excellent buffet fare, 'live' stations like ice-crafting Sashimi station, live Teppanyaki station, Crepes station and 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 Events 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. This has helped to grow the business unit, with stronger support to the restaurants in the Sakae family and also extending their B2B arm to distribute sushi and air-flown salmon and seafood products to major hotels and restaurants more effectively and efficiently.

Our Brands

HEI SUSHI

Good quality Halal certified Japanese cuisine

Launched in 2007, Hei Sushi has been serving the community as well as customers who value a kaiten sushi restaurant experience. Hei Sushi bridges the gap for good Japanese cuisine at unbelievably great value. It has attained Halal certification and is accredited by MUIS.

Prior to Hei Sushi, there was simply no available choice for affordable Japanese Halal cuisine. 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) as well as Dim Sum at tea time. Kids are also able to enjoy kiddy sets created specially for them. Furthermore, customers can enjoy dishes crafted with the preferences of the local Muslim community in mind to appeal to a potentially broader customer base.

KYO BY SAKAE

Triple the fun with Teppanyaki, Sushi & Hot Pot all-in-one

Kyo derived from the word 'To-kyo' – the capital of Japan, where the very first Teppanyaki restaurant in Japan was originated. Serving customers since April 2014 in Singapore, Kyo by Sakae offers a 3-in-1 Teppanyaki, Hotpot and Sushi fusion concept targeted at Japanese food lovers seeking to add a touch of DIY or customization to their palettes.

Modelled to resemble our Sakae brand, trendy kaiten sushi belt is set to elevate your dining experience at Kyo. Diners can savour this divine ensemble of sophisticated grilling and simmering from our meticulously selected fresh ingredients, complemented by quintessential Japanese fare.

Portrayed to savour a tantalizing fare of natural and authentic flavours, coupled with pleasant soothing ambience intricate by our hospitable service staff – your experience is elevated to a whole new level. Accentuating the natural simplistic taste of the ingredients, our creations will satisfy the palates of discerning Japanese food connoisseurs.

Our **Brands**

SACHI

Where casual dining, quality and value meet

Our flagship outlet in Marina Bay Financial Center serves up satisfying hot dishes as well as providing a wide range of sushi, sashimi and chinmi assortments. Bringing the food court experience to the next level, Sachi is where casual healthy dining, fresh quality and value meet. Sachi offers a unique assortment of Japanese dishes that will pleasantly surprise and tantalise taste buds while giving sight a visual treat.

To reach out to a wider clientele base, a delivery service was introduced to serve corporate and private customers in the vicinity via its website or hotline.

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 specialises in sweet and savoury crepes. Its aromatic, wafer thin crepes are from a custom blended crepe mixture, unique to Crepes & Cream.

Reflecting its international appeal, its savoury crepes come in an assortment of fillings that cut across various cuisines including Japanese and Italian. With 9 outlets in the Philippines, 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.

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 the headquarters and at all restaurants.

Sakae believes in giving back to society. Through our Sakae Foundation, we have dedicated 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, which currently contributes and supports several charitable beneficiaries, carried out several initiatives ranging from sponsorships for Community Chest, delivering of customized premium bento meals to Radin Mas Senior Citizens' Home, Connosian School, Fernvale Gardens School and conducting tours at our Central Kitchen, and sushi making workshops.

In giving back towards the community, Sakae supports Total Defence Day and provides special discounts to servicemen representing our nation. Sakae Foundation will continue to grow in efforts for philanthropic and voluntary contributions, and leaving happy frog prints in the society.

Board of **Directors**

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

Douglas Foo

Chairman

As Founder and Executive Chairman of the Group, Mr Douglas Foo has led the growth and development of the Group and has since established over 100 outlets across Singapore, China, India, Indonesia, Malaysia, the Philippines, Thailand, Vietnam, U.S.A. and Japan. He continues to spearhead the overall strategic direction and management of the Group's global strategic plans and also its philanthropic initiatives.

Mr Foo is the recipient of numerous illustrious accolades and awards. For displaying top notch business acumen he received the prestigious ASEAN Youth Award in 2004, the Singapore Youth Award (Medal of Commendation) in 2008, the Singapore Youth Award in 2003, Rotary-ASME Entrepreneur of the Year 2012, Top Outstanding Young Person Award 2002 by Junior Chamber International - Singapore, the Yazhou Zhoukan Chinese Entrepreneur Award 2002 (Merit Award), the Health Leader (Excellence) Award 2005 and the National Day Award 2007 - the Public Service Medal (PBM). For his outstanding management action in the Food & Beverage industry, Mr Foo was presented the International Management Action Award by the Chartered Management Institute, Singapore in 2007, the WSQ Champion Award 2010 by the Singapore Workforce Development Agency (WDA) for his notable contributions in promoting the WSQ (Workforce Skills Qualifications) system, the Asean-China Young Entrepreneur Award 2011 and the MCYS Volunteers Award 2012.

In the year 2013, Mr Foo led the Group to be recognised as Honorary Members of the MiDAs League and to be awarded with the SAF Day Certificate of Appreciation, the WSQ Training Excellence Award and We Welcome Families Award. Mr Foo has also received the Solar Pioneer Awards 2012, the Singapore 1000 Award 2012 - Public Listed Company, the Singapore H.E.A.L.T.H. Platinum Award 2008, the Ministry of Home Affairs Award 2008 and the Ministry of Defence Award (Employer) 2008.

Most recently, Mr Foo's tireless efforts in his philanthropic and voluntary contributions to the society were recognised with the Public Service Star Award in 2013 from His Excellency, the President of The Republic of Singapore, amongst his other illustrious recognition attained over the years. Also, In September 2013, Mr Foo was invited to attend the Eisenhower Fellowship in the U.S.A. that provides professionals who have demonstrated exemplary leadership with an intensive and individually designed programme, inspiring 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 director on numerous boards for corporate, governmental and non-profit organisations. He holds a Bachelor Degree in Business Administration (Finance) from the Royal Melbourne Institute of Technology.

Foo Lilian

Executive Director

Ms Foo Lilian was appointed as our Chief Executive Officer with effect from 1 March 2014, and she has been our Executive Director since 2 May 2002. Her responsibilities include strategic planning, overall management, day-to-day operations, business development functions as well as the management of overseas strategic development and store expansion. In 1997, Ms Foo joined the Central Provident Fund Board where she was a database administrator up till February 2000. She subsequently joined Keppel TatLee Bank Limited in March 2000 as an assistant manager. Ms Foo left Keppel TatLee Bank Limited to join our Company in January 2001. She holds a Graduate Diploma in Marketing from The Chartered Institute of Marketing in the United Kingdom, a Bachelor Degree in Science (Information Systems & Computer Science) from the National University of Singapore and a Master's Degree in Business Administration from Leicester University 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 started his career in the Administrative Service in 1981, in the Ministry for Trade and Industry, and joined the Economic Development Board, as well as worked in several Government-linked Corporations thereafter. Mr Chan was an investment banker from 1988 to 1995 at Schroders 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 until 2001. At SembCorp, he held concurrent positions as Chairman of SembMedia, SembFoods, Pacific Internet and Delifrance, and was a board member of Jurong Shipyard. He was also Chairman and CEO of EasyCall Limited from 2001 to 2002. He is currently Deputy President and CFO of the Singapore Institute of Technology, and is a 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 Geoje Sea World Limited.

Nandakumar Ponniya

Independent Director

Mr Nandakumar Ponniya 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. Mr Ponniya 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 to his active practise, Mr Ponniya serves on the Inquiry Panel of the Law Society of Singapore and is an accredited Associate Mediator of the Singapore Mediation Centre. He is also an adjunct assistant professor at the National University of Singapore. In the region, Mr. Ponniya is a visiting lecturer at Universities Pelita Harapan in Indonesia.

Key **Management**

Gladys Lim Cheng Leng

Managing Director – Nouvelle Events

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.

Doris Yoong Sook Ling

Director of Operations (Malaysia)

Ms Yoong joined the Group in October 2010 and is currently managing the operations in Malaysia as well as spearheading the Group's strategic development and expansion in Malaysia. Prior to joining the Group, Ms Yoong has worked in the Food & Beverage Industry for more than 18 years. She was the General Manager in TT Resources M Sdn Bhd - Western & Fusion divisions for 2 years. She has also worked for other companies such as Seven Seven Convenient Stores, CDL Hotels Group and Shangri-La Hotel. She holds a Diploma in Hotel & Catering 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 she 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.

Celestine Leong

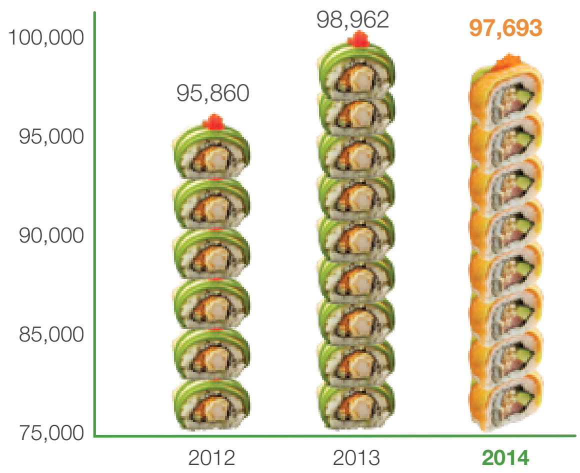
Head – Human Resource

Ms Celestine Leong is responsible for the full spectrum of human resource functions of the Company. Prior to joining the Group, Ms Leong has amassed a wealth of experience through her 23 years of HR experience across the Food & Beverage, service and retail verticals. She holds a Bachelor Degree in Commerce from the University of Queensland.

Financial Highlights

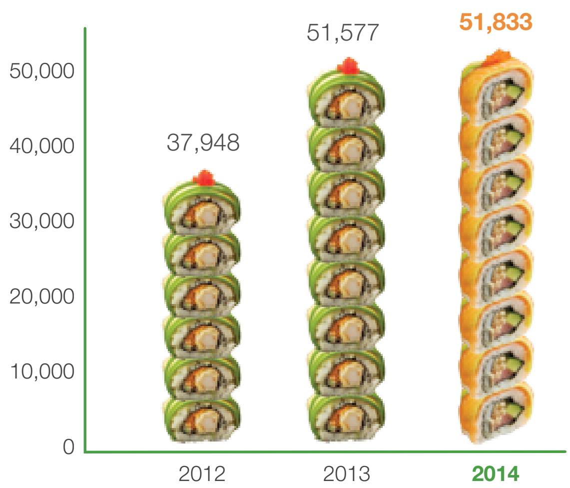
Results	2012 $'000	2013 $'000	2014 $'000
Revenue	95,860	98,962	**97,693**
Profit before associates and tax ("Operating profits before tax")	6,073	8,352	**5,080**
Profit before tax	(4,395)	6,763	**4,046**
Profit attributable to shareholders	(6,751)	5,365	**2,091**
Non-current assets	65,813	81,317	**80,799**
Non-current liabilities	18,377	19,084	**17,513**
Total equity / Net tangible assets ("NTA")	37,948	51,577	**51,833**
Net assets per share (cents)	26.72	36.98	**37.16**
Earnings per share ("EPS") (cents)	(4.75)	3.85	**1.50**

Revenue ($'000)

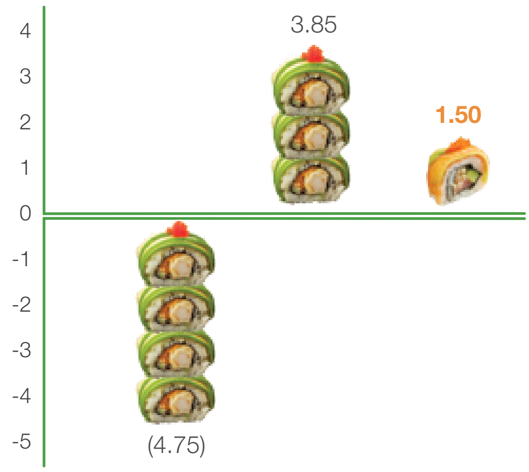


Operating profits before tax ($'000)

NTA ($'000)



EPS (cents)



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
(Non-Executive and Independent Director)

Audit Committee

Lim Chee Yong *(Chairman)*
Chan Wing Leong
Nandakumar Ponniya

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
Singapore 534106
Company Registration No. 199604816E
Tel: (65) 6438 6629
Fax: (65) 6438 6639

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place, #32-01
Singapore Land Tower
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

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 2014 ("FY2014"), 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 two 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. The Company's Articles of Association permits a Board meeting to be conducted by way of tele-conference and video-conference.

Corporate Governance Report

The number of Board and Board Committee Meetings held in FY2014 and the attendance of each member of the Board is presented below. 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).

	Board		Audit Committee	
Name of Director	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Douglas Foo Peow Yong	2	2	–	–
Foo Lilian	2	2	–	–
Lim Chee Yong	2	2	2	2
Chan Wing Leong	2	2	2	2
Nandakumar s/o Ponniya	2	2	2	2

	Remuneration Committee		Nominating Committee	
Name of Director	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 s/o Ponniya	–	–	–	–

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.

The Company worked closely with a professional corporate secretarial firm, 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"). 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 s/o Ponniya	(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. The Nominating Committee adopts the definition of what constitutes an Independent Director from the 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 beyond nine years. The Board considers each of the Directors brings a high level of experience and understanding about the Company and its industry, experience and knowledge which is ultimately beneficial to the Company and its members. 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 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.

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.

Corporate Governance Report

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.

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;

(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.

Corporate Governance Report

PARTICULARS OF DIRECTORS AS AT 31 DECEMBER 2014

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	20 April 2012	Executive Director / Chief Executive Officer	None	Director of Sakae Group of companies
Lim Chee Yong	14 July 2003	19 April 2013	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	19 April 2013	Non-Executive and Lead Independent Director	Chairman of Remuneration Committee, Member of Audit Committee and Nominating Committee	Deputy President (Administration) of Singapore Institute of Technology Director of NTUC Link Pte Ltd
Nandakumar s/o Ponniya	14 March 2011	23 April 2014	Non-Executive and Independent Director	Member of Audit Committee	Independent director of Aussino Group Ltd. which has been delisted on 30 January 2014 Partner of White & Case Pte. Ltd.

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.

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

Corporate Governance Report

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 s/o Ponniya 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. 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.

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 and the contribution of each Director to the effectiveness of the Board in the financial year 2014. 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 assessment concentrated on a number of factors, including achievement of financial targets, performance of the Board, performance of each Director vis-à-vis attendance and contributions during board meetings. The NC has assessed the current Board's performance to-date and 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.

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, 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'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.

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.

Corporate Governance Report

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.

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 FY2014.

Remuneration band & name of directors	**Salary**	**Bonus**	**Directors' Fees**	**Incentive and other benefits**	**Total**
	%	%	%	%	%
$500,000 to below $750,000					
Douglas Foo Peow Yong	57.0	4.0	–	39.0	100
$250,000 to below $500,000					
Foo Lilian	57.0	4.0	–	39.0	100
Below $250,000					
Lim Chee Yong	–	–	100	–	100
Chan Wing Leong	–	–	100	–	100
Nandakumar s/o Ponniya	–	–	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	54.0	3.0	43.0	100
Below $250,000				
Voon Sze Yin	93.0	7.0	–	100
Celestine Leong	100.0	–	–	100
Doris Yoong Sook Ling	50.0	8.0	42.0	100
Andy Liu Hong Wei	99.0	1.0	–	100

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, 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.

Corporate Governance Report

For the financial year ended 31 December 2014, 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 $50,000 and $100,000.

The Company has a share option scheme known as Sakae Employee Share Option Scheme (the "ESOS") which was approved by shareholders of the Company. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS is administered by the RC. No options were granted under the ESOS during the FY2014. For more details on the ESOS, please refer to the Report of the Directors of this Annual Report as well as prospectus of the Company dated 18 August 2003.

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. The Scheme is to complement the ESOS. 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 half-yearly results reporting. The Company will continue to provide an assessment of the Group's position and prospects on half-yearly basis.

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, 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 2014. The Board received assurance in writing from the Chief Executive Officer, Ms Foo Lilian and Chief Financial Officer, Ms Voon Sze Yin, that the financial records have been properly maintained and financial statements of the Company give a true and fair view of the Company's operations and finance. The assurance from Ms Foo Lilian 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 2014, the AC comprises of Mr Lim Chee Yong, Mr Chan Wing Leong and Mr Nandakumar s/o Ponniya. 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 internal and 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 96 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.

Principle 13: Internal Audit

KPMG Services Pte Ltd was 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 internal audit function is adequately resourced and has appropriate standing within the Company.

The internal auditors, KPMG 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.

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.

Corporate Governance Report

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 declared a final tax exempt (1-tier) dividend for the financial year ended 31 December 2014.

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. 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. 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. 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 23 April 2014 in accordance with the provisions of the Company's Articles of Association. Given the implementation period for the Company to transit to mandatory voting by poll and for cost effectiveness, the Company will put all resolutions to vote by poll in year 2016.

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.

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 one month before the announcement of the Company's half year and full year financial results and ending on the date of the announcement of such financial results.

Corporate Governance Report

MATERIAL CONTRACTS

(Listing Manual Rule 1207(8))

Save for the following, 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 2014.

1. The service agreements dated 18 July 2003, with the compensation component being replaced by the new compensation package approved by the Remuneration Committee on 17 December 2010, between the Executive Directors and the Company.

2. The Original Management Agreement dated 23 February 2010 entered into by GCM and GREIH and as amended by supplemental agreements dated 3 September 2010 and 20 December 2010 pursuant to which GCM agreed to provide GREIH with general strategic and financial planning services, management and administration services and other services relating to the business and operations of the Property held by GREIH.

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.

There were no interested person transactions entered into during the FY2014.

Report of the Directors

The directors present their report 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, 2014.

1 DIRECTORS

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

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

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:

	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
Name of directors and Company in which interests are held	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
<u>The Company</u>		<u>Ordinary shares</u>		
Douglas Foo Peow Yong	77,926,740	77,926,740	14,000,100	14,000,100
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.

The directors' interests in the shares of the Company at January 21, 2015 were the same at December 31, 2014.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

5 SHARE OPTIONS

(a) The Sakae Employees' Share Option Scheme ("the ESOS") was approved by the shareholders of the Company at an Extraordinary General Meeting held on July 14, 2003.

The committee administering the Scheme comprises:

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

Under the Share Option Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares in the Company comprised in the option at the subscription price per share determined with reference to the market price of the shares at the time of grant of the option. The Share Option Committee may at its discretion, fix the subscription price at a discount up to 20% off market price. Options granted with the subscription price set at the market price shall only be exercised after the first anniversary of the date of grant of that option. Options granted with the market price set at a discount to the market price shall only be exercised after the second anniversary. The shares under option may be exercised in whole or in part on the payment of the relevant subscription price. Options granted under the ESOS will have a life span of ten years.

There were no unissued shares of the Company under options granted pursuant to the Share Option Scheme.

(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) During the financial year, no option to take up unissued shares of the Company or its subsidiaries was granted and there were no shares of the Company or its subsidiaries issued by virtue of the exercise of an option to take up unissued shares.

(d) At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Report of the Directors

6 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 Ponniya. The Audit Committee has met two 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 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.

7 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

March 31, 2015

Statement of Directors

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 44 to 101 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014, and of the results, 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.

ON BEHALF OF THE DIRECTORS

Douglas Foo Peow Yong

Foo Lilian

March 31, 2015

Independent Auditors' Report

To the members of Sakae Holdings Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Sakae Holdings Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 101.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that gives a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Bases for Qualified Opinion

a) As disclosed in Note 2 to the financial statements, the Group has not apply 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, 2014 and 2013.

   The non-equity accounting of its investment in the associates, GREIH and GCM, for the financial years ended December 31, 2014 and 2013 is not in accordance with FRS 28 *Investments in Associates and Joint Ventures*.

   As only unaudited management accounts of GREIH and GCM were made available to the Company 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.

Independent Auditors' Report

To the members of Sakae Holdings Ltd.

b) As disclosed in Note 2 to the financial statements, given the uncertainty 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, 2014 and 2013.

Our opinion on the auditors' report for the financial statements for the year ended December 31, 2013 was qualified on the same basis.

Qualified Opinion

In our opinion, except for the possible effects of the matters referred to in the Bases for Qualified Opinion paragraphs, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 31, 2015

Statement of Financial Position

As at 31st December 2014

	Note	Group 2014	Group 2013	Company 2014	Company 2013
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	11,313	11,078	2,191	3,257
Trade receivables	8	2,040	1,629	1,767	1,452
Other receivables and prepayments	9	8,208	7,512	4,957	4,633
Inventories	10	2,491	2,690	1,493	1,534
Held for trading investments	11	775	–	–	–
Total current assets		24,827	22,909	10,408	10,876
Non-current assets					
Subsidiaries	12	–	–	10	–
Due from subsidiaries	12	–	–	21,503	15,447
Associates	13	–	–	–	–
Property, plant and equipment	14	76,595	78,139	65,878	66,540
Investment properties	15	3,369	2,311	–	–
Goodwill	16	835	867	–	–
Total non-current assets		80,799	81,317	87,391	81,987
Total assets		105,626	104,226	97,799	92,863
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank loans	17	22,345	18,426	22,345	18,426
Trade payables	18	6,514	7,548	4,121	4,977
Accruals		6,466	6,354	3,424	3,777
Due to subsidiaries	12	–	–	4,401	8
Income tax payable		999	1,115	915	902
Total current liabilities		36,324	33,443	35,206	28,090
Non-current liabilities					
Bank loans	17	8,836	10,480	8,836	10,480
Deferred tax liabilities	19	8,677	8,604	8,383	8,327
Total non-current liabilities		17,513	19,084	17,219	18,807
Capital, reserves and non-controlling interests					
Issued capital	20	10,736	10,736	10,736	10,736
Treasury shares	21	(892)	(892)	(892)	(892)
Capital reserve		166	–	–	–
Currency translation reserve		(471)	(343)	–	–
Revaluation reserve	22	39,624	38,708	38,890	38,026
Accumulated profits (losses)		2,670	3,368	(3,360)	(1,904)
Equity attributable to equity holders of the Company		51,833	51,577	45,374	45,966
Non-controlling interests		(44)	122	–	–
Total equity		51,789	51,699	45,374	45,966
Total liabilities and equity		105,626	104,226	97,799	92,863

See accompanying notes to the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31st December 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)
Revenue	23	97,693	98,962
Cost of sales		(28,568)	(27,817)
Gross profit		69,125	71,145
Other operating income	24	4,491	3,844
Administrative expenses		(42,376)	(41,294)
Other operating expenses		(25,709)	(24,899)
Non-operating expenses		(1,034)	(1,589)
Finance costs - interest expense on bank loans		(451)	(444)
Profit before income tax		4,046	6,763
Income tax expense	25	(1,955)	(1,230)
Profit for the year	26	2,091	5,533
Profit attributable to:			
Equity holders of the Company		2,091	5,365
Non-controlling interests		–	168
		2,091	5,533
Basic and diluted earnings per share (cents)	27	1.50	3.85

See accompanying notes to the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31st December 2014

	Note	Group 2014 $'000	Group 2013 $'000
Profit for the year	26	2,091	5,533
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of properties	22	1,113	13,511
Deferred tax liability relating to revaluation of properties	19	(197)	(2,407)
		916	11,104
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		(128)	148
Other comprehensive income for the year, net of tax		788	11,252
Total comprehensive income for the year		2,879	16,785
Total comprehensive income attributable to:			
Equity holders of the Company		2,879	16,617
Non-controlling interests		–	168
		2,879	16,785

See accompanying notes to the financial statements.

Statement of Changes in Equity

Year ended 31st December 2014

	Issued capital	Treasury shares	Capital reserve	Currency translation reserve	Revaluation reserve	Accumulated profits (losses)	Attributable to equity holders of the Company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Balance at January 1, 2013	10,736	–	–	(491)	27,604	99	37,948	(46)	37,902
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	5,365	5,365	168	5,533
Other comprehensive income	–	–	–	148	11,104	–	11,252	–	11,252
Total	–	–	–	148	11,104	5,365	16,617	168	16,785
Transactions with owners, recognised directly in equity									
Repurchase of shares (Note 21)	–	(892)	–	–	–	–	(892)	–	(892)
Dividends paid (Note 28)	–	–	–	–	–	(2,096)	(2,096)	–	(2,096)
Total	–	(892)	–	–	–	(2,096)	(2,988)	–	(2,988)
Balance at December 31, 2013	10,736	(892)	–	(343)	38,708	3,368	51,577	122	51,699
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	2,091	2,091	–	2,091
Other comprehensive income	–	–	–	(128)	916	–	788	–	788
Total	–	–	–	(128)	916	2,091	2,879	–	2,879
Transactions with owners, recognised directly in equity									
Movement during the year	–	–	166	–	–	–	166	(166)	–
Dividends paid (Note 28)	–	–	–	–	–	(2,789)	(2,789)	–	(2,789)
Total	–	–	166	–	–	(2,789)	(2,623)	(166)	(2,789)
Balance at December 31, 2014	10,736	(892)	166	(471)	39,624	2,670	51,833	(44)	51,789
Company									
Balance at January 1, 2013	10,736	–	–	–	27,033	(4,105)	33,664	–	33,664
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	4,297	4,297	–	4,297
Other comprehensive income	–	–	–	–	10,993	–	10,993	–	10,993
Total	–	–	–	–	10,993	4,297	15,290	–	15,290
Transactions with owners, recognised directly in equity									
Repurchase of shares (Note 21)	–	(892)	–	–	–	–	(892)	–	(892)
Dividends paid (Note 28)	–	–	–	–	–	(2,096)	(2,096)	–	(2,096)
Total	–	(892)	–	–	–	(2,096)	(2,988)	–	(2,988)
Balance at December 31, 2013	10,736	(892)	–	–	38,026	(1,904)	45,966	–	45,966
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	1,333	1,333	–	1,333
Other comprehensive income	–	–	–	–	864	–	864	–	864
Total	–	–	–	–	864	1,333	2,197	–	2,197
Transactions with owners, recognised directly in equity									
Dividends paid (Note 28)	–	–	–	–	–	(2,789)	(2,789)	–	(2,789)
Total	–	–	–	–	–	(2,789)	(2,789)	–	(2,789)
Balance at December 31, 2014	10,736	(892)	–	–	38,890	(3,360)	45,374	–	45,374

See accompanying notes to the financial statements.

Consolidated Statement of Cash Flows

Year ended 31st December 2014

	Group	
	2014	2013
	$'000	$'000
Operating activities		
Profit before income tax	4,046	6,763
Adjustments for:		
Depreciation of property, plant and equipment	6,346	5,358
Depreciation of investment property	24	6
Amortisation of prepaid lease	51	51
Gain on disposal of property, plant and equipment, net	(13)	(18)
Write-off of property, plant and equipment	77	211
Write-back of impairment of property, plant and equipment	–	(18)
Impairment loss recognised on trade receivables	60	–
Impairment loss recognised on other receivables	64	–
Fair value loss on quoted shares	275	–
Unrealised foreign exchange loss	28	509
Interest expense	451	444
Interest income	(148)	(120)
Operating cash flows before movements in working capital	11,261	13,186
Trade receivables	(471)	440
Other receivables and prepayments	(811)	(476)
Inventories	199	(1,100)
Trade payables	(1,034)	151
Accruals	112	1,019
Cash generated from operations	9,256	13,220
Interest paid	(451)	(444)
Interest received	148	120
Income taxes and withholding taxes paid	(2,186)	(1,182)
Net cash from operating activities	6,767	11,714
Investing activities		
Proceeds on disposal of property, plant and equipment	22	48
Purchase of property, plant and equipment	(5,114)	(8,066)
Investments in quoted shares	(1,050)	–
Net cash used in investing activities	(6,142)	(8,018)
Financing activities		
Dividends paid	(2,789)	(2,096)
Proceeds from bank loans	3,900	6,650
Repayment of bank loans	(1,625)	(5,147)
Purchase of treasury shares (Note 21)	–	(892)
Net cash used in financing activities	(514)	(1,485)
Net increase in cash and cash equivalents	111	2,211
Cash and cash equivalents at beginning of year	11,078	8,754
Effects on exchange rate changes on the balance of cash held in foreign currencies	124	113
Cash and cash equivalents at end of year	11,313	11,078

See accompanying notes to the financial statements.

Notes to the Financial Statements

31st December 2014

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 and associates are disclosed in Notes 12 and 13 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, 2014 were authorised for issue by the Board of Directors on March 31, 2015.

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 presently holds a 24.69% equity stake in GREIH. The Company invested $4,000,000 and $2,642,000 in GREIH in January 2011 and June 2013 respectively and $150,000 in GCM in January 2011. The details of the Company's investments in GREIH and GCM are described in Note 13 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 in 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, the reliability of the associates' Management Accounts was considered questionable by the management for 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, and its share of associates' results in GREIH and GCM for the financial years ended December 31, 2014, 2013 and 2012 were not accounted for.

(d) In February 2013, the Company commenced an action 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

31st December 2014

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

(e) In December 2013, the Company also filed two separate actions in the High Court of Singapore 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 is seeking various reliefs from the High Court of Singapore, 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) There exists uncertainty in relation to the developments and outcome of (a) the present litigation involving GREIH and GCM and, (b) the Company's report on this matter relating to GREIH to the Commercial Affairs Department. As such, 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 as at December 31, 2014 and 2013 as shown in Note 13 to the financial statements.

(g) In September 2014, the shareholder of GREIH, Gryphon Real Estate Investment Corporation Pte. Ltd. ("GREIC") commenced another action against the Company and 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.

(h) Despite the full allowance for impairment loss being made in the financial statements, the Company is committed to continue to pursue the present litigation vigorously and will take all necessary steps to recover the value of its investments in the associates. The legal fees incurred during the year by the Company with respect to the proceedings highlighted in the points above were $1,034,000 (2013 : $1,458,000). 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.

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*.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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, 2014, 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 except as disclosed below:

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In September 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 27 (as revised in 2011) *Separate Financial Statements* and FRS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these Standards.

In the current year, the Group has applied for the first time FRS 110, FRS 112 and FRS 28 (as revised in 2011), together with the amendments to FRS 110 and FRS 112 regarding the transitional guidance.

The impact of the application of these Standards is set out below.

Impact of the application of FRS 110 *Consolidated Financial Statements*

FRS 110 replaces the parts of FRS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and INT FRS 12 *Consolidation* – Special Purpose Entities. FRS 110 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in FRS 110 to explain when an investor has control over an investee.

Notes to the Financial Statements

31st December 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impact of the application of FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements

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

- FRS 109 *Financial Instruments*(1)
- FRS 115 *Revenue from Contracts with Customers*(2)
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*(3)
- Improvements to Financial Reporting Standards (January 2014)(4)

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

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

(3) Applies to annual periods beginning on or after January 1, 2016, with early application permitted.

(4) Applies to annual periods beginning on or after July 1, 2014, with early application permitted.

Management anticipates that the adoption of new FRSs, INT 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 (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 investments 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

31st December 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 109 *Financial Instruments (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.

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.

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.

FRS 115 will take effect from financial years beginning on or after January 1, 2017. The Group is currently evaluating the impact of the changes in the period of initial adoption and does not expect it to be material.

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.

- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.

- Presentation of items of other comprehensive income ("OCI") arising from equity accounted investments - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.

- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

Notes to the Financial Statements

31st December 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Improvements to Financial Reporting Standards (January 2014)

Standard	Topic	Key Amendment
FRS 108 *Operating Segments*	Aggregation of Operating Segments	Amendments require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics.
	Reconciliation of the total of the reportable segments' assets to the entity's assets	Clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	Revaluation method: Proportionate restatement of accumulated depreciation/ amortisation	Removed perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended requirements calrify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The amended requirements also clarify that the accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
FRS 24 *Related Party Disclosures*	Key management personnel	Clarified that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However disclosure of the components for such compensation is not required.

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.

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.

Notes to the Financial Statements

31st December 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the Company's financial statements, investments in subsidiaries and associates 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 in accordance with FRS 39 *Financial Instruments: Recognition and Measurement, or FRS 37 Provisions, Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being 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 the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payments*; 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.

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.

The accounting policy for initial measurement of non-controlling interests is described above.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 instrument.

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.

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" 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 term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company 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
- 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 Company'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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement 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 the 'other gains and losses' line item in the statement of comprehensive income.

Notes to the Financial Statements

31st December 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Loans and receivables

Trade receivables 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 recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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.

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Trade payables and other payables

Trade payables and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method except for short-term payables when the recognition of interest would be immaterial.

Bank loans

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

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.

Notes to the Financial Statements

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 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%
Leasehold building	-	1.67%
Restaurant equipment	-	20%
Renovation	-	20%
Furniture and fitting	-	20%
Computers	-	100%
Motor vehicles	-	20%
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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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%
Freehold property	-	1.00%

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

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.

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.

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 - 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.

Notes to the Financial Statements

31st December 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The results and assets and liabilities of associates 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 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. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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.

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. 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 when the investment is classified as held for sale. When the Group retains an interest in the former associate 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 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 is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate 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 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 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 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.

Notes to the Financial Statements

31st December 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 increased 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.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and 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.

<u>Sale of goods</u>

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.

Notes to the Financial Statements

31st December 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Service charges and management fees

Service charges and management fees 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.

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 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 income statement 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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, 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.

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. 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.

Notes to the Financial Statements

31st December 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 not involving a change of accounting basis), 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 (attributed to minority interest, as appropriate).

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 CASH FLOW STATEMENT - Cash and cash equivalents in the statement of cash flow comprise cash at bank and on hand and fixed 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.

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

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 for the financial years ended December 31, 2014 and 2013 that were provided by the associates' management to be unrealiable. 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, 2014 and 2013.

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(f), 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 for the financial years ended December 31, 2014 and 2013.

(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 29). 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 (2013 : 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. Accordingly, the Group has exercised judgement using principles of FRS 40 in accounting for the entire leasehold building as property, plant and equipment.

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 16. The carrying amount of goodwill at the end of the reporting period was $835,000 (2013 : $867,000).

Notes to the Financial Statements

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

(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 14 to the financial statements.

(c) Investment in and receivables from subsidiaries

The Company assesses annually whether its investment in and receivables from its subsidiaries have any indication of impairment in accordance with the accounting policy. Management made the assessment based on existing financial performance as well as operating profit forecasts of certain subsidiaries and is confident that the allowance for impairment, where necessary, is adequate. The carrying amounts of the investments and receivables from subsidiaries are disclosed in Note 12 to the financial statements.

(d) Allowances for bad and doubtful debts

The determination of the allowances for bad and doubtful debts of the Group and Company is based on the evaluation of collectability and aging analysis of trade and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial condition of the customers of the Group and Company was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at December 31, 2014 and 2013, the Group has determined that no allowances for bad and doubtful debts is necessary other than those included in Note 8 and 9. The carrying amounts of the trade and other receivables are disclosed in Notes 8 and 9 to the financial statements.

(e) Valuation of freehold land and building and leasehold building

As described in Note 14, the Group's freehold land and building 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, 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 2014, the Group recognised a revaluation surplus of $864,000 (2013 : $10,993,000), net of deferred tax, on the building. As at December 31, 2014, the adjusted carrying amount of the building was $60.0 million (2013 : $60.0 million).

In determining the fair value of the Group's freehold land and building, based on the valuation report of the professional valuer, the allocation of the market valuation between freehold land and building as at December 31, 2014 were RM7,050,000 ($2,677,000) [2013 : RM6,940,000 ($2,690,000)] and RM3,765,000 ($1,430,000) [2013 : RM3,765,000 ($1,460,000)] respectively. As at December 31, 2014, the net revaluation surplus for freehold land and building amounting to RM84,000 ($32,000) [2013 : RM188,000 ($74,000)] and RM59,000 ($22,000) [2013 : RM102,000 ($37,000)], net of deferred tax have been recorded in the revaluation reserve respectively.

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

(f) 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 14 to the financial statements.

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets				
Loans and receivables				
(including cash and cash equivalents)	20,301	18,785	7,934	8,181
Held for trading investments	775	–	–	–
Financial liabilities				
Amortised cost	44,161	42,808	43,127	37,668

(b) 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.

(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.

The Group's exposure to foreign exchange risk is minimal as the Group's foreign currency denominated balances at the end of the financial year is minimal. Hence, no sensitivity analysis is performed and presented.

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

(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, 2014 would decrease/increase by $8,000 and $46,000 respectively (2013 : the Group's and Company's loss for the year ended December 31, 2013 would decrease/increase by $20,000 and $49,000 respectively). This is mainly attributable to the Group's and Company's exposure to interest rates on its variable rate borrowings.

(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 receivable.

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 without taking account of the value of any collateral obtained.

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

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

(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, 2014, the Group and the Company had a net current liability position of $11,497,000 (2013 : $10,534,000) and $24,798,000 (2013 : $17,214,000) respectively. Management is of the view that the Group and the Company will be able to operate as going concern on the following grounds:

a) The Group and the Company's operations are expected to continue to contribute positively to the cash flows;

b) As at December 31, 2014, the Group and the Company had sufficient undrawn borrowing facilities in respect of which all conditions precedent had been met; and

c) At the end of the reporting period, the Group and the Company have short-term revolving bank loans of $20,700,000 (2013 : $16,800,000) which are renewable at maturity.

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 liability 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						
2014						
Non-interest bearing	–	12,980	–	–	–	12,980
Fixed interest rate instruments	1.55	21,021	–	–	(321)	20,700
Variable interest rate instruments	0.96	1,812	7,250	1,985	(566)	10,481
		35,813	7,250	1,985	(887)	44,161
2013						
Non-interest bearing	–	13,902	–	–	–	13,902
Fixed interest rate instruments	1.45	17,043	–	–	(243)	16,800
Variable interest rate instruments	1.65	1,812	7,399	3,626	(731)	12,106
		32,757	7,399	3,626	(974)	42,808

Notes to the Financial Statements

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5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS 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						
2014						
Non-interest bearing	–	11,946	–	–	–	11,946
Fixed interest rate instruments	1.55	21,021	–	–	(321)	20,700
Variable interest rate instruments	0.96	1,812	7,250	1,985	(566)	10,481
		34,779	7,250	1,985	(887)	43,127
2013						
Non-interest bearing	–	8,762	–	–	–	8,762
Fixed interest rate instruments	1.45	17,043	–	–	(243)	16,800
Variable interest rate instruments	1.65	1,812	7,399	3,626	(731)	12,106
		27,617	7,399	3,626	(974)	37,668

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.

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS 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
Group						
2014						
Non-interest bearing	–	12,124	–	–	–	12,124
Variable interest rate instruments	1.51	9,087	–	–	(135)	8,952
Fixed interest rate instruments	–	–	–	–	–	–
		21,211	–	–	(135)	21,076
2013						
Non-interest bearing	–	10,232	–	–	–	10,232
Variable interest rate instruments	1.12	8,245	–	–	(92)	8,153
Fixed interest rate instruments	3.20	413	–	–	(13)	400
		18,890	–	–	(105)	18,785
Company						
2014						
Non-interest bearing	–	6,661	–	–	–	6,661
Variable interest rate instruments	0.01	1,273	–	–	–	1,273
		7,934	–	–	–	7,934
2013						
Non-interest bearing	–	5,924	–	–	–	5,924
Variable interest rate instruments	0.01	2,257	–	–	–	2,257
		8,181	–	–	–	8,181

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, accruals and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of held for trading investments and bank loans are disclosed in Note 11 and Note 17 to the financial statements respectively.

The Group and Company had no other financial assets or financial liabilities carried at fair value in 2013 and 2014.

Notes to the Financial Statements

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

(c) *Capital risk 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 17, and equity attributable to the equity holders of the Company, comprising issued capital as disclosed in Note 20, reserves and accumulated profits. The Group and the Company is required to maintain certain financial ratios in order to comply with a covenant in a loan agreement with a bank.

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 loan covenant imposed by a bank. 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. The Group and the Company is in compliance with externally imposed capital requirements for the financial years ended December 31, 2014 and 2013.

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.

During the year, there was $Nil (2013 : $18,000) of royalty income from a related party.

<u>Compensation of directors and key management personnel</u>

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

	Group	
	2014	**2013**
	$'000	**$'000**
Short-term benefits	2,358	1,805
Post-employment benefits	69	76
Total	2,427	1,881

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

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7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash at bank	11,223	10,571	2,149	3,192
Fixed deposits	–	400	–	–
Cash on hand	90	107	42	65
Cash and cash equivalents	11,313	11,078	2,191	3,257

Bank balances and cash 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.

In 2013, fixed deposits placed with banks earn interest at 3.20% per annum and have maturity period of 180 days.

8 TRADE RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Outside parties	2,736	2,311	2,463	2,134
Related party (Note 6)	64	18	64	18
Less: Allowance for impairment loss	(760)	(700)	(760)	(700)
	2,040	1,629	1,767	1,452

The average credit period on sales of goods is 45 days (2013 : 45 days). No interest is charged on the overdue trade receivables. Allowance for doubtful trade receivables are made on a case-by-case basis based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

45% (2013 : 38%) of the Group's trade receivables and 37% (2013 : 37%) 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 four (2013 : one) 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 $1,117,000 (2013 : $1,009,000) and $1,113,000 (2013 : $912,000) 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

31st December 2014

8 TRADE RECEIVABLES (cont'd)

The table below is an analysis of trade receivables as at December 31:

	Group		Company	
	2014	2013	2014	2013
	zx	$'000	$'000	$'000
Not past due and not impaired	923	620	654	540
Past due but not impaired (i)	1,117	1,009	1,113	912
	2,040	1,629	1,767	1,452
Impaired receivables - individually assessed (ii)	760	700	760	700
Less: Allowance for impairment	(760)	(700)	(760)	(700)
	–	–	–	–
Total trade receivables, net	2,040	1,629	1,767	1,452

(i) Aging of receivables that are past due but not impaired

	Group 2014	Group 2013	Company 2014	Company 2013
1 to 30 days	337	513	337	427
31 to 60 days	124	141	124	145
61 to 90 days	82	93	82	89
91 to 120 days	574	262	570	251
	1,117	1,009	1,113	912

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

Movement in the allowance for impairment of bad and doubtful debts:

	Group and Company	
	2014	2013
	$'000	$'000
Balance at beginning of the year	700	700
Impairment loss recognised in profit or loss	60	–
Balance at end of the year	760	700

9 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Other receivables	1,295	732	353	134
Less: Allowance for impairment loss	(64)	–	–	–
	1,231	732	353	134
Deposits	5,367	5,346	3,273	3,338
Prepayments	1,260	1,434	981	1,161
Government grant receivable	350	–	350	–
Total	8,208	7,512	4,957	4,633

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 $64,000 which was provided for debts which are past due and impaired, there are no other receivables which are past due and not impaired at the end of the reporting period. Management considers other receivables that are neither past due nor impaired to be of good credit quality.

10 INVENTORIES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Beverages and food supplies	1,967	2,114	1,105	1,142
Non-food supplies	398	395	295	297
Merchandise	126	181	93	95
	2,491	2,690	1,493	1,534

There is no write-down of inventories during the year and in prior year.

11 HELD FOR TRADING INVESTMENTS

	Group	
	2014	2013
	$'000	$'000
Quoted equity shares, at fair value	775	–

The investment above includes investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. 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 shares are classified as level 1 in the fair value hierarchy.

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12 SUBSIDIARIES

	Company 2014 $'000	Company 2013 $'000
Unquoted equity shares, at cost	364	354
Less: Allowance for impairment loss	(354)	(354)
Net	10	–
Due from subsidiaries	34,329	28,273
Less: Allowance for impairment loss	(12,826)	(12,826)
Net	21,503	15,447
Due to subsidiaries	4,401	8

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.

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

	Company 2014 $'000	Company 2013 $'000
Balance at beginning of the year	12,826	13,242
Amount written off	–	(416)
Balance at end of the year	12,826	12,826

Management carried out a review of the investments in subsidiaries and amount due from subsidiaries having regard to the existing performance of the subsidiaries that had indicators of impairment. The review led to an accumulated impairment loss on investment of $354,000 (2013 : $354,000) and impairment loss on receivables of $12,826,000 (2013: $12,826,000) as at year end.

Details of the Group's significant subsidiaries are as follows:

Subsidiaries	Effective equity interest and voting power held by the Group 2014 %	2013 %	Country of incorporation (or registration) and operations	Principal activities
Held by the Company				
Apex-Pal Investment Pte. Ltd. (1)	100	100	Singapore	Investment holding
Sakae Corporate Advisory Pte. Ltd.	100	–	Singapore	Provision of corporate advisory services
Held by subsidiaries				
Alliance Support Services Pte Ltd (6)	100	100	Singapore	Provision of cleaning services
Apex-Pal International (Beijing) Ltd (3)	100	100	People's Republic of China	Provision of food and beverage consultancy and management services

12 SUBSIDIARIES (cont'd)

Subsidiaries	Effective equity interest and voting power held by the Group		Country of incorporation (or registration) and operations	Principal activities
	2014	2013		
	%	%		
Held by subsidiaries				
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. [5]	100	100	People's Republic of China	Operation of restaurants, kiosks and cafes
Nouvelle Events Sdn Bhd [2]	100	100	Malaysia	Operation of restaurants and centralised kitchen functions
Oishi Sushi Pte Ltd [6]	100	100	Singapore	Operation of restaurants, kiosks and cafes
Sakae Kyo Pte Ltd [6]	100	100	Singapore	Operation of restaurants, kiosks and cafes
Sakae Sushi (Scape) Pte Ltd [6]	100	100	Singapore	Operation of restaurants, kiosks and cafes
Sakae Sushi (J8) Pte Ltd [6]	100	100	Singapore	Operation of restaurants, kiosks and cafes
Swift Equity Sdn Bhd [2]	100	100	Malaysia	Provision of centralised management functions
Yummy Venture Pte Ltd [6]	100	100	Singapore	Operation of restaurants, kiosks and cafes

Notes on auditors

(1) Audited by Deloitte & Touche LLP, Singapore

(2) Audited by Beh, Lee & Associates

(3) Audited by Dongshen (Beijing) Certified Public Accountants Co., Ltd.

(4) Audited by Deloitte Kassim Chan

(5) Audited by Si Chuan Yi Dian Tong Certified Public Accountants Co., Ltd.

(6) Audited by MY Partnership

Notes to the Financial Statements

31st December 2014

12 SUBSIDIARIES (cont'd)

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 2014	Number of wholly-owned subsidiaries 2013
Investment holding	Singapore	1	1
Provision of corporate advisory services	Singapore	1	–
Operation of restaurants, kiosks and cafes	Singapore	5	5
Operation of restaurants, kiosks and cafes	Malaysia	1	1
Operation of restaurants, kiosks and cafes	People's Republic of China	2	2
Provision of cleaning services	Singapore	1	1
Provision of food and beverage consultancy and management services	People's Republic of China	1	1
Operation of restaurants and centralised kitchen functions	Malaysia	1	1
Provision of centralised management functions	Malaysia	1	1
Dormant entity	United States of America	1	1
Dormant entity	Indonesia	1	1
Dormant entity	Hong Kong	1	1
Dormant entity	Singapore	1	3
		18	19

13 ASSOCIATES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cost of investment 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)
	–	–	–	–

13 ASSOCIATES (cont'd)

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Movement in the allowance for impairment loss:				
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:				
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 are as follows:

Associates	Proportion of ownership interest and voting power held		Country of incorporation and operations	Principal activities
	2014	2013		
	%	%		
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

a) 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.

b) 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.

c) 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 was used as the financial year-end of the associates is June 30. The results of the associates were not material to the Group in 2011.

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, 2014 and 2013, 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.

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold property	Freehold land	Building on freehold land	Leasehold building	Restaurant equipment	Renovation	Furniture and fitting	Computers	Motor vehicles	Office equipment	Construction in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	(i)	(iv)	(iv)	(v)		(vi)						
Group												
Cost or valuation:												
At January 1, 2013	–	2,475	1,514	45,000	12,286	11,397	6,767	3,656	1,341	291	859	85,586
Reclassifications	–	(10)	(40)	(12)	(441)	170	990	–	–	(2)	(655)	–
Reclassification to investment property (iii)	–	–	–	–	–	–	–	–	–	–	(461)	(461)
Exchange differences	(33)	(75)	(37)	–	(124)	(71)	(93)	(36)	(1)	(2)	(8)	(480)
Additions	1,185	–	–	2,670	1,022	1,171	246	433	268	12	1,059	8,066
Disposals	–	–	–	–	(46)	–	–	(69)	–	–	–	(115)
Write-offs	–	–	–	–	(90)	(548)	(480)	(4)	–	–	–	(1,122)
Eliminated on revaluation	–	–	–	(846)	–	–	–	–	–	–	–	(846)
Revaluation increase	–	300	23	13,188	–	–	–	–	–	–	–	13,511
At December 31, 2013	1,152	2,690	1,460	60,000	12,607	12,119	7,430	3,980	1,608	299	794	104,139
Reclassifications	–	–	–	–	53	192	387	44	–	–	(676)	–
Reclassification to investment property (i)	(1,128)	–	–	–	–	–	–	–	–	–	–	(1,128)
Exchange differences	(24)	(56)	(30)	–	(108)	(31)	(76)	(32)	(1)	–	(4)	(362)
Additions	–	–	–	61	1,411	2,086	469	331	96	20	640	5,114
Disposals	–	–	–	–	(31)	–	(2)	–	(75)	–	–	(108)
Write-offs	–	–	–	–	(352)	(1,065)	(264)	(35)	–	(1)	–	(1,717)
Eliminated on revaluation	–	–	(30)	(1,101)	–	–	–	–	–	–	–	(1,131)
Revaluation increase	–	43	30	1,040	–	–	–	–	–	–	–	1,113
At December 31, 2014	–	2,677	1,430	60,000	13,580	13,301	7,944	4,288	1,628	318	754	105,920

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold property	Freehold land	Building on freehold land	Leasehold building	Restaurant equipment	Renovation	Furniture and fitting	Computers	Motor vehicles	Office equipment	Construction in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	(i)	(iv)	(iv)	(v)		(vi)						
<u>Group</u> (cont'd)												
Comprising:												
December 31, 2013												
At cost	–	–	–	–	12,607	12,119	7,430	3,980	1,608	299	794	38,837
At valuation	1,152	2,690	1,460	60,000	–	–	–	–	–	–	–	65,302
	1,152	2,690	1,460	60,000	12,607	12,119	7,430	3,980	1,608	299	794	104,139
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
Accumulated depreciation:												
At January 1, 2013	–	–	–	–	7,033	6,381	4,788	3,329	855	241	–	22,627
Reclassifications	–	–	(5)	–	278	(30)	(241)	(1)	–	(1)	–	–
Exchange differences	–	–	5	–	(68)	(42)	(47)	(32)	(1)	(1)	–	(186)
Depreciation	–	–	–	846	1,339	1,614	826	593	121	19	–	5,358
Eliminated on disposals	–	–	–	–	(16)	–	–	(69)	–	–	–	(85)
Eliminated on write-offs	–	–	–	–	(73)	(432)	(402)	(4)	–	–	–	(911)
Eliminated on revaluation	–	–	–	(846)	–	–	–	–	–	–	–	(846)
At December 31, 2013	–	–	–	–	8,493	7,491	4,924	3,816	975	258	–	25,957
Reclassifications	–	–	–	–	5	–	(5)	–	–	–	–	–
Exchange differences	–	–	–	–	(59)	(20)	(42)	(28)	(1)	(1)	–	(151)
Depreciation	–	–	30	1,101	1,572	2,246	871	340	161	25	–	6,346
Eliminated on disposals	–	–	–	–	(22)	–	(2)	–	(75)	–	–	(99)
Eliminated on write-offs	–	–	–	–	(312)	(1,055)	(237)	(35)	–	(1)	–	(1,640)
Eliminated on revaluation	–	–	(30)	(1,101)	–	–	–	–	–	–	–	(1,131)
At December 31, 2014	–	–	–	–	9,677	8,662	5,509	4,093	1,060	281	–	29,282

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold property	Freehold land	Building on freehold land	Leasehold building	Restaurant equipment	Renovation	Furniture and fitting	Computers	Motor vehicles	Office equipment	Construction in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	(i)	(iv)	(iv)	(v)		(vi)						
Group (cont'd)												
Comprising:												
Accumulated impairment:												
At January 1, 2013	–	–	–	–	–	61	–	–	–	–	–	61
Write-back of impairment loss	–	–	–	–	–	(18)	–	–	–	–	–	(18)
At December 31, 2013	–	–	–	–	–	43	–	–	–	–	–	43
Write-back of impairment loss	–	–	–	–	–	–	–	–	–	–	–	–
At December 31, 2014	–	–	–	–	–	43	–	–	–	–	–	43
Carrying amount:												
At December 31, 2013	1,152	2,690	1,460	60,000	4,114	4,585	2,506	164	633	41	794	78,139
At December 31, 2014	–	2,677	1,430	60,000	3,903	4,596	2,435	195	568	37	754	76,595

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold building	Restaurant equipment	Renovation	Furniture and fitting	Computers	Motor vehicles	Office equipment	Construction in-progress	Total
	$'000 (v)	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Company									
Cost or valuation:									
At January 1, 2013	45,000	7,788	8,517	3,503	2,419	1,317	224	496	69,264
Reclassifications	(12)	(571)	(32)	617	–	–	(2)	–	–
Adjustments	–	–	(32)	–	–	–	–	–	(32)
Additions	2,670	268	557	83	179	240	5	54	4,056
Disposals	–	(44)	–	–	–	–	–	–	(44)
Transfer to subsidiaries	–	(141)	(274)	(8)	(17)	–	–	–	(440)
Eliminated on revaluation	(846)	–	–	–	–	–	–	–	(846)
Revaluation increase	13,188	–	–	–	–	–	–	–	13,188
At December 31, 2013	60,000	7,300	8,736	4,195	2,581	1,557	227	550	85,146
Reclassifications	–	23	–	(23)	–	–	–	–	–
Adjustments	–	–	(13)	–	–	–	–	–	(13)
Additions	61	377	841	165	147	96	–	11	1,698
Disposals	–	–	–	–	–	(75)	–	–	(75)
Write-offs	–	(71)	(861)	(76)	–	–	–	–	(1,008)
Eliminated on revaluation	(1,101)	–	–	–	–	–	–	–	(1,101)
Revaluation increase	1,040	–	–	–	–	–	–	–	1,040
At December 31, 2014	60,000	7,629	8,703	4,261	2,728	1,578	227	561	85,687

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold building	Restaurant equipment	Renovation	Furniture and fitting	Computers	Motor vehicles	Office equipment	Construction in-progress	Total
	$'000 (v)	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Company (cont'd)									
Comprising:									
December 31, 2013									
At cost	–	7,300	8,736	4,195	2,581	1,557	227	550	25,146
At valuation	60,000	–	–	–	–	–	–	–	60,000
	60,000	7,300	8,736	4,195	2,581	1,557	227	550	85,146
December 31, 2014									
At cost	–	7,629	8,703	4,261	2,728	1,578	227	561	25,687
At valuation	60,000	–	–	–	–	–	–	–	60,000
	60,000	7,629	8,703	4,261	2,728	1,578	227	561	85,687
Accumulated depreciation:									
At January 1, 2013	–	4,872	5,190	3,153	2,299	831	209	–	16,554
Reclassifications	–	277	(34)	(241)	(1)	–	(1)	–	–
Depreciation	846	620	1,096	313	299	117	7	–	3,298
Transfer to subsidiaries	–	(114)	(248)	(8)	(16)	–	–	–	(386)
Eliminated on disposals	–	(14)	–	–	–	–	–	–	(14)
Eliminated on revaluation	(846)	–	–	–	–	–	–	–	(846)
At December 31, 2013	–	5,641	6,004	3,217	2,581	948	215	–	18,606
Reclassifications	–	5	–	(5)	–	–	–	–	–
Depreciation	1,101	668	1,060	313	78	155	7	–	3,382
Eliminated on disposals	–	–	–	–	–	(75)	–	–	(75)
Eliminated on write-offs	–	(71)	(856)	(76)	–	–	–	–	(1,003)
Eliminated on revaluation	(1,101)	–	–	–	–	–	–	–	(1,101)
At December 31, 2014	–	6,243	6,208	3,449	2,659	1,028	222	–	19,809
Carrying amount:									
At December 31, 2013	60,000	1,659	2,732	978	–	609	12	550	66,540
At December 31, 2014	60,000	1,386	2,495	812	69	550	5	561	65,878

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(i) In 2014, the freehold property which comprises an intermediate four-storey shop-office building in Malaysia at No. B4 Garden Shoppe @ One City acquired in 2013 was reclassified to investment property (Note 15) as management has changed its intention to use the property as central kitchen to investment property to generate property rental income.

(ii) The Group has pledged the leasehold building with carrying amount of $60.0 million (2013 : $60.0 million) to secure the bank loan as disclosed in Note 17.

(iii) In 2013, the construction of the freehold property was completed and the cost of $461,000 was reclassified from property, plant and equipment to investment property as management had determined on its intention to lease out the freehold property to generate property rental income.

(iv) The freehold land and building were stated at valuation based on the market valuation as at December 31, 2014 as determined by KGV [2013 : 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 amounting to RM143,000 ($54,000) [2013 : RM290,000 ($111,000)] has been recorded in the revaluation reserve. Had the freehold land and building been carried at historical cost, their carrying amounts would have been approximately RM5,274,000 ($2,003,000) [2013 : RM5,500,000 ($2,132,000)] and RM3,054,000 ($1,160,000) [2013 : RM2,897,000 ($1,123,000)] respectively.

Based on the market valuation as determined by KGV, the allocation of the market valuation between freehold land and building on the freehold land as at December 31, 2014 were RM7,050,000 ($2,677,000) [2013 : RM6,940,000 ($2,690,000)] and RM3,765,000 ($1,430,000) [2013 : RM3,765,000 ($1,460,000)] respectively.

Name of property	Description	Tenure	Existing use	Strata Gross floor area	Group's interest in the property
No. 7 Jalan Udang Harimau 2 Medan Niaga Kepong 51200 Kuala Lumpur Malaysia	A 2 ½ storey commercial boutique bungalow	Freehold	Offices and factories	1,605 sqm	100% (2013 : 100%)

(v) The leasehold building was stated at valuation based on the market valuation as at December 31, 2014 as determined by Dennis Wee Realty Pte Ltd ("Dennis Wee Realty") [2013 : 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 $864,000 (2013 : $10,993,000) has been recorded in the revaluation reserve. Had the leasehold building been carried at historical cost, the carrying amount would have been approximately $12.0 million (2013 : $13.2 million).

Name of property	Description	Tenure	Existing use	Strata Gross floor area	Group's interest in the property
Sakae Building 28 Tai Seng Street Singapore 534106	A 7-storey commercial building	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.	Offices and factories	18,743 sqm	100% (2013 : 100%)

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14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(vi) Included in the cost of renovations as of year end is a provision for reinstatement costs of $712,000. (2013 : $613,000).

(vii) 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 a write-back of impairment loss of $Nil (2013 : $18,000) recognised in profit or loss because the recoverable amount of the relevant assets of certain outlets (as determined based on their value-in-use assessment) by management is higher than the carrying amount due to improvement in the performance of these outlets.

(viii) The fair values of the Group's freehold property, freehold land, building on freehold land and leasehold building are disclosed in (i), (iv) and (v) 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 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
Group				
As at December 31, 2014				
Freehold land	–	–	2,677	2,677
Building on freehold land	–	–	1,430	1,430
Leasehold building	–	–	60,000	60,000
	–	–	64,107	64,107
As at December 31, 2013				
Freehold property	–	–	1,152	1,152
Freehold land	–	–	2,690	2,690
Building on freehold land	–	–	1,460	1,460
Leasehold building	–	–	60,000	60,000
	–	–	65,302	65,302
Company				
As at December 31, 2014				
Leasehold building	–	–	60,000	60,000
As at December 31, 2013				
Leasehold building	–	–	60,000	60,000

14 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 technique(s)	Significant unobservable input(s)	Range	
	2014	2013			2014	2013
	$'000	$'000				
Freehold property	–	1,152	Comparable sales method	Price per square metre [1]	–	$6,634 - $7,063
Freehold land	2,677	2,690	Comparable sales method	Price per square metre [1]	$1,348 - $1,681	$1,348 - $1,681
Building on freehold land	1,430	1,460	Comparable sales method	Price per square metre [1]	$605 - $910	$605 - $910
Leasehold building	60,000	60,000	Comparable sales method	Price per square metre (built-in) [1]	$4,306 - $5,920	$4,306 - $5,920

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

15 INVESTMENT PROPERTIES

	Freehold land	Building on freehold land	Freehold property	Total
	$'000	$'000	$'000	$'000
Cost:				
At January 1, 2013	1,270	653	–	1,923
Reclassification from property, plant and equipment [Note 14(iii)]	–	–	461	461
Exchange difference	20	(74)	(13)	(67)
At December 31, 2013	1,290	579	448	2,317
Reclassification from property, plant and equipment [Note 14(i)] [a]	–	–	1,128	1,128
Exchange difference	(27)	(11)	(8)	(46)
At December 31, 2014	1,263	568	1,568	3,399
Accumulated depreciation:				
At January 1, 2013	–	–	–	–
Depreciation	–	6	–	6
At December 31, 2013	–	6	–	6
Depreciation	–	12	12	24
At December 31, 2014	–	18	12	30
Carrying amount:				
At December 31, 2013	1,290	573	448	2,311
At December 31, 2014	1,263	550	1,556	3,369

(a) Management is of the view that the freehold property which was recorded approximates its fair value at the date of transfer.

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15 INVESTMENT PROPERTIES (cont'd)

Rental income from the investment properties amounted to $82,000 (2013 : $42,000) and direct operation expenses (including repair and maintenance) arising from the rental generating investment property during the year is $20,000 (2013 : $8,000).

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 immediate four-storey shop-office building	Freehold	Property rental	163.5 sqm	100%

The market valuation of the freehold land and building as at December 31, 2014 were RM3,995,000 ($1,517,000) [2013 : RM3,900,000 ($1,512,000)] and RM1,755,000 ($666,000) [2013 : RM1,755,000 ($680,000)] respectively. The market valuation of the freehold property as at December 31, 2014 was RM4,255,000 ($1,616,000) [2013 : RM1,255,000 ($486,000)]. The market valuations were determined by KGV [2013 : 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. In estimating the fair value of the properties, the highest and best use of the properties is the current use.

15 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
As at December 31, 2014				
Freehold land	–	–	1,517	1,517
Building on freehold land	–	–	666	666
Freehold property	–	–	1,616	1,616
	–	–	3,799	3,799
As at December 31, 2013				
Freehold land	–	–	1,512	1,512
Building on freehold land	–	–	680	680
Freehold property	–	–	486	486
	–	–	2,678	2,678

There were no transfers between the levels during the year. Details of valuation techniques and significant unobservable inputs used in the fair value measurement as at December 31, 2014 are as follows:

Description	Fair values		Valuation technique(s)	Significant unobservable input(s)	Range	
	2014	2013			2014	2013
	$'000	$'000				
Freehold land	1,517	1,512	Comparable sales method	Price per square metre (1)	$1,348 - $1,681	$1,348 - $1,681
Building on freehold land	666	680	Comparable sales method	Price per square metre (1)	$605 - $910	$605 - $910
Freehold property	1,616	486	Comparable sales method	Price per square metre of gross floor area (1)	$2,270 - $6,734	$2,270 - $2,825

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

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16 GOODWILL

	Group	
	2014	2013
	$'000	$'000
At January 1	867	992
Exchange differences	(32)	(125)
At December 31	835	867

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 five (2013 : five) years based on an estimated growth rate of 5% (2013 : 5%). The rate used to discount the forecasted cash flows of the CGU was 8% (2013 : 8%).

As at December 31, 2014, 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.

17 BANK LOANS

	Group and Company	
	2014	2013
	$'000	$'000
Long term bank loans (secured)	10,481	12,106
Short term bank loans (unsecured)	20,700	16,800
	31,181	28,906
Less: Non-current portion of long term loans	(8,836)	(10,480)
Current portion	22,345	18,426

(a) The long-term bank loans of $10,481,000 (2013 : $12,106,000) were raised to finance the construction of the operational headquarters, the leasehold building at Tai Seng Street [Note 14(v)], which is pledged as security for the loans. The loans carry interest at rates ranging between 1.62% and 1.70% (2013 : rates ranging between 1.57% and 1.65%) per annum. The 10 year term loans are repayable over 120 monthly instalments which commenced in February 2011.

(b) Short-term loans of $20,700,000 (2013 : $16,800,000) bore interests at rates ranging from 1.46% to 1.66% (2013 : rates ranging between 1.41% to 1.46%) per annum and are renewable upon maturity for one to three months (2013 : one to three months).

17 BANK LOANS (cont'd)

(c) 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.

18 TRADE PAYABLES

The average credit period on purchases of goods is 30 days (2013 : 30 days). No interest is charged for outstanding balances exceeding its credit period.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

19 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
Group				
At January 1, 2013	5,438	789	(91)	6,136
Charge to other comprehensive income	2,407	–	–	2,407
(Credit) Charge to profit and loss (Note 25)	(102)	457	(286)	69
Exchange differences	(6)	(13)	11	(8)
At December 31, 2013	7,737	1,233	(366)	8,604
Charge to other comprehensive income	197	–	–	197
Credit to profit and loss (Note 25)	(55)	(26)	(34)	(115)
Exchange differences	(7)	(10)	8	(9)
At December 31, 2014	7,872	1,197	(392)	8,677

	Revaluation reserve	Accelerated tax depreciation	Total
	$'000	$'000	$'000
Company			
At January 1, 2013	5,438	604	6,042
Charge to other comprehensive income	2,195	–	2,195
(Credit) Charge to profit and loss	(102)	192	90
At December 31, 2013	7,531	796	8,327
Charge to other comprehensive income	177	–	177
Credit to profit and loss	(55)	(66)	(121)
At December 31, 2014	7,653	730	8,383

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20 ISSUED CAPITAL

	Group and Company			
	2014	2013	2014	2013
	’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 (2013 : 139,472,000).

21 TREASURY SHARES

	Group and Company			
	2014	2013	2014	2013
	’000	’000	$’000	$’000
	Number of ordinary shares			
At beginning of the year	2,528	–	892	–
Repurchased during the year	–	2,528	–	892
At the 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.

22 REVALUATION RESERVE

The property revaluation reserve arises on the revaluation of freehold land and building, comprising a 2½ storey commercial boutique bungalow, located at Kuala Lumpur, Malaysia [Note 14(iv)] and leasehold building located at 28 Tai Seng Street, Singapore [Note 14(v)].

23 REVENUE

	Group	
	2014	2013
	$’000	$’000 (Restated)
Food and beverage sales	89,769	90,968
Service charge	7,789	7,831
Management fees	55	38
Sales of materials to franchisees	–	15
Royalties	80	110
Total	97,693	98,962

24 OTHER OPERATING INCOME

	Group	
	2014	2013
	$'000	$'000
Interest income	148	120
Rental income	2,538	2,529
Government grants	957	647
Others	848	548
Total	4,491	3,844

25 INCOME TAX EXPENSE

	Group	
	2014	2013
	$'000	$'000
Current tax expense	1,667	1,792
Adjustments recognised in the year in relation to the current tax of prior years	262	(767)
Deferred tax expense (credit) (Note 19)		
Current	(152)	(36)
Underprovision in prior year	37	105
Withholding tax	141	136
Total income tax expense	1,955	1,230

Domestic income tax expense is calculated at 17% (2013 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2014	2013
	$'000	$'000
Profit before income tax	4,046	6,763
Income tax expense calculated at 17% (2013 : 17%)	688	1,150
Effect of revenue that is exempt from taxation	(26)	(53)
Tax effect of expense that are not deductible in determining taxable profit	861	705
Tax effect of income that are not taxable in determining taxable profit	(6)	(62)
Effect of revaluation of assets for taxation purposes	(142)	(102)
Effect of different tax rates of subsidiaries operating in other jurisdictions	140	118
Withholding tax	141	136
Adjustments recognised in the year in relation to the current tax of prior years	262	(767)
Adjustments recognised in the year in relation to the deferred tax of prior years	37	105
	1,955	1,230

The Group has undistributed profits of $4,964,000 (2013 : $3,785,000). The potential deferred tax liability of approximately $248,000 (2013 : $189,000) 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.

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26 PROFIT FOR THE YEAR

Unrecognised tax losses, capital allowances and other temporary differences

As at December 31, 2014, the Group has tax losses of approximately $2,697,000 (2013 : $917,000) 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.

This has been arrived at after charging (crediting):

	Group	
	2014	**2013**
	$'000	**$'000**
Directors' remuneration	1,726	1,035
Remuneration paid to immediate family members of the Chief Executive Officer	154	131
Directors' fees	100	75
Audit fees:		
Paid to auditors of the Company	67	67
Paid to other auditors	33	30
Non-audit fees:		
Paid to other auditors	39	39
Employee benefits expense (including directors' remuneration)	32,519	31,779
Defined contribution plan (included in employee benefits expense)	2,031	2,065
Cost of inventories recognised as expense	28,568	27,817
Rental expenses (as included in "other operating expenses")	14,055	13,372
Contingent rental expenses of the leased premises	1,289	1,359
Utilities (as included in "other operating expenses")	4,171	3,797
Impairment loss recognised on trade receivables	60	–
Impairment loss recognised on other receivables	64	–
Depreciation of property, plant and equipment	6,346	5,358
Depreciation of investment property	24	6
Gain on disposal of property, plant and equipment, net	(13)	(18)
Amortisation of prepaid lease	51	51
Write-off of property, plant and equipment	77	211
Legal and professional fees (as included in "non-operating expenses")	1,034	1,589
Net foreign exchange losses	310	610

27 BASIC AND DILUTED EARNINGS PER SHARE

	Group	
	2014	2013
Profit after income tax attributable to equity holders of the Company ($'000)	2,091	5,365
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	139,472	139,472
Basic earnings per share (cents)	1.50	3.85

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

28 DIVIDENDS

	Group and Company	
	2014	2013
	$'000	$'000
A final dividend of 1.5 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of 2013	2,092	–
An interim dividend of 0.5 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of 2014	697	–
A final dividend of 1.0 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of 2012	–	1,399
An interim dividend of 0.5 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of 2013	–	697
	2,789	2,096

In respect of the current year, the directors propose that a dividend of 1.0 cent per share will be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is $1,395,000.

29 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	2014	2013
	$'000	$'000
Minimum lease payments under operating leases	15,344	14,731

Notes to the Financial Statements

31st December 2014

29 OPERATING LEASE ARRANGEMENTS (cont'd)

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

	Group	
	2014	2013
	$'000	$'000
Within one year	11,708	12,420
In the second to fifth years inclusive	13,849	13,759
After five years	5,973	5,095
Total	31,530	31,274

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	
	2014	2013
	$'000	$'000
Within one year	2,443	2,100
In the second to fifth years inclusive	2,166	1,338
	4,609	3,438

30 CAPITAL COMMITMENTS

	Group and Company	
	2014	2013
	$'000	$'000
Acquisition of plant and equipment	120	28

31 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, Sakae Express, 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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Sakae Sushi	83,957	89,662	10,511	10,641
Other products and services	13,736	9,300	1,438	2,044
Total	97,693	98,962	11,949	12,685
Central administration costs and directors' salaries			(11,943)	(9,322)
Other operating income			4,343	3,724
Interest income			148	120
Finance costs			(451)	(444)
Profit before income tax			4,046	6,763
Income tax expense			(1,955)	(1,230)
Profit for the year			2,091	5,533

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.

Notes to the Financial Statements

31st December 2014

31 SEGMENT INFORMATION (cont'd)

Segment assets

	2014	2013
	$'000	$'000
Sakae Sushi	69,719	69,770
Other products and services	11,407	3,941
Total segment assets	81,126	73,711
Unallocated assets	24,500	30,515
Consolidated total assets	105,626	104,226

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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Sakae Sushi	3,399	3,113	2,844	2,340
Other products and services	1,623	1,090	2,001	1,553
Unallocated corporate items	1,348	1,161	269	4,173
Total	6,370	5,364	5,114	8,066

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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore	62,747	65,812	66,914	67,514
Malaysia	33,618	31,676	13,542	13,682
Others	1,328	1,474	343	121
Total	97,693	98,962	80,799	81,317

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

32 RESTATEMENT OF COMPARATIVE FIGURES

Management reviewed the classification of discount vouchers in the consolidated statement of profit or loss and other comprehensive income and determined that these vouchers should be net off against revenue rather than including inside administrative expense. Accordingly, certain adjustments have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended on the face of the consolidated statement of profit or loss and other comprehensive income and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The effects of the above on prior years' financial statements are as follows:

	As previously reported	Prior year's adjustments	As restated
	$'000	$'000	$'000
2013			
Consolidated statement of profit or loss and other comprehensive income			
Revenue	99,976	(1,014)	98,962
Gross profit	72,159	(1,014)	71,145
Administrative expenses	(42,308)	1,014	(41,294)

The prior year adjustment above has no financial effect on the statement of financial position. Accordingly, a third statement of financial position at the beginning of the earliest comparative period was not presented.

Statistic of Shareholdings

As at 10 March 2015

SHAREHOLDERS' INFORMATION AS AT 10 MARCH 2015

Total number of issued shares	:	142,000,000
Total number of issued shares excluding treasury shares	:	139,472,000
Total number and percentage of treasury shares	:	2,528,000 (1.81%)
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	5	0.50	126	0.00
100 - 1,000	612	61.45	91,260	0.07
1,001 - 10,000	189	18.98	926,001	0.66
10,001 - 1,000,000	176	17.67	16,128,173	11.56
1,000,001 AND ABOVE	14	1.40	122,326,440	87.71
TOTAL	**996**	**100.00**	**139,472,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	60,824,100	43.61
2	FOO PEOW YONG DOUGLAS	17,926,740	12.85
3	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	14,160,000	10.15
4	KGI FRASER SECURITIES PTE. LTD.	7,259,000	5.20
5	28 HOLDINGS PTE. LTD.	6,690,000	4.80
6	DBS VICKERS SECURITIES (SINGAPORE) PTE. LTD.	3,184,000	2.28
7	OCBC SECURITIES PRIVATE LIMITED	2,311,600	1.66
8	HONG LEONG FINANCE NOMINEES PTE. LTD.	1,875,000	1.34
9	JOSEPH QUEK	1,561,600	1.12
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,520,000	1.09
11	LIM SONG CHIANG	1,417,000	1.02
12	PHILLIP SECURITIES PTE. LTD.	1,366,400	0.98
13	GOH KHOON LIM	1,147,000	0.82
14	TAN KEK LEA (CHEN JILI)	1,084,000	0.78
15	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	856,000	0.61
16	LOW BEIJING (LIU BEIJING)	820,000	0.59
17	TOH LAM TIONG	800,000	0.57
18	FOO KIA HEE	770,100	0.55
19	GOH FUQIANG KENNETH	701,000	0.50
20	PEK ENG LEONG	627,000	0.45
	TOTAL	**126,900,540**	**90.97**

Statistic of Shareholdings

As at 10 March 2015

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 10 March 2015

	No. of Ordinary shares			
Name	**Direct Interest**	**%(4)**	**Deemed Interest**	**%(4)**
Douglas Foo Peow Yong	77,926,740	55.87	14,000,100(1)	10.04
28 Holdings Pte Ltd	6,690,000	4.80	7,170,000(2)	5.14
Goh Khoon Lim	1,147,000	0.82	13,860,000(3)	9.94
Gan Suat Lui	0	0	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 14,000,000 shares held in trust by Maybank Nominees (Singapore) Private Limited.

(2) 28 Holdings Pte. Ltd. is deemed interested in 7,170,000 shares held in trust by KGI Fraser Securities Pte. Ltd. (formerly known as Amfraser Securities 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) as at 10 March 2015.

FREE FLOAT

As at 10 March 2015, approximately 22.78% of the total number of issued shares excluding treasury shares 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 10 March 2015, the Company held 2,528,000 treasury shares, representing 1.81% of the total issued shares excluding treasury shares.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sakae Holdings Ltd. (the "**Company**") will be held at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, on Tuesday, 21 April 2015 at 2.00 p.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Financial Statements of the Company for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax exempt (1-tier) dividend of 1.0 cent per ordinary share for the financial year ended 31 December 2014. **(Resolution 2)**

3. To re-elect Ms Foo Lilian retiring by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, offers herself for re-election. ***(See Explanatory Note (i))*** **(Resolution 3)**

4. To re-elect Mr Lim Chee Yong retiring by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, offers himself for re-election. ***(See Explanatory Note (ii))*** **(Resolution 4)**

   Mr Lim Chee Yong will, upon re-election as a Director of the Company, remain as a chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To approve the payment of Directors' fees of S$100,000 (FY2013: S$75,000) for the financial year ended 31 December 2014. **(Resolution 5)**

6. To re-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7. 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:

8. 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) 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) 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 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 while this Resolution was in force, 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 fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares (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 twenty per cent. (20%) of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below). 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 (iii))*** **(Resolution 7)**

9. Authority to grant options and issue Shares under the Sakae Employee Share Option Scheme

"That pursuant to Section 161 of the Companies Act, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the Sakae Employee Share Option Scheme (the "**Scheme**") and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options granted under the Scheme provided always that the aggregate number of Shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued Shares excluding treasury shares of the Company from time to time." ***(See Explanatory Note (iv))*** **(Resolution 8)**

10. 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 new Shares to be allotted and issued pursuant to the Performance Share Scheme shall not exceed 15% of the total number of issued Shares (excluding treasury shares) 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 (v))***
(Resolution 9)

Notice of Annual General Meeting

11. 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) 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 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 (vi))***

(Resolution 10)

By Order of the Board

Chan Lai Yin
Company Secretary

Singapore, 6 April 2015

Explanatory Notes:

(i) The detailed information of 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, Ms Foo Lilian has no relationship (including immediate family relationships) with the other Directors, the Company or its 10% shareholders.

(ii) The detailed information of Mr Lim Chee Yong can be found under the section entitled 'Board of Directors' of the Annual Report. Mr Lim Chee Yong has no relationship (including immediate family relationships) with the other Directors, the Company or its 10% shareholders.

(iii) Ordinary Resolution 7 is to empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of Company's total number of issued shares excluding treasury shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at 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. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instrument made or granted under this authority.

(iv) Ordinary Resolution 8 is to empower the Directors of the Company, to grant options and to allot and issue Shares upon the exercise of such share options in accordance with the Sakae Employee Share Option Scheme.

(v) Ordinary Resolution 9 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.

(vi) Ordinary Resolution 10 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) in the capital of the Company at the Maximum Price (as defined in Ordinary Resolution 10 above). The authority conferred by Ordinary Resolution 10 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.

Notice of Annual General Meeting

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 2014 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. 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. 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.

4. 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 Annual General Meeting.

Personal Data Privacy

5. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General 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.

Notice of Annual General Meeting

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company shall be closed on 9 June 2015 for the preparation of the dividend warrants in respect of the proposed final tax exempt (1-tier) dividend of 1.0 cent per ordinary share for the financial year ended 31 December 2014.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, up to 5:00 p.m. on 8 June 2015 will be registered to determine shareholders' entitlement to the proposed final dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares at 5:00 p.m. on 8 June 2015 will be entitled to the proposed final dividend.

Payment of the proposed final dividend, if approved by the members at the Company's forthcoming Annual General Meeting to be held on 21 April 2015, will be made on 19 June 2015.

By Order of the Board

Chan Lai Yin
Company Secretary

Singapore, 6 April 2015

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 2014 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 6 April 2015.

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, 21 April 2015, at 2.00 p.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/their discretion, as he/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:	For	Against
1.	Directors' Report and Audited Financial Statements for the financial year ended 31 December 2014		
2.	Payment of proposed final tax exempt (1-tier) dividend		
3.	Re-election of Ms Foo Lilian as Director		
4.	Re-election of Mr Lim Chee Yong as Director		
5.	Approval for payment of Directors' fees		
6.	Re-appointment of Messrs Deloitte & Touche LLP as the Company's Auditors		
7.	Authority to allot and issue shares		
8.	Authority to grant options and issue Shares under the Sakae Employee Share Option Scheme		
9.	Authority to allot and issue Shares under the Sakae Performance Share Scheme		
10.	To grant approval for the renewal of the Share Buyback Mandate		

Dated this ____________ day of ____________ 2015.

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.

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 proxy need not be a member of the Company.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), 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.

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.

6. 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.

7. 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.

8. 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.

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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Sakae Holdings Food & Beverage Outlets in Singapore

SAKAE SUSHI

321 Clementi
321 Clementi Avenue 3
#01-12
Singapore 129905
*Coming Soon

Bugis Junction
200 Victoria Street
#02-54
Singapore 188021
Tel: 6334 9015

Century Square
2 Tampines Central 5
#B1-02/03
Singapore 529509
Tel: 6787 3887

Changi Airport North T2 Viewing Mall
Singapore Changi Airport
#03-085
Singapore 819643
Tel: 6546 5383

Changi Airport T2 Transit Lounge/Departure Hall North (Kiosk)
Singapore Changi Airport
Level 2 Kiosk B
Singapore 819643
Tel: 6214 1507

Changi Airport T1 Transit Lounge/Departure Hall West (Kiosk)
Singapore Changi
Airport Kiosk
Level 2 Concession D
Singapore 819642
Tel: 6214 0905

Chevron House
30 Raffles Place
#02-37
Singapore 048622
Tel: 6438 6281

CityLink Mall
1 Raffles Link
#B1-63
Singapore 039393
Tel: 6238 8396

Compass Point
No. 1 Sengkang Square
#04-06 Singapore 545078
Tel: 6388 1442

CPF Building
79 Robinson Rd
#01-05
Singapore 068897
Tel: 6227 0323

Djitsun Mall
Ang Mo Kio MRT
5 Ang Mo Kio Central 2
#01-01
Singapore 569663
Tel: 6459 9258

Hersing Hub
450 Toa Payoh Lorong 6
#02-01
Singapore 319394
Tel: 6354 9083

HarbourFront Centre
1 Maritime Square
#02-85/#02-05
Singapore 099253
Tel: 6276 8804

Heartland Mall
Blk 205
Hougang Street 21
#01-133
Singapore 530205
Tel: 6383 6127

Eastpoint
3 Simei Street 6
#01-20
Singapore 528833
Tel: 6443 0207

Hougang 1
1 Hougang Street 91
#01-23
Singapore 538692
Tel: 6388 8780

Icon Village
12 Gopeng Street
#01-05/06/07/08/09/10/11
Singapore 078877
Tel: 6534 9935

Junction 8 Shopping Centre
9 Bishan Place
#B1-20
Singapore 579837
Tel: 6734 8552

Lot One
No. 21 Choa Chu Kang Ave 4
#03-10/11
Singapore 689812
Tel: 6764 3678

Marina Square
No. 6 Raffles Boulevard
#02-207
Singapore 039594
Tel: 6336 8201

Ngee Ann Polytechnic
535 Clementi Avenue 2
Blk 72, #02-02 A/B
Singapore 599489
Tel: 6463 9206

Orchard Gateway
277 Orchard Road
#04-09/10
Singapore 238858

Park Mall
No. 9 Penang Road
#01-15/15A
Singapore 238459
Tel: 6336 7006

Parkway Parade
80 Marine Parade Road
#B1-84B/C
Singapore 449269
Tel: 6348 6218

Plaza Singapura (Kiosk)
68 Orchard Road
#B2-52/54
Singapore 238839
Tel: 6337 5676

Scape
2 Orchard Link
#03-03
Singapore 237978
Tel: 6834 4063

Square 2
10 Sinaran Drive
#02-85/86/89
Singapore 307605
Tel: 6397 6107

Sun Plaza
30 Sembawang Drive
#03-17/18/19
Singapore 757713
*Coming Soon

The Frontier Community Club
60 Jurong West Central 3
#01-05
Singapore 648346
Tel: 6792 2806

TradeHub 21
28 Boon Lay Way
#01-175/176
Singapore 609971
Tel: 6795 2201

Paya Lebar Square
60 Paya Lebar Road
#B1-19
Singapore 409051
Tel: 6341 6743

Wheelock Place
501 Orchard Road
#02-13
Singapore 238880
Tel: 6737 6281

White Sands Shopping Centre
1 Pasir Ris Street 3
#02-01/02/03
Singapore 518457
*Coming Soon

West Mall
1 Bukit Batok Central Link
#03-02
Singapore 658713
Tel: 6790 7012

West Coast Plaza
154 West Coast Road
#01-87
Singapore 127371
Tel: 6775 9822

Woodlands Civic Centre
900 South Woodlands Drive
#01-04
Singapore 730900
Tel: 6468 0869

SAKAE TEPPANYAKI

Century Square
2 Tampines Central 5
#B1-29/30/31/32
Singapore 529509
Tel: 6784 8089

Marina Square (Inside Sakae Sushi)
No. 6 Raffles Boulevard
#02-207
Singapore 039594
Tel: 6336 8201

Plaza Singapura
68 Orchard Road
#B2-52/54
Singapore 238839
Tel: 6337 5676

Changi Airport North T2 Viewing Mall (Inside Sakae Sushi)
Singapore Changi Airport
#03-085
Singapore 819643
Tel: 6546 5383

Lot One (Inside Sakae Sushi)
No. 21 Choa Chu Kang Ave 4
#03-10/11
Singapore 689812
Tel: 6764 3678

Parkway Parade (Inside Sakae Sushi)
80 Marine Parade Road
#B1-84B/C
Singapore 449269
Tel: 6348 6218

TradeHub 21 (Inside Sakae Sushi)
28 Boon Lay Way
#01-175/176
Singapore 604971
Tel: 6795 2201

HEI SUSHI

Bedok Point
799 New Upper Changi Road
#03-38/39
Singapore 467351
Tel: 6441 0760

Downtown East
1 Pasir Ris Close
#01-01/02
Singapore 519599
Tel: 6582 8467

IMM
2 Jurong East Street 21
#01-K10 (Kiosk)
Singapore 609601
Tel: 6425 2383

Sembawang Shopping Centre
604 Sembawang Road
#01-22/23
Singapore 758459
Tel: 6481 9081

Sakae Building
28 Tai Seng Street
#01-02
Singapore 534106
Tel: 6382 1494

SAKAE EXPRESS

National University of Singapore Edusports
2 College Avenue West
#01-04
Singapore 138607
Tel: 6268 8755

SACHI

Marina Bay Financial Centre Tower 3
12 Marina Boulevard
Level 2 NTUC Foodfare
Singapore 018982

SENJYU

Northpoint Shopping Centre
930 Yishun Ave 2
#02-58/61
Singapore 769098
Tel: 6482 5038

nouvelle Events & Catering

Sakae Building
28 Tai Seng Street
#01-00
Singapore 534106
Tel: 6287 8768

Kyo Teppanyaki Sushi by Sakae

JCube
2 Jurong East Central 1
#01-05
Singapore 609731

Singapore · China · India · Indonesia · Japan · Malaysia · Philippines · Thailand · United States of America · Vietnam