



Annual Report 2009

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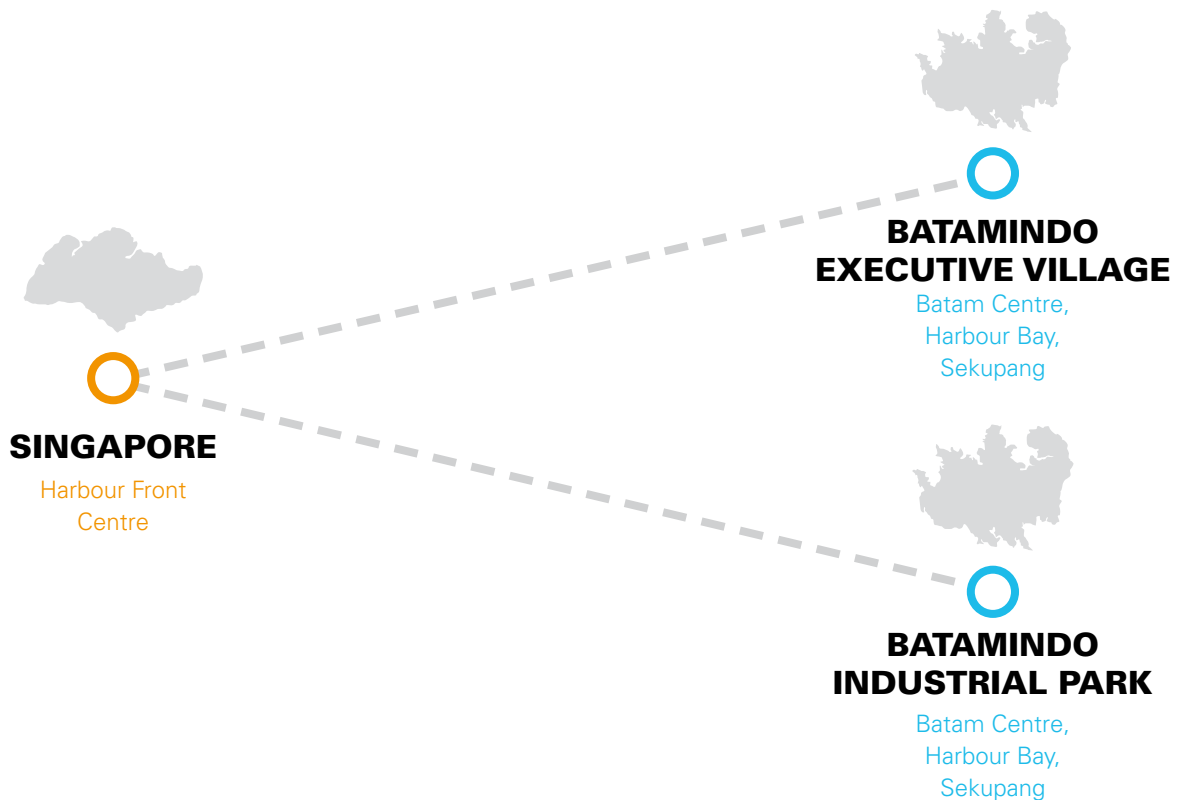
## About Us

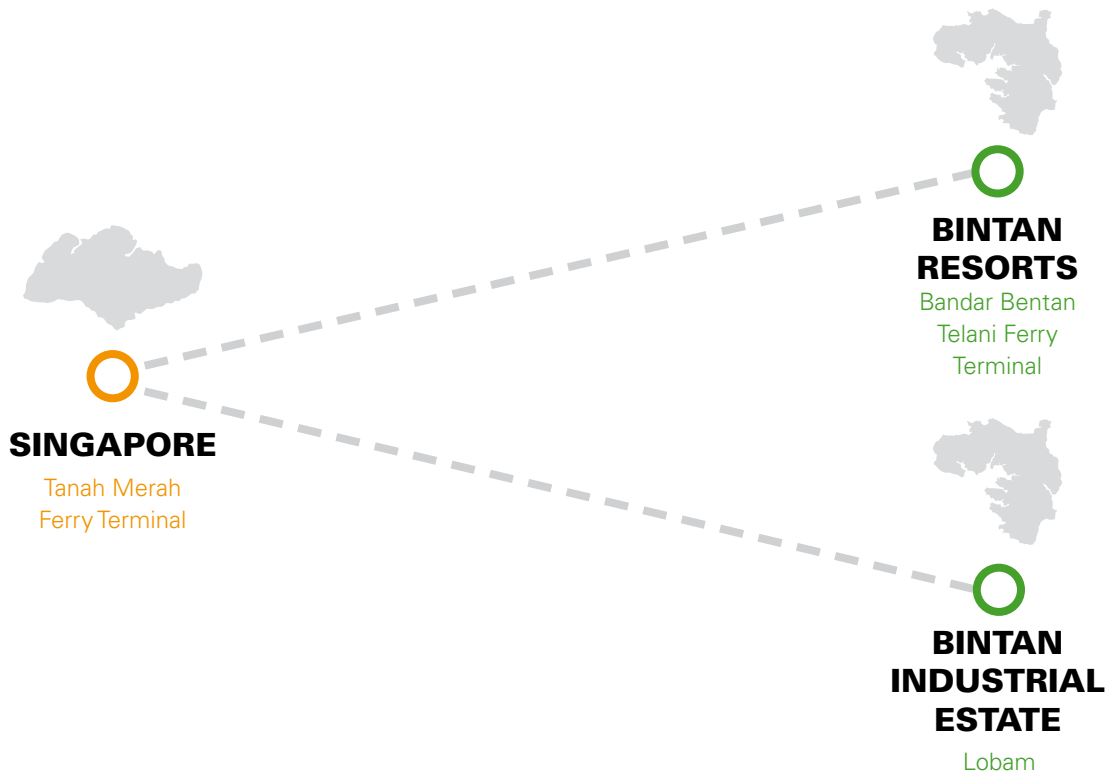
Gallant Venture Ltd. is an investment holding company with a focus on regional growth opportunities, headquartered in Singapore. We are a commercial development and management group in the Riau Archipelago and an integrated master planner for industrial parks and resorts in Batam and Bintan.

Since our establishment in the 1990s, we have been an important innovator in four key business segments – utilities, industrial parks, resort operations and property development. Our businesses are well-positioned to leverage on the strategic proximity of Singapore and the strategic alliance between the Singapore and Indonesia governments.

Our landmark development projects include the **Batamindo Industrial Park**, the **Bintan Industrial Estate** and **Bintan Resorts**, with more prime developments in the pipeline slated for completion in the near future.

# Our Presence





# Our Core Businesses

## Utilities

Gallant Venture is a private provider of utilities in Batam and Bintan, supplying electricity, telecommunications, water and waste management services to our industrial parks - Batamindo Industrial Park, Bintan Industrial Estate and Bintan Resorts. We have invested approximately S\$430 million to construct our utilities infrastructure and resources for power generation and distribution, and potable water treatment facilities including a reservoir, wastewater treatment and telecommunication facilities and landfills.

Our facilities include 19 dual-fuel gas-fired generators at Batamindo Industrial Park, six generators at Bintan Industrial Estate, and four generators at Bintan Resorts currently handling installed capacity of 130MW, 20MW and 24MW respectively.

The power plants are configured with standby reserve to ensure uninterrupted power supply and to cope with sudden surge in power demand.



## Industrial Parks

Gallant Venture runs and operates the Batamindo Industrial Park in Batam and the Bintan Industrial Estate in Bintan which combine the convenience of a one-stop, manufacturing environment with ready access to Singapore's infrastructure and logistics network.

Our industrial parks offer a competitively priced environment and comprehensive services, including manpower resources and integrated supply chain services ranging from logistics, transshipment to housing and entertainment. Our tenants include businesses in the semiconductor, electronics, precision engineering, pharmaceuticals and resource-intensive industries. These parks have a total ready-built factory area of approximately 647,000 square metres.

The Batamindo Industrial Park is the first industrial park in the Asia-Pacific region to be certified ISO 9001:2000 and ISO 14001, hallmarks of a manufacturing site that is efficient, cost-effective and environmentally friendly.

Residential, recreational and medical amenities for tenants and workers in the industrial parks are also provided for.

Executives in Batam and Bintan are provided resort-style accommodation in the Batamindo Executive Village and condominiums and bungalows in the Bintan Inti Executive Village respectively while recreational facilities are offered at the SouthLinks Country Club in Batam and at the various resort amenities in Bintan.

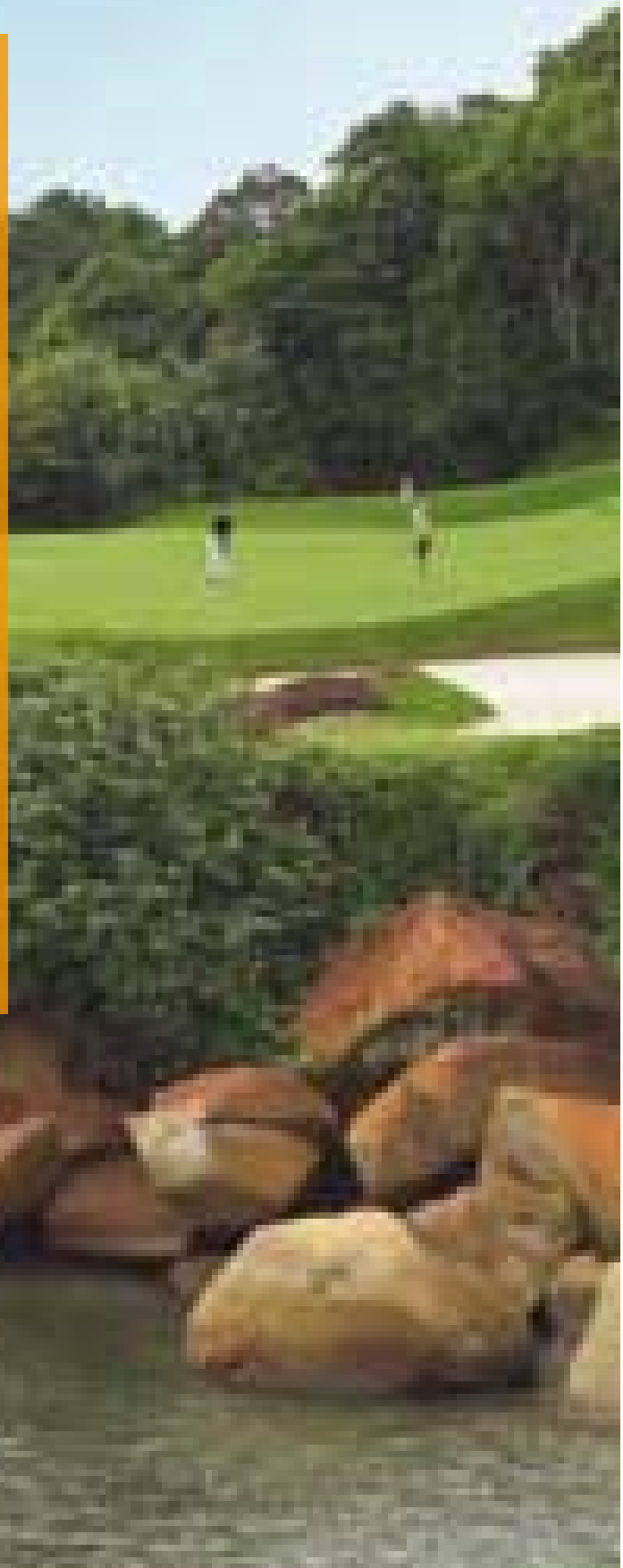
## Resort Operations

Our resort operations are focused in Bintan where we have been managing and operating the 3,000-hectare Bintan Resorts for more than 10 years.

Located less than an hour from Singapore, Bintan Resorts is a popular tropical resort destination with both Asian and international travelers. Famed for its pristine beaches and gorgeous scenery, it is home to marquee resort names such as Banyan Tree, Club Med and award-winning golf courses.

As master developer, we are responsible for the overall planning, development, operations and marketing of Bintan Resorts. In this role, we provide integrated support facilities and services to all the hotels and resorts within Bintan Resorts.

These services range from ferry services and ferry terminal operations; tour operations; property rental and worker accommodation to fire fighting; security; vector monitoring; environment and medical support services. We also provide estate and township maintenance such as roads and drainage and operate a 24-hour crisis centre.



## Property Development

With a solid track record as a master planner for both industrial park and resort development, Gallant Venture is well-positioned to increase Bintan Resorts' appeal not only as a holiday destination but also as a sound investment.

In Bintan, we have earmarked approximately 18,000 hectares of land for the phased growth and development of resort, residential, industrial and commercial developments. One of these is the Lagoi Bay Development (LBD), a 1,300 hectare-sized plot of prime land boasting some of the most spectacular shorelines in Bintan.

At the heart of the Lagoi Bay development is the Lagoi Beach Village which is Asia's first master planned resort village. It comprises approximately 20 hectares of prime real estate for development into 132 individual land parcels.

The proposed Lagoi Beach Village Mall will be developed on 13 hectares of land. Stretching from the South China Sea to the North and a two kilometre-long fresh-water lake to the South, the Village Mall will feature a lifestyle promenade with a two-storey anchor mall offering over 14,000 square metres of retail space. Pedestrian-friendly walkways, innovative water features and a gently undulating landscape with special lighting features will make this Village Mall an attractive focal point for the entire development.

For investors seeking to develop residential projects, the LBD also offers 500 hectares of land for such developments. For buyers seeking individual housing units, there is the land-only Aranya Lagoi Residences on a hilltop overlooking the South China Sea and ready-built beachfront villas from the Indah Collection to choose from.

# Letter to Shareholders



Mr Lim Hock San  
Non-Executive Chairman  
Independent Director

Dear Shareholders,

Thank you for your continuing support of our company.

2009 was a difficult year for us. Our results were poor, due primarily to the sharp decline in revenues from our Utilities and Industrial Parks businesses as a result of the sharp drop in global manufacturing activity due to the financial crisis and the weakness of the US and European economies.

Our Utilities division had significantly worse results, with revenues dropping by S\$24.6 million from S\$141.6 million to S\$117.0 million.

With the severe uncertainty in credit markets, we also saw a dip in our Industrial Parks segment as some of our tenants experienced financial difficulties, ceased operation and returned factories to us. As a result, our overall occupancy in our Parks has fallen from around 86% to around 83%.

We also experienced a significant accounts receivables write-down in our books for approximately S\$4.4 million as a result of deals we negotiated with our resort customers. To improve cash flow and reduce our receivable levels, we offered discounts to some of our customers to pay down receivable levels. Consequentially, overall gross trade receivables on our books fell by over S\$21.6 million as our teams worked harder to collect and manage our credit exposures.

We look forward to 2010 in a positive light.

- Activities in our Industrial Parks have recovered quickly, albeit not to previous levels. One of the barometers we use to measure activity in our Industrial Parks is the number of kilowatt hours of electricity generated by our Utilities business for the Industrial Parks operations. In 2007 and 2008, we were producing as much as 42-45 million kilowatt hours per month in our Batam power plant alone. Production in Batam power plant fell to around 31 million kilowatt hours in the darkest days of the financial crisis in early 2009, as many of our electronics manufacturers cut back on production sharply. However, the kilowatt hours generated have since recovered and stabilized around the 39 million kilowatt hours per month level by the end of 2009. This electricity demand has been a good indicator of industrial output and of the general economic climate, and our customers seem to believe that the economic slowdown has passed. Our Industrial Parks staff are working tirelessly to encourage new and existing tenants of the merits of increasing production in Batam and Bintan.
- 2009 visitor arrivals to Bintan Resorts have increased again, hitting a new record level of just over 410,000 visitors breaking 2008's previous record of 397,000 visitors. The most significant growth came from the increase in domestic visitors as a result of concerts and other high visibility activities which raised public awareness of Bintan in Indonesia. Indonesia weathered the financial crisis relatively unscathed, and domestic tourism continues to grow. We also saw significant increase in visitors from China and India, primarily as a spill-over effect of their increasing number of visits to Singapore.

- In June 2009, we took delivery of the two new high speed ferries that we had ordered in 2007. These ferries not only have the ability to cruise at 39-40 knots (compared to our older ferries' cruising speed of around 26 knots), but have allowed our ferry business to update its image and deliver a new two-class service offering, which has in a very short period of time, developed to a very good and loyal following. This further differentiated us from the other ferry operators.
- We have made significant progress on the construction and delivery of our Lagoi Bay project in Bintan Resorts. In Lagoi Bay, we have moved around 1,000,000 cubic meters of earth, constructed around 12km of new construction roads and are more than halfway through the completion of our 2km long lake. We will also be handing over the first of the Lagoi Bay sites to their new owners from the second quarter of 2010. This significant milestone means that the general public will finally be able to see, touch and feel what our team in Bintan has been doing. As construction starts on the hotels and residential projects as well as the shopping mall, we will continue to work on the infrastructure, planning to roll out our utilities services to Lagoi Bay in phases from early 2011.
- As we begin handing over of the Lagoi Bay Village sites to their new owners, we will be able to recognize the revenues derived from the sales of those sites. This will have a positive contribution to our bottom line from FY2010 onwards.
- We have finally had a resolution of the PT Raflesia lawsuit, with the Indonesia Supreme Court upholding the lower court ruling in our favor, and confirming our ownership of the land in question. A significant amount of senior management bandwidth had been allocated to contesting this case, and we are happy to see a resolution to this matter in our favor.
- In July 2009, we made an investment into an Indonesian iron ore and coal mining company. Initial results of the investment are promising and we look forward to reporting to you contributions from the investment in the coming years.

We would also like to welcome a new addition to our Board, Dr Tan Chin Nam who joined us as Non-Executive Director in May 2009. Dr Tan brings with him more than 33 years extensive experience in both the private and public sectors which will certainly stand us in good stead in the oversight of the Group.

2009 was a tough year for all of us, but we have come through the global financial crisis a stronger company and better positioned to capture the value inherent in our company. We look forward to working together to make our company a successful investment for all of us.

Thank you again for your support.



Mr Eugene Park  
Chief Executive Officer  
Executive Director

# Business Review

2009 was a turbulent year as the economic crisis which started in 2007 continued to unleash its havoc.

Nonetheless, despite the economic turmoil, the Group continued to focus its efforts at renewing and strengthening its product offerings and services. With that in mind, the Group embarked on numerous infrastructural developments and reinforcements.

## Infrastructural Developments

During the year under review, we continued to focus our attention on developing and improving supporting infrastructure in Bintan to position ourselves to ride the next crest of growth and expansion when the Lagoi Bay Development (LBD) and other key projects, which are in various stages of development, come to their final completion. To date, we have secured close to S\$85 million in land sales orders for LBD. To support these new investments, we have started building the infrastructure for LBD which includes roads, earthworks, power and water.

In the Lagoi Bay area, we began work on the construction of a freshwater lake as part of our strategy to add value to the hinterland by providing a major waterfront feature. When this is completed, more than 30% of the private residential plots will enjoy an unblocked view of the lake. Excavation works in the two-kilometre long lake began towards the end of the first quarter of 2009 and since then, approximately 40% of the excavation has been completed. At the same time, with an eye on the ecological aspects on the project, we engaged a specialist consultant to begin studies to ensure the quality of the lake water and overall water balance.

Within the Lagoi Bay Village retail component, extensive site preparations to raise the land to ground level for the Lagoi Beach Mall were also completed, setting the foundation for the construction for the anchor mall building.



Lake excavation at Lagoi Bay



Earthworks at Lagoi Bay

Apart from building on the infrastructural works at Lagoi Bay, there was also substantial work done on the existing infrastructure throughout the rest of Bintan Resorts. We undertook three hectares of land reclamation at the existing site of the Bintan ferry terminal as part of our preparations to receive the projected one million visitors by 2015.

Work is also poised to start on the upgrading and expansion of Bintan's water and power supply; roads and drainage; sewerage and telecommunications system with the completion and awarding of tenders for the various projects.

### **Coal Mining Venture**

In July 2009, the Group undertook a new investment in the resources sector as part of its expansion and diversification strategy. It invested approximately S\$14.2 million in PT Sebuku Iron Lateritic Ores (Silo), an iron ore and coal mining company in Indonesia through a Convertible Bond which is convertible for an effective equity stake of approximately 29%.

Silo, a company incorporated in Indonesia, is primarily engaged in the mining and supply of iron ore. Its mining operations are principally located in Sebuku Island, South Kalimantan, Indonesia. Silo is presently expanding its mining activities to the Padanggending and Tanah Datar areas in Sumatra. Silo's main products are coarse fine and lump ore which are exported to overseas markets such as China. In addition to iron ore which is currently in production, Silo is believed to have coal resources.

This investment will provide a springboard for the Group to expand its business into resources-related segments such as the mining of iron ore and coal which can be eventually integrated into the Group's existing utility business.

The Group's investment in this sector is expected to provide synergistic opportunities for the Group as the existing coal-fired power plants in Bintan supply power to Silo's iron ore business and in turn, the latter's coal production can support the Group's planned coal-fired power plant in Bintan.



Land compaction at Lagoi Beach Mall



Power plant in Bintan

# Business Review

## Lagoi Bay Development

Against the backdrop of a tough economic environment, the Group continued to actively market the Lagoi Bay Development (LBD). This 1,300 hectare development features some of the best beaches in Bintan island and has been carefully master planned to include a vibrant village centre complete with nightspots, residential lots and large-scale resort and hotel developments. During the period under review, the Group managed to secure land sales orders of close to S\$85 million spanning across commercial, resorts, residential and township projects.

Among one of the new investment projects in LBD in 2009 is the Indah Collection, an exclusive collection of 162 villas, ranging from plot sizes of 400 square metres to 800 square metres. The first seaside residential estate in Bintan, the villas in the Indah Collection offer investors a choice of eight different layouts on three plot sizes, all of which are carefully positioned to optimize indoor and outdoor living opportunities while maximizing view corridors beyond the immediate plot.

## Launch of new ferries

As part of our efforts to strengthen the Bintan brand and experience, not just as an appealing beach resort but more importantly, as an attractive investment destination, the Group invested S\$32 million in two new-generation ferries. With these two new ferries, traveling time to Bintan was reduced to merely 45 minutes, allowing us to ferry more visitors to Bintan. These two ferries made their maiden voyage in 2009 and were officially launched in June 2009 by the wives of the respective senior tourism officials of both Singapore and Indonesia in a naming ceremony held in Bintan.



Indah Collection : Artist Impression



Naming ceremony of the two ferries, Wan Seri Beni and Wan Sendari

Apart from the shortened traveling time, the new ferries also offer better travelling comfort as the vessels have been equipped with wave interceptors which help to stabilize the vessel during choppy seas or high waves. A new business class section for passengers seeking a more comfortable ride and convenience was also introduced.

### **Bintan Resorts Visitor Arrivals**

The Group saw an increase in visitor arrivals to Bintan Resorts for the period under review which crossed the 400,000 mark for the first time. In 2009, Bintan Resorts welcomed more than 410,000 visitors to the island compared to 397,833 in 2008 despite depressed economic conditions which saw numerous scale backs in the both the FIT (Free Independent Traveller) and the corporate travel markets. This was partly attributed to the Group's aggressive marketing efforts to woo the short-haul travelers and the Indonesia hinterland market as well as the strong appeal of Bintan's winning combination of pristine beaches and wide variety of accommodation and recreational amenities.

### **2009 PATA Grand Award**

The Group has long been an advocate of social and corporate responsibility, introducing and managing initiatives to encourage and support the development and growth of the communities where we are present. One of the Group's key initiatives is the Education and Employment Assistance Programme in Bintan which was started with the aim of providing a higher standard of education and alternative employment opportunities to the Bintan community.



The two new additions to the Group's ferry fleet



The Group is an active supporter of education and training programmes in Bintan

## Business Review

Every year since 2000, the Group's subsidiary, PT Bintan Resort Cakrawala (BRC) has offered scholarships to the top three students of each class at each level from the Primary, Junior High and Senior High Schools at seven villages. At the same time, bursaries are also given out to pre-determined students who need financial assistance to pay for their education. The scholarships and bursaries generally pay for stationery, school bags, textbooks, dictionaries, school uniforms, school and supplementary fees, as well as extra-curricular activities, for one academic year. To date, BRC has given out more than 5,000 scholarships and bursaries to students from the Primary, Junior High and Senior High Schools since the programme's inception in 1999.

The Group's achievement in this area was given a further boost on the international stage when it clinched the 2009 PATA (Pacific Asia Travel Association) Grand Award under the Education and Training category in September 2009. The PATA awards are given out annually to companies worldwide for their achievements in the area of travel and hospitality while Grand Awards are only presented to outstanding entries in four principal categories.

### United Nations Global Compact

In April 2009, we took a further step in the direction of environmental, social and governance responsibility by participating in the United Nations Global Compact. The UN Global Compact is a set of ten principles covering human rights, labour standards, protection of the environment and the prevention of corruption. The Global Compact has become an important indicator of a company's ability to identify and manage environment, social and governance risks of importance to investors.

We believe that these issues not only have impact on financial performance but also help better align our investments with the broader objectives of society and hence, the Group decided to pledge our commitment to these principles by joining the Global Compact. With this participation, we are committed to advancing the principles of the Global Compact as part of our strategy, culture and day-to-day operations of the business and to engaging in collaborative projects which advance the broader development goals of the UN.



**Lawsuits Unequivocally Cleared**

In December 2009, the Group's long standing possession of legal ownership of its land bank in Bintan was re-affirmed and validated by the Indonesia Supreme Court.

The Court had ruled in the Group's favour pertaining to the special appeal (permohonan peninjauan kembali) by two of the Group's subsidiaries, PT Buana Megawisata (BMW) and PT Bintan Resort Cakrawala (BRC) against the earlier judgment of the Supreme Court which was in favour of PT Raflesia.

Based on this final decision from the Supreme Court, the land titles and ownership of the lands in question by the Gallant subsidiaries, BMW and BRC have proven to be substantiated and valid and the claims by PT Raflesia have been rejected in totality. As such, all injunctions and claims by PT Raflesia will be removed in accordance with the decision and the earlier decisions by the Tanjung Pinang District Court and the Riau High Court have been upheld.

Based on the Indonesian judicial system, this decision from the Indonesia Supreme Court on the special appeal (permohonan peninjauan kembali) is final and irrevocable and there would be no further avenue of appeal.

**Going forward**

While the global economic situation has appeared to stabilise for the time being, there is still need for caution amid the optimism. The Group will continue to focus on building our core businesses while remaining nimble and agile to capitalise on growth opportunities that may arise.



One of the many spectacular shorelines in Bintan



Indah Collection : Artist Impression

## Financial Review

The slowdown in global demand in 2009 had an adverse impact on the Group's performance during the period under review. Our Utilities and Industrial Park businesses experienced cut-backs as tenants scaled down their operations which resulted in lowered demand for electricity while our Property Development business in Bintan faced sluggish investment sentiment in Bintan.

The Group's total revenue for the full year 2009 ("FY2009") was S\$187.6 million. This was 16.7% lower than FY 2008's S\$225.2 million.

The Utilities division continued to be a key contributor to the total revenue (62.4%). It recorded a S\$117 million revenue in FY2009, against S\$141.6 million in FY2008. This was largely due to an approximate 17.5% drop in electricity consumption from FY2008 resulting from a decreased demand from our Industrial Park tenants arising from the global economic crisis and the cessation of electricity supply to one of our resort operators, PT Bintan Lagoon Resort.

The Industrial Parks division which is the second largest contributor to the Group's total revenue (25.4%), recorded a S\$47.6 million revenue in FY2009 as compared to FY2008's S\$58.5 million. The lower revenue was mainly due to lower rental rates, a lower occupancy of 535,000 square metres as compared to FY2008's 560,000 square metres out of a total ready-built factory space of 647,000 square metres and the lack of factory sales in FY2009 as compared to FY2008's S\$4.5 million factory sales.

The Resort Operations division generated a revenue of S\$23 million in FY2009 as compared to FY2008's S\$24.6 million. This was mainly due to lower international tourist arrivals as the result of the economy crisis in the first half of 2009.



The Batamindo Industrial Park



Guests to Bintan Resorts can choose from a wide range of accommodation ranging from private luxury villas to beachside chalets

Towards the end of 2009 however, the Group started to recover and secured additional land sales orders of S\$17.6 million, bringing the total land sales order book to S\$84.7 million as at 31 December 2009. However, as it is the Group's accounting policy to recognize revenue only upon full payment of the purchase consideration and transfer of land title to the buyer, these land sales have not been recognized in our books yet as compared to FY2008's S\$0.5 million which was recognized.

Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the Group for FY2009 was S\$54.1 million. The Utilities and the Industrial Parks divisions contributed S\$38.5 million and S\$25.1 million EBITDA respectively while the Resorts Operations, Property Development and Corporate Divisions contributed negative EBITDA of S\$2.4 million, S\$4 million and S\$3.1 million respectively in FY2009.

Arising from the above, the Group reported a net loss attributable to shareholders of S\$10.5 million as compared to FY2008's net profit attributable to shareholders of S\$0.6 million.

Basic and Diluted Loss per Share during the period under review was 0.44 cents. The Group's Net Asset Value ("NAV") per share as at end of FY2009 was 51.23 cents.

As at 31 December 2009, the Group's cash and cash equivalents increased from FY2008's S\$89.9 million to S\$118.7 million due to improved collections from trade and interest receivables.

During the period under review, the Group made the following investments:

- Purchase of two new generation ferries costing approximately S\$32 million of which S\$24 million was spent in FY2009; and
- Subscription to a US\$9.8 million (or approximately S\$14.2 million) Convertible Bond issued by PT Sebu Iron Lateritic Ores ("PT SILO"). The Bond is convertible for an effective equity stake of 29.4% in PT SILO.



Washing plant at PT Silo



Our new ferries offer a new business class section for passengers seeking greater comfort and privacy.

## Financial Review

The total capital expenditure for the year amounted to S\$32.6 million and this was partially funded by external borrowings. Together with new borrowings for the Lagoi Bay Infrastructure development, the Group's external borrowings increased from FY2008's S\$85.9 million to S\$91.0 million in FY2009. Net cash was S\$27.7 million as at 31 December 2009.

Subsequent to the Balance Sheet date, the Group has secured a dual-currency banking facility with Standard Chartered Bank for US\$117.5 million and S\$202.35 million for refinancing of existing bank borrowings and investment in a prime property in Shanghai, China.

### Utilities

Currently, PT Batamindo Investment Cakrawala ("PT BIC") operates 19 dual-fuel gas-fired generators. PT Bintan Inti Industrial Estate ("PT BIIE") and PT Bintan Resort Cakrawala ("PT BRC") operate six and four generators respectively and they use light and heavy fuel for power generation.

The global economic crisis has slowed down global demand and the manufacturing activities of our tenants in FY2009 have not resumed the pre-crisis level. At the Group level, the electricity demand has dropped by 17.5% compared year-on-year.

PT BIC's cost of power generation was also affected by the increase in the cost of natural gas from US\$3.6/mmbtu to approximately US\$5.7/mmbtu.

Both PT BIIE and PT BRC reduced their electricity tariffs, in the form of tariff rebates for prompt payment, to raise their competitive edge vis-à-vis competing industrial parks in the region.

Nonetheless, these measures are temporary and the Group expects the Utilities Division to continue to contribute positively to the Group.



Bird's eye view of the Group's utilities infrastructure in Batam



Earthworks in progress at Lagoi Bay

**Industrial Parks**

The increasing competition from the region has exerted pressure on both our Industrial Parks, PT BIC and PT BIIE, to lower rental rates. As a result, tenants in our parks are offered lowered rental rates if their payments are prompt. In light of that, the Group expects factory rental rates to remain depressed.

**Resort Operations**

In 2009, there were approximately 410,453 visitors to Bintan Resorts. However, International arrivals decreased by 4.9% from FY2008. Our Resorts division witnessed decreased ferry utilization rate, from FY2008's 62% to 56%, and this was due to the economic crisis in the first half of 2009 and outbreak of the H1N1 virus. The ferry business also faced tremendous cost pressure due to escalating marine fuel cost.

**Property Development**

The slow down in the global economy has dented investment sentiment with many investors taking a cautious and measured approach which has impacted our land sales negatively.

On a more positive note, with the final conclusion of the civil suit with PT Raflesia, PT Buana Megawisatama ("PT BMW") has commenced application for subdivision of land plots in Lagoi Bay, Bintan. Coupled with the completion of construction of access roads, land clearance and marking of each individual land plot, PT BMW expects to commence transfer of land titles for the book orders from the second quarter of 2010. Accordingly, revenue recognition will commence in the same period.

As at 31 December 2009, the land sales order book was S\$84.7 million.



One of the sites for development at Lagoi Bay

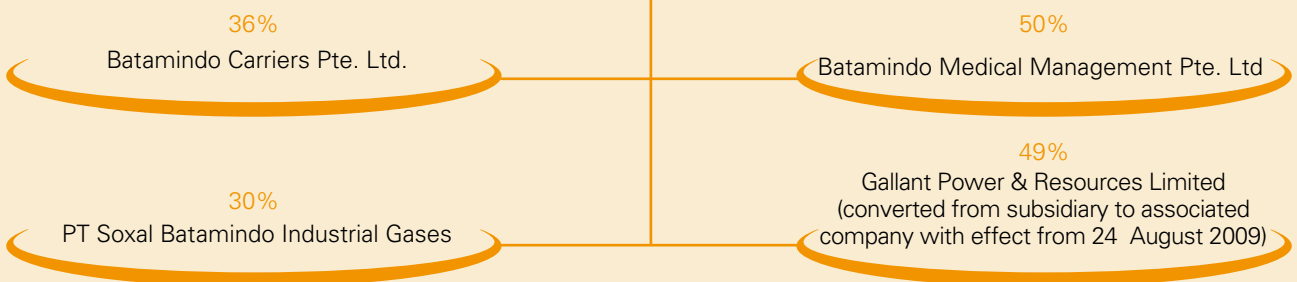
# Corporate Structure



## Subsidiaries



## Associated Companies



# Financial Highlights

|   | FY 2009 | FY 2008 |
|---|---------|---------|
| <b>Income Statement</b>   |         |         |
| <i>(in S\$ million)</i>   |         |         |
| Revenues  | 187.6   | 225.2   |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) | 54.1    | 72.4    |
| Earnings Before Interest and Tax (EBIT)                               | (2.7)   | 16.6    |
| Earnings After Tax Attributable to Shareholders                       | (10.5)  | 0.6     |
| <b>Segmental revenue</b>  |         |         |
| <i>(in S\$ million)</i>   |         |         |
| Utilities   | 117.0   | 141.6   |
| Industrial Parks  | 47.6    | 58.5    |
| Resorts   | 23.0    | 24.6    |
| Property Developments   | -       | 0.5     |
| <b>EBITDA by segment</b>  |         |         |
| <i>(in S\$ million)</i>   |         |         |
| Utilities   | 38.5    | 46.1    |
| Industrial Parks  | 25.1    | 39.3    |
| Resorts   | (2.4)   | (2.6)   |
| Property Developments   | (4.0)   | (5.3)   |
| Corporate   | (3.1)   | (5.0)   |
| <b>Balance Sheet</b>  |         |         |
| <i>(in S\$ million)</i>   |         |         |
| Cash and Cash Equivalents (include restricted cash)                   | 118.7   | 89.9    |
| Investment Properties   | 276.6   | 295.2   |
| Land and Other Inventories  | 564.0   | 565.5   |
| Trade and other receivables   | 43.2    | 70.6    |
| Total Assets  | 1,448.2 | 1,463.8 |
| Total Borrowings  | 91.0    | 85.9    |
| Shareholders' Equity  | 1,236.0 | 1,246.5 |
| <b>Cash Flow</b>  |         |         |
| <i>(in S\$ million)</i>   |         |         |
| Net Cash generated from Operating Activities                          | 67.4    | 37.5    |
| Net Cash used in Investing Activities                                 | (43.6)  | (19.0)  |
| Net Cash used in Financing Activities                                 | 16.5    | (21.7)  |
| Net (decrease)/increase in Cash and Cash equivalents                  | 40.3    | (3.2)   |
| Consolidated Capital Expenditures (In S\$ million)                    | 32.6    | 24.1    |
| <b>Financial Ratios</b>   |         |         |
| Current Ratio   | 6.9     | 6.7     |
| Debt-to-Equity Ratio (Gross Debt)                                     | 7.4%    | 6.9%    |
| Debt-to-Equity Ratio (Net Debt)                                       | (2.2%)  | (0.3%)  |
| EBITDA Margin   | 28.9%   | 32.1%   |
| Return on Equity  | (0.85%) | 0.04%   |
| Return on Assets  | (0.73%) | 0.04%   |
| <b>Stock Information</b>  |         |         |
| <i>(in S\$ except as indicated)</i>                                   |         |         |
| Stock Price - Year-end  | 0.315   | 0.120   |
| Market Capitalization as at 31 December (S\$' billion)                | 0.760   | 0.289   |
| NAV per Share (cents)   | 51.23   | 51.67   |
| Earnings per Share - basic and diluted (cents)                        | (0.44)  | 0.02    |

# Board of Directors

**Mr Lim Hock San**

*Non-Executive Chairman and Independent Director*

Mr Lim is presently the President and Chief Executive Officer of United Industrial Corporation Limited as well as Singapore Land Limited. He is the chairman of Ascendas Pte Ltd and National Council on Problem Gambling, and also a board director of Keppel Corporation Limited and Indofood Agri Resources Limited. He has a Bachelor of Accountancy from the then University of Singapore and a Master of Science (Management) from Massachusetts Institute of Technology. Mr Lim also attended the Advanced Management Program at Harvard Business School. He is a fellow of The Chartered Institute of Management Accountants (UK) and a Fellow and past President of the Institute of Certified Public Accountants of Singapore. He is also a recipient of the Singapore Government Meritorious Service Medal, the Public Administration Medal (Gold) and the Public Service Medal.

**Mr Eugene Cho Park**

*Executive Director and Chief Executive Officer*

Responsible for the overall management of Gallant Venture, Mr Park is a co-founder of Parallax Capital Management Group. He has also spent more than 15 years as an investment banker with Credit Suisse First Boston in London, Chase Manhattan Asia Ltd in Hong Kong and Banque Paribas in Singapore. He received a Bachelor of Arts (Chemistry) from Princeton University in the United States and a Master of Business Administration from INSEAD in France.

**Mr Gianto Gunara**

*Executive Director*

Mr Gunara is currently Director of Business Operations at Bintan Resorts International Pte Ltd, Vice-President Director of PT Batamindo Executive Village and President Director of PT Alam Indah Bintan. He also holds directorships in Nirwana Pte Ltd, PT Bintan Resort Cakrawala, Bintan Resort Ferries Pte Ltd, PT Ria Bintan, PT Straits CM Village, PT Bintan Inti Industrial Estate, Bintan Resort Development Corporation Pte Ltd and BRF Holidays Pte Ltd. Mr Gunara has over 24 years of industry experience having worked with Haagtechno BV – Den Bosch in Holland, Hagemeyer NV in Singapore, PT Indomarco Nusatrada, Indomarco International and Kangaroo Industries in Los Angeles as well as PT Indoleather Swakarsa.

**Ms Low Sin Leng**

*Non-Executive Director*

Ms Low is the Senior Executive Director of Sembcorp Industries overseeing the Sembcorp Group's activities in Indonesia and Vietnam. Concurrently, she is the Executive Chairman of Sembcorp Industrial Parks responsible for spearheading industrial park developments in China, Indonesia and Vietnam; and has been the Vice-President Director of both PT Batamindo Investment Cakrawala and PT Bintan Inti Industrial Estate since 2003. Prior to joining Sembcorp, she was the Executive Vice President of Singapore Power and had served 20 years in the Singapore Government Administrative Service holding several senior positions in the Ministries of Finance, Trade & Industry and Education. A President's Scholar, she holds a Master of Business Administration (High Distinction) from the Catholic University of Leuven, Belgium; a Bachelor of Engineering (Distinction) from the University of Alberta, Canada and has completed Harvard Business School's Advanced Management Program.

**BG (Ret) Chin Chow Yoon***Non-Executive Director*

BG (Ret) Chin is the Vice-President Director of PT Bintan Resort Cakrawala, Executive Chairman of Bintan Resorts International Pte Ltd, Chairman of Bintan Resort Ferries, and Director of PT Buana Megawisatama. He has served as a director on the boards of Chartered Firearms Industries Pte Ltd from 1994 to 1996, Singapore Commuter Pte Ltd from 1991 to 1993, and Vickers Capital Ltd from 1984 to 1990. BG (Ret) Chin was also the Chairman of Singapore Pools (Pte) Ltd from 2002 to 2004, and Executive Director of Singapore Discovery Centre Limited from 1996 to 2008. He is a recipient of the Singapore Government Public Administration Medal (Silver) in 1983.

**Dr Tan Chin Nam***Non-Executive Director*

Dr Tan is currently a senior corporate adviser serving on various boards including as Chairman of the Media Development Authority of Singapore and Temasek Management Services, Senior Adviser of Salim Group and Hexagon Development Advisers and Director, Stamford Land Corporation, Yeo Hiap Seng, Raffles Education Corporation and PSA International. Dr Tan had 33 years of distinguished service in the Singapore Civil Service holding various key appointments before completing his term as a Permanent Secretary at the end of 2007. Dr Tan held leadership positions in various Singapore government ministries and statutory boards such as the Ministry of Defence; National Computer Board; Economic Development Board; Singapore Tourism Board; Ministry of Manpower; National Library Board and Ministry of the Information, Communications and the Arts. He is a recipient of the Singapore Government Public Administration Medal (Bronze, Silver, Gold & Gold (Bar) ).

**Mr Rivaie Rachman***Independent Director*

Mr Rivaie Rachman is presently the Independent Director of Riau Development Bank and Surya Dumai Palmoil Plantation & Industry Group in Indonesia. He was also the Vice Governor of Riau Province from 1994 to 1999; Head of Riau Economic Planning Board for 10 years; Head of Riau Investment Coordination Board for six years and President Director of Riau Development Bank from 1965 to 1968.

**Mr Foo Ko Hing***Independent Director*

After leaving Price Waterhouse in 1986, Mr Foo joined the HSBC Group in the Trust and Fiduciary Business. He was later seconded to HSBC Jersey C.I. for two years, where he was promoted to Executive Director around 1990. Upon returning to Singapore in 1991, he resumed responsibilities with the HSBC Investment Bank Group Private Banking and Trust Services as an Executive Director and Head of Business Development. He has also held positions as Executive Director and Chairman of the Exco of CAM International Holdings Ltd.

# Key Management

**Gunawan Adiwibowo**

The Director of PT Bintan Resort Cakrawala responsible for the Group's property development business, which includes managing land sales and infrastructure development in Bintan. Mr Adiwibowo joined the Group in 1984 holding positions in various departments including the Joint Riau Development Project in 1994. Prior to that, he was Head of Sales and Marketing in PT Wahana Inti Central Mobilindo and the Product/Sales Manager of PT Indoturbine.

**Malcolm Alphonso**

The General Manager of PT Bintan Inti Industrial Estate responsible for the planning, development and growth of Bintan Industrial Estate as well as relationship management among tenants, Bintan Industrial Estate and related agencies. Mr Alphonso joined Sembcorp Parks Management Pte Ltd in 1994 as the Assistant General Manager for PT Bintan Inti Industrial Estate. Prior to that, he held several staff and command appointments in Singapore and overseas with the Singapore Armed Forces, where he rose to the rank of Lieutenant-Colonel.

**Choo Kok Kiong**

The Group Chief Financial Officer overseeing Corporate Services, Mr Choo joined the Group in 2005 after holding various management positions in the SembCorp Group. He brings with him over 16 years of finance experience, having held the positions of Vice-President of Finance at Sembcorp Parks Management Pte Ltd and Sembcorp Parks Holdings Ltd, (now known as Sembcorp Industrial Parks Ltd) Assistant Vice-President of Finance at Sembcorp Industries and Accounts Manager with Singapore Precision Industries Pte Ltd.

**Chow Yew Meng**

The Deputy General Manager of PT Batamindo Investment Cakrawala and an engineer by training. He has extensive experience in the power generation, transmission and distribution industry, having been with Sembcorp Parks Management since 1995. Prior to that, Mr Chow was General Manager of Indoor Stadium Singapore and Development Resources, a subsidiary of PUB Singapore.

**Elfast Goh Eng Pheng**

The Corporate Human Resource Senior Manager responsible for the Group's strategic human resource management. Mr Goh has been with the Group since 2004 after holding managerial and supervisory positions in human resource with Island Leisure International Pte Ltd, Delifrance Singapore Pte Ltd, The Coffee Bean & Tea Leaf (S) Pte Ltd, Rubycon Singapore Pte Ltd and Pentex- Schweizer Circuits Ltd.

**Sebastian Koh Kay Siang**

The General Manager of Bintan Resort Ferries Pte Ltd is responsible for the operation of ferry services between Singapore and Bintan Resorts. Mr Koh joined Bintan Resort Ferries Pte Ltd in 2007 and prior to this, he served as an Officer in the Republic of Singapore Navy holding several key command and staff appointments, which included an attachment to the Department of Peacekeeping Operations, United Nations, New York. He has a Bachelor of Business Administration degree from the University of South Australia.

**Mook Sooi Wah**

Mr Mook joined PT Batamindo Investment Cakrawala in 2003 as Senior Finance Manager and he was subsequently promoted to the position of Assistant General Manager of the Finance Division in the Industrial Park Group. He is responsible for the financial matters in PT Batamindo Investment Cakrawala and PT Bintan Inti Industrial Estate. Mr Mook joined SembCorp Parks Management in 1997 as the head of finance department in the Wuxi Industrial Park, China. Prior to SembCorp Parks Management, he held finance related positions in Informatics Holdings Ltd and Royal Selangor Pte Ltd.

**Albel Singh**

The General Manager of PT Bintan Resort Cakrawala responsible for the day-to-day management of Bintan Resorts. Mr Albel Singh joined the Group as Assistant General Manager of PT Bintan Resort Cakrawala in 2002. Prior to that, Mr Albel Singh was with Singapore's Ministry of Home Affairs as Chief Training Consultant after 30 years of service in the Ministry of Defence where he rose to the position of Brigade Commander holding the rank of Lieutenant-Colonel.

**Johannes Sulistijawan Surjaatmadja**

The General Manager of PT Batamindo Investment Cakrawala responsible for the organisation's General Administration Division, Finance Division, General Affairs and Human Resource Division. Mr Surjaatmadja has been seconded to the Group by Sembcorp Parks Management Pte Ltd. since 1990. Before that, he was General Manager of PT Inti Salim Perkasa, Manager of Finance and Control in Freeport Indonesia Incorporated as well as lecturer at the Universitas Negeri Diponegoro in Indonesia.

**Wee Guan Yak**

The Executive Director and General Manager of PT Batamindo Executive Village responsible for the management and operations of PT Batamindo Executive Village. Mr Wee joined Sembcorp Parks Management Pte Ltd. in 1997 and has since been seconded to the Group. He was previously the General Manager (Operations) of two Indonesian companies from 1994 to 1997. Prior to that, he was with the Ministry of Defence from 1991 to 1994, after having worked in various command staff and instructional appointments in the Singapore Armed Forces from 1967 to 1991 where he rose to the rank of Colonel.

# Corporate Information

## BOARD OF DIRECTORS

Mr Lim Hock San  
(Non-Executive Chairman and Independent Director)  
Mr Eugene Cho Park  
(Executive Director and Chief Executive Officer)  
Mr Gianto Gunara  
(Executive Director)  
Ms Low Sin Leng  
(Non-Executive Director)  
BG (Ret) Chin Chow Yoon  
(Non-Executive Director)  
Dr Tan Chin Nam  
(Non-Executive Director)  
Mr Rivaie Rachman  
(Independent Director)  
Mr Foo Ko Hing  
(Independent Director)

## AUDIT COMMITTEE

Mr Lim Hock San (Chairman)  
Ms Low Sin Leng  
Mr Rivaie Rachman  
Mr Foo Ko Hing

## NOMINATING COMMITTEE

Mr Rivaie Rachman (Chairman)  
Mr Lim Hock San  
BG (Ret) Chin Chow Yoon  
Mr Foo Ko Hing

## REMUNERATION COMMITTEE

Mr Lim Hock San (Chairman)  
Mr Rivaie Rachman  
Mr Foo Ko Hing

## JOINT COMPANY SECRETARIES

Mr Choo Kok Kiong, CPA  
Ms Foo Soon Soo, FCIS, FCPA Singapore,  
FCPA (Aust), LLB (Hons) (London)  
Ms Prisca Low Yim Leng, ACIS

## SHARE REGISTRAR AND SHARE TRANSFER

KCK CorpServe Pte Ltd  
333 North Bridge Road  
#08-00 KH KEA Building  
Singapore 188721

## AUDITORS

Foo Kon Tan Grant Thornton LLP  
Certified Public Accountants of Singapore  
47 Hill Street #05-01  
Singapore Chinese Chamber of  
Commerce & Industry Building  
Singapore 179365

## PARTNER-IN-CHARGE

Mr Kon Yin Tong  
Date of Appointment: Since financial period ended  
31 December 2008

## PRINCIPAL BANKER

United Overseas Bank Limited  
80 Raffles Place  
UOB Plaza  
Singapore 048624

## REGISTERED OFFICE

991A Alexandra Road  
#02-06/07  
Singapore 119969

## COMPANY REGISTRATION NUMBER

200303179Z

# Statement of Corporate Governance

The Board of Directors of Gallant Venture Ltd. (the "Company"), is committed to high standards of corporate governance and has adopted the corporate governance practices contained in the Code of Corporate Governance ("Code") so as to ensure greater transparency and protection of shareholders interests. This statement outlines the main corporate governance practices that were in place throughout the financial year.

## BOARD MATTERS

### The Board's Conduct of its Affairs

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

The primary role of the Board is to protect and enhance long-term shareholders' value. It sets the corporate strategies of the Group, sets directions and goals for the Management. It supervises the Management and monitors performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Group.

Regular meetings are held to deliberate the strategic policies of the Company including significant acquisitions and disposals, review and approve annual budgets, review the performance of the business and approve the public release of periodic financial results.

The Board has formed Board Committees namely the Audit Committee, the Nominating Committee and the Remuneration Committee to assist in carrying out and discharging its duties and responsibilities efficiently and effectively.

These Committees function within clearly defined 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 following table discloses the number of meetings held for Board and Board Committees and the attendance of all Directors for the financial year ended 31 December 2009: -

|  | Board                              | Audit Committee | Remuneration Committee | Nominating Committee |
|--|------------------------------------|-----------------|------------------------|----------------------|
| Number of meetings held                    | 8                                  | 5               | 2                      | 1                    |
| <b>Name of Directors</b>                   | <b>Number of meetings attended</b> |                 |                        |                      |
| Mr Lim Hock San                            | 7                                  | 5               | 2                      | 1                    |
| Mr Eugene Cho Park                         | 8                                  | 5*              | 2*                     | 1*                   |
| Mr Gianto Gunara                           | 7                                  | 5*              | –                      | –                    |
| Ms Low Sin Leng                            | 8                                  | 5               | 2*                     | 1*                   |
| BG (Ret) Chin Chow Yoon                    | 8                                  | 5*              | 2*                     | 1                    |
| Mr Rivaie Rachman                          | 8                                  | 5               | 2                      | 1                    |
| Mr Foo Ko Hing                             | 8                                  | 5               | 2                      | 1                    |
| Dr Tan Chin Nam (Appointed on 25 May 2009) | 5                                  | 2*              | –                      | –                    |

\* Attended the meeting as invitee

The Nominating Committee held a meeting in February 2009 to recommend to the Board the re-election of Directors for the financial year ended 31 December 2009.

While the Board considers Directors' attendance at Board meetings to be important, it should not be the only criterion to measure their contributions. It also takes into account the contributions by board members in other forms including periodical reviews, provision of guidance and advice on various matters relating to the Group.

# Statement of Corporate Governance

## Board Composition and Balance

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

As at the date of this Report, the Board of Directors (the "Board") comprises eight members, of whom three are Non-Executive and three are Independent Directors:

- |    |                         |   |
|----|-------------------------|---|
| 1. | Mr Lim Hock San         | Non-Executive Chairman and Independent Director |
| 2. | Mr Eugene Cho Park      | Executive Director and Chief Executive Officer  |
| 3. | Mr Gianto Gunara        | Executive Director                              |
| 4. | Ms Low Sin Leng         | Non-Executive Director                          |
| 5. | BG (Ret) Chin Chow Yoon | Non-Executive Director                          |
| 6. | Dr Tan Chin Nam*        | Non-Executive Director                          |
| 7. | Mr Rivaie Rachman       | Independent Director                            |
| 8. | Mr Foo Ko Hing          | Independent Director                            |

\* Dr Tan Chin Nam was appointed on 25 May 2009

The criterion for independence is based on the definition given in the Code of Corporate Governance ("Code"). The Board considers an "Independent" Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment of the conduct of the Group's affairs. The independence of each Director is reviewed annually by the Nominating Committee, based on the definition of independence as stated in the Code.

The Board is of the view that the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group. 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, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

Key information regarding the Directors is given in the 'Board of Directors' section of the Annual Report.

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Report.

## Chairman and Chief Executive Officer

**Principle 3:** There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles of the Chairman and the Chief Executive Officer ("CEO") are separate and distinct, each having their own areas of responsibilities. The Company believes that a distinctive separation of responsibilities between the Chairman and the CEO will ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The posts of Chairman and CEO are held by Mr Lim Hock San and Mr Eugene Cho Park respectively.

As the Chairman, Mr Lim Hock San is primarily responsible for overseeing the overall management and strategic development of the Company.

# Statement of Corporate Governance

His responsibilities include:

- Chairing meetings on key strategic development and investment plans;
- Ensuring regular meetings (with the assistance of the Company Secretaries) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- Preparing meeting agenda (in consultation with the CEO and CFO);
- Assisting in ensuring the Company is in compliance with the Code; and
- Reviewing board papers that are presented to the Board.

In assuming his roles and responsibilities, Mr Lim Hock San consults with the Board, Audit Committee, Nominating Committee and Remuneration Committee on major issues and as such, the Board believes that there are adequate safeguards in place against having a concentration of power and authority in a single individual.

As the Company's CEO, Mr Eugene Cho Park is responsible for the day-to-day management of the Group's affairs. Mr Eugene Cho Park reports to the Board and ensures that policies and strategies adopted by the Board are implemented.

## Board Membership

### Principle 4: There should be a formal and transparent process for the appointment of new Directors to the Board.

The Nominating Committee ("NC") was constituted on 31 October 2006 and comprises four members, majority of whom including its Chairman are independent. The members of the NC are:

- |                                |                        |
|--------------------------------|------------------------|
| • Mr Rivaie Rachman (Chairman) | Independent Director   |
| • Mr Lim Hock San              | Independent Director   |
| • Mr Foo Ko Hing               | Independent Director   |
| • BG (Ret) Chin Chow Yoon      | Non-Executive Director |

The primary function of the NC is to determine the criteria for identifying candidates and reviewing nominations for the appointment of Directors to the Board and also to decide how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval.

The NC functions under the terms of reference which sets out its responsibilities:

- (a) To recommend to the Board on all board appointments, re-appointments and re-nominations;
- (b) To ensure that Independent Directors meet SGX-ST's guidelines and criteria; and
- (c) To assess the effectiveness of the Board as a whole and the effectiveness and contribution of each Director to the Board.

The Articles of Association of the Company require that one-third of the Board to retire from office at each Annual General Meeting ("AGM"). Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years.

The NC has conducted an annual review of the independence of the Independent Directors, using the criteria of independence in the Code, and has determined that they are independent.

# Statement of Corporate Governance

## Board Performance

**Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.**

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

The NC has reviewed and evaluated 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.

## Access to Information

**Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.**

All Directors are from time to time furnished with information concerning the Company to enable them to be fully cognisant of the decisions and actions of the Company's executive management. The Board has unrestricted access to the Company's records and information.

Senior members of management provide information whenever necessary in the form of briefings to the Directors or formal presentations in attendance at Board meetings, or by external consultants engaged on specific projects.

The Board has separate and independent access to the Company Secretaries and to other senior management executives of the Company and of the Group at all times in carrying out their duties. The Company Secretaries attend all Board meetings and meetings of the Committees of the Company and ensure that Board procedures are followed and that applicable rules and regulations are complied with. The minutes of all Board Committees' meetings are circulated to the Board.

The Board takes independent professional advice, and when necessary, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to discharge its responsibilities effectively.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

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

The Remuneration Committee ("RC") was constituted on 31 October 2006 and comprises three members, all of whom including its Chairman are independent. The members of the RC are:

- Mr Lim Hock San (Chairman)                      Independent Director
- Mr Rivaie Rachman                                      Independent Director
- Mr Foo Ko Hing    Independent Director

The RC recommends to the Board a framework of remuneration for the Directors and Executive Officers, and determines specific remuneration package for each Executive Director. The RC's recommendations will be submitted for endorsement by the Board.

All aspects of remuneration, including but not limited to Directors' fee, salaries, allowances, bonuses and benefits in kind, will be covered by the RC. No member of the RC or any Director is involved in the deliberations in respect of any resolution in respect of his remuneration package.

# Statement of Corporate Governance

The RC functions under the terms of reference which sets out its responsibilities:

- (a) To recommend to the Board a framework for remuneration for the Directors and key executives of the Company;
- (b) To determine specific remuneration packages for each Executive Director; and
- (c) To review the appropriateness of compensation for Non-Executive Directors.

The recommendations of the RC had been submitted to the Board for endorsement. The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company.

All aspects of remuneration, including but not limited to Directors' fee, salaries, allowances, bonuses, and benefits-in-kind shall be reviewed by the RC.

## Level and Mix of Remuneration

**Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.**

In setting remuneration packages, the Remuneration Committee will take into consideration the pay and employment conditions within the industry and in comparable companies. The remuneration of Non-Executive Directors is also reviewed to ensure that the remuneration is commensurate with the contribution and responsibilities of the Directors.

The Company will submit the quantum of Directors' fee of each year to the shareholders for approval at each AGM.

All the Executive Directors, including the Chief Executive Officer, have service agreements with the Company. The service agreements cover the terms of employment, salaries and other benefits. Non-Executive Directors have no service contracts with the Company.

## Disclosure on Remuneration

**Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.**

The summary compensation paid to the Directors and top five key executives of the Group during the financial year ended 31 December 2009 is set out below:

## Remuneration of Directors

| Directors   | Salary | Bonus | Directors' Fee | Allowances and Other Benefits | Total Compensation |
|---|--------|-------|----------------|-------------------------------|--------------------|
|   | %      | %     | %              | %                             | %                  |
| <b>\$250,000 to \$499,999</b>                                     |        |       |                |                               |                    |
| Eugene Cho Park<br>Executive Director and Chief Executive Officer | 88     | 12    | –              | –                             | 100                |
| Gianto Gunara<br>Executive Director                               | 88     | 12    | –              | –                             | 100                |
| BG (Ret) Chin Chow Yoon<br>Non-Executive Director                 | 88     | 12    | –              | –                             | 100                |

# Statement of Corporate Governance

| Directors   | Salary<br>% | Bonus<br>% | Directors'<br>Fee<br>% | Allowances<br>and Other<br>Benefits<br>% | Total<br>Compensation<br>% |
|---|-------------|------------|------------------------|--|----------------------------|
| <b>Below S\$250,000</b>   |             |            |                        |  |                            |
| Lim Hock San<br>Non-Executive Chairman and Independent Director | –           | –          | 100                    | –  | 100                        |
| Low Sin Leng<br>Non-Executive Director                          | –           | –          | –                      | –  | –                          |
| Dr Tan Chin Nam*<br>Non-Executive Director                      | –           | –          | 100                    | –  | 100                        |
| Rivaie Rachman<br>Independent Director                          | –           | –          | 100                    | –  | 100                        |
| Foo Ko Hing<br>Independent Director                             | –           | –          | 100                    | –  | 100                        |

\* Dr Tan Chin Nam was appointed on 25 May 2009.

## Remuneration of Key Executives

| Key Executives of the Group        | Salary<br>% | Bonus<br>% | Directors'<br>Fee<br>% | Allowances<br>and Other<br>Benefits<br>% | Total<br>Compensation<br>% |
|------------------------------------|-------------|------------|------------------------|--|----------------------------|
| <b>Below \$250,000</b>             |             |            |                        |  |                            |
| Choo Kok Kiong                     | 83          | 12         | –                      | 5  | 100                        |
| Chow Yew Meng                      | 86          | 8          | –                      | 6  | 100                        |
| Johannes Sulistijawan Surjaatmadja | 73          | 6          | –                      | 21                                       | 100                        |
| Malcolm Alphonso                   | 80          | 7          | –                      | 13                                       | 100                        |
| Wee Guan Yak                       | 82          | 7          | –                      | 11                                       | 100                        |

No employee of the Company and its subsidiaries was an immediate family member of a Director and/or a Substantial Shareholder whose remuneration exceeded S\$150,000 during the financial year ended 31 December 2009.

## ACCOUNTABILITY AND AUDIT

### Accountability

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

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual of the SGX-ST.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within legally prescribed periods.

# Statement of Corporate Governance

## Audit Committee

**Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.**

The Audit Committee ("AC") comprises four members. Save for Ms Low Sin Leng, the other AC members including the Chairman are Independent. The AC comprises the following members:

- Mr Lim Hock San (Chairman)            Independent Director
- Ms Low Sin Leng                            Non-Executive Director
- Mr Foo Ko Hing                            Independent Director
- Mr Rivaie Rachman                        Independent Director

Ms Low Sin Leng, a non-Executive Director, is currently employed by Sembcorp Industries Ltd, and is deemed not an Independent Director by virtue of the definition of "Independent Director" pursuant to Guideline 2.1 of the Code of Corporate Governance 2005 ("CCG"). It is, however, noted that the AC's composition of members is in compliance with Guideline 11.1 of the CCG.

The AC functions under the terms of reference which sets out its responsibilities as follows:

- (a) To review the financial statements of the Company and the Group before submission to the Board;
- (b) To review the audit plans of the Company with the external auditors and the external auditors' reports;
- (c) To review the internal controls and procedures (including adequacy of the finance functions and the quality of finance staff) and co-operation given by the Company's management to the external auditors;
- (d) To review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations;
- (e) To make recommendations to our Board on the appointment, re-appointment and removal of the external auditor;
- (f) To review interested person transactions and potential conflicts of interest;
- (g) To undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising;
- (h) To generally undertake such other functions and duties as may be required by the statute, regulations or the Listing Manual, or by such amendments as may be made thereto from time to time; and
- (i) To review arrangements by which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting.

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company. No member of the AC or any Director is involved in the deliberations and voting on any resolutions in respect of matters he is interested in.

The AC has full access to and co-operation of the Management and has full discretion to invite any Director or Executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The AC meets with both the external and internal auditors without the presence of the Management at least once a year.

# Statement of Corporate Governance

The AC reviews the independence of the group external auditor annually. The AC, having reviewed the range and value of non-audit services performed by the group external auditor, Foo Kon Tan Grant Thornton LLP was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor. The AC recommended that Foo Kon Tan Grant Thornton LLP be nominated for re-appointment as auditor at the forthcoming AGM. The AC had also reviewed the appointment of auditors of those subsidiaries who are not Foo Kon Tan Grant Thornton and are satisfied that such appointment would not compromise the standard and effectiveness of the audit.

The Company has in place a whistle-blowing framework where staff of the Company can access the Audit Committee Chairman to raise concerns about improprieties.

## Internal Controls and Risk Management

**Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.**

The Audit Committee will ensure that a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management, is conducted annually. In this respect, the Audit Committee will review the audit plans, and the findings of the auditors and will ensure that the Company follows up on the auditors' recommendations raised, if any, during the audit process.

The Group has in place a system of internal control and risk management for ensuring proper accounting records and reliable financial information as well as management of business risks with a view to safeguarding shareholders' investments and the Company's assets. The risk management framework implemented provides for systematic and structured review and reporting of the assessment of the degree of risk, evaluation and effectiveness of controls in place and the requirements for further controls.

## Internal Audit

**Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.**

The Company has engaged PricewaterhouseCoopers as its internal auditors. The internal auditors reports directly to the Chairman of the Audit Committee on all internal audit matters.

The primary functions of internal audit are to help:-

- (a) assess if adequate systems of internal controls are in place to protect the assets of the Group and to ensure control procedures are complied with;
- (b) assess if operations of the business processes under review are conducted efficiently and effectively; and
- (c) identify and recommend improvement to internal control procedures, where required.

The Audit Committee has reviewed the Company's internal control assessment and based on the internal auditors' and external auditors' reports and the internal controls in place, it is satisfied that there are adequate internal controls in the Company.

# Statement of Corporate Governance

## COMMUNICATION WITH SHAREHOLDERS

**Principle 14:** Companies should engage in regular, effective and fair communication with shareholders.

**Principle 15:** Companies should encourage greater shareholder participation at AGMs and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

In line with continuous obligations of the Company pursuant to the SGX-ST's Listing Rules, the Board's policy is that all shareholders be informed of all major developments that impact the Group.

Information is disseminated to shareholders on a timely basis through:

- (a) SGXNET announcements and news release;
- (b) Annual Report prepared and issued to all shareholders;
- (c) Press releases on major developments of the Group;
- (d) Notices of and explanatory memoranda for AGM and extraordinary general meetings ("EGM"); and
- (e) Company's website at [www.gallantventure.com](http://www.gallantventure.com) which shareholders can access information on the Group.

The Company's AGMs are the principal forums for dialogue with shareholders. The Chairmen of the Audit, Remuneration and Nominating Committees are normally available at the AGMs to answer any questions relating to the work of these Committees. The external auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

Shareholders are encouraged to attend the AGM/EGM to ensure a high level of accountability and to stay apprised of the Group's strategy and goals. Notice of the meeting will be advertised in newspapers and announced on SGXNET.

### Dealing In Securities

The Company has in place a policy prohibiting share dealings by Directors and employees of the Company for the period of two weeks prior to the announcement of the Company's quarterly results or one month prior to the announcement of the Company's yearly results as the case may be, and ending on the date of the announcement of the relevant results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

### Interested Person Transactions Policy

The Company adopted an internal policy in respect of any transactions with interested person and has established procedures for review and approval of the interested person transactions entered into by the Group. The Audit Committee has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are on normal commercial terms and are not prejudicial to the interests of the shareholders.

# Statement of Corporate Governance

The interested person transactions transacted for the financial year ended 31 December 2009 by the Group are as follows:

| Name of Interested Person                       | Aggregate value of all interested person transactions conducted (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) |
|---|--|---|
|   | S\$'000  | S\$'000   |
| <b>PURCHASES</b>                                |  |   |
| SembCorp Parks Management Pte Ltd               | –  | 2,563   |
| PT Herwido Rintis                               | –  | 273   |
| Riau Infrastructure Management Services Pte Ltd | –  | 263   |
| PT Tunas Karya Indoswasta                       | –  | 227   |
| PT Asuransi Central Asia                        | –  | 649   |
| Claims received                                 | –  | (1,604)   |
| <b>SALES</b>                                    |  |   |
| PT Alam Indah Bintan                            | –  | (3,338)   |
| Extension of convertible bond                   | (60,000)   | –   |
| PT Straits CM Village                           | –  | (3,915)   |

## Material Contracts

There were no material contracts entered into by the Company or any of its subsidiary companies involving the interest of the Chief Executive Officer, any Director, or controlling shareholder.

# Directors' Report

The Directors submit this annual report to the members together with the audited balance sheet of the Company and consolidated financial statements of the Group for the financial year ended 31 December 2009.

## Names of Directors

The Directors in office at the date of this report are:

|                         |  |
|-------------------------|--|
| Mr Lim Hock San         | (Non-Executive Chairman and Independent Director)  |
| Mr Eugene Cho Park      | (Executive Director and Chief Executive Officer)   |
| Mr Gianto Gunara        | (Executive Director)                               |
| Ms Low Sin Leng         | (Non-Executive Director)                           |
| BG (Ret) Chin Chow Yoon | (Non-Executive Director)                           |
| Dr Tan Chin Nam         | (Non-Executive Director, appointed on 25 May 2009) |
| Mr Foo Ko Hing          | (Independent Director)                             |
| Mr Rivaie Rachman       | (Independent Director)                             |

## Arrangements to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement the object of which was to enable the Directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body.

## Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the Directors who held office at the end of the financial year was interested in shares of the Company and its related corporations except as follows:

|                    | Number of ordinary shares registered<br>in the name of Director or nominee |                                      | Number of ordinary shares in which<br>Director is deemed to have an interest |                                      |
|--------------------|--|--------------------------------------|--|--------------------------------------|
|                    | As at<br>1.1.2009  | As at<br>31.12.2009<br>and 21.1.2010 | As at<br>1.1.2009  | As at<br>31.12.2009<br>and 21.1.2010 |
| <u>The Company</u> |  |                                      |  |                                      |
| Eugene Cho Park    | 100,000  | 100,000                              | 594,011,738  | 657,011,738                          |
| Gianto Gunara      | 100,000  | 100,000                              | –  | –                                    |

## Directors' benefits

Since the end of the previous financial year, no Director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50 except as disclosed in Note 26 to the financial statements.

## Share options

No options were granted during the financial year to take up unissued shares of the Company or of its subsidiaries.

No shares were issued by virtue of the exercise of options.

There were no unissued shares under option at the end of the financial year.

# Directors' Report

## Audit Committee

The Audit Committee comprises the following members:

Mr Lim Hock San (Chairman)  
Ms Low Sin Leng  
Mr Foo Ko Hing  
Mr Rivaie Rachman

The Audit Committee carried out its functions in accordance with Section 201B of the Companies Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance.

The Audit Committee reviewed the overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls. The Audit Committee also reviewed the consolidated financial statements of the Group and the financial statements of the Company for the financial year ended 31 December 2009 as well as the auditor's report thereon prior to consideration and approval by the Board, announcement of the unaudited results for quarterly, half-yearly and full year to SGX-ST and interested party transactions (as defined in the Listing Manual of the SGX-ST).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or Executive Officer to attend its meetings.

The Audit Committee has also conducted a review of the fees paid or payable to the auditors for non-audit services for financial year ended 31 December 2009. In pursuance with Section 206(1A) of the Companies Act, Cap. 50, and based on the review by the Audit Committee and its recommendation, the Board is also satisfied that the level of non-audit fees paid or payable to the auditors did not affect the independence of the auditors.

The Audit Committee has therefore recommended to the Board of Directors the nomination of Foo Kon Tan Grant Thornton LLP as external auditors at the forthcoming Annual General Meeting of the Company.

## Independent auditor

The independent auditor, Foo Kon Tan Grant Thornton LLP, Certified Public Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

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EUGENE CHO PARK

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GIAN TO GUNARA

Dated: 1 March 2010

# Statement by Directors

In the opinion of the Directors,

- (a) the accompanying statements of financial position of the Company and consolidated financial statements of the Group, together with the notes thereon, are drawn up so as to give a true and fair view of state of affairs of the Company and of the Group as at 31 December 2009 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

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EUGENE CHO PARK

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GIANTO GUNARA

Dated: 1 March 2010

# Independent Auditors' Report

*to the Member of Gallant Venture Ltd.*

We have audited the accompanying financial statements of Gallant Venture Ltd. ("the Company") and of its subsidiaries ("the Group"), which comprise the statements of financial position of the Company and the Group as at 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- (a) 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;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

## **Auditor's 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 on 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 and fair presentation of the financial statements 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 audit opinion.

## **Opinion**

In our opinion:

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group 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 Company and of the Group as at 31 December 2009 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan Grant Thornton LLP  
Public Accountants and  
Certified Public Accountants

Singapore, 1 March 2010

# Statements of Financial Position

For the year ended 31 December 2009

|  | Note | The Company      |                  | The Group        |                  |
|--|------|------------------|------------------|------------------|------------------|
|  |      | 2009<br>\$'000   | 2008<br>\$'000   | 2009<br>\$'000   | 2008<br>\$'000   |
| <b>Assets</b>  |      |                  |                  |                  |                  |
| <b>Non-Current</b>                                   |      |                  |                  |                  |                  |
| Intangible assets                                    | 4    | 7                | 7                | 1,397            | 1,483            |
| Property, plant and equipment                        | 5    | 359              | 343              | 361,240          | 368,879          |
| Investment properties                                | 6    | –                | –                | 276,591          | 295,209          |
| Subsidiaries   | 7    | 1,207,642        | 1,207,642        | –                | –                |
| Associate companies                                  | 8    | –                | –                | 14,998           | 802              |
| Other investments                                    | 9    | –                | –                | –                | –                |
| Deferred tax assets                                  | 10   | –                | –                | 5,409            | 6,507            |
| Loan receivable                                      | 11   | –                | –                | 60,000           | 62,046           |
| Other non-current assets                             | 12   | –                | –                | 2,547            | 2,944            |
|  |      | 1,208,008        | 1,207,992        | 722,182          | 737,870          |
| <b>Current</b>                                       |      |                  |                  |                  |                  |
| Land inventories                                     | 13   | –                | –                | 552,808          | 549,918          |
| Other inventories                                    | 14   | –                | –                | 11,226           | 15,588           |
| Trade and other receivables                          | 15   | 128,873          | 102,285          | 43,242           | 70,593           |
| Cash and bank balances                               | 16   | 357              | 1,124            | 118,717          | 89,867           |
|  |      | 129,230          | 103,409          | 725,993          | 725,966          |
| <b>Total assets</b>                                  |      | <b>1,337,238</b> | <b>1,311,401</b> | <b>1,448,175</b> | <b>1,463,836</b> |
| <b>Equity and liabilities</b>                        |      |                  |                  |                  |                  |
| Share capital  | 17   | 1,207,642        | 1,207,642        | 1,207,642        | 1,207,642        |
| Translation reserves                                 |      | –                | –                | (974)            | (980)            |
| (Accumulated losses)/retained profits                |      | (4,670)          | (1,980)          | 29,359           | 39,859           |
| Equity attributable to equity holders of the Company |      | 1,202,972        | 1,205,662        | 1,236,027        | 1,246,521        |
| Non-controlling interests                            |      | –                | –                | 28,807           | 30,990           |
| <b>Total equity</b>                                  |      | <b>1,202,972</b> | <b>1,205,662</b> | <b>1,264,834</b> | <b>1,277,511</b> |
| <b>Liabilities</b>                                   |      |                  |                  |                  |                  |
| <b>Non-Current</b>                                   |      |                  |                  |                  |                  |
| Deposits from tenants/golf membership                | 18   | –                | –                | 35,194           | 36,100           |
| Employee benefits liabilities                        | 19   | –                | –                | 7,319            | 5,527            |
| Deferred tax liabilities                             | 20   | –                | –                | 1,168            | 583              |
| Loans and borrowings                                 | 21   | 33,093           | 34,420           | 34,593           | 34,420           |
|  |      | 33,093           | 34,420           | 78,274           | 76,630           |
| <b>Current</b>                                       |      |                  |                  |                  |                  |
| Trade and other payables                             | 22   | 819              | 3,573            | 47,451           | 50,617           |
| Current tax payable                                  |      | –                | –                | 1,172            | 7,637            |
| Loans and borrowings                                 | 21   | 100,354          | 67,746           | 56,444           | 51,441           |
|  |      | 101,173          | 71,319           | 105,067          | 109,695          |
| <b>Total liabilities</b>                             |      | <b>134,266</b>   | <b>105,739</b>   | <b>183,341</b>   | <b>186,325</b>   |
| <b>Total equity and liabilities</b>                  |      | <b>1,337,238</b> | <b>1,311,401</b> | <b>1,448,175</b> | <b>1,463,836</b> |

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

|  | Note | Year ended<br>31 December<br>2009<br>\$'000 | Year ended<br>31 December<br>2008<br>\$'000 |
|--|------|---|---|
| Revenue  | 3    | 187,573                                     | 225,173                                     |
| Cost of sales  |      | (154,847)                                   | (167,984)                                   |
| Gross profit   |      | 32,726                                      | 57,189                                      |
| Other income   | 23   | 3,877                                       | 6,100                                       |
| General and administrative expenses                    |      | (10,249)                                    | (9,847)                                     |
| Other operating expenses                               | 24   | (27,131)                                    | (33,065)                                    |
| Share of associate companies' profits                  |      | 124   | 330   |
| Finance costs  | 25   | (2,780)                                     | (2,778)                                     |
| (Loss)/profit before taxation                          | 26   | (3,433)                                     | 17,929                                      |
| Taxation   | 28   | (9,233)                                     | (18,866)                                    |
| Loss after taxation                                    |      | (12,666)                                    | (937)                                       |
| Other comprehensive income after taxation:             | 29   |   |   |
| - Currency translation differences                     |      | 51  | (306)                                       |
| Total comprehensive income for the year                |      | (12,615)                                    | (1,243)                                     |
| (Loss)/profit attributable to:                         |      |   |   |
| - Equity holders of the Company                        |      | (10,500)                                    | 557   |
| - Non-controlling interests                            |      | (2,166)                                     | (1,494)                                     |
|  |      | (12,666)                                    | (937)                                       |
| Total comprehensive income attributable to:            |      |   |   |
| - Equity holders of the Company                        |      | (10,494)                                    | 307   |
| - Non-controlling interests                            |      | (2,121)                                     | (1,550)                                     |
|  |      | (12,615)                                    | (1,243)                                     |
| Basic and diluted (loss)/earnings per share (in cents) | 30   | (0.44)                                      | 0.02  |

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

|  | Share<br>capital<br>\$'000 | Translation<br>reserves<br>\$'000 | Retained<br>profits<br>\$'000 | Attributable<br>to equity<br>holders of the<br>Company<br>\$'000 | Non-<br>controlling<br>interests<br>\$'000 | Total<br>equity<br>\$'000 |
|--|----------------------------|-----------------------------------|-------------------------------|--|--|---------------------------|
| Balance at 1 January 2008                      | 1,207,642                  | (730)                             | 39,302                        | 1,246,214  | 32,606                                     | 1,278,820                 |
| Total comprehensive income<br>for the year     | –                          | (250)                             | 557                           | 307  | (1,550)                                    | (1,243)                   |
| Dividends paid to non-controlling<br>interests | –                          | –                                 | –                             | –  | (66)                                       | (66)                      |
| Balance at 31 December 2008                    | 1,207,642                  | (980)                             | 39,859                        | 1,246,521  | 30,990                                     | 1,277,511                 |
| Total comprehensive income<br>for the year     | –                          | 6                                 | (10,500)                      | (10,494)   | (2,121)                                    | (12,615)                  |
| Dividends paid to non-controlling<br>interests | –                          | –                                 | –                             | –  | (62)                                       | (62)                      |
| Balance at 31 December 2009                    | 1,207,642                  | (974)                             | 29,359                        | 1,236,027  | 28,807                                     | 1,264,834                 |

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2009

|   | Year ended<br>31 December<br>2009<br>\$'000 | Year ended<br>31 December<br>2008<br>\$'000 |
|---|---|---|
| <b>Cash Flows from Operating Activities</b>                             |   |   |
| (Loss)/profit before taxation   | (3,433)                                     | 17,929                                      |
| Adjustments for:  |   |   |
| Amortisation of intangible assets                                       | 199   | 150   |
| Depreciation of property, plant and equipment and investment properties | 56,649                                      | 55,622                                      |
| Currency translation difference   | (331)                                       | (914)                                       |
| Gain on sale of investment property                                     | (160)                                       | (1,584)                                     |
| Loss on disposal of property, plant and equipment                       | 11  | 45  |
| Share of associate companies' profits                                   | (124)                                       | (330)                                       |
| Impairment of trade and other receivables                               | 4,435                                       | 894   |
| (Reversal)/allowance for inventories obsolescence                       | (371)                                       | 623   |
| Provision for employees' benefits                                       | 1,856                                       | 1,048                                       |
| Interest expense  | 2,780                                       | 2,778                                       |
| Interest income   | (2,070)                                     | (4,117)                                     |
| Operating profit before working capital changes                         | 59,441                                      | 72,144                                      |
| Increase in land inventories  | (2,890)                                     | (3,437)                                     |
| Decrease/(increase) in other inventories                                | 4,733                                       | (5,708)                                     |
| Decrease/(increase) in operating receivables                            | 13,712                                      | (9,419)                                     |
| Increase in operating payables  | 2,951                                       | 3,532                                       |
| Cash generated from operating activities                                | 77,947                                      | 57,112                                      |
| Income tax paid   | (17,657)                                    | (17,527)                                    |
| Employee benefits paid  | (65)  | (914)                                       |
| Interest paid   | (5,254)                                     | (5,349)                                     |
| Interest received   | 13,320                                      | 3,461                                       |
| Deposits (refunded to)/received from tenants/golf members               | (906)                                       | 711   |
| Net cash generated from operating activities                            | 67,385                                      | 37,494                                      |
| <b>Cash Flows from Investing Activities</b>                             |   |   |
| Acquisition of intangible assets  | (113)                                       | (185)                                       |
| Acquisition of property, plant and equipment (Note A)                   | (31,693)                                    | (22,145)                                    |
| Acquisition of investment properties                                    | (898)                                       | (1,819)                                     |
| Investment in associate company   | (14,166)                                    | -   |
| Dividend from associate company   | 150   | 330   |
| Proceeds from disposal of property, plant and equipment                 | 2,482                                       | 34  |
| Proceeds from sale of investment property                               | 210   | 4,500                                       |
| Deposits refunded   | 397   | 422   |
| Net cash used in investing activities                                   | (43,631)                                    | (18,863)                                    |
| <b>Cash Flows from Financing Activities</b>                             |   |   |
| Proceeds from bank borrowings   | 46,515                                      | 19,464                                      |
| Repayment of bank borrowings  | (41,357)                                    | (33,077)                                    |
| Decrease/(increase) in fixed deposits pledged with a bank               | 11,413                                      | (8,137)                                     |
| Dividends paid to non-controlling interests                             | (62)  | (66)  |
| Net cash generated from/(used in) financing activities                  | 16,509                                      | (21,816)                                    |
| Increase/(decrease) in cash and cash equivalents                        | 40,263                                      | (3,185)                                     |
| Cash and cash equivalents at beginning of year                          | 78,454                                      | 81,639                                      |
| Cash and cash equivalents at end of year (Note 16)                      | 118,717                                     | 78,454                                      |

## Note A: Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$31,711,000 (2008 - \$22,251,000) of which \$18,000 (2008 - \$106,000) was acquired by means of finance leases. Cash payment of \$31,693,000 (2008 - \$22,145,000) were made to purchase property, plant and equipment.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

The Company was incorporated as a limited liability company and domiciled in the Republic of Singapore.

The registered office and the principal place of business is at 991A Alexandra Road #02-06/07, Singapore 119969.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

## 2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations to FRS ("INT FRS") promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, unless otherwise stated in the accounting policies below.

The financial statements are presented in Singapore dollar which is the company's functional currency. All financial information is presented in Singapore dollar, unless otherwise stated.

### Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

### Critical judgements and key sources of estimation uncertainty

#### (i) Judgement

In the process of applying the Group's accounting policies, which are described below, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

##### Income tax

The Group has exposure to income taxes in several jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### Operating lease commitments - as lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

##### Investment properties

The Group classifies certain buildings and improvements as investment properties as these are leased out to earn rental income. An insignificant portion of investment properties is held for use in the supply of services or for administration purposes.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2(a) Basis of preparation (cont'd)

### (ii) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### Employee benefits

An estimate for employee benefits liability involves actuarial assumptions and management estimates on discount rate, annual salary increases, mortality rate, retirement age, turnover rates and disability rates. The balances of employee benefits liabilities as of 31 December 2009 amounted to \$7,319,000.

#### Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

#### Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 80 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2009 is \$361,240,000. Changes in the expected level of usage could impact the economic useful lives of these assets, therefore future depreciation charges could be revised.

#### Impairment of goodwill

As at 31 December 2009, the carrying amount of goodwill is \$1,164,000. The assessment of impairment of goodwill was determined based on the recoverable amount of the Group's cash-generating units ("CGU") according to business segments, in this case, property development segment. The recoverable amount of the CGU is determined based on value-in-use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. These cash flows projections are based on the future contributions from sale of land and infrastructure in Bintan Island by the Group. The estimated future cash flows are discounted to their present value using a pre-tax discount rate of 4% that reflects current market assessments of time value of money.

#### Impairment of investment in subsidiaries

Determining whether investment in subsidiaries is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates and determined that no allowance for impairment of investment in subsidiaries is deemed required.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2(b) Interpretations and amendments to published standards effective in 2009

On 1 January 2009, the Group adopted the new or revised FRS and INT FRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

|                                       |  |
|---------------------------------------|--|
| FRS 1 (Revised 2008)                  | Presentation of Financial Statements - Revised presentation  |
| Amendments to FRS 1 (Revised 2008)    | Amendments Relating to Puttable Financial Instruments and Obligations Arising on Liquidation         |
| FRS 23 (Revised)                      | Borrowing Costs  |
| Amendments to FRS 27                  | Amendments Relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| Amendments to FRS 32                  | Amendments Relating to Puttable Financial Instruments and Obligations Arising on Liquidation         |
| Amendments to FRS 39                  | Amendments Relating to Reclassification of Financial Assets  |
| Amendments to FRS 101                 | Amendments Relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| Amendments to FRS 102                 | Amendments Relating to Vesting Conditions and Cancellation   |
| Amendments to FRS 107                 | Amendments Relating to Reclassification of Financial Assets  |
| Amendments to FRS 107                 | Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments               |
| FRS 108                               | Operating Segments   |
| Amendments to INT FRS 109 and FRS 39  | Embedded Derivatives   |
| INT FRS 113                           | Customer Loyalty Programmes  |
| INT FRS 116 Improvements to FRSs 2008 | Hedges of a Net Investment in a Foreign Operation  |

The Group has adopted all the new and amended FRS and INT FRS that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. The adoption of these new/revised FRS and INT FRS did not result in substantial changes to the Group's accounting policies nor any significant impact on these financial statements except for the following:

### FRS 1 (Revised) Presentation of Financial Statements

The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income. Components of comprehensive income are presented in the primary statement of comprehensive income, comprising profit or loss for the year and other comprehensive income.

The "balance sheet" and "cash flow statement" have been re-titled to "statement of financial position" and "statement of cash flows" respectively.

## 2(c) FRS/INT FRS issued but not effective

At the date of authorisation of these financial statements, the following FRSs and INT FRSs were issued but not effective:

|                                       |   |
|---------------------------------------|---|
| FRS 24 (revised 2010)                 | Related Party Disclosures   |
| FRS 27 (amended 2009)                 | Consolidated and Separate Financial Statements                                |
| FRS 103 (revised 2009)                | Business combinations   |
| Amendments to FRS 39                  | Financial Instruments: Recognition and Measurement<br>- Eligible Hedged Items |
| Amendments to FRS 39                  | Financial Instruments: Recognition and Measurement<br>- Embedded Derivatives  |
| Amendments to INT FRS 109             | Reassessment of Embedded Derivatives  |
| Amendments to INT FRS 114             | Prepayments of a Minimum Funding Requirement                                  |
| INT FRS 117                           | Distributions of Non-Cash Assets to Owners                                    |
| INT FRS 118                           | Transfer of Assets from Customers   |
| INT FRS 119 Improvements to FRSs 2009 | Extinguishing Financial Liabilities with Equity Instruments                   |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2(c) FRS/INT FRS issued but not effective (cont'd)

The Directors do not anticipate that the adoption of these FRS and INT FRS in the initial year of application will have a material impact on the financial statements.

## 2(d) Summary of significant accounting policies

### Basis of consolidation

The financial statements of the Group include the financial statements of the Company and entities controlled by the Company ("the subsidiaries"), all of which prepare financial statements at 31 December. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All significant inter-company balances and significant inter-company transactions are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated income statement.

### Business combinations

Acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured as the fair value of assets given and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill under the accounting policy "Intangible Assets".

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

### Intangible assets

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing, if there are any indicators of impairment. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written off where, in the opinion of the Directors, no further future economic benefits are expected to arise.

### Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment of goodwill is recognised in the income statement and is not subsequently reversed. Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing.

# Notes to the Financial Statements

For the year ended 31 December 2009

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

### Intangible assets (cont'd)

#### Goodwill (cont'd)

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

#### Computer software

Costs relating to computer software acquired, which are not an integral part of related hardware, are capitalised and amortised on a straight-line basis over their useful life of three years.

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Depreciation is computed utilising the straight-line method to write off the cost of these property, plant and equipment over their estimated useful lives as follows; and this is reviewed annually at the end of each the financial year.

|                                       | Years    |
|---------------------------------------|----------|
| Leasehold land                        | 15 - 80  |
| Land improvements                     | 20       |
| Landfill                              | 3        |
| Building and infrastructures          | 3 - 30   |
| Golf course                           | 36 - 45  |
| Utilities plant and machinery         | 3 - 30   |
| Machinery and equipment               | 3 - 15   |
| Vessels and ferry equipment           | 4 - 15   |
| Working wharf                         | 3        |
| Transportation equipment and vehicles | 3 - 7    |
| Medical equipment                     | 7        |
| Furniture, fixtures and equipment     | 1.5 - 10 |
| Office equipment                      | 2 - 5    |
| Resort equipment                      | 3 - 5    |
| Reservoir                             | 30       |
| Telecommunication equipment           | 10 - 30  |
| Leasehold improvements                | 5        |

Construction-in-progress is stated at cost. The accumulated costs will be reclassified to the appropriate property, plant and equipment account when the construction is substantially completed and the asset is ready for its intended use. No depreciation is provided on construction in progress.

# Notes to the Financial Statements

For the year ended 31 December 2009

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

### Property, plant and equipment and depreciation (cont'd)

The cost of maintenance and repairs is charged to the income statement as incurred; significant renewals and betterments are capitalised. When assets retired or otherwise disposed of, their carrying values and the related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in the income statement.

Costs incurred in the general overhaul of the main engines of vessels during dry docking are capitalised and depreciated over four to five years.

For acquisitions and disposals during the financial year, depreciation is provided from the year of acquisition and to the year before disposal respectively. For acquisitions less than \$1,000, they are expensed as expenses in the income statement.

The gain or loss on disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

### Investment properties

Investment properties consist of buildings and improvements held to earn rentals including buildings, which could not be sold separately and where an insignificant portion is held for use in the supply of services or for administrative purposes.

The Group applies the cost model. Investment properties are stated at cost less accumulated depreciation, less any impairment in value similar to that for property, plant and equipment. Such costs include the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is computed using the straight-line method over the estimated useful lives of the investment properties of 3 - 30 years, as applicable for each investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on disposal or retirement of investment property are recognised in the consolidated income statement in the year of disposal or retirement.

The carrying value of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from the investment property when and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

### Subsidiaries

For the purposes of consolidation, subsidiaries are those entities over whose financial and operating policy decisions the Group controls. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether there is control.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

# Notes to the Financial Statements

For the year ended 31 December 2009

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

### Associate companies

Associate companies are those entities, not being subsidiaries or jointly controlled entities, in which the Group has significant influence, but not control, over its financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associate companies at company level are stated at cost. Allowance is made for any impairment losses on an individual company basis.

The Group's share of profits less losses of associate companies is included in the Group's results. If the Group's share of losses of an associate company equals or exceeds the carrying amount of the investment, the Group discontinues including its share of further losses. The investment is reported at nil balance. The Group's share of the post-acquisition reserves is added to the amount of the investment in associate companies in the balance sheet. These amounts are based on the latest audited financial statements or management accounts of the companies concerned made up to the end of the Group's financial year. Where the accounting policies of the associate companies do not conform with those of the Group, adjustments are made on consolidation where the amounts involved are significant to the Group.

### Land inventories

Land inventories are carried at the lower of cost and net realisable value. Cost of land inventories is computed using the weighted average cost method. Net realisable value represents the estimated selling price less costs to be incurred in selling the land.

Cost of land inventories includes pre-acquisition cost, cost of land, borrowing costs and other costs directly or indirectly related to the acquisition and development of the land for sale. These costs are capitalised during the period such activities that are necessary to get these assets ready for sale are in progress. Capitalisation of these costs will cease when land development is completed and the land is available for sale.

The costs incurred in the development of the resort and common areas/facilities are allocated proportionally to the saleable parcels of land. Other land development costs incurred are allocated to each parcel of land using the specific identification method.

Land inventories are derecognised when it has been sold as an integral part with sale of land and no future economic benefit is expected from its disposal. Cost of land infrastructure inventory on sale of land or loss from disposal is recognised in the income statement in the year of sale or disposal.

### Other inventories

Other inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Provision is made for obsolete, slow moving or defective inventory in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### Financial assets

#### Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, where applicable. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

# Notes to the Financial Statements

For the year ended 31 December 2009

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

### Financial assets (cont'd)

#### Classification (cont'd)

##### (1) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date. As at 31 December 2009, the Group has no financial assets at fair value through profit or loss.

##### (2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables include cash at bank, loan receivable and trade and other receivables (excluding prepayment and deposits) on the balance sheet.

##### (3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. As at 31 December 2009, the Group has no held-to-maturity investments.

##### (4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose the assets within 12 months after the balance sheet date. Investments in unquoted equity shares are classified as available-for-sale financial assets.

#### Recognition and derecognition

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are derecognised when:

- (i) the rights to receive cash flows from the financial assets have expired or have been transferred, or
- (ii) the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement, and
- (iii) the Group has transferred substantially all risks and rewards of ownership.

#### Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

# Notes to the Financial Statements

For the year ended 31 December 2009

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

### Financial assets (cont'd)

#### Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" investment category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in the fair value reserve within equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments in the fair value reserve within equity are included in the income statement.

#### Determination of fair value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. Where fair value of unquoted instruments cannot be measured reliably, fair value is determined by the transaction price.

### Golf membership

Golf membership is measured initially at cost. Subsequent to initial recognition, golf membership is stated at cost less any accumulated impairment losses.

The carrying value of golf membership is reviewed annually for impairment when an indicator of impairment arises during the reported period indicating that the carrying value may not be recoverable.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value.

### Share capital

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

### Financial liabilities

The Group's financial liabilities include loans and borrowings and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in the income statement. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method. Interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

# Notes to the Financial Statements

For the year ended 31 December 2009

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

### Financial liabilities (cont'd)

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within 12 months after the balance sheet date are included in current liabilities in the statement of financial position even though the original terms were for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the financial position date. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than 12 months after the balance sheet date are included in non-current liabilities in the statement of financial position.

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

### Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The Directors review provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

### Operating leases

#### Where the Company/Group is the lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to the income statement on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the income statement when incurred.

#### Where the Company/Group is the lessor

Assets leased out under operating leases are included under investment properties (see policy on investment properties). Rental income (net of any incentives given to lessees) on operating leases is recognised on a straight-line basis over the lease term (see policy on revenue recognition).

### Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the financial position date.

Deferred income tax is recognised for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither the accounting or taxable profit or loss at the time of the transaction.

# Notes to the Financial Statements

For the year ended 31 December 2009

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

### Income taxes (cont'd)

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and
- (ii) based on the tax consequence that will follow from the manner in which the company expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the subsidiaries' 5 years projections, which is adjusted for significant non-taxable incomes and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in numerous jurisdictions in which the Group operates are also carefully taken into consideration.

In compliance with Government Regulation No. 5/2002 dated 23 March 2002 of the Republic of Indonesia, each payment of building rentals is subject to final tax of 10% from the gross rental amount starting 1 May 2002.

Current and deferred income taxes are recognised as income or expense in profit or loss.

### Borrowing costs

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

### Employee benefits

#### Pension obligations

The Group participates in national pension schemes as defined by the laws of the countries in which it operates. As required by Indonesian Law, the Group makes contributions to the defined contributions state pension scheme, Jamsostek contributions are recognised as compensation expense in the same period as the employment that gives rise to the contributions. The ASTEK fund from Jamsostek contributions is responsible for the entire insurance claim relating to accidents incurred by the employees at the work place and for the entire retirement benefit obligations of the related employees under the said state pension scheme.

The Group also makes contributions to a defined contribution pension plan which is administered by legal entity, "Dana Pensiun Lembaga Keuangan Indolife Pensiontama" for certain employees. The contributions are recognised as an expense in the same period as the employment that gives rise to the contributions.

The Company and its subsidiaries operating in Singapore contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore. The contributions to the national pension scheme are charged to the income statement in the period to which the contributions relate.

#### Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for unconsumed leave as a result of services rendered by employees up to the balance sheet date.

# Notes to the Financial Statements

For the year ended 31 December 2009

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

### Employee benefits (cont'd)

#### Provisions for employee service entitlements

The Group has recognised unfunded employee benefits liability in accordance with Indonesian Labor Law No. 13/2003 dated 25 March 2003 ("the Law").

The cost of providing employee benefits under the Law is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded 10% of the higher of the present value of defined obligation. These gains or losses are recognised over the expected average remaining working lives of the employees. Further, part service costs arising from the introduction of a defined benefit plan or changes in the benefits payable of an existing plan are required to be amortised on a straight-line basis over the period until the benefits concerned become vested.

#### Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain general managers/heads of department are considered key management personnel.

### Impairment of non-financial assets

The carrying amounts of the Company's and Group's non-financial assets subject to impairment are reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the relate cash flows.

Individual assets or cash-generating units that include goodwill or other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to equity.

# Notes to the Financial Statements

For the year ended 31 December 2009

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

### Impairment of non-financial assets (cont'd)

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued assets was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or financial position date.

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from services is recognised when service has been rendered. Revenue from the sale of goods is recognised when all significant risks and rewards of ownership of the goods have been passed to the customers. The following specific recognition criteria must also be met before revenue is recognised:

#### Sales of land and building

Revenue from the sale of land and building should be recognised when all the following conditions have been satisfied:

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

The Group also considers the means of payment and evidence of the buyer's commitment to complete payment, for example, when the aggregate of the payments received, including the buyer's initial down payment, or continuing payments by the buyer, provide insufficient evidence of the buyer's commitment to complete payment.

If the above conditions are not met, the payments received are accounted for under the deposit method.

# Notes to the Financial Statements

For the year ended 31 December 2009

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

### Revenue recognition (cont'd)

#### Resort operations and ferry services

Revenue is recognised when the services are rendered.

#### Golf and social facilities revenue

Revenue from golf and social facilities is recognised as goods are delivered or services rendered. Revenue from golf subscription fees is recognised over the period of the subscription.

Upon completion of the golf course, sales of non-refundable golf club membership is fully recognised as revenue in the year of sales.

#### Rental income and rendering of service and maintenance

Revenue from rental, service and maintenance charges is recognised proportionately over the lease term. The aggregate cost of any incentives as a reduction of rental income is recognised proportionately over the lease term. Rental payments received in advance are recorded as unearned income and amortised proportionately over the lease term using the straight-line method. Deposits received from tenants are recorded as part of other current liabilities.

#### Utilities revenue

Revenue from electricity and water supply is recognised upon delivery.

#### Telecommunication service

Revenue from telecommunication services is recognised on the accrual basis. Revenue from telecommunication installation services is recognised at the time the installations are placed in service. Revenue from network interconnection with other domestic telecommunications carriers are recognised at the time connections takes place.

#### Clinic operation

Income from clinic operation is recognised when medical services are rendered or when medical supplies are delivered to patients.

#### Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method.

#### Dividends

Dividend income is recognised when the shareholders' right to receive the payment is established.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the profit and loss account over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

# Notes to the Financial Statements

For the year ended 31 December 2009

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

### Capitalisation of borrowing costs

Interest costs and similar charges are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale. Foreign exchange differences arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs. Capitalisation of borrowing costs will cease when all the activities necessary to prepare the asset for its intended use or sale are substantially completed.

### Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore dollars, which is also the functional currency of the Company.

### Conversion of foreign currencies

#### Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the date of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the financial position date are recognised in the income statement, unless they arise from borrowing and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the profit or loss as part of the gain or loss on disposal of the foreign operation.

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

#### Group entities

The results and financial position of all the entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the date of the balance sheet;
- (ii) Income and expenses are translated at average exchange rates; and
- (iii) All resulting currency translation differences are recognised in the currency translation reserve in equity.

### Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures on financial risk management objectives and policies are provided in Note 36.

### Operating segment

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segment under their charge. The segment managers are directly accountable to their chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 3 Revenue

Revenue of the Group consists of income from operations of industrial park, utilities, resort and property development. The segmental analysis is given in Note 35.

Revenue excludes applicable goods and services tax and inter-company transactions and is arrived at after deduction of any trade discounts.

## 4 Intangible assets

|                                 | Goodwill<br>\$'000 | Computer<br>software<br>\$'000 | Total<br>\$'000 |
|---------------------------------|--------------------|--------------------------------|-----------------|
| <u>The Company</u>              |                    |                                |                 |
| <b>Cost</b>                     |                    |                                |                 |
| At 1 January 2008               | –                  | 31                             | 31              |
| Additions                       | –                  | 9                              | 9               |
| At 31 December 2008             | –                  | 40                             | 40              |
| Additions                       | –                  | 7                              | 7               |
| <b>At 31 December 2009</b>      | <b>–</b>           | <b>47</b>                      | <b>47</b>       |
| <b>Accumulated amortisation</b> |                    |                                |                 |
| At 1 January 2008               | –                  | 25                             | 25              |
| Amortisation for the year       | –                  | 8                              | 8               |
| At 31 December 2008             | –                  | 33                             | 33              |
| Amortisation for the year       | –                  | 7                              | 7               |
| <b>At 31 December 2009</b>      | <b>–</b>           | <b>40</b>                      | <b>40</b>       |
| <b>Net book value</b>           |                    |                                |                 |
| <b>At 31 December 2009</b>      | <b>–</b>           | <b>7</b>                       | <b>7</b>        |
| At 31 December 2008             | –                  | 7                              | 7               |
| <u>The Group</u>                |                    |                                |                 |
| <b>Cost</b>                     |                    |                                |                 |
| At 1 January 2008               | 1,164              | 518                            | 1,682           |
| Additions                       | –                  | 185                            | 185             |
| At 31 December 2008             | 1,164              | 703                            | 1,867           |
| Additions                       | –                  | 113                            | 113             |
| <b>At 31 December 2009</b>      | <b>1,164</b>       | <b>816</b>                     | <b>1,980</b>    |
| <b>Accumulated amortisation</b> |                    |                                |                 |
| At 1 January 2008               | –                  | 234                            | 234             |
| Amortisation for the year       | –                  | 150                            | 150             |
| At 31 December 2008             | –                  | 384                            | 384             |
| Amortisation for the year       | –                  | 199                            | 199             |
| <b>At 31 December 2009</b>      | <b>–</b>           | <b>583</b>                     | <b>583</b>      |
| <b>Net book value</b>           |                    |                                |                 |
| <b>At 31 December 2009</b>      | <b>1,164</b>       | <b>233</b>                     | <b>1,397</b>    |
| At 31 December 2008             | 1,164              | 319                            | 1,483           |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 4 Intangible assets (cont'd)

### Goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segments. Goodwill is solely allocated to property development segment.

The recoverable amount of a CGU was determined based on value-in-use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. These cash flows projections are based on future contributions from sale of land and infrastructure in Bintan Island by the Group and were based on the following assumptions:

- Cash flows were projected based on actual operating results and the five-year business plan.
- The anticipated annual land sale and infrastructure was 15% and 10% respectively, for the years 2010 to 2014.
- A pre-tax discount of 4% was applied in determining the recoverable amount. The discount rate reflects the current market assessments of time value of money.

The values assigned to the key assumptions represent management's assessment of future trends and are based on external and internal sources.

The above estimates are particularly sensitive in the following areas:

- Increase in 1 percentage point in the discount rate used would have increased impairment loss by \$Nil (2008 - \$Nil).
- A 5% decrease in future planned land sale would have increased the impairment loss by \$Nil (2008 - \$Nil).

## 5 Property, plant and equipment

| The Company                     | Furniture,<br>fixtures and<br>equipment<br>\$'000 | Office<br>equipment<br>\$'000 | Leasehold<br>improvements<br>\$'000 | Total<br>\$'000 |
|---------------------------------|---|-------------------------------|-------------------------------------|-----------------|
| <b>Cost</b>                     |   |                               |                                     |                 |
| At 1 January 2008               | 89  | 84                            | 156                                 | 329             |
| Additions                       | 25  | 92                            | 219                                 | 336             |
| Disposals                       | (2)   | (15)                          | (156)                               | (173)           |
| <b>At 31 December 2008</b>      | <b>112</b>  | <b>161</b>                    | <b>219</b>                          | <b>492</b>      |
| Additions                       | –   | 8                             | 138                                 | 146             |
| Disposals                       | (2)   | –                             | –                                   | (2)             |
| <b>At 31 December 2009</b>      | <b>110</b>  | <b>169</b>                    | <b>357</b>                          | <b>636</b>      |
| <b>Accumulated depreciation</b> |   |                               |                                     |                 |
| At 1 January 2008               | 45  | 40                            | 73                                  | 158             |
| Depreciation for the year       | 22  | 37                            | 31                                  | 90              |
| Disposals                       | (1)   | (12)                          | (86)                                | (99)            |
| <b>At 31 December 2008</b>      | <b>66</b>   | <b>65</b>                     | <b>18</b>                           | <b>149</b>      |
| Depreciation for the year       | 17  | 46                            | 65                                  | 128             |
| Disposals                       | –   | –                             | –                                   | –               |
| <b>At 31 December 2009</b>      | <b>83</b>   | <b>111</b>                    | <b>83</b>                           | <b>277</b>      |
| <b>Net book value</b>           |   |                               |                                     |                 |
| <b>At 31 December 2009</b>      | <b>27</b>   | <b>58</b>                     | <b>274</b>                          | <b>359</b>      |
| At 31 December 2008             | 46  | 96                            | 201                                 | 343             |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 5 Property, plant and equipment (cont'd)

| The Group                             | Balance at<br>1.1.2009<br>\$'000 | Exchange<br>translation<br>difference<br>\$'000 | Additions<br>\$'000 | Reclassifi-<br>cation/<br>transfers<br>\$'000 | Disposals<br>\$'000 | Balance at<br>31.12.2009<br>\$'000 |
|---------------------------------------|----------------------------------|---|---------------------|---|---------------------|------------------------------------|
| <b>Cost</b>                           |                                  |   |                     |   |                     |                                    |
| Leasehold land                        | 100,014                          | –   | 4                   | –   | –                   | 100,018                            |
| Land improvements                     | 4,710                            | –   | –                   | –   | –                   | 4,710                              |
| Landfill                              | 1,572                            | –   | –                   | –   | –                   | 1,572                              |
| Building and infrastructures          | 218,997                          | 9   | 967                 | 1,369   | –                   | 221,342                            |
| Golf course                           | 25,307                           | –   | –                   | –   | –                   | 25,307                             |
| Utilities plant and machinery         | 300,850                          | –   | 1,488               | 2,434   | (24)                | 304,748                            |
| Machinery and equipment               | 54,484                           | –   | 344                 | 37  | –                   | 54,865                             |
| Vessels and ferry equipment           | 21,926                           | –   | 1,215               | 32,804  | (4,972)             | 50,973                             |
| Working wharf                         | 1,685                            | –   | –                   | –   | –                   | 1,685                              |
| Transportation equipment and vehicles | 6,358                            | 13  | 25                  | 304   | (52)                | 6,648                              |
| Medical equipment                     | 685                              | –   | 112                 | –   | –                   | 797                                |
| Furniture, fixtures and equipment     | 26,570                           | 31  | 648                 | (386)   | (6)                 | 26,857                             |
| Office equipment                      | 4,006                            | –   | 671                 | 1,275   | (71)                | 5,881                              |
| Resort equipment                      | 2,256                            | –   | 245                 | (341)   | –                   | 2,160                              |
| Reservoir                             | 12,734                           | –   | –                   | –   | –                   | 12,734                             |
| Telecommunications equipment          | 10,107                           | 849   | 222                 | 23  | –                   | 11,201                             |
| Leasehold improvements                | 1,032                            | –   | –                   | –   | –                   | 1,032                              |
| Construction-in-progress              | 21,388                           | 8   | 25,770              | (40,282)                                      | –                   | 6,884                              |
| <b>Total</b>                          | <b>814,681</b>                   | <b>910</b>                                      | <b>31,711</b>       | <b>(2,763)</b>                                | <b>(5,125)</b>      | <b>839,414</b>                     |

| The Group                             | Balance at<br>1.1.2009<br>\$'000 | Exchange<br>translation<br>difference<br>\$'000 | Depreciation<br>charges for<br>the year<br>\$'000 | Reclassifi-<br>cation/<br>transfers<br>\$'000 | Disposals<br>\$'000 | Balance at<br>31.12.2009<br>\$'000 |
|---------------------------------------|----------------------------------|---|---|---|---------------------|------------------------------------|
| <b>Accumulated depreciation</b>       |                                  |   |   |   |                     |                                    |
| Leasehold land                        | 25,521                           | –   | 1,783   | –   | –                   | 27,304                             |
| Land improvements                     | 2,550                            | –   | 235   | –   | –                   | 2,785                              |
| Landfill                              | 1,568                            | –   | 2   | –   | –                   | 1,570                              |
| Building and infrastructures          | 121,619                          | 1   | 10,213  | –   | 1                   | 131,834                            |
| Golf course                           | 8,124                            | –   | 544   | –   | –                   | 8,668                              |
| Utilities plant and machinery         | 179,561                          | –   | 12,213  | –   | (24)                | 191,750                            |
| Machinery and equipment               | 44,209                           | –   | 3,221   | (76)  | –                   | 47,354                             |
| Vessels and ferry equipment           | 18,165                           | –   | 2,563   | –   | (2,474)             | 18,254                             |
| Working wharf                         | 1,685                            | –   | –   | –   | –                   | 1,685                              |
| Transportation equipment and vehicles | 5,395                            | 10  | 350   | 303   | (51)                | 6,007                              |
| Medical equipment                     | 665                              | –   | 15  | –   | –                   | 680                                |
| Furniture, fixtures and equipment     | 19,471                           | 30  | 1,897   | (892)   | (4)                 | 20,502                             |
| Office equipment                      | 2,784                            | –   | 424   | 961   | (74)                | 4,095                              |
| Resort equipment                      | 2,049                            | –   | 79  | (302)   | –                   | 1,826                              |
| Reservoir                             | 5,939                            | –   | 424   | –   | –                   | 6,363                              |
| Telecommunications equipment          | 5,494                            | 499   | 480   | –   | –                   | 6,473                              |
| Leasehold improvements                | 1,003                            | –   | 21  | –   | –                   | 1,024                              |
| <b>Total</b>                          | <b>445,802</b>                   | <b>540</b>                                      | <b>34,464</b>                                     | <b>(6)</b>                                    | <b>(2,626)</b>      | <b>478,174</b>                     |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 5 Property, plant and equipment (cont'd)

| The Group                             | Balance at<br>1.1.2009<br>\$'000 | Balance at<br>31.12.2009<br>\$'000 |
|---------------------------------------|----------------------------------|------------------------------------|
| <b>Net book value</b>                 |                                  |                                    |
| Leasehold land                        | 74,493                           | 72,714                             |
| Land improvements                     | 2,160                            | 1,925                              |
| Landfill                              | 4                                | 2                                  |
| Building and infrastructures          | 97,378                           | 89,508                             |
| Golf course                           | 17,183                           | 16,639                             |
| Utilities plant and machinery         | 121,289                          | 112,998                            |
| Machinery and equipment               | 10,275                           | 7,511                              |
| Vessels and ferry equipment           | 3,761                            | 32,719                             |
| Working wharf                         | –                                | –                                  |
| Transportation equipment and vehicles | 963                              | 641                                |
| Medical equipment                     | 20                               | 117                                |
| Furniture, fixtures and equipment     | 7,099                            | 6,355                              |
| Office equipment                      | 1,222                            | 1,786                              |
| Resort equipment                      | 207                              | 334                                |
| Reservoir                             | 6,795                            | 6,371                              |
| Telecommunications equipment          | 4,613                            | 4,728                              |
| Leasehold improvements                | 29                               | 8                                  |
| Construction-in-progress              | 21,388                           | 6,884                              |
| <b>Total</b>                          | <b>368,879</b>                   | <b>361,240</b>                     |

| The Group                             | Balance at<br>1.1.2008<br>\$'000 | Exchange<br>translation<br>difference<br>\$'000 | Additions<br>\$'000 | Reclassifi-<br>cation/<br>transfers<br>\$'000 | Disposals<br>\$'000 | Balance at<br>31.12.2008<br>\$'000 |
|---------------------------------------|----------------------------------|---|---------------------|---|---------------------|------------------------------------|
| <b>Cost</b>                           |                                  |   |                     |   |                     |                                    |
| Leasehold land                        | 100,071                          | –   | –                   | –   | (57)                | 100,014                            |
| Land improvements                     | 4,710                            | –   | –                   | –   | –                   | 4,710                              |
| Landfill                              | 1,572                            | –   | –                   | –   | –                   | 1,572                              |
| Building and infrastructures          | 218,831                          | –   | 928                 | (71)  | (691)               | 218,997                            |
| Golf course                           | 25,307                           | –   | –                   | –   | –                   | 25,307                             |
| Utilities plant and machinery         | 298,818                          | –   | 1,161               | 871   | –                   | 300,850                            |
| Machinery and equipment               | 54,171                           | –   | 353                 | 27  | (67)                | 54,484                             |
| Vessels and ferry equipment           | 21,965                           | –   | 126                 | –   | (165)               | 21,926                             |
| Working wharf                         | 1,685                            | –   | –                   | –   | –                   | 1,685                              |
| Transportation equipment and vehicles | 6,009                            | (17)  | 640                 | (153)   | (121)               | 6,358                              |
| Medical equipment                     | 666                              | –   | 19                  | –   | –                   | 685                                |
| Furniture, fixtures and equipment     | 24,284                           | (37)  | 887                 | 1,573   | (137)               | 26,570                             |
| Office equipment                      | 3,514                            | –   | 431                 | 76  | (15)                | 4,006                              |
| Resort equipment                      | 2,290                            | –   | –                   | –   | (34)                | 2,256                              |
| Reservoir                             | 12,734                           | –   | –                   | –   | –                   | 12,734                             |
| Telecommunications equipment          | 9,906                            | (775)   | 976                 | –   | –                   | 10,107                             |
| Leasehold improvements                | 1,032                            | –   | –                   | –   | –                   | 1,032                              |
| Construction-in-progress              | 7,394                            | –   | 16,730              | (2,736)                                       | –                   | 21,388                             |
| <b>Total</b>                          | <b>794,959</b>                   | <b>(829)</b>                                    | <b>22,251</b>       | <b>(413)</b>                                  | <b>(1,287)</b>      | <b>814,681</b>                     |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 5 Property, plant and equipment (cont'd)

| The Group                             | Balance at<br>1.1.2008<br>\$'000 | Exchange<br>translation<br>difference<br>\$'000 | Depreciation<br>charges for<br>the year<br>\$'000 | Reclassifi-<br>cation/<br>transfers<br>\$'000 | Disposals<br>\$'000 | Balance at<br>31.12.2008<br>\$'000 |
|---------------------------------------|----------------------------------|---|---|---|---------------------|------------------------------------|
| <b>Accumulated depreciation</b>       |                                  |   |   |   |                     |                                    |
| Leasehold land                        | 23,527                           | –   | 2,015   | –   | (21)                | 25,521                             |
| Land improvements                     | 2,314                            | –   | 236   | –   | –                   | 2,550                              |
| Landfill                              | 1,565                            | –   | 3   | –   | –                   | 1,568                              |
| Building and infrastructures          | 112,147                          | –   | 9,998   | –   | (526)               | 121,619                            |
| Golf course                           | 7,570                            | –   | 554   | –   | –                   | 8,124                              |
| Utilities plant and machinery         | 167,466                          | –   | 11,978  | 117   | –                   | 179,561                            |
| Machinery and equipment               | 41,015                           | –   | 3,225   | 36  | (67)                | 44,209                             |
| Vessels and ferry equipment           | 16,643                           | –   | 1,677   | –   | (155)               | 18,165                             |
| Working wharf                         | 1,685                            | –   | –   | –   | –                   | 1,685                              |
| Transportation equipment and vehicles | 5,240                            | (11)  | 440   | (153)   | (121)               | 5,395                              |
| Medical equipment                     | 661                              | –   | 4   | –   | –                   | 665                                |
| Furniture, fixtures and equipment     | 17,752                           | (25)  | 1,747   | –   | (3)                 | 19,471                             |
| Office equipment                      | 2,484                            | –   | 312   | –   | (12)                | 2,784                              |
| Resort equipment                      | 2,071                            | –   | –   | –   | (22)                | 2,049                              |
| Reservoir                             | 5,514                            | –   | 425   | –   | –                   | 5,939                              |
| Telecommunications equipment          | 5,609                            | (558)   | 443   | –   | –                   | 5,494                              |
| Leasehold improvements                | 982                              | –   | 21  | –   | –                   | 1,003                              |
| <b>Total</b>                          | <b>414,245</b>                   | <b>(594)</b>                                    | <b>33,078</b>                                     | <b>–</b>                                      | <b>(927)</b>        | <b>445,802</b>                     |

| The Group                             | Balance at<br>1.1.2008<br>\$'000 | Balance at<br>31.12.2008<br>\$'000 |
|---------------------------------------|----------------------------------|------------------------------------|
| <b>Net book value</b>                 |                                  |                                    |
| Leasehold land                        | 76,544                           | 74,493                             |
| Land improvements                     | 2,396                            | 2,160                              |
| Landfill                              | 7                                | 4                                  |
| Building and infrastructures          | 106,684                          | 97,378                             |
| Golf course                           | 17,737                           | 17,183                             |
| Utilities plant and machinery         | 131,352                          | 121,289                            |
| Machinery and equipment               | 13,156                           | 10,275                             |
| Vessels and ferry equipment           | 5,322                            | 3,761                              |
| Working wharf                         | –                                | –                                  |
| Transportation equipment and vehicles | 769                              | 963                                |
| Medical equipment                     | 5                                | 20                                 |
| Furniture, fixtures and equipment     | 6,532                            | 7,099                              |
| Office equipment                      | 1,030                            | 1,222                              |
| Resort equipment                      | 219                              | 207                                |
| Reservoir                             | 7,220                            | 6,795                              |
| Telecommunications equipment          | 4,297                            | 4,613                              |
| Leasehold improvements                | 50                               | 29                                 |
| Construction-in-progress              | 7,394                            | 21,388                             |
| <b>Total</b>                          | <b>380,714</b>                   | <b>368,879</b>                     |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 5 Property, plant and equipment (cont'd)

The leasehold land on Bintan Island represents 1,696.95 ha used as site for utilities and common facilities under PT Bintan Resort Cakrawala.

The details of the leasehold land ("Hak Guna Bangunan"/"HGB") under PT Bintan Resort Cakrawala comprise the following:

| HGB               | Expiration date             |
|-------------------|-----------------------------|
| Land parcels AU1  | 13 December 2023 (66 ha)    |
| Land parcels BT1a | 16 February 2025 (70.95 ha) |
| Land parcels WR1  | 16 February 2025 (1,560 ha) |

The leasehold land and property ("Hak Guna Bangunan"/"HGB") at Batam Island, which are leased from Batam Industrial Development Authority, are held for 30 years up to the following expiration dates:

| HGB  | Expiration date  |
|--|--|
| PT Batamindo Investment Cakrawala (236.3 hectares) | 17 and 18 December 2019 (54.3 ha and 151.6 ha),<br>26 February 2025 (28.9 ha) and 1 July 2031 (1.5 ha) |
| PT Batamindo Executive Village (213 hectares)      | 31 August 2020   |

PT Bintan Inti Industrial Estate's HGB at Bintan Island is valid for 30 years up to the following expiration dates:

| HGB  | Expiration date  |
|--|--|
| PT Bintan Inti Industrial Estate<br>(269.6 hectares excluding land sold) | 24 August 2025 (260.08 ha) and 13 December 2023<br>(9.52 ha) |

The Group obtained approval from Badan Pertanahan Nasional to renew its HGB title over those land parcels for 20 years and also for another 30 years if the land parcels were utilised in accordance with their zone functions based on Government Decree No. 40/1993 article 4.

Vessels and ferry equipment are pledged to a bank as collateral for the secured bank loan and other banking facilities as disclosed under Note 21 – "Loans and borrowings".

As at 31 December 2009, construction-in-progress at the Industrial Parks amounting to \$6,922,000 (2008 - \$6,847,000) includes all costs related to the construction of the industrial complex and supporting infrastructures and amenities. The accumulated costs will be transferred to the appropriate property and equipment and investment property accounts upon completion of the specific phases of the Project.

As at 31 December 2009, construction-in-progress at the Executive Village amounting to \$958,000 (2008 - \$1,033,000), includes all preliminary costs related to the construction of condominium phase 3A and for golf course phase 2 such as design, soil investigation and consultation fee.

The remaining balance of construction-in-progress represents mainly all preliminary costs related to the construction of urban beach centre in Bintan Island which amounted to \$4,502,000 (2008 - \$3,282,000). As at 31 December 2009, vessel under construction with accumulated cost of \$32,804,000 has been completed and reclassified into vessel and ferry equipment. The borrowing cost capitalised as cost of vessel in 2009 amounted to \$303,452 (2008 - \$90,501). The effective interest rate of borrowing cost is 2.30% (2008 - 2.98%) per annum.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 6 Investment properties

| The Group                              | 2009<br>\$'000 | 2008<br>\$'000 |
|--|----------------|----------------|
| <b>Cost</b>                            |                |                |
| Balance at beginning of year           | 571,217        | 571,497        |
| Additions                              | 898            | 1,819          |
| Disposals                              | (141)          | (2,512)        |
| Transfer from construction-in-progress | 2,719          | 413            |
| Balance at end of year                 | <b>574,693</b> | <b>571,217</b> |
| <b>Accumulated depreciation</b>        |                |                |
| Balance at beginning of year           | 276,008        | 253,920        |
| Depreciation charge                    | 22,185         | 22,544         |
| Disposals                              | (91)           | (456)          |
| Balance at end of year                 | <b>298,102</b> | <b>276,008</b> |
| <b>Net book value</b>                  | <b>276,591</b> | <b>295,209</b> |

Details of the investment properties are as follows:

| Description and location  | Gross Area<br>(approximately) |
|---|-------------------------------|
| Factories, dormitories, commercial complex and housing in Batamindo Industrial Park, Batamindo Executive Village and Bintan Inti Industrial Estate situated at Batam Island and Bintan Island | 926,616 sqm                   |

As of 31 December 2009, the fair value of the investment properties, except PT Batamindo Executive Village (BEV)'s investment properties, amounted to \$420 million and were based on valuation in 2009 using the direct comparison method/income method/replacement cost method by independent professional valuers, Colliers International Consultancy and Valuation (Singapore) Pte Ltd, after taking into consideration the prevailing market conditions and other factors considered appropriate by the Directors. The net carrying values of BEV's investment properties as of 31 December 2009 amounted to \$0.72 million (2008 - \$0.86 million) which approximates fair value based on management's estimates.

## 7 Subsidiaries

| The Company                          | 2009<br>\$'000 | 2008<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Unquoted equity investments, at cost | 1,207,642      | 1,207,642      |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 7 Subsidiaries (cont'd)

The subsidiaries as at 31 December 2009 are as follows:

| Name of subsidiaries   | Country of incorporation/<br>principal place<br>of business | Cost of investment |                | Percentage of effective interest |           | Principal activities  |
|--|---|--------------------|----------------|----------------------------------|-----------|---|
|  |   | 2009<br>\$'000     | 2008<br>\$'000 | 2009<br>%                        | 2008<br>% |   |
| <b>Directly held</b>   |   |                    |                |                                  |           |   |
| PT Batamindo Investment Cakrawala ("PT BIC") <sup>(1)</sup>      | Indonesia   | 463,663            | 463,663        | 99.99                            | 99.99     | Development and management of industrial estate   |
| Verizon Resorts Limited ("VRL Labuan") <sup>(2)</sup>            | Malaysia  | 613,341            | 613,341        | 100                              | 100       | Investment holding  |
| PT Bintan Inti Industrial Estate ("PT BIIE") <sup>(1) (a)</sup>  | Indonesia   | 117,439            | 117,439        | 100                              | 100       | Development, operation, maintenance and management of Bintan Industrial Estate together with the supporting infrastructure support activities   |
| PT Bintan Resort Cakrawala ("PT BRC") <sup>(1) (b)</sup>         | Indonesia   | 5,569              | 5,569          | 86.77                            | 86.77     | Development and operation of a tourism area in Bintan including the sale of land in such area   |
| Bintan Resort Ferries Private Limited ("BRF") <sup>(4) (c)</sup> | Singapore   | 5,200              | 5,200          | 90.74                            | 90.74     | Provision of ferry services between Singapore and Bintan  |
| <b>Indirectly held through PT BIC:</b>                           |   |                    |                |                                  |           |   |
| PT Batamindo Executive Village ("PT BEV") <sup>(1)</sup>         | Indonesia   | –                  | –              | 60                               | 60        | Development and operation of Southlinks Country Club and Batam Executive Village, an integrated complex consisting of golf course, condominiums, cottages and other social facilities |
| PT Batam Bintan Telekomunikasi ("PT BBT") <sup>(1)</sup>         | Indonesia   | –                  | –              | 95                               | 95        | Telecommunications service provider   |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 7 Subsidiaries (cont'd)

| Name of subsidiaries   | Country of incorporation/<br>principal place<br>of business | Cost of investment |                | Percentage of effective interest |           | Principal activities  |
|--|---|--------------------|----------------|----------------------------------|-----------|---|
|  |   | 2009<br>\$'000     | 2008<br>\$'000 | 2009<br>%                        | 2008<br>% |   |
| <b>Indirectly held through VRL Labuan</b>  |   |                    |                |                                  |           |   |
| PT Surya Bangunpertiwi<br>("PT SBP") <sup>(3)</sup>  | Indonesia   | –                  | –              | <b>99.99</b>                     | 99.99     | Wholesaler of hotels, resorts and golf courses  |
| PT Buana Megawisata<br>("PT BMW") <sup>(3)</sup>   | Indonesia   | –                  | –              | <b>99.99</b>                     | 99.99     | Wholesaler of hotels, resorts and golf courses, resort development activities and business management consultancy |
| PT Suakajaya Indowahana<br>("PT SI") <sup>(3) (d)</sup>  | Indonesia   | <b>2,430</b>       | 2,430          | <b>100</b>                       | 100       | Trading, industry, development and services   |
| Batamindo Investment (S)<br>Ltd ("BI") <sup>(6) (e)</sup>  | Singapore   | –                  | –              | <b>100</b>                       | 100       | Management consultancy services   |
| Golf View Limited <sup>(7)</sup>   | Seychelles  | –                  | –              | <b>100</b>                       | 100       | Investment holding  |
| Crystal Grace International<br>Ltd <sup>(7) (g)</sup>  | British Virgin<br>Islands                                   | –                  | –              | <b>100</b>                       | –         | Investment holding  |
| Treasure Home Ltd <sup>(7) (g)</sup>   | British Virgin<br>Islands                                   | –                  | –              | <b>100</b>                       | –         | Investment holding  |
| Win Field Ltd <sup>(7) (g)</sup>   | British Virgin<br>Islands                                   | –                  | –              | <b>100</b>                       | –         | Investment holding  |
| Gallant Power and<br>Resources Limited<br>(formerly known as<br>Megarock Ltd) <sup>(7) (g) (h)</sup> | British Virgin<br>Islands                                   | –                  | –              | –                                | 100       | Investment holding  |
| Starhome Ltd <sup>(7) (g)</sup>  | British Virgin<br>Islands                                   | –                  | –              | <b>100</b>                       | –         | Investment holding  |
| Bintan Resorts International<br>Pte. Ltd. <sup>(6) (f)</sup>   | Singapore   | –                  | –              | <b>100</b>                       | –         | Marketing and providing support services to PT Bintan Resorts Cakrawala ("PT BRC")                                |
| <b>Indirectly held through BRF</b>   |   |                    |                |                                  |           |   |
| BRF Holidays Pte Ltd<br>("BRFH") <sup>(5)</sup>  | Singapore   | –                  | –              | <b>90.74</b>                     | 90.74     | Provision of tour operations and related services   |
|  |   | <b>1,207,642</b>   |                | <b>1,207,642</b>                 |           |   |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 7 Subsidiaries (cont'd)

- (a) The Company has an interest of 40% in PT BIIE and the balance of 60% is held by PT BIC.
- (b) The Company has a direct interest of 3.69% in PT BRC, while a subsidiary, VRL Labuan, has an interest of 67.83% in PT BRC, and another subsidiary, PT SI, has an interest of 15.25% in PT BRC. The effective interest of equity held by the Group is 86.77%.
- (c) The Company has a direct interest of 30% in BRF whilst its subsidiary, PT BRC, has an interest of 70%. The effective interest of equity held by the Group is 90.74%.
- (d) In 2007, the Company acquired a direct interest of 20% in PT SI for a purchase consideration of \$2,430,000 satisfied in full by the issuance of 2,059,372 ordinary shares at the issue price of approximately \$1.18 per share, whilst its subsidiary, VRL Labuan, has an interest of 80%. The effective interest of equity held by the Group is 100%.
- (e) In 2007, PT BIC transferred its entire interest of 100% in BI to VRL Labuan. As a result, BI became a wholly-owned subsidiary of VRL Labuan.
- (f) In 2008, the Company's wholly-owned subsidiary, VRL, has incorporated Bintan Resorts International Pte. Ltd. ("BRI") in Singapore.
- (g) In 2008, the Company's wholly-owned subsidiary, VRL, has incorporated Crystal Grace International Ltd, Treasure Home Ltd, Win Field Ltd, Gallant Power and Resources Limited (formerly known as Megarock Ltd), and Starhome Ltd in British Virgin Islands ("BVI").
- On 20 July 2009, VRL transferred its 100 shares (US\$100) of Gallant Power and Resources Limited ("GPR") to PT BIC and subsequently, PT BIC increased its ownership in GPR by issuing additional 19,999,900 ordinary shares (US\$19,999,900).
- (h) On 22 July 2009, GPR entered into a Joint Venture with Salim Group to subscribe for an US\$20 million Convertible Bond issued by PT Sebuk Iron Lateritic Ores – an iron-ore and coal mining company on Kalimantan island, Indonesia. The Joint Venture shareholders are Salim Group's Top Union (49%), Salim Group's Dornier Profits (2%) and PT BIC (49%).
- On 24 August 2009, Top Union and Dornier Profits exercised the put/call option and acquired their 49% and 2%, respectively, stake in GPR.
- (1) Audited by Purwantono, Sarwoko & Sandjaja
- (2) Audited by Chieng & Associates
- (3) Audited by Drs Johan, Malonda Astika & Rekan
- (4) Audited by Baker Tilly TFWLCL
- (5) Audited by N.F. Lee & Co
- (6) Audited by Foo Kon Tan Grant Thornton LLP
- (7) Not required to be audited by law in the country of incorporation

Shares held in PT BIC are used as collateral to secure bank loans as disclosed under Note 21 - "Loans and borrowings".

## 8 Associate companies

|                                      | 2009          | 2008       |
|--------------------------------------|---------------|------------|
|                                      | \$'000        | \$'000     |
| The Group                            |               |            |
| Unquoted equity investments, at cost | 14,709        | 543        |
| Exchange translation difference      | (311)         | (367)      |
| Share of post-acquisition reserves   | 600           | 626        |
|                                      | <b>14,998</b> | <b>802</b> |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 8 Associate companies (cont'd)

The associate companies are as follows:

| Name of associate companies                         | Country of incorporation/<br>principal place of business | Percentage of effective interest |           | Principal activities                           |
|---|--|----------------------------------|-----------|--|
|   |  | 2009<br>%                        | 2008<br>% |  |
| <b>Held by PT BIC</b>                               |  |                                  |           |  |
| PT Soxal Batamindo Industrial Gases <sup>(1)</sup>  | Indonesia  | 30                               | 30        | Production and sale of industrial gases        |
| Batamindo Carriers Pte Ltd <sup>(2)</sup>           | Singapore  | 36                               | 36        | Provision of ship and boat chartering services |
| Gallant Power and Resources Limited <sup>(3)</sup>  | British Virgin Islands                                   | 49                               | –         | Investment holding                             |
| Batamindo Medical Management Pte Ltd <sup>(3)</sup> | Singapore  | 50                               | 50        | Dormant  |
| <b>Held by PT SI</b>                                |  |                                  |           |  |
| Bintan Resort Management Pte Ltd <sup>(3)</sup>     | Singapore  | 40                               | 40        | Dormant  |

(1) Audited by Purwantono, Sarwoko & Sandjaja (2008 - Pricewaterhouse Coopers, Indonesia).

(2) Audited by KPMG, Singapore.

(3) Not required to be audited in the country of incorporation.

The summarised financial information of associate companies is as follows:

|                         | 2009<br>\$'000 | 2008<br>\$'000 |
|-------------------------|----------------|----------------|
| Current assets          | 1,659          | 930            |
| Non-current assets      | 30,895         | 2,618          |
| Current liabilities     | (1,062)        | (1,106)        |
| Non-current liabilities | (32)           | (3)            |
| <b>Net assets</b>       | <b>31,460</b>  | <b>2,439</b>   |

Share of associate companies' revenue, net profit and dividends:

|            | 2009<br>\$'000 | 2008<br>\$'000 |
|------------|----------------|----------------|
| Revenue    | 1,275          | 1,660          |
| Net profit | 124            | 330            |
| Dividends  | (150)          | (330)          |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 9 Other investments

|                                      | 2009     | 2008     |
|--------------------------------------|----------|----------|
| The Group                            | \$'000   | \$'000   |
| Unquoted equity investments, at cost | 10,000   | 10,000   |
| Allowance for impairment losses      | (10,000) | (10,000) |
|                                      | -        | -        |

The unquoted equity investments comprise the subsidiary's shares of approximately 10% of total stock in Bintan Lagoon Resort Ltd ("BLRL") and are classified as available-for-sale financial assets. There is also no active market for the equity interest as the purchase agreement stipulated the requirement to sell all interests to the main shareholder, when the need arises. As such, it is not practicable to determine with sufficient reliability the fair value of the unquoted equity shares. The carrying amount of the unquoted equity investments has been fully written off as BLRL is in a net deficit position.

## 10 Deferred tax assets

|                                       | 2009   | 2008    |
|---------------------------------------|--------|---------|
| The Group                             | \$'000 | \$'000  |
| Balance at beginning of year          | 6,507  | 7,669   |
| Foreign exchange difference           | (114)  | (107)   |
| Charged to income statement (Note 28) | (984)  | (1,055) |
| Balance at end of year                | 5,409  | 6,507   |

The balance comprises tax on:

|   | Balance at<br>1 January<br>2009 | Credited/<br>(Charged) to<br>income<br>statement | Foreign<br>exchange<br>difference | Balance at<br>31 December<br>2009 |
|---|---------------------------------|--|-----------------------------------|-----------------------------------|
| The Group   | \$'000                          | \$'000   | \$'000                            | \$'000                            |
| Fiscal loss net of expired tax loss                   | 3,942                           | 751  | 112                               | 4,805                             |
| Estimated liability for employee service entitlements | 1,068                           | (283)  | 94                                | 879                               |
| Allowance for doubtful debts                          | 1,859                           | 143  | (26)                              | 1,976                             |
| Allowance for impairment loss of investments          | 3,000                           | (445)  | (55)                              | 2,500                             |
| Valuation allowance                                   | (3,116)                         | (751)  | -                                 | (3,867)                           |
| Property, plant and equipment                         | (246)                           | (399)  | (239)                             | (884)                             |
|   | 6,507                           | (984)  | (114)                             | 5,409                             |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 10 Deferred tax assets (cont'd)

| The Group   | Balance at<br>1 January<br>2008<br>\$'000 | Credited/<br>(Charged) to<br>income<br>statement<br>\$'000 | Foreign<br>exchange<br>difference<br>\$'000 | Balance at<br>31 December<br>2008<br>\$'000 |
|---|---|--|---|---|
| Fiscal loss net of expired tax loss                   | 1,889                                     | 2,281  | (228)                                       | 3,942                                       |
| Estimated liability for employee service entitlements | 1,354                                     | (262)  | (24)  | 1,068                                       |
| Allowance for doubtful debts                          | 2,034                                     | (175)  | –   | 1,859                                       |
| Allowance for impairment loss of investments          | 3,000                                     | –  | –   | 3,000                                       |
| Valuation allowance                                   | (1,042)                                   | (2,074)  | –   | (3,116)                                     |
| Property, plant and equipment                         | 434                                       | (825)  | 145   | (246)                                       |
|   | 7,669                                     | (1,055)  | (107)                                       | 6,507                                       |

## 11 Loan receivable

| The Group   | 2009<br>\$'000 | 2008<br>\$'000 |
|---|----------------|----------------|
| Loan receivable                                   |                |                |
| Not later than one year                           | –              | –              |
| Later than one year and not later than five years | 60,000         | 62,046         |
| Later than five years                             | –              | –              |
|   | 60,000         | 62,046         |

Convertible loan receivable of approximately \$62,046,000 is unsecured and is convertible at the option of its subsidiary, Verizon Resorts Limited, into shares in the capital of PT Alam Indah Bintan ("PT AIB") at the par value of each PT AIB share of US\$1. The conversion price was agreed between the parties taking into account the unaudited net liabilities of PT AIB as at 31 December 2004 of approximately \$14.9 million. Interest on the loan is at the rate of 1.5% above the Singapore Inter-bank Offer Rate (SIBOR) on a quarterly basis per annum. The PT AIB Convertible Loan shall be settled via repayment and/or the issue of PT AIB Shares pursuant to the exercise of the option, in any event by 31 December 2009.

On 31 December 2009, PT AIB made a payment of interest and principal amounting to approximately S\$13.3 million. The outstanding amount under PT AIB convertible bond after the repayment is S\$60,000,000 and both parties have agreed to extend the tenure of the convertible bond from 31 December 2009 to 31 December 2010. The interest on the extended loan is at the rate of 1.75% above the Singapore Inter-bank Offer Rate (SIBOR) on a quarterly basis per annum.

The conversion of the loan receivable from PT AIB into PT AIB shares would result in VRL Labuan holding approximately 49.82% of the enlarged issued share capital of PT AIB. In that event, PT AIB will become an associate company of VRL Labuan.

The loan receivable is denominated in Singapore dollar.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 12 Other non-current assets

| The Group                              | 2009<br>\$'000 | 2008<br>\$'000 |
|--|----------------|----------------|
| Golf membership <sup>(1)</sup>         | 1,983          | 4,223          |
| Provision for impairment loss          | (303)          | (2,240)        |
|  | 1,680          | 1,983          |
| Estimated claims for income tax refund | 463            | 408            |
| Advances                               | 2              | 69             |
| Deposits paid                          | 402            | 484            |
|  | 2,547          | 2,944          |

(1) Golf membership represents the value of non-refundable unsold golf membership. Due to the low market demand for golf membership, the Group wrote down the non-refundable membership to its recoverable amount. The recoverable amount is based on the published market price of the golf membership which is ranging from \$7,000 and \$8,000 for each golf membership as of 31 December 2009.

## 13 Land inventories

| The Group              | 2009<br>\$'000 | 2008<br>\$'000 |
|------------------------|----------------|----------------|
| Land for sale, at cost | 552,808        | 549,918        |

As at 31 December 2009 and 2008, PT SBP's land inventories comprise 3,763 ha with Building Use Right ("HGB"). Part of the land's HGB for 3,285 ha will expire in 30 years while the HGB of 478 ha has been extended and renewed for a period of 80 years.

As at 31 December 2009 and 2008, PT BMW's land inventories comprise 14,083 ha of land with HGB certificates. Part of the land's HGB amounting to 12,023 ha will expire in 30 years while the HGB of 2,060 ha has been extended and renewed for a period of 80 years.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 14 Other inventories

|  | 2009<br>\$'000 | 2008<br>\$'000 |
|--|----------------|----------------|
| The Group                              |                |                |
| Fuel and lubrication oil, at cost      | 6,254          | 8,756          |
| Medicines, at cost                     | 63             | 71             |
| Consumables and supplies, at cost      | 5,699          | 7,921          |
|  | 12,016         | 16,748         |
| Allowance for inventories obsolescence | (790)          | (1,160)        |
|  | 11,226         | 15,588         |
| Stated at:                             |                |                |
| Cost                                   |                |                |
| Medicine                               | 63             | 71             |
| Fuel and lubrication oil               | 1,957          | 1,711          |
| Consumables and supplies               | 1,015          | 2,283          |
| Net realisable value                   |                |                |
| Fuel and lubrication oil               | 4,236          | 6,016          |
| Consumables and supplies               | 3,955          | 5,507          |
|  | 11,226         | 15,588         |

In 2009, \$370,000 of a write-down of inventories was reversed to the income statement due to the recovery of selling price of consumables and supplies.

## 15 Trade and other receivables

|                                 | The Company    |                | The Group      |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 2009<br>\$'000 | 2008<br>\$'000 | 2009<br>\$'000 | 2008<br>\$'000 |
| Trade receivables               |                |                |                |                |
| - external parties              | -              | -              | 46,617         | 68,156         |
| Impairment of trade receivables | -              | -              | (10,217)       | (11,247)       |
| Net trade receivables           | -              | -              | 36,400         | 56,909         |
|                                 | (i)            |                |                |                |
| Other receivables:              |                |                |                |                |
| Refundable deposits             | 207            | 192            | 117            | 192            |
| Prepayments                     | 328            | 477            | 4,282          | 2,563          |
| Amount owing by subsidiaries    | 128,155        | 101,445        | -              | -              |
| Interest receivable             | -              | -              | -              | 10,063         |
| Amount owing by related parties | 9              | -              | 3,256          | 2,079          |
| Others                          | 174            | 171            | 255            | 6              |
|                                 | 128,873        | 102,285        | 7,910          | 14,903         |
| Impairment of other receivables | -              | -              | (1,068)        | (1,219)        |
| Net other receivables           | 128,873        | 102,285        | 6,842          | 13,684         |
|                                 | (ii)           |                |                |                |
| Total                           | 128,873        | 102,285        | 43,242         | 70,593         |
|                                 | (i) + (ii)     |                |                |                |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 15 Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

|                      | The Company    |                | The Group      |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2009<br>\$'000 | 2008<br>\$'000 | 2009<br>\$'000 | 2008<br>\$'000 |
| Singapore dollar     | 128,873        | 102,285        | 33,910         | 63,950         |
| Indonesia rupiah     | -              | -              | 9,248          | 6,434          |
| United States dollar | -              | -              | 84             | 209            |
|                      | <b>128,873</b> | <b>102,285</b> | <b>43,242</b>  | <b>70,593</b>  |

Trade receivables are generally due within 30 to 90 days (2008 - 30 to 90 days) and do not bear any interest.

All receivables are subject to credit risk exposure. The Group does not identify any specific concentration of credit risk as the receivables resemble a large number of balances spread over a large number of customers. The Company has identified significant concentration of credit risk arising from the loan given to a subsidiary.

Certain trade receivables are used as collateral for the interest-bearing loans obtained (Note 21).

The amount owing by subsidiaries represents loans and advanced payment of expenses is unsecured and repayable on demand.

The non-trade amount owing by related parties represents mainly advanced payment of expenses. This account is non-interest bearing, unsecured and repayable on demand.

## 16 Cash and bank balances

|                        | The Company    |                | The Group      |                |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2009<br>\$'000 | 2008<br>\$'000 | 2009<br>\$'000 | 2008<br>\$'000 |
| Cash on hand           | 23             | 24             | 227            | 519            |
| Cash and bank balances | 284            | 1,100          | 81,281         | 54,904         |
|                        | 307            | 1,124          | 81,508         | 55,423         |
| Time deposits          | 50             | -              | 37,209         | 34,444         |
|                        | <b>357</b>     | <b>1,124</b>   | <b>118,717</b> | <b>89,867</b>  |

For the purpose of presenting the consolidated statement of cash flows, the year end cash and cash equivalents comprise the following:

|                             | 2009<br>\$'000 | 2008<br>\$'000 |
|-----------------------------|----------------|----------------|
| The Group                   |                |                |
| Cash and bank balances      | 118,717        | 89,867         |
| Less: Bank deposits pledged | -              | (11,413)       |
|                             | <b>118,717</b> | <b>78,454</b>  |

The bank deposits pledged represent cash in a bank account with United Overseas Bank Limited ("UOBL"). As disclosed in Note 21 - "Loans and borrowings", the bank loans with UOBL are secured by an assignment of accounts receivable and the related bank account is designated and maintained for collection of such accounts receivable.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 16 Cash and bank balances (cont'd)

The cash and bank balances are denominated in the following currencies:

|                      | The Company    |                | The Group      |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2009<br>\$'000 | 2008<br>\$'000 | 2009<br>\$'000 | 2008<br>\$'000 |
| Singapore dollar     | 335            | 1,100          | 103,270        | 61,382         |
| United States dollar | –              | –              | 6,215          | 4,559          |
| Indonesia rupiah     | –              | –              | 9,210          | 12,491         |
| Others               | 22             | 24             | 22             | 22             |
|                      | <b>357</b>     | <b>1,124</b>   | <b>118,717</b> | <b>78,454</b>  |

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2009             | 2008             |
| Interest rate on time deposits (per annum) |                  |                  |
| Singapore dollar                           | 0.0875% to 2.43% | 0.4% to to 2.43% |
| United States dollar                       | 1.25% to 1.75%   | –                |
| Indonesian rupiah                          | 6% to 14%        | 6% to 14%        |

## 17 Share capital

|  | 2009<br>\$'000   | 2008<br>\$'000   |
|--|------------------|------------------|
| The Company and The Group              |                  |                  |
| Issued and fully paid of no par value: |                  |                  |
| 2,412,482,556 ordinary shares          | <b>1,207,642</b> | <b>1,207,642</b> |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets. The shares have no par value.

## 18 Deposits from tenants and golf membership

|                                    | 2009<br>\$'000 | 2008<br>\$'000 |
|------------------------------------|----------------|----------------|
| The Group                          |                |                |
| Deposits from tenants              | <b>30,840</b>  | 31,927         |
| Refundable golf membership deposit | <b>4,354</b>   | 4,173          |
|                                    | <b>35,194</b>  | <b>36,100</b>  |

Deposits from tenants represent advance payments received from tenants equivalent to certain months' factory and dormitory rentals, hawkers' centres, and deposits for electricity supply, in accordance with the provisions of their respective lease agreements. These deposits will be refunded or applied against rentals due at the end of the lease period.

Refundable deposits received for golf club membership, which consist of Individual Type, Corporate A and B type, will be due on 1 August 2020.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 19 Employee benefits liabilities

|                               | 2009   | 2008   |
|-------------------------------|--------|--------|
|                               | \$'000 | \$'000 |
| The Group                     |        |        |
| Balance at beginning of year  | 5,527  | 5,928  |
| Net employee benefits expense | 1,486  | 1,048  |
| Actual benefit payments       | (65)   | (914)  |
| Foreign exchange difference   | 371    | (535)  |
| Balance at end of year        | 7,319  | 5,527  |

On 20 June 2000, under Indonesian Law, the Minister of Manpower of the Republic of Indonesia issued Decree No. Kep-150/Men/2000 regarding "The Settlement of Work Dismissal and Determination of Separation, Gratuity and Compensation Payment by Companies". Should there be any work dismissal, a company is obliged to settle any separation, gratuity and compensation payment, based on the duration of work of the respective employees and in accordance with the conditions stated in the Decree.

The Decree has been enacted into Law No.13 of 2003 regarding Manpower by the President of the Republic of Indonesia on 25 March 2003.

The Group recognised a provision for employees' service entitlement in accordance with the above Law. The benefits are unfunded. The provision is estimated using the "Projected Unit Credit Method" based on the actual calculation performed by independent actuaries, PT Dayamandiri Dharmakonsilindo and PT Jasa Aktuaria Pensiun dan Asuransi which considered the following assumptions:

|                         |  |
|-------------------------|--|
| Discount rate           | : 10.5% per annum (2008 - 11% to 12%)  |
| Mortality rate          | : USA Table of Mortality, commissioners standard ordinary 1980                   |
| Annual salary increases | : 6% to 10% per annum (2008 - 8% to 10%)   |
| Retirement age          | : 55 years   |
| Turnover rates          | : 5% up to age 25 and reducing linearly up to 0% at the age of 45 and thereafter |
| Disability rate         | : 10% of mortality rate  |

The net employee benefits expense comprises the following:

|  | 2009   | 2008   |
|--|--------|--------|
|  | \$'000 | \$'000 |
| Current service cost                           | 638    | 513    |
| Interest expense                               | 558    | 398    |
| Immediate adjustment of termination plan       | 203    | 309    |
| Excess payment                                 | (32)   | (14)   |
| Amortisation of past service cost unvested     | 35     | 40     |
| Actuarial loss/(gain)                          | 84     | (198)  |
|  | 1,486  | 1,048  |
| Employee benefits liabilities:                 |        |        |
| Present value of employee benefits liabilities | 7,838  | 5,594  |
| Unrecognised past service cost-unvested        | (165)  | (172)  |
| Unrecognised actual gain                       | (354)  | 105    |
|  | 7,319  | 5,527  |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 20 Deferred tax liabilities

| The Group                             | 2009<br>\$'000 | 2008<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Balance at beginning of year          | 583            | 557            |
| Foreign exchange difference           | 77             | (76)           |
| Charged to income statement (Note 28) | 508            | 102            |
| Balance at end of year                | <b>1,168</b>   | 583            |

The balance comprises tax on:

|   | Balance at<br>1 January<br>2009<br>\$'000 | Charged/<br>(credited)<br>to income<br>statement<br>\$'000 | Foreign<br>exchange<br>difference<br>\$'000 | Balance at<br>31 December<br>2009<br>\$'000 |
|---|---|--|---|---|
| <b>2009</b>   |   |  |   |   |
| Fiscal loss net of expired tax loss                   | (1,331)                                   | 220  | (181)                                       | <b>(1,292)</b>                              |
| Estimated liability for employee service entitlements | (181)                                     | (39)   | 13  | <b>(207)</b>                                |
| Property, plant and equipment                         | 2,095                                     | 327  | 245   | <b>2,667</b>                                |
|   | 583                                       | 508  | 77  | <b>1,168</b>                                |
|   |   |  |   |   |
|   | Balance at<br>1 January<br>2008<br>\$'000 | Charged/<br>(credited)<br>to income<br>statement<br>\$'000 | Foreign<br>exchange<br>difference<br>\$'000 | Balance at<br>31 December<br>2008<br>\$'000 |
| <b>2008</b>   |   |  |   |   |
| Fiscal loss net of expired tax loss                   | (1,637)                                   | 67   | 239   | (1,331)                                     |
| Estimated liability for employee service entitlements | (226)                                     | 10   | 35  | (181)                                       |
| Property, plant and equipment                         | 2,420                                     | 25   | (350)                                       | 2,095                                       |
|   | 557                                       | 102  | (76)  | 583   |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 21 Loans and borrowings

|                                   | The Company    |                | The Group      |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2009<br>\$'000 | 2008<br>\$'000 | 2009<br>\$'000 | 2008<br>\$'000 |
| Bank loans and other borrowings   |                |                |                |                |
| Term loan 1                       |                |                |                |                |
| - United Overseas Bank Limited    | 88,293         | 63,120         | 88,293         | 63,120         |
| Term loan 2                       |                |                |                |                |
| - United Overseas Bank Limited    | -              | -              | -              | 4,200          |
| Term loan 3                       |                |                |                |                |
| - United Overseas Bank Limited    | -              | -              | 1,500          | -              |
| PT Bank Niaga Tbk                 | -              | -              | 42             | 69             |
| PT Bank Central Asia Tbk          | -              | -              | 11             | -              |
| Loans from subsidiaries           | 45,154         | 39,046         | -              | -              |
| Loan from Jiangjun Limited        | -              | -              | 1,127          | 18,369         |
| Finance lease                     | -              | -              | 64             | 103            |
| <b>Total loans and borrowings</b> | <b>133,447</b> | <b>102,166</b> | <b>91,037</b>  | <b>85,861</b>  |
| Less:                             |                |                |                |                |
| Current portion                   | (100,354)      | (67,746)       | (56,444)       | (51,441)       |
| Non-current portion               | 33,093         | 34,420         | 34,593         | 34,420         |

The outstanding bank loans of the Company and the Group exposed to interest rates are as follows:

|                             | The Company    |                | The Group      |                |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | 2009<br>\$'000 | 2008<br>\$'000 | 2009<br>\$'000 | 2008<br>\$'000 |
| Current portion:            |                |                |                |                |
| - at floating interest rate | 55,200         | 28,700         | 55,200         | 32,900         |
| - at fixed interest rate    | 45,154         | 39,046         | 1,244          | 18,541         |
|                             | <b>100,354</b> | <b>67,746</b>  | <b>56,444</b>  | <b>51,441</b>  |
| Non-current portion:        |                |                |                |                |
| - at floating interest rate | 33,093         | 34,420         | 34,593         | 34,420         |
|                             | <b>33,093</b>  | <b>34,420</b>  | <b>34,593</b>  | <b>34,420</b>  |

The loans are denominated in the following currencies:

|                      | The Company    |                | The Group      |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2009<br>\$'000 | 2008<br>\$'000 | 2009<br>\$'000 | 2008<br>\$'000 |
| Singapore dollar     | 125,940        | 94,665         | 91,037         | 85,861         |
| United States dollar | 7,507          | 7,501          | -              | -              |
|                      | <b>133,447</b> | <b>102,166</b> | <b>91,037</b>  | <b>85,861</b>  |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 21 Loans and borrowings (cont'd)

### a. Term loan 1

On May 30, 2008, management completed an agreement with the creditors for the refinancing of the term loan from \$50,000,000 in prior year to \$132,000,000 in current year. The details of the banking facilities are summarised below:

#### 1. 6 years Term Loan facility - Facility A commitment

This facility has a maximum credit of S\$32,000,000 and shall be utilised to finance 80% of the cost or valuation, whichever is lower of two catamarans ("vessels"). The loan bears interest rate at 1, 3 or 6 months SGD swap offer rate plus 1.7% per annum, which the effective interest rates range between 2.31% to 3.55% in 2009 (2008 - 2.94% to 3.05%). The interest rate on this loan is repriced every 3 months. The loan is repayable in 10 equal semi-annual instalments of \$3,200,000 each commencing 18 months of the agreement.

The Facility A shall be secured by the following:

- (i) assignment of refundment guarantees of the vessels during their construction;
- (ii) assignment of hull and machinery and protection and indemnity insurances with respect to the vessels; and
- (iii) all-monies first preferred mortgage on the vessels upon their completion.

Certain covenants, among others, need to be maintained and complied with:

- (i) The Company shall provide a formal valuation report from an professional valuer upon completion of the vessels and thereafter, an annual valuation report on the vessels financed. The outstanding loan shall not exceed 80% of the prevailing market value of the vessels, failing which the Company shall either reduce the outstanding loan to within the security margin or top up with additional security.
- (ii) The vessels shall fly the Singapore flag or such other flag acceptable by the Bank.
- (iii) The vessels shall be classified with an internationally recognised classification society which is a member of the International Association of Classification Societies.

#### 2. 4 years Term Loan facility - Facility B commitment

Term Loan Facility B shall be utilised to finance the outstanding \$50,000,000 loan facility under the facility agreement dated 23 December 2004, supplemental agreement dated 21 March 2005 and letter dated 7 July 2006.

The loan bears interest rate at 1, 3 or 6 months SGD swap offer rate plus 1.5% per annum, which the effective interest rates range between 2.40% to 3.20% in 2009 (2008 - 2.77% to 3.20%). The interest rate on this loan is repriced every 3 months. The company shall repay the facility in 8 equal semi-annual installments of \$6,250,000 each commencing 6 months from the agreement date.

The loan is secured by:

- (i) pledge of shares in the capital of PT BIC; and
- (ii) deed of assignment and charge, whereby the companies have assigned and charged to the bank all its rights, title and interest in dividends arising from; inter alia, the shares pledged as mentioned in (i) above.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 21 Loans and borrowings (cont'd)

### a. Term loan 1 (cont'd)

#### 2. 4 years Term Loan facility - Facility B commitment (cont'd)

In 2007, the following which were previously placed as securities for the loan, were released:

- pledge of shares in the capital of PT SI.

Certain covenants, among others, need to be maintained and complied with:

- (a) the tangible consolidated net worth of PT BIC will not at any time be less than \$400,000,000;
- (b) the ratio of EBITDA of PT BIC to its interest expense for each test period will not be less than 2.5 to 1.
- (c) the operating margin of PT BIC for its financial year will not be less than 25%. For the purpose of this sub-clause, the operating margin for PT BIC's financial year shall be determined based on the EBITDA of PT BIC for the relevant financial year as compared to its revenue for that financial year; or
- (d) the occupancy rate at Batamindo Industrial Park ("BIP") located at Batam Indonesia will not be less than 80%. For the purpose of this sub-clause, "occupancy rate" means the total factory area (in square metres) leased or sold by PT BIC to third parties at BIP divided by the total factory area available for lease or sale by PT BIC at BIP as at the date of the Agreement. For the avoidance of doubt, any new factory or premises built, constructed or purchased at BIP by PT BIC or any third party after the date of the Agreement shall not be included in the computation of the occupancy rate for the purpose of this sub-clause.

#### 3. 3 years Revolving Credit Facility - Facility C commitment

The RCF has maximum amount of \$50,000,000 and shall be utilised to finance the working capital and corporate/operational requirements of the Company and the Group. The loan bears interest rate at 1, 3 or 6 months SGD swap offer rate plus 1.7% per annum, which the effective interest rates range between 2.23% to 4.12% in 2009 (2008 - 2.87% to 4.12%). The interest rate on this loan is repriced every 3 months. The loan should be repaid in full on the final maturity date which is 3 years from the date of the agreement.

The security arrangement and covenants for the RCF are similar to the Facility B commitment.

### b. Term loan 2

This loan is secured by an assignment of accounts receivable (Note 15) and the related bank account with United Overseas Bank Limited ("UOBL") which is maintained for the collections of such accounts receivables (Note 15). This loan is payable in 12 equal quarterly installments commencing 15 August 2006.

The loan agreement includes certain covenants, among others that need to be maintained and complied with:

- (i) tangible consolidated net worth will not at any time be less than \$400,000,000;
- (ii) the ratio of EBITDA to interest expense for each test period will not be less than 2.3 to 7;
- (iii) the operating margin for each test period will not be less than 20% and;
- (iv) the value of the receivables subject to the security created pursuant to the fiduciary security over receivables for the period of 12 months ending on each quarterly test date will not be less than \$11,500,000 (or its equivalent in any other currency or currencies).

# Notes to the Financial Statements

For the year ended 31 December 2009

## 21 Loans and borrowings (cont'd)

### b. Term loan 2 (cont'd)

The loan bears interest at 1.4% per annum above SWAP rate, presently at 3.02% (2008 - 3.57%) per annum, and the rates ranged from 2.45% to 2.6% (2008 - 2.67% to 4.08%) per annum. The interest rate on this loan is repriced every 3 months. The loan was fully repaid in May 2009.

### c. Term loan 3

The Group obtained revolving credit facilities from UOBL amounting to \$2,500,000 (2008 - \$3,000,000) which was drawn on various dates. The terms of revolving credit facility will expire on 10 January 2011 (2008 - 10 January 2009). These loans bear interest at the annual rate of 1% above the swap rate, which ranged from 2.08% to 3.57% in 2009 and 3.39% to 4.57% in 2008. The revolving credit facilities are secured by the following:

- (i) deed of Debenture creating a fixed and floating charge over Bintan Resort Ferries Pte Ltd ("BRF")'s assets both present and future including goodwill and uncalled capital;
- (ii) first legal mortgage on BRF's vessels;
- (iii) corporate guarantee from PT BRC;
- (iv) a "hull and machinery and war" insurance on BRF's vessels; and
- (v) credit agreement between the Group and its banker.

The interest rate on this loan is repriced every 3 months.

### d. PT Bank Niaga Tbk

This loan was obtained to finance the purchase of vehicle amounting to \$245,631 in 2006 bearing a flat interest rate at 10% per annum. The loan is repayable by August 2010.

### e. PT Bank Central Asia Tbk

On 13 January 2009, the Company obtained a new loan facility to finance the purchase of vehicle amounting to \$17,078. The loan bears a flat interest at 8.25% per annum and will be due on 13 December 2011.

### f. Loans from subsidiaries

Loans from subsidiaries are unsecured and repayable on demand. Interest is charged at the fixed rate of 3.0% per annum.

### g. Loan from Jiangjun Limited

Loan payable to Jiangjun Limited, a third party, is unsecured and repayable on demand. Interest is charged at the fixed rate of 2.25% per annum in 2009 and 2008.

### h. Finance lease

In October and November 2008, the Company obtained a vehicle lease facility to purchase 2 vehicles amounted to \$106,592. The facility bears interest rate at 9% per annum and will fall due in October and November 2011.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 22 Trade and other payables

|                                 | The Company    |                | The Group      |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 2009<br>\$'000 | 2008<br>\$'000 | 2009<br>\$'000 | 2008<br>\$'000 |
| Trade payables                  | –              | –              | 31,213         | 30,589         |
| Accruals                        | 449            | 888            | 1,345          | 1,183          |
| Interest payable on bank loan   | 186            | 180            | 188            | 857            |
| Amount owing to related parties | 5              | 51             | 14,705         | 17,988         |
| Amount owing to subsidiaries    | 179            | 2,454          | –              | –              |
|                                 | <b>819</b>     | <b>3,573</b>   | <b>47,451</b>  | <b>50,617</b>  |

Trade payables are generally on 30 days (2008 - 30 days) credit terms.

Amounts owing to subsidiaries, associates and related parties are unsecured and interest-free and repayable on demand.

## 23 Other income

|  | 2009<br>\$'000 | 2008<br>\$'000 |
|--|----------------|----------------|
| The Group  |                |                |
| Interest income  |                |                |
| - related parties  | –              | 2,285          |
| - external parties                                       | 2,070          | 1,832          |
| Other telecommunication income                           | 1,776          | 1,566          |
| Miscellaneous income                                     | (113)          | 1,493          |
| Gain/(loss) on disposal of property, plant and equipment | 149            | (45)           |
| Exchange loss, net                                       | (5)            | (1,031)        |
|  | <b>3,877</b>   | <b>6,100</b>   |

## 24 Other operating expenses

|                                  | 2009<br>\$'000 | 2008<br>\$'000 |
|----------------------------------|----------------|----------------|
| The Group                        |                |                |
| Depreciation and amortisation    | 1,980          | 1,808          |
| Management fee                   | 687            | 3,743          |
| Marketing and promotion expenses | 3,420          | 8,703          |
| Impairment of trade receivables  | 4,435          | 895            |
| Repairs and maintenance          | 1,343          | 1,781          |
| Representation costs             | 1,034          | 962            |
| Staff costs                      | 5,126          | 5,515          |
| Taxes and licences               | 746            | 518            |
| Transport and travelling         | 1,166          | 567            |
| Utilities                        | 1,005          | 879            |
| Others                           | 6,189          | 7,694          |
|                                  | <b>27,131</b>  | <b>33,065</b>  |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 25 Finance costs

| The Group  | 2009<br>\$'000 | 2008<br>\$'000 |
|------------|----------------|----------------|
| Bank loans | 2,525          | 2,376          |
| Others     | 255            | 402            |
|            | <b>2,780</b>   | <b>2,778</b>   |

## 26 Profit before taxation

| The Group  | Note | 2009<br>\$'000 | 2008<br>\$'000 |
|--|------|----------------|----------------|
| Profit before taxation has been arrived at after charging/(crediting):             |      |                |                |
| (Reversal of)/allowance for inventories obsolescence                               |      | (371)          | 623            |
| Amortisation of intangible assets  | 4    | 199            | 150            |
| Depreciation of property, plant and equipment                                      | 5    | 34,464         | 33,078         |
| Depreciation of investment properties  | 6    | 22,185         | 22,544         |
| Directors' fees  |      | 85             | 335            |
| Directors' remuneration  |      |                |                |
| - Directors' salaries and related costs  |      | 955            | 1,269          |
| - CPF contributions  |      | 36             | 46             |
|  |      | 991            | 1,315          |
| Foreign exchange loss  |      | 5              | 1,031          |
| Impairment of trade and other receivables  |      | 4,435          | 894            |
| Operating lease rentals  |      |                |                |
| - office equipment and office premises   |      | 1,524          | 2,348          |
| Rental income (included in revenue)  |      |                |                |
| - investment properties  |      | 37,524         | 43,372         |
| - others   |      | 3,758          | 3,126          |
| Operating expenses arising from investment properties that generated rental income |      | 24,409         | 24,050         |
| Staff costs (other than directors)   |      |                |                |
| - salaries and related costs   |      | 20,499         | 20,917         |
| - CPF contributions  |      | 310            | 431            |
|  |      | 20,809         | 21,348         |

## 27 Key management personnel compensation

| The Group           | 2009<br>\$'000 | 2008<br>\$'000 |
|---------------------|----------------|----------------|
| Short-term benefits | 1,682          | 1,876          |

Included in key management personnel compensation is directors' remuneration of \$991,000 (2008 - \$1,315,000).

# Notes to the Financial Statements

For the year ended 31 December 2009

## 28 Taxation

|                                     | 2009<br>\$'000 | 2008<br>\$'000 |
|-------------------------------------|----------------|----------------|
| The Group                           |                |                |
| Current taxation                    |                |                |
| Indonesia tax                       |                |                |
| Final tax                           | 4,564          | 5,137          |
| Non-final tax                       | 3,021          | 10,310         |
| Withholding tax                     | –              | 2,003          |
| Singapore tax                       | 156            | 259            |
|                                     | 7,741          | 17,709         |
| Deferred taxation (Notes 10 and 20) |                |                |
| Indonesia tax                       | 1,492          | 1,157          |
|                                     | 9,233          | 18,866         |

No current taxation for financial years ended 31 December 2009 and 2008 had been provided in the financial statements as the Company has no taxable profit.

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on group's profit as a result of the following:

|   | 2009<br>\$'000 | 2008<br>\$'000 |
|---|----------------|----------------|
| (Loss)/profit before taxation   | (3,433)        | 17,929         |
| Tax at statutory rate of 17% (2008 - 18%)   | (584)          | 3,227          |
| Tax at foreign source   | 156            | 259            |
| Difference of tax effects on gross income subject to final tax instead of corporate tax | 9,205          | 14,866         |
| Tax effects on non-deductible expenses  | 456            | 514            |
|   | 9,233          | 18,866         |

## 29 Other comprehensive income after taxation

Disclosure of tax effects relating to each component of other comprehensive income:

|                                  | 2009<br>\$'000 |             |            |
|----------------------------------|----------------|-------------|------------|
|                                  | Before tax     | Tax expense | Net of tax |
| Currency translation differences | 51             | –           | 51         |
|                                  |                |             |            |
|                                  | 2009<br>\$'000 |             |            |
|                                  | Before tax     | Tax expense | Net of tax |
| Currency translation differences | (306)          | –           | (306)      |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 30 Earnings per share

The Group

The loss per share for 2009 is calculated based on the Group's loss after taxation for the year of \$10,500,000 attributable to the shareholders divided by weighted average number of 2,412,482,556 ordinary shares in issue during the financial year. There are no dilutive potential ordinary shares that were outstanding during the year.

The earnings per share for the financial year ended 31 December 2008 is calculated based on the Group's profit after taxation of \$557,000 divided by the weighted average number of 2,412,482,556 ordinary shares.

## 31 Operating lease commitments

At the balance sheet date, the Company and the Group were committed to making the following lease rental payments under non-cancellable operating leases for office equipment and office premises:

|   | The Company |        | The Group |        |
|---|-------------|--------|-----------|--------|
|   | 2009        | 2008   | 2009      | 2008   |
|   | \$'000      | \$'000 | \$'000    | \$'000 |
| Not later than one year                           | 262         | 389    | 1,321     | 1,753  |
| Later than one year and not later than five years | 19          | 757    | 59        | 1,257  |

The Company and The Group

The Company's lease on the office equipment and office premises in respect of prior year had expired on 31 January 2009 and will be expired on 31 August 2010 respectively.

In 2009, the Company has entered into new operating leases of office equipment which will expire on 31 January 2015. The current lease payables are \$498 and \$31,193 per month.

The subsidiaries have entered into operating leases of office premises, warehouse and office equipment which will expire in 2010, 2011 and 2013 respectively. The current lease rental ranges from \$275 per month to \$21,095 per month.

The Group

The Group has entered into operating leases of factory buildings. Future minimum rentals receivable under non-cancellable operating leases are as follows:

| The Group   | 2009   | 2008   |
|---|--------|--------|
|   | \$'000 | \$'000 |
| Not later than one year                           | 25,815 | 24,306 |
| Later than one year and not later than five years | 17,272 | 22,259 |
| Later than five years                             | 82     | 13     |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 32 Capital commitments

The Group

At the balance sheet date, the Company and the Group were committed to the following capital expenditure for equipment as follows:

|   | 2009<br>\$'000 | 2008<br>\$'000 |
|---|----------------|----------------|
| Capital expenditure contracted but not provided for | 380            | 24,015         |

## 33 Contingent liabilities (unsecured)

- 33.1 In 2006, PT Raflesia Matrawisata ("PT RM") filed a civil suit against five defendants, namely, the subsidiaries: PT BMW and PT BRC (together the "Gallant Subsidiaries", which expression may where applicable mean one or both of them), PT Bintan Lagoon Resort; Badan Pertanahan Nasional (the Indonesia National Land Office); and Badan Pertanahan Nasional Cq Kantor Pertanahan Kabupaten Kepulauan Riau (the Bintan Land Office) on their rights over certain parcels of land in Bintan. The land ownership under dispute covers an area of 963,353 sq meters ("the land") and it includes land currently occupied by PT Bintan Lagoon and other land parcels not specified in the suit. PT RM claimed to be the rightful owner of the said land and sought court remedy on land purportedly occupied by the defendants. On 19 October 2007, the court issued restraining order (putusan sala-provision) which inter-alia, to require Gallant Subsidiaries and PT Bintan Lagoon Resort and other parties to refrain from advertising for sales or transfer the land to any parties until the court verdict has been issued with final legal effect.

The Group is in the view that the claim by PT Raflesia for material losses of approximately 57 billion Rupiah (equivalent to approximately \$9.5 million) is for alleged loss of rental income for the land with an area of 115,080 sq meters, on which the Bintan Lagoon Resort Hotel is located. This hotel and buildings on the said land are owned by PT Bintan Lagoon Resort, which is not part of the Group. Furthermore, the Group has no ownership interest in PT Bintan Lagoon Resort. Accordingly, there is no basis for PT Raflesia to claim against the Gallant Group. The Group maintains that the Suit is frivolous, vexatious and has no legal merits.

As disclosed in the Prospectus dated 28 April 2006, Gallant acquired its interest in PT BMW and PT BRC shortly prior to the registration of the Prospectus pursuant to a sale and purchase agreement with Parallax Venture Partners XXX Limited ("PVP"), which is a substantial shareholder of Gallant. Under this agreement, Gallant obtained warranties and undertakings from PVP. These included warranties as to ownership and title to all the land acquired including the land concerned and an indemnity from PVP. PVP has confirmed that it will indemnify Gallant in full for any losses or damages suffered as a result of this Suit. The Gallant Subsidiaries will however continue to vigorously defend the Suit as they are named defendants. All costs incurred by them in this respect will be borne by PVP. Therefore the Group will not have any adverse financial exposure to the Suit.

On 21 June 2007, the Tanjung Pinang Court rejected the lawsuit. PT Raflesia filed an appeal with the Riau High Court on 3 July 2007.

On 29 November 2007, the Riau High Court rejected the appeal.

On 7 April 2008, PT Raflesia filed an appeal to the Supreme Court of Indonesia and on 23 February 2009, the Supreme Court in its judgement ruled that the land certificates issued by Indonesia Land Authorities to PT BMW has no legal enforcement rights and that the sale of land between PT BRC and BLR is not valid. PT BMW and PT BRC will be filing a special appeal (Permohonan Peninjauan Kembali) against the judgement.

On 14 December 2009, the Supreme Court of Indonesia has issued a verdict (in reviewing the case under special appeal), in which the verdict ruled in favour of PT BMW and PT BRC (and the co-defendants, namely, Badan Pertanahan Nasional (the Indonesian National Land Office) and Badan Pertanahan Nasional Cq Kantor Pertanahan Kabupaten Kepulauan Riau (the Bintan Land Office) and PT Bintan Lagoon Resort. The Supreme Court of Indonesia has rejected in totality the claims of PT Raflesia and has accordingly, removed any and all injunctions and claims.

Management believes that the special appeal to the Superme Court is the final and binding judicial appeal and there is no further avenue of appeal.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 33 Contingent liabilities (unsecured) (cont'd)

33.2 On December 29, 2008, PT BRC issued a Notice of Arbitration against PT Bintan Lagoon Resort (PT BLR) in the Singapore International Arbitration Court (SIAC). The issues related to the Notice are as follows:

(i) Utilities issue

This matter relates to Site Development Agreement (SDA) dated 8 August 1995 and the utilities agreement dated 10 April 1997, and the issue arose from unpaid utilities charged by PT BRC to BLR, which up to 31 December 2008, amounted to approximately \$977,940 and Rupiah 30,175,675 (\$3,966).

(ii) Staff housing issue

This matter related to the staff housing master agreement dated 26 September 1997 entered between PT BRC and BLR. The issue arose from unpaid lease, defects and unauthorised works relating to this housing. As of 31 December 2008, the outstanding lease is approximately \$5.3 million.

(iii) Land issue

This matter relates to a plot of land owned by PT BRC in Bintan, Kepulauan Riau. PT BRC lent the land to BLR without any rental fee and time limitation. PT BRC is currently trying to re-acquire the land.

In 2009, PT BRC and PT BLR had decided to settle the case outside the court and subsequently, both parties had made an agreement to settle the debts owed by PT BLR with terms agreed by both parties.

## 34 Related parties transactions

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Apart from the balances with related parties disclosed elsewhere in this report, the following transactions have been entered into by the Group are as follows, based on prices or rates negotiated with the respective parties.

|   | 2009     | 2008     |
|---|----------|----------|
|   | \$'000   | \$'000   |
| <b>Shareholders</b>                                     |          |          |
| Marketing services                                      | 2,300    | 4,464    |
| Offshore marketing services                             | 350      | 430      |
| <b>Companies in which a shareholder has an interest</b> |          |          |
| Technical assistance fee                                | 350      | 350      |
| Human resource management fee                           | 557      | 642      |
| Management fee  | –        | 497      |
| Insurance premiums                                      | 1,019    | 375      |
| Fees and rentals  | 2,115    | 2,050    |
| Interest income   | –        | (2,285)  |
| Sales   | (12,329) | (14,540) |

# Notes to the Financial Statements

*For the year ended 31 December 2009*

## 35 Segment information

### Industrial parks segment

Industrial parks segment is engaged in activities consisting of the development, construction, operation and maintenance of industrial properties in Batam Island and Bintan Island together with the supporting infrastructure activities.

### Utilities segment

Utilities segment is engaged in the activities of provision of electricity and water supply, telecommunications services and waste management and sewage treatment services to the industrial parks in Batam Island and Bintan Island as well as resorts in Bintan Island.

### Resort operations segment

The resort operations segment is engaged in the activities of provision of services to resort operators in Bintan Resort including ferry terminal operations, workers accommodation, security, fire fighting services and facilities required by resort operators.

### Property development segment

Property development segment is engaged in the activities of developing industrial and resort properties in Batam Island and Bintan Island.



# Notes to the Financial Statements

For the year ended 31 December 2009

## 35 Segment information (cont'd)

The Group

|   | Industrial<br>Parks<br>\$'000 | Utilities<br>\$'000 | Resort<br>Operations<br>\$'000 | Property<br>Development<br>\$'000 | Corporate<br>\$'000 | Elimination<br>\$'000 | Total<br>\$'000 |
|---|-------------------------------|---------------------|--------------------------------|-----------------------------------|---------------------|-----------------------|-----------------|
| <b>2009</b>   |                               |                     |                                |                                   |                     |                       |                 |
| <u>Business segments</u>                                    |                               |                     |                                |                                   |                     |                       |                 |
| <b>Other information</b>                                    |                               |                     |                                |                                   |                     |                       |                 |
| Capital expenditure   | 3,368                         | 2,390               | 26,724                         | 83                                | 146                 | –                     | 32,711          |
| Software costs  | 42                            | –                   | 46                             | 18                                | 7                   | –                     | 113             |
| Reversal for inventories<br>obsolescence                    | –                             | (371)               | –                              | –                                 | –                   | –                     | (371)           |
| Provision for employees' benefits                           | 704                           | 539                 | 91                             | 522                               | –                   | –                     | 1,856           |
| Amortisation of intangible assets                           | 99                            | –                   | 24                             | 39                                | 37                  | –                     | 199             |
| Depreciation of property, plant<br>and equipment            | 6,479                         | 19,140              | 8,439                          | 278                               | 128                 | –                     | 34,464          |
| Depreciation of investment<br>properties                    | 22,185                        | –                   | –                              | –                                 | –                   | –                     | 22,185          |
| Loss/(gain) on disposal of<br>property, plant and equipment | (4)                           | –                   | 15                             | –                                 | –                   | –                     | 11              |
| Gain on disposal of investment<br>properties                | (160)                         | –                   | –                              | –                                 | –                   | –                     | (160)           |
| Impairment of trade and other<br>receivables                | 889                           | –                   | 3,546                          | –                                 | –                   | –                     | 4,435           |



# Notes to the Financial Statements

For the year ended 31 December 2009

## 35 Segment information (cont'd)

The Group

|  | Industrial<br>Parks<br>\$'000 | Utilities<br>\$'000 | Resort<br>Operations<br>\$'000 | Property<br>Development<br>\$'000 | Corporate<br>\$'000 | Elimination<br>\$'000 | Total<br>\$'000 |
|--|-------------------------------|---------------------|--------------------------------|-----------------------------------|---------------------|-----------------------|-----------------|
|--|-------------------------------|---------------------|--------------------------------|-----------------------------------|---------------------|-----------------------|-----------------|

2008

### Business segments

#### **Other information**

|   |        |        |       |     |     |   |        |
|---|--------|--------|-------|-----|-----|---|--------|
| Capital expenditure   | 11,507 | 3,227  | 8,573 | 428 | 335 | – | 24,070 |
| Software costs  | 51     | –      | –     | 125 | 9   | – | 185    |
| Allowance for inventories<br>obsolescence                   | –      | 623    | –     | –   | –   | – | 623    |
| Provision for employees' benefits                           | 198    | 421    | 18    | 411 | –   | – | 1,048  |
| Amortisation of intangible assets                           | 80     | –      | 18    | 13  | 39  | – | 150    |
| Depreciation of property, plant<br>and equipment            | 9,390  | 15,790 | 6,886 | 922 | 90  | – | 33,078 |
| Depreciation of investment<br>properties                    | 22,544 | –      | –     | –   | –   | – | 22,544 |
| Loss/(gain) on disposal of<br>property, plant and equipment | (33)   | –      | 10    | (7) | 75  | – | 45     |
| Impairment of trade and other<br>receivables                | –      | –      | 894   | –   | –   | – | 894    |

### Geographical segments

The Group operates mainly in Batam Island and Bintan Island, Indonesia. Accordingly, analysis by geographical segments is not presented.

### Segment revenue and segment expense

All segment revenue and expense are directly attributable to the segments.

### Segment assets and liabilities

Segment assets include all operating assets and consist principally of receivables, land inventories, other inventories, investment properties and property, plant and equipment, net of allowances and provisions. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated on a reasonable basis.

Segment liabilities include all operating liabilities and consist principally of operating payables.

Segment assets and liabilities do not include cash and cash equivalents, deferred tax assets, deferred tax liabilities, current tax payable, loan and borrowings.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 36 Financial risk management objectives and policies

The Group is affected by various financial risks, including credit risk, foreign currency risk, interest rate risk and liquidity risk. The Group's overall risk management objective is to effectively manage these risks and minimize potential adverse effects on their financial performance.

The Board of Directors review and agree with the policies for managing each of these risks, as well as economic risk and business risk of the Group, which are summarised below, and also monitors the market price risk arising from all financial instruments and project development risk.

### 36.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company or Group to incur a financial loss.

The financial assets that potentially subject the Group to significant concentration of credit risk consist principally of bank balances, trade and other receivables, and loan receivables. The Group has in place credit policies and procedures to ensure the ongoing credit evaluation and active account monitoring. The Group's exposures to credit risk arise from default of other parties, with maximum exposure equal to the carrying amount of these instruments. At the balance sheet date, there were no significant concentrations of credit risk other than the loan receivable of \$60,000,000 (2008 - \$62,046,000) from PT AIB (Note 11).

The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets in the balance sheet. Details on trade receivables are as follows:

#### (i) Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially counterparties with good payment records with the Group.

|   | 2009<br>\$'000 | 2008<br>\$'000 |
|---|----------------|----------------|
| Trade receivables neither past due nor impaired | 17,611         | 24,553         |

#### (ii) Financial assets that are past due but not impaired

The aging analysis of trade receivables past due but not impaired is as follows:

| The Group                                     | 2009<br>\$'000 | 2008<br>\$'000 |
|---|----------------|----------------|
| Trade receivables past due but not impaired:  |                |                |
| More than one but less than two months        | 3,802          | 4,024          |
| More than two but less than three months      | 1,570          | 5,715          |
| More than three months but less than one year | 6,156          | 4,999          |
| More than one year                            | 7,260          | 28,865         |

Management assessed that there are no significant concentration of credit risk and is actively pursuing the recovery of these overdue receivables. Based on negotiations and commitments provided by the customers, management believes that these receivables are collectible. Accordingly, no allowance for doubtful debts has been provided for these receivables.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 36 Financial risk management objectives and policies (cont'd)

### 36.1 Credit risk (cont'd)

#### (iii) Financial assets that are past due and impaired

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

|  | 2009<br>\$'000 | 2008<br>\$'000 |
|--|----------------|----------------|
| The Group                                    |                |                |
| Gross amount                                 | 10,217         | 11,247         |
| Less: Impairment of trade receivables        | (10,217)       | (11,247)       |
|  | -              | -              |
| Movement in impairment of trade receivables: |                |                |
| At beginning of year                         | 11,247         | 11,074         |
| Current year                                 | 4,435          | 894            |
| Amount written off/reversed during the year  | (5,465)        | (721)          |
| At end of year                               | 10,217         | 11,247         |

Management assessed that these overdue receivables are not collectible after taking into consideration a combination of factors such as the debtors' financial position, ability and willingness to settle the debts and latest negotiations held with them. Accordingly, an allowance for doubtful debts has been made in the financial statements.

### 36.2 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency exchange rate movements primarily in Indonesian Rupiah on certain expenses, assets and liabilities which arise from daily operations and United States dollar loan from the shareholder.

The Group uses foreign currency denominated assets as a natural hedge against its foreign currency denominated liabilities. As at balance sheet date, the Group's exposure to foreign exchange risk is not significant and most transactions are denominated in Singapore Dollars as their functional currency.

The following table demonstrates the sensitivity to a reasonably possible change in the United States dollar and Indonesian rupiah exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

|                      | 2009   |  | 2008   |  |
|----------------------|--|--|--|--|
|                      | Appreciation/<br>(depreciation)<br>of foreign<br>currency rate | Effect on<br>profit<br>before tax<br>increase/<br>(decrease)<br>\$'000 | Appreciation/<br>(depreciation)<br>of foreign<br>currency rate | Effect on<br>profit<br>before tax<br>increase/<br>(decrease)<br>\$'000 |
| Indonesian rupiah    | 4%   | 1,017  | 16%  | 45   |
| Indonesian rupiah    | (4%)   | (1,122)  | (16%)  | (62)   |
| United States dollar | 4%   | 602  | 11%  | 171  |
| United States dollar | (4%)   | (584)  | (11%)  | (238)  |

# Notes to the Financial Statements

For the year ended 31 December 2009

## 36 Financial risk management objectives and policies (cont'd)

### 36.2 Foreign currency risk (cont'd)

The average and year end exchange rates for 2009 and 2008 are as follows:

|                      | 2009         |              | 2008         |              |
|----------------------|--------------|--------------|--------------|--------------|
|                      | Year end     | Average      | Year end     | Average      |
| IDR                  | Rp 6,698/\$1 | Rp 7,113/\$1 | Rp 7,607/\$1 | Rp 6,838/\$1 |
| United States dollar | US\$0.71/\$1 | US\$0.68/\$1 | US\$0.64/\$1 | US\$0.71/\$1 |

### 36.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is financed through interest-bearing bank loans and other borrowings such as shareholders' loans and advances from related parties. Therefore, the Group's exposures to market risk for changes in interest rates relate primarily to its long-term borrowings obligations and interest-bearing assets and liabilities. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure by managing its interest cost using a mixture of fixed and variable rate debts and long and short-term borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax [through the impact on floating rate borrowings for loans from UOBL (Note 21)].

|                  | 2009                                       |   | 2008                                       |   |
|------------------|--|---|--|---|
|                  | Increase/<br>(decrease) in<br>basis points | Effect on<br>profit<br>before tax<br>\$'000 | Increase/<br>(decrease) in<br>basis points | Effect on<br>profit<br>before tax<br>\$'000 |
| Singapore dollar | 0.0254                                     | (2,240)                                     | 0.0175                                     | (1,384)                                     |
| Singapore dollar | (0.0254)                                   | 2,240                                       | (0.0175)                                   | 1,384                                       |

### 36.4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associate with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to support their business activities on a timely basis. The Group maintains a balance between continuity of accounts receivable collectibility and flexibility through the use of bank loans and other borrowings.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 36 Financial risk management objectives and policies (cont'd)

### 36.4 Liquidity risk (cont'd)

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows:

|                               | Less than<br>1 year<br>\$'000 | Between<br>2 and 5<br>years<br>\$'000 | Over<br>5 years<br>\$'000 | Total<br>\$'000 |
|-------------------------------|-------------------------------|---------------------------------------|---------------------------|-----------------|
| The Group                     |                               |                                       |                           |                 |
| <b>As at 31 December 2009</b> |                               |                                       |                           |                 |
| Trade and other payables      | 47,451                        | –                                     | –                         | 47,451          |
| Loans and borrowings          | 56,444                        | 34,593                                | –                         | 91,037          |
|                               | <b>103,895</b>                | <b>34,593</b>                         | <b>–</b>                  | <b>138,488</b>  |

|                          |         |        |   |         |
|--------------------------|---------|--------|---|---------|
| As at 31 December 2008   |         |        |   |         |
| Trade and other payables | 50,617  | –      | – | 50,617  |
| Loans and borrowings     | 51,441  | 34,420 | – | 85,861  |
|                          | 102,058 | 34,420 | – | 136,478 |

|                               | Less than<br>1 year<br>\$'000 | Between<br>2 and 5<br>years<br>\$'000 | Over<br>5 years<br>\$'000 | Total<br>\$'000 |
|-------------------------------|-------------------------------|---------------------------------------|---------------------------|-----------------|
| The Company                   |                               |                                       |                           |                 |
| <b>As at 31 December 2009</b> |                               |                                       |                           |                 |
| Trade and other payables      | 819                           | –                                     | –                         | 819             |
| Loans and borrowings          | 100,354                       | 33,093                                | –                         | 133,447         |
|                               | <b>101,173</b>                | <b>33,093</b>                         | <b>–</b>                  | <b>134,266</b>  |

|                          |        |        |   |         |
|--------------------------|--------|--------|---|---------|
| As at 31 December 2008   |        |        |   |         |
| Trade and other payables | 3,573  | –      | – | 3,573   |
| Loans and borrowings     | 67,746 | 34,420 | – | 102,166 |
|                          | 71,319 | 34,420 | – | 105,739 |

The Company and the Group ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner.

### 36.5 Market price risk

The Group is exposed to fuel price risk. An adverse change in fuel costs will significantly increase the Group's operating costs if the impact is not completely flow through to the end consumers.

To mitigate impact of price volatility, the Group diversified its energy source with implementation of dual fuel fired power plants. In the Batamindo Industrial Park, the 19 power generators are operated on natural gas in heavy fuel (i.e. diesel). In Bintan Resorts and Bintan Industrial Estate, power plants are operated in heavy and light fuel.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 36 Financial risk management objectives and policies (cont'd)

### 36.6 Project development risk

Construction delays can result in loss of revenue. The failure to complete construction of a project according to its planned specifications or schedule may result in liabilities, reduce project efficiency and lower returns. The Group manages this risk by closely monitoring the progress of all projects through all stages of construction.

## 37 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities with a maturity of less than one year as reflected in the balance sheet approximate their fair values due to short-term nature of these financial assets and liabilities.

The Group does not anticipate that the carrying amounts of financial assets and financial liabilities of more than one year recorded at balance sheet date would be significantly different from the values that would eventually be received or settled. The fair values of interest-bearing bank loans approximate their carrying value as they bear floating interest rates.

The Group's Directors estimated the fair values for refundable golf membership deposits which will be due in 2020 by discounting the expected future cash flows based on current 10-year Singapore government bond rates.

For other financial instruments which are not stated at quoted market price and whose fair value cannot be reliably measured without incurring excessive costs, they are carried at their nominal amounts less any impairment losses. It is not practical to estimate the fair values of other long-term receivables, other long-term loans and borrowings and deposits from tenants due to a lack of fixed or repayment terms between both parties. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

## 38 Capital management

The Company is not subject to externally imposed capital requirements.

The Group's objectives when managing capital are:

- a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders.
- b) To support the Group's stability and growth; and
- c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

Management regards total equity as capital, for capital management purposes. The amount of capital as at 31 December 2009 amounted to \$1,236,027,000 which the management considered as optimal having considered the projected capital expenditure and the projected strategic investment opportunities.

# Notes to the Financial Statements

*For the year ended 31 December 2009*

## 39 Economic conditions

The operations of the Group have been affected, and may continue to be affected for the foreseeable future by the economic conditions in Indonesia that may contribute to volatility in currency values and negatively impact economic growth. Economic improvements and sustained recovery are dependent upon several factors such as fiscal and monetary actions being undertaken by the government and others; actions that are beyond the control of the Group.

## 40. Events after the balance sheet date

Subsequent to the balance sheet date, the Company has entered into a facility agreement with Standard Chartered Bank for the grant of a secured 5-year dual-currency term loan facility of US\$117.5 million and S\$202.35 million. The facility if drawdown, is expected to be utilised to refinance the Group's existing bank borrowings and to fund any future investments.

# Statistics of Shareholdings

As at 12 March 2010

|                                  |   |                    |
|----------------------------------|---|--------------------|
| Issued and fully paid-up capital | : | S\$1,207,641,641   |
| Number of issued shares          | : | 2,412,482,556      |
| Class of shares                  | : | Ordinary Shares    |
| Voting rights                    | : | One vote per share |

## DISTRIBUTION OF SHAREHOLDINGS AS AT 12 MARCH 2010

| Size of Shareholdings | No. of Shareholders | %             | No. of Shares        | %             |
|-----------------------|---------------------|---------------|----------------------|---------------|
| 1 - 999               | 504                 | 13.00         | 172,625              | 0.01          |
| 1,000 - 10,000        | 1,183               | 30.52         | 8,011,193            | 0.33          |
| 10,001 - 1,000,000    | 2,157               | 55.65         | 132,635,369          | 5.50          |
| 1,000,001 and above   | 32                  | 0.83          | 2,271,663,369        | 94.16         |
| <b>Total</b>          | <b>3,876</b>        | <b>100.00</b> | <b>2,412,482,556</b> | <b>100.00</b> |

## LIST OF 20 LARGEST SHAREHOLDERS AS AT 12 MARCH 2010

| No.          | Name                                  | No. of Shares        | %            |
|--------------|---------------------------------------|----------------------|--------------|
| 1            | HSBC (SINGAPORE) NOMS PTE LTD         | 611,492,738          | 25.35        |
| 2            | SEMBCORP INDUSTRIAL PARKS LTD         | 577,057,166          | 23.92        |
| 3            | CITIBANK NOMS S'PORE PTE LTD          | 326,806,073          | 13.55        |
| 4            | PARALLAX VENTURE PARTNERS XXX LIMITED | 205,826,712          | 8.53         |
| 5            | BANK OF S'PORE NOMS PTE LTD           | 180,800,000          | 7.49         |
| 6            | RAFFLES NOMINEES (PTE) LTD            | 89,708,000           | 3.72         |
| 7            | ASCENDAS INVESTMENT PTE LTD           | 88,200,062           | 3.66         |
| 8            | UNITED OVERSEAS BANK NOMINEES         | 48,624,752           | 2.02         |
| 9            | DBS NOMINEES PTE LTD                  | 25,250,100           | 1.05         |
| 10           | DBS VICKERS SECS (S) PTE LTD          | 21,066,405           | 0.87         |
| 11           | OCBC SECURITIES PRIVATE LTD           | 17,866,600           | 0.74         |
| 12           | DB NOMINEES (S) PTE LTD               | 13,966,000           | 0.58         |
| 13           | UOB KAY HIAN PTE LTD                  | 12,262,000           | 0.51         |
| 14           | PHILLIP SECURITIES PTE LTD            | 10,807,200           | 0.45         |
| 15           | KIM ENG SECURITIES PTE. LTD.          | 7,538,500            | 0.31         |
| 16           | MAYBAN NOMINEES (S) PTE LTD           | 6,220,400            | 0.26         |
| 17           | MERRILL LYNCH (S'PORE) P L            | 3,211,100            | 0.13         |
| 18           | PT ELITINDO CITRALESTARI              | 3,106,688            | 0.13         |
| 19           | HONG LEONG FINANCE NOMINEES PL        | 2,841,000            | 0.12         |
| 20           | CIMB-GK SECURITIES PTE. LTD.          | 2,474,501            | 0.10         |
| <b>TOTAL</b> |                                       | <b>2,255,125,997</b> | <b>93.48</b> |

## PUBLIC FLOAT

Based on the information available to the Company as at 12 March 2009, approximately 22.56% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited is complied with.

# Statistics of Shareholdings

As at 12 March 2010

## SUBSTANTIAL SHAREHOLDERS

| Name of Substantial Shareholders  | Number of Shares |                 |
|---|------------------|-----------------|
|   | Direct Interest  | Deemed Interest |
| Dornier Profits Limited (“ <b>Dornier Profits</b> ”) <sup>(1)</sup>                 | 189,545,100      | 467,466,638     |
| Parallax Venture Fund XXX (“ <b>PV Fund</b> ”) <sup>(1)</sup>                       | –                | 657,011,738     |
| Parallax Capital Management Pte Ltd (“ <b>PCM</b> ”) <sup>(1)</sup>                 | –                | 657,011,738     |
| Eugene Cho Park <sup>(1)</sup>  | 100,000          | 657,011,738     |
| Edan Cho Park <sup>(1)</sup>  | –                | 657,011,738     |
| Parallax Venture Partners XXX Ltd (“ <b>PVP</b> ”)                                  | 627,293,350      | 467,466,638     |
| Salim Wanye (Shanghai) Enterprises Co., Ltd (“ <b>Salim Wanye</b> ”) <sup>(2)</sup> | –                | 1,094,759,988   |
| Jaslene Limited (“ <b>Jaslene</b> ”) <sup>(3)</sup>                                 | –                | 1,094,759,988   |
| Success Medal International Limited (“ <b>Success Medal</b> ”) <sup>(4)</sup>       | –                | 1,094,759,988   |
| Salim & Van (Shanghai) Investment Ltd (“ <b>Salim &amp; Van</b> ”) <sup>(5)</sup>   | –                | 1,094,759,988   |
| Manyip Holdings Limited (“ <b>Manyip</b> ”) <sup>(6)</sup>                          | –                | 1,094,759,988   |
| Anthoni Salim <sup>(7)</sup>  | –                | 1,287,411,776   |
| Sembcorp Industrial Parks Ltd (“ <b>SIP</b> ”) <sup>(8)</sup>                       | 577,057,166      | –               |
| Sembcorp Industries Ltd (“ <b>SCI</b> ”) <sup>(8)</sup>                             | –                | 577,057,166     |
| Temasek Holdings (Private) Limited (“ <b>Temasek</b> ”) <sup>(8)</sup>              | –                | 580,541,166     |

### Notes:

- (1) PV Fund has an interest in more than 20% of the share capital of Dornier Profits. PCM has an interest in 100% of the voting share capital of PV Fund. Eugene Cho Park and Edan Cho Park hold the entire issued share capital of PCM. PV Fund, PCM, Eugene Cho Park and Edan Cho Park are therefore deemed to be interested in the shares of the Company (“**Shares**”) in which Dornier Profits has an interest.
- (2) Salim Wanye has an interest in the entire issued share capital of PVP and is deemed to be interested in the Shares owned by PVP.
- (3) Jaslene has an interest in more than 50% of the issued share capital of Salim Wanye, which in turn has an interest in 100% of the issued share capital of PVP. Accordingly, Jaslene is deemed to be interested in the Shares owned by PVP.
- (4) Success Medal has an interest in more than 20% of the issued share capital of Salim Wanye, which in turn has an interest in 100% of the issued share capital of PVP. Accordingly, Success Medal is deemed to be interested in the Shares owned by PVP.
- (5) Salim & Van and its related corporation, Success Medal, have interests in more than 20% of the issued share capital of Salim Wanye, which in turn has an interest in 100% of the issued share capital of PVP. Accordingly, Salim & Van is deemed to be interested in the Shares owned by PVP.
- (6) Manyip’s related corporations, Success Medal and Salim & Van, have interests in more than 20% of the issued share capital of Salim Wanye, which in turn has an interest in 100% of the issued share capital of PVP. Accordingly, Manyip is deemed to be interested in the Shares owned by PVP.
- (7) Anthoni Salim is deemed to have an interest in the Shares owned by Dornier Profits and PVP as well as in 3,106,688 Shares owned by PT Elitindo Citralestari.
- (8) Temasek has an interest in more than 20% of the share capital of SCI, and SCI in turn has an interest in the entire issued share capital of SIP. Accordingly, Temasek and SCI are deemed to be interested in the Shares held by SIP.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Gallant Venture Ltd (the "Company") will be held at River View Hotel Singapore, Lily Ballroom, Level 4, 382 Havelock Road, Singapore 169629 on Wednesday, 21 April 2010 at 10.00 a.m. to transact the following business: -

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the Directors' fees of S\$225,000/- for the financial year ended 31 December 2009 (2008: S\$195,000/-). **(Resolution 2)**
3. To re-elect the following Directors:-
  - (a) Mr Foo Ko Hing who is retiring under Article 115 of the Articles of Association of the Company. **(Resolution 3)**

*Mr Foo Ko Hing will, upon re-appointment as Director of the Company, remain as a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. He will also remain as a member of the Remuneration Committee, and the Nominating Committee.*
  - (b) Mr Lim Hock San who is retiring under Article 115 of the Articles of Association of the Company. **(Resolution 4)**

*Mr Lim Hock San will, upon re-appointment as Director of the Company, remain as the Chairman of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. He will also remain as the Chairman of the Remuneration Committee, and a member of the Nominating Committee.*
  - (c) Dr Tan Chin Nam who is retiring under Article 119 of the Articles of Association of the Company. **(Resolution 5)**
4. To consider, and if thought fit, to pass the following resolution:

That pursuant to Section 153(6) of the Companies Act, Chapter 50, Mr Rivaie Rachman be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting of the Company. **(Resolution 6)**

*Mr Rivaie Rachman will, upon re-appointment as Director of the Company, remain as a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. He will also remain as the Chairman of the Nominating Committee and a member of the Remuneration Committee.*
5. To re-appoint Foo Kon Tan Grant Thornton LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

# Notice of Annual General Meeting

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:-

### 6. Authority to allot and issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50 ("Companies Act"), and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:

- (i) (aa) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or
- (bb) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued during the continuance of this authority or thereafter, 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
- (ii) issue Shares in pursuance of any Instrument made or granted by the directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution),

Provided that:

- (iii) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% (unless paragraph (v) below applies) of the total number of issued Shares (as calculated in accordance with paragraph (iv) below), and provided further that where shareholders of the Company ("Shareholders") are not given the opportunity to participate in the same on a pro-rata basis ("non pro-rata basis"), then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares (as calculated in accordance with paragraph (iv) below);
- (iv) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (iii) above, the total number of issued Shares shall be based on the total number of issued Shares of the Company (excluding treasury shares) at the time such authority was conferred, after adjusting for:
  - (aa) new Shares arising from the conversion or exercise of any convertible securities;
  - (bb) new Shares arising from exercising share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and
  - (cc) any subsequent bonus issue, consolidation or subdivision of the Shares;
 and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;
- (v) the 50% limit in paragraph (iii) above may be increased to 100% for issues of Shares and/or Instruments by way of a renounceable rights issue where Shareholders are given the opportunity to participate in the same on a pro-rata basis; and

# Notice of Annual General Meeting

- (vi) (unless revoked or varied by the Company in general meeting), the authority so conferred 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, or in relation to paragraph (v) above, 31 December 2010 or if extended by the SGX-ST (the "Extended Date"), the earliest of 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 or the Extended Date.

**(Resolution 8)**

*(See Explanatory Note 1)*

7. That subject to and pursuant to the share issue mandate in Resolution 8 being obtained and in force, authority be and is hereby given to the directors of the Company to issue Shares on a non pro-rata basis at a discount of not more than 20% to the weighted average price of the Shares for trades done on the SGX-ST (calculated in the manner as may be prescribed by the SGX-ST), provided that (unless revoked or varied by the Company in general meeting), the authority so conferred shall continue in force until 31 December 2010 or such later date as may be permitted by the SGX-ST.

**(Resolution 9)**

*(See Explanatory Note 2)*

## 8. Renewal of the Shareholders' Mandate for Interested Person Transactions

- (a) That approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("Chapter 9") of the SGX-ST, for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions as set out in the Appendix to this Notice of Annual General Meeting (the "Appendix"), with any party who falls within the classes of Interested Persons as described in the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for Interested Person Transactions as set out in the Appendix (the "IPT Mandate");
- (b) That the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier;
- (c) That the Audit Committee of the Company be and is hereby authorized to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and
- (d) That the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

**(Resolution 10)**

*(See Explanatory Note 3)*

## 9. Renewal of the Share Purchase Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the Company (the "Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices 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 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,

# Notice of Annual General Meeting

and otherwise in accordance with all other laws, regulations 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 Purchase 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 Purchase Mandate in paragraph (a) of this Resolution may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
- (i) the date on which the next Annual General Meeting of the Company is held;
  - (ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or
  - (iii) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated;
- (c) in this Resolution:

"Prescribed Limit" means, subject to the Companies Act, 10% of the total number of issued Shares of the Company (excluding any Shares which are held as treasury shares) as at the date of the passing of 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 (as defined hereinafter); and
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price (as defined hereinafter),

where:

"Average Closing Price" means the average of the Closing Market Prices of the Shares over the last five Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately 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 such five-Market Day period;

"Closing Market Price" means the last dealt price for a Share transacted through the SGX-ST's Quest-ST system as shown in any publication of the SGX-ST or other sources;

"date of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders, 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 authorised 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.

**(Resolution 11)**  
**(See Explanatory Note 4)**

# Notice of Annual General Meeting

## ANY OTHER BUSINESS

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

## BY ORDER OF THE BOARD

Choo Kok Kiong  
Foo Soon Soo  
Prisca Low  
Joint Secretaries

Singapore, 6 April 2010

### Explanatory Notes:-

1. Ordinary Resolution 8 in item 6, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, to issue shares and convertible securities in the Company up to an amount not exceeding in total 50% of the total number of issued shares in the capital of the Company calculated on the basis set out in the said resolution. The 50% limit may be increased to 100% for the Company to undertake pro-rata renounceable rights issues of shares and convertible securities (the "100% renounceable pro-rata rights issue limit"). For issues of shares and convertible securities other than on a pro rata basis to all Shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20% of the total number of issued shares in the capital of the Company calculated on the basis set out in the said resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company except that the 100% renounceable pro-rata rights issue limit will expire on 31 December 2010 or if extended by the SGX-ST (the "Extended Date"), the earliest of 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 or the Extended Date.
2. Ordinary Resolution 9 in item 7, if passed, will empower the Directors of the Company to issue Shares on a non pro-rata basis at a discount of not more than 20% to the weighted average price of the Shares for trades done on the SGX-ST (calculated in the manner as may be prescribed by the SGX-ST). Such authority will, unless previously revoked or varied at a general meeting, expire on 31 December 2010 (or such later date as may be permitted by the SGX-ST).
3. Ordinary Resolution 10 in item 8 relates to the renewal of the mandate, which was first approved by the shareholders on 27 April 2007 and was renewed at the Annual General Meeting on 28 April 2009, allowing the Company, its subsidiaries and associated companies to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited. Please refer to the Appendix to this Notice of Annual General Meeting for more information.
4. Ordinary Resolution 11 in item 9 relates to the renewal of the mandate, which was first approved by the shareholders on 23 January 2009 and was renewed at the Annual General Meeting on 28 April 2009, authorising the Company to purchase its own shares. Please refer to the Appendix to this Notice of Annual General Meeting for more information.

### Notes: -

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.
2. A proxy need not be a member of the Company.
3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 991A Alexandra Road, #02-06/07, Singapore 119969 not later than 48 hours before the time appointed for the Meeting.

# GALLANT VENTURE LTD.

Registration No. 200303179Z  
(Incorporated in the Republic of Singapore)

## IMPORTANT

1. For investors who have used their CPF monies to buy GALLANT VENTURE LTD. shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR THEIR 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.

## PROXY FORM

\*I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a \*member/members of Gallant Venture Ltd. (the "Company") hereby appoint:-

| Name | Address | NRIC/<br>Passport No. | Proportion of Shareholdings<br>to be represented by proxy |   |
|------|---------|-----------------------|---|---|
|      |         |                       | No. of Shares   | % |
|      |         |                       |   |   |

\*and/or (delete as appropriate)

| Name | Address | NRIC/<br>Passport No. | Proportion of Shareholdings<br>to be represented by proxy |   |
|------|---------|-----------------------|---|---|
|      |         |                       | No. of Shares   | % |
|      |         |                       |   |   |

or failing \*him/them, the Chairman of the Meeting, as \*my/our \*proxy/proxies to attend and vote for \*me/us on \*my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held at River View Hotel Singapore, Lily Ballroom, Level 4, 382 Havelock Road, Singapore 169629 on Wednesday, 21 April 2010 at 10.00 a.m. and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated with an "X" in the spaces provided hereunder. If no specific directions as to voting are given, the \*proxy/proxies will vote or abstain from voting as the \*proxy/proxies deem fit.

| Resolutions |   | For | Against |
|-------------|---|-----|---------|
|             | <b>Ordinary business</b>  |     |         |
| 1.          | To receive and adopt the Audited Financial Statements, Reports of Directors and Auditors for the financial year ended 31 December 2009. |     |         |
| 2.          | To approve Directors' fees of S\$225,000/- for the year ended 31 December 2009.   |     |         |
| 3.          | To re-elect Mr Foo Ko Hing as a Director.   |     |         |
| 4.          | To re-elect Mr Lim Hock San as a Director.  |     |         |
| 5.          | To re-elect Dr Tan Chin Nam as a Director.  |     |         |
| 6.          | To re-appoint Mr Rivaie Rachman as a Director.  |     |         |
| 7.          | To re-appoint Foo Kon Tan Grant Thornton LLP as Auditors and to authorise the Directors to fix their remuneration.                      |     |         |
|             | <b>Special business</b>   |     |         |
| 8.          | To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.  |     |         |
| 9.          | To authorise Directors to issue shares at an issue price of up to a maximum discount of 20% to the market price of the shares.          |     |         |
| 10.         | To approve the renewal of the Interested Person Transactions Mandate.   |     |         |
| 11.         | To approve the renewal of the Share Purchase Mandate.   |     |         |

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2010

| Total number of Shares held in:- |  |
|----------------------------------|--|
| (a) CDP Register                 |  |
| (b) Register of Members          |  |

\_\_\_\_\_  
Signature(s) or Common Seal of member(s)

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

\* Delete accordingly

**Notes:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 991A Alexandra Road, #02-06/07, Singapore 119969 not later than 48 hours before the time set for the Annual General Meeting.
6. 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, Chapter 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 the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number of shares is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

fold here

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Affix  
Postage  
Stamp

The Company Secretaries  
**GALLANT VENTURE LTD.**  
991A Alexandra Road  
#02-06/07  
Singapore 119969

fold here

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7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

