



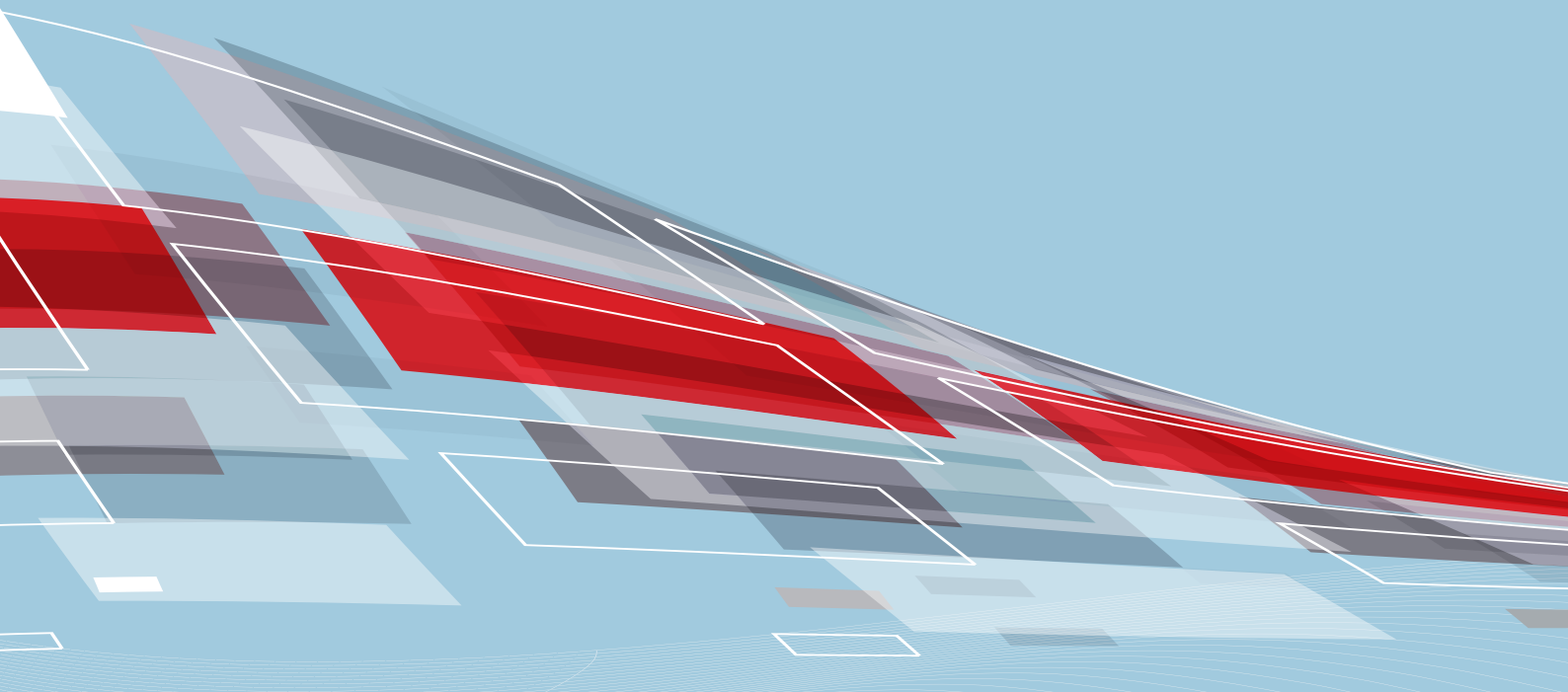
# COMMITTED TO GROWTH

## ANNUAL REPORT 2017



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## OUR PROFILE

**Gallant Venture Ltd** is an Indonesia focused investment holding company headquartered in Singapore. We are an integrated automotive group with coverage across Indonesia and a master planner for industrial parks and resorts in Batam and Bintan.

With vision and perseverance, we have successfully developed Batam and Bintan into an investment and tourist destination offering integrated businesses and services such as industrial parks, utilities, property development and resort operations. Our businesses are well-positioned to leverage on the strategic alliance between the Singapore and Indonesia governments and close proximity to Singapore.

Continuously expanding our product offering, Lagoi Bay Development is our latest integrated project with resorts/hotels, commercial activities and residential

plots in Bintan. Progressive completion of the Lagoi Bay project will bring our Bintan Resorts to new heights and significantly enhance the business prospects on the island.

With our acquired automotive arm – PT Indomobil Sukses Internasional Tbk (“IMAS”), we have deepened our roots into Indonesia and diversified our portfolio from a single location-focused business to a country-focused investment holding company.



## AUTOMOTIVE

Gallant Venture's Automotive business includes distribution of passenger vehicles, commercial vehicle, heavy duty equipment, vehicle and equipment financing, supply of spare parts, vehicle servicing and vehicle rental and logistics services.

IMAS is an Indonesia based integrated automotive business with businesses in vehicle agencies, vehicle sales distribution, after-sales services, financing, spare parts distributions, automotive parts/components manufacturing and other related supporting services.

IMAS manages well-known international brands such as Nissan, Audi, Suzuki, Volkswagen and Renault for passenger vehicle, Hino, Volvo and Renault Trucks for commercial vehicles, Volvo, Kalmar and Manitou for heavy duty equipment and has well-distributed sales and after-sales branch network to capture higher sales penetration across Indonesia.





## PROPERTY DEVELOPMENT



Gallant Venture is the master planner and infrastructure provider in our properties situated in Batam and Bintan. We master planned land parcels for industrial, commercial, residential and resort projects and the Group's land inventory in Bintan is approximately 18,000 hectares.

Located in Northern Bintan, Lagoi Bay Development is our latest integrated resort project covering approximately 1,300 hectares of land. It will be home to resorts, residential sites, shopping malls, restaurants, entertainment and sea-sport facilities. Some of the investors in Lagoi Bay include the world's leading resorts and hotels marques such as The Sanchaya, Four Point by Sheraton, Ibis style & Novotel by Accor Asia Pacific, Dialogo Hotels by Malka, Haven and Alila Resort.

Over the next few years, it will add over 150 new businesses, approximately 10 new hotel properties, condominiums and housing compounds, contributing more than 5,000 room keys to Bintan Resorts' current 1,900 key count.

## INDUSTRIAL PARKS



Gallant Venture owns and manages Batamindo Industrial Park in Batam and the Bintan Industrial Estate in Bintan. We offer the convenience of one-stop manufacturing environment with ready access to Singapore's financial, infrastructure and logistics network. Our activities include the development of the industrial parks, sales and lease of prepared industrial land as well as the provision of ready-built factories and dormitory.

These parks encompass net lettable area of 550,000sqm in Batamindo Industrial Park and 100,000sqm in Bintan Industrial Estate. Our industrial parks are designed with flexible layouts and ease of set-up. Separate areas are broadly designed for offices, productions, as well as loading and unloading of goods. To meet the needs of investors and tenants, whom may require specifications unique to their operations in the factories, the factories may be customised so to achieve operational efficiency and effectiveness.

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



## UTILITIES

Gallant Venture, a private utilities provider in Batam and Bintan, provides electricity, telecommunications, water and waste management services to its Industrial Parks' and Resorts' customers. The Group has invested approximately S\$435 million in the construction and development of utilities infrastructure and resources including power generation and distribution facilities, portable water treatment facilities, sewage treatment plants and waste water treatment facilities and landfills.

Our facilities include 18 dual-fired generators at Batamindo Industrial Park, 3 generators at Bintan Industrial Estate, and 4 generators at Bintan Resorts. The installed capacities of the Group's generators are 125MW, 10MW, and 24MW respectively.

In order to cope with any potential increase in electricity consumption and provide steady power supply to its customers, we cater approximately 30% of our installed capacity as standby reserve. In addition, we maintain a strategic fuel reserve so to ensure continuous and uninterrupted power generation even in the event of disruption in fuel supply.



## RESORT OPERATIONS

Gallant Venture provides overall support facilities and services to resorts located in within Bintan Resorts. We undertake the overall planning, development, operations and marketing of Bintan Resorts and provide services to the hotels and resorts located within Bintan Resorts that include ferry services and ferry terminal operations, tour operations, property rental, workers' accommodation, medical support and estate and township maintenance such as road maintenance and drainage as well as operation of a 24-hour crisis centre.

Bintan Resorts continue to be a popular tropical resort destination with both Singapore residents and International travellers, famed for its pristine beaches and gorgeous scenery. With the opening of new hotels, shopping malls and new attraction in Lagoi Bay, we have witnessed strong growth in tourist arrivals especially the China Market to Bintan Resorts. With the new Bintan International Airport coming online, it will further enhance connections to overseas countries and drive tourism growth in Bintan Resorts.





# LETTER TO SHAREHOLDERS

## DEAR FELLOW SHAREHOLDERS,

Our company has continued to evolve over the last year. All of our core businesses have improved, although the net results were negatively affected by losses in some of our associate companies. Nevertheless we are positive on the direction of our company and look forward to sharing with you our updates.

### Automotive

Our automotive business continues to be the key driver of our results, once again generating around 90% of our revenues. While the overall automotive sector in Indonesia has done well, our recovery was slowed by delays in new model introduction in a very dynamic mass market automotive sector, as well as the weak associate company results primarily related to losses in the Nissan/Datsun assembly business.

Our business has benefited from strong Hino truck sales that has had a good recovery on the back of domestic economic growth, registering sales growth of around 30% vs 2016. Our automotive leasing and financing businesses continue to grow and produce positive results, but perhaps more importantly, the portfolio growth has been highly selective

and with minimal deterioration of quality, resulting in an NPL portfolio significantly smaller than most of our competitors.

Another bright prospect is our logistics joint venture with the Japanese company Seino. In two short years it has become a major player in the trucking business in Indonesia, and is on track to be one of the dominant logistics companies in Indonesia. In November, Indomobil also dedicated its new office and showroom building at Jalan MT Haryono, with just under 200,000 square feet spread over 20 floors, including offices, training centers, and showrooms. We welcome you to have a look at this important building on your next visit to Jakarta.

### Utilities

Our utilities business is relatively unchanged year on year, with slightly higher billable production. We look forward to further demand growth next year from both Bintan Resorts and Bintan Industrial Estate. Bintan Resorts has increasing demand from additional hotel properties opening over the next few years as well as from higher overall occupancy levels at the existing properties on the back of significantly higher visitor arrivals. Bintan Industrial Estate will have future growth from the new Offshore Marine Center and the upcoming new food industry cluster.



**Mr Eugene Cho Park**  
Chief Executive Officer  
Executive Director

**Mr Lim Hock San**  
Non-Executive Chairman  
Independent Director

# LETTER TO SHAREHOLDERS

## Industrial Parks

Our Batam industrial park continues to have consistent high quality revenues, although with very slow growth. Our Bintan industrial park has higher growth opportunities with the repurposing and refocusing exercise of the last few years starting to bear fruit. The new Bintan Offshore Marine Centre – jointly promoted with the EDB of Singapore – will add new tenants and opportunities to our existing industrial base, as will our new food related light industry cluster. The Aerospace Park which we are building in conjunction with our new international airport, brings a number of new industries to our park including an aircraft maintenance, repair and overhaul (MRO) facility being designed at the moment.

## Property

Our property business has been active on many fronts. We have added infrastructure and activities to support the build out of the remaining parts of Lagoi Bay and to lay the groundworks for future developments. We have increased the tourist facilities including the Safari Park, the Lantern Park, and the Lagoi Bay Mall, which have helped to stimulate the annual visitor arrivals to Bintan Resorts to almost 900,000 in 2017, a 33% increase over 2016.

Tour operators cite the lack of direct international flights and shortage of hotel rooms as the limiting factor. We continue to develop our Bintan International Airport located at Lobam, which has been granted a full public use license for international and domestic air travel, and as such will be the first privately owned public airport in Indonesia. Sriwijaya Air has signed an MOU to develop new routes from Bintan to Bali, Lombok and Manado, as complimentary destinations to Bintan for holiday makers. On the hotel development side, developers have announced management agreements with Holiday Inn and Indigo branded hotels in Lagoi Bay, and an additional 2,000 rooms is also being master planned for the south side of the lake.

## Resort Operations

Our ferry business had a good year on the strong visitor increases with average load factors increasing 7% overall and 17% over peak times. This led to revenue growth of 15% and profits tripling to S\$1.3 million.

We have also been deleveraging our holding company balance sheet reducing our debt by S\$216 million from S\$641 million to S\$425 million. We will opportunistically look to continue this deleveraging in coming years.

We believe, that notwithstanding the final results, we have had an interesting year, and we are excited about our prospects. We look forward to your continuing support going forward.

Sincerely,

MR LIM HOCK SAN  
Non-Executive Chairman  
Independent Director

MR EUGENE CHO PARK  
Chief Executive Officer  
Executive Director

## BUSINESS REVIEW

The Year 2017 ended with global stock markets closing at record highs, with strong economic recovery in USA as well as signs of recovery in the Eurozone, but saddled with sectoral weaknesses in this region such offshore oil & gas. While 2018 is expected to have a stronger global growth than 2017, it is possible that trade policies in the USA might impact trade flows and manufacturing activities in this region. In Indonesia, where the Group's businesses are situated, GDP growth has strengthened on the back of strong foreign direct investments and export growth. While Indonesia is expected to continue its growth momentum, its commodities driven economy may be affected by global trade balance and trade related policies imposed by larger trade economies. The Group's industrial park segment remains cautious as it is heavily dependent on the export market, while our consumer vehicle segment is optimistic of increased consumer spending carried forward from late 2017.

For the full year, the Group reported a net loss attributable to shareholders of S\$136.4 million as compared with net profit of S\$72.2 million in 2016. The large swing in results was significantly affected by the one-time gain of S\$220.6 million on the divestment of the Shanghai Lao Xi Men Project recognized in 2016 as well as by our share of associated companies' (automotive) loss of S\$56.3 million in 2017. Although IMAS reported a net loss in 2017, the operational performance, before one-time write-off or provision, showed improvement. The trucks and heavy duty equipment, financial services and car rental related segments achieved significant growth and has offset weakness in its passenger vehicle sales due to delays in new vehicle launches. The Group's other business segments performed fairly but were impacted by higher costs. Our Property Development segment did not recognize any new land sales but Bintan Resorts did record tourist arrivals of 898,204 pax as compared to 676,034 pax in

### Normalized Performance

FY2017 (in S\$mil)	
<b>Net loss before NCI</b>	<b>(157.5)</b>
Share of associate results	+56.3
Purchase Price Allocation <sup>(1)</sup>	+17.4
Foreign exchange	+15.4
Non-recurring	+3.7
Deferred tax	+6.5
<b>Normalized net loss before NCI</b>	<b>(58.2)</b>

FY2016 (in S\$mil)	
<b>Net loss before NCI</b>	<b>41.8</b>
Share of associate results	+13.7
Purchase Price Allocation <sup>(1)</sup>	+16.7
Foreign exchange	-4.2
Non-recurring	-171.1
Deferred tax	-0.3
<b>Normalized net loss before NCI</b>	<b>(103.4)</b>

<sup>(1)</sup> Additional amortisation in relation to acquisition of IMAS





## BUSINESS REVIEW



FY2016, a 33% improvement. With continued momentum, the added tourist arrival will contribute positively to our Resorts segment and should attract new investors into our property.

Excluding one-time events, provisions and write-offs, the Group's normalized net loss before non-controlling interest was S\$58.2 million as compared to S\$103.4 million in 2016, an improvement of 44% from its core businesses.

During the year, the Group (excluding IMAS) has deleveraged, reducing its debts from S\$640.7 million to S\$424.7 million. In addition, the Company has strengthened its cash reserve with private share placement of 513,045,113 new shares in later 2017.

### AUTOMOTIVE

While IMAS's revenue from passenger car sales declined from S\$651.0 million in 2016 to S\$503.5 million, its trucks and heavy duty equipment, financial services, car rental related business and after sales servicing registered strong growth of 45.1%, 12.5%, 12.5% and 42.7% respectively. Operational income excluding the revaluation gain on investment properties improved from S\$44.9 million to S\$86.2 million. IMAS's full year loss was S\$8.9 million as compared S\$32.2 million. In comparison with FY2016 and excluding share of loss from its associated companies and one-time revaluation gain, IMAS's loss was S\$6.0 million in FY2017, an improvement from FY2016's S\$32.9 million.

Barring any unforeseen, the Group is optimistic of IMAS' recovery and key contributing factors are:

- (i) IMAS's passenger vehicle sales are expected to pick up with its flagship brand, Nissan, launching new car models – the new SERENA and premium SUV. Its LCGC brand, Datsun, is also launching the GO-CROSS, a SUV with smart and compact body design which suit

well with the Indonesia market. The overall automotive market in Indonesia will remain resilient in 2018 with expected growth of 4.6%.

- (ii) Continued State spending in infrastructure projects and recovery in commodities sector will contribute to truck and heavy duty equipment segment.
- (iii) IMAS' after sales segment such as financial services and parts as well as its car rental related businesses continue to improve on its conversion rate and will improve Group's profit margin. With strategic partner with certain industrial players, such as SEINO Holding Co., IMAS continues to expand into new business segment as 3rd party logistics business.

### UTILITIES

Overall, power consumption has increased marginally by 1% from FY2016. Although the revenue improved over previous year, profitability was affected by higher fuel and operating costs. Industrial utility consumption remains flat but growth from Resorts related segment is encouraging. The Group expects increased contribution from the Resorts segments with new hotel openings as well as increased tourist arrival into Bintan. With addition new hotels and commercial properties in the immediate future, the Group expects strong pick up in power consumption in Bintan. On the industrial parks front, the Group witnessed closure in certain industrial clusters but seeing new interest and expansion higher value add OEM cluster. This will contribute to the Utility segment once the new facilities come online. As the margin of our Utilities segment is affected by fluctuation of fuel prices, the Group continues to diversify its fuel sources to improve its profit margin.

### INDUSTRIAL PARKS

The Group's effort to reposition its Industrial Parks business has produced results with setting up of new industrial cluster for Bintan Offshore Marine Centre ("BOMC") in last quarter 2017 and new food industrial cluster in Bintan. This year, the Industrial Parks segment underperformed as compared to previous year due to absence of factory unit sales and weakness in the supporting services. However, the factory occupancy and rental rate are relatively stable. The Group should see better improvement in 2018 with introduction of new tenants and expansion from existing tenants in Batam. The Group is optimistic that this segment will perform well in the coming years with:-

- (i) The formulation of BOMC bringing together regional offshore industries into our Bintan industrial park;
- (ii) The development of food relating industrial cluster in Bintan; and
- (iii) The development of Bintan International Airport with "Maintenance, Repairs and Overhaul" ("MRO") segment that will integrate and contribute positively to our Bintan Industrial Estate.

The development of the above is expected to contribute significant to our Industrial Parks' rental income, supporting services and power and water consumption in our Utilities segment.

#### PROPERTY DEVELOPMENT

The Group ended the year with no recognition of resorts land sales. With significant increase in tourist arrival, maturity of key infrastructure development and development of Bintan International Airport, the Group is confident to accelerate resorts land sales from 2018. To cope with the increasing visitor arrivals, the Group is working closely with the existing investors on their developments so to bring new room keys according to plan.

Updates on Lagoi Bay Development:-

##### a. New Development

- (i) *Treasure Bay Bintan*; additional 60 safari themed tents were added bringing the total to 100 tents. The crystal lagoon provides endless family fun and exciting adventures for thrill-seekers and now it is one of the most popular resort in Bintan;
- (ii) *Cassia Bintan*; the newest addition to the Banyan Tree Hotels and Resorts added 56 one and two bedroom stylish loft apartment complete with a kitchenette and living room; and
- (iii) *Pantai Indah Holiday Villa*; 59 additional villas were completed and are in the process of interior furnishing. The additional villas will progressively open to the tourists in 2018.

##### b. New Hotels

- (i) *Doulos Phos*, "Oldest active passenger ship"; the ship hotel is in the final stage of refurbishment and is expected to open its 100 rooms to welcome its first visitor in year 2018.
- (ii) *Haven Bintan Resort*; the show gallery for The Haven Bintan has been completed and is now open for viewing. The 1st phase with approximately 300 units is expected to be completed in 2019.
- (iii) Four Points by Sheraton, Dialoog Hotels by Malka and Ibis style & Novotel by Accor Asia Pacific are few new hotels to be completed by 2019 and 2020.

##### c. New Attraction

The Group continues to add new attractions on Bintan island and latest attractions are:

- (i) Bintan Safari, home to an array of rescued and endangered animals including orangutan, sun bear, Komodo dragon, elephant and more. Apart from the zoo enclosures, the Safari includes a 17 hectares eco-farm designed for education and family getaways. This new attractive is a great educational experience for the young and city dwellers and offers close encounter opportunities with rare animals in this region.
- (ii) Rumah Imaji (Imagination House that have 3D painting) and Foodstagram for photo-taking. This is a great place for avid photo takers to embark on a topsy-turvy experience once you set in. It is time to up your Instagram game at the Rumah Imaji.





# BUSINESS REVIEW

## RESORT OPERATIONS

Bintan received record 898,204 pax tourist arrival as compared to 676,034 pax in 2016. The China market registered highest growth of 89% follow by 32% and 31% from Indonesia and Singapore market respectively. With global economic recovery, growth in budget airlines in the region, increased domestic flight between Jakarta and Bintan and more frequent ferry connection to Bintan Island have contributed positively to tourist arrival. The Group continues to work closely with resort operators, tourism bureau and foreign travel agencies to promote Bintan as the preferred tour destination in this region.

While revenue increased in tandem with strong tourist arrival, this segment has not achieved profitability as the Group need to host around 5,000 room keys to have critical mass. However, the Group is confident that this segment will achieve profitability sooner than expected with:-

- (i) The development of new Bintan International Airport will increase flight connectivity to Bintan for domestic and international travelers. While the current airport in Bintan has been receiving direct chartered flights from China and domestic flights from Jakarta, it is limited by small aircraft handling facilities that number daily flights into Bintan. The new Bintan International Airport will be able to address these limitations and enhance connections to overseas countries.
- (ii) Bintan is now well recognized as the preferred destination to host international sport events and activities with strong followings.

- (iii) The Group will continue to collaborate with various Online Travel Agencies ("OTA") in China to bring in more Chinese visitors and also working closely with various agencies in Singapore, such as Changi Airport Group and Singapore Cruise Center, to jointly promote Singapore and Bintan as preferred twin destinations.

## GOING FORWARD

While global and Indonesia economy are expected to continue its strong growth, the Group will stay nimble and sharpen focus on its operational and business priorities by implementing its strategies to:-

- (a) Deleverage and actively manage its debt portfolio;
- (b) Drive productivities and operational efficiency across business segments to contain and reduce costs;
- (c) Drive tourism and investments into Bintan;
- (d) Continue to drive BOMC and food industrial cluster in Bintan;
- (e) Accelerate the development of Bintan International Airport and MRO segment;
- (f) Diversification of fuel sources so to improve utilities' margin; and
- (g) To innovate and develop new related automotive businesses.





## FINANCIAL REVIEW

The Group's revenue increased 1.8% from FY2016's S\$1,715.8 million to S\$1,746.7 million in FY2017. The increase was mainly from Automotive segment's trucks and heavy duty equipment, financial services and car rental related income while its passenger vehicle sales registered decline from the previous year.

The Group reported a net loss attributable to shareholders of S\$136.4 million as compared to a net profit of S\$72.2 million in the preceding year. This was mainly due to the 2016's one-time gain of S\$220.6 million on the divestment Lao Xi Men (LXM) property development project in Shanghai and share of Automotive associates' losses of S\$56.3 million in 2017. While the Group registered a net loss before non-controlling interest of S\$157.5 million for 2017, its normalized net loss, before one-time events, provisions and write-off, shown improvement over the previous period and have reduced normalized losses significantly.

### Normalized Performance

FY2017 (in S\$mil)	
<b>Net loss before NCI</b>	<b>(157.5)</b>
Share of associate results	+56.3
Purchase Price Allocation <sup>(1)</sup>	+17.4
Foreign exchange	+15.4
Non-recurring	+3.7
Deferred tax	+6.5
<b>Normalized net loss before NCI</b>	<b>(58.2)</b>

(1) Additional amortisation in relation to acquisition of IMAS

The Group's EBITDA was S\$94.7 million as compared to 2016's S\$79.9 million, excluding the one-time gain of S\$220.6 million on the divestment of the Shanghai Lao Xi Men Project in FY2016. Contributions from our five business segments were S\$72.9 million (FY2016: S\$48.0 million) from Automotive, S\$36.5 million (FY2016: S\$45.1 million) from Utilities, S\$15.2 million (FY2016: S\$17.2 million) from Industrial Parks, -\$8.9 million (FY2016: -\$9.3 million) from Property Development and S\$0.7 million (FY2016: S\$0.2 million) from Resort Operations.

Basic and diluted net loss per share was 2.80 cents per share for the period under review. The Group's Net Asset Value ("NAV") per share as at 31 December 2017 was 27.05 cents.

### AUTOMOTIVE

IMAS' revenue increased from of S\$1,555.3 million in FY2016 to S\$1,587.9 million in FY2017. Growth was mainly from its trucks and heavy duty equipment sales, financial services



FY2016 (in S\$mil)	
<b>Net loss before NCI</b>	<b>41.8</b>
Share of associate results	+13.7
Purchase Price Allocation <sup>(1)</sup>	+16.7
Foreign exchange	-4.2
Non-recurring	-171.1
Deferred tax	-0.3
<b>Normalized net loss before NCI</b>	<b>(103.4)</b>

and car rental related activities while its passenger vehicle segment registered lower contribution during the period under review. Excluding the revaluation gain on investment properties, its operating income has increased significantly from S\$44.9 million to S\$86.2 million. On the full year basis, IMAS reported a net loss of S\$8.9 million (including associate's loss of S\$56.3 million and revaluation gain of S\$53.6 million) as compared to 2016's net loss of S\$32.2 million (including associate's loss of S\$13.7 million and revaluation gain of S\$14.6 million). As the Group's accounting policy is to record its investment properties at cost, the Group has excluded the S\$53.6 million property revaluation gain in Year 2017. Including the segmental adjustments, the automotive segment registered an adjusted net loss of S\$79.9 million as compared to 2016's net loss of S\$97.0 million. With the Indonesia's strong investment growth and higher government spending on infrastructure, IMAS is expected to see continued growth in its trucks and heavy duty equipment sales, financial services, vehicle rental and

# FINANCIAL REVIEW



logistics related segment. As IMAS's flagship brand, Nissan is launching a few new car models in 2018, IMAS expects improvement in its passenger vehicle sales.

## UTILITIES

Our Utilities' revenue increased marginally from S\$100.2 million in FY2016 to S\$101.6 million in FY2017. Overall, the power consumption from the industrial parks tenants and Bintan Resorts had increased by 1% and 3% respectively. The profit margin declined from S\$9.3 million in FY2016 to S\$6.7 million in FY2017 as a result of higher fuel cost and operating expenses. However, the Group expects the profit margin to improve as new tenants in our industrial parks and new hotel openings in Bintan will contribute positively from higher power consumption.

## INDUSTRIAL PARKS

Revenue for the year was S\$32.7 million as compared to S\$40.0 million in FY2016. Lower revenue was mainly due to absence of sale of factory unit in the current year and poorer performance from industrial support services. The Industrial Parks' losses increased from S\$12.6 million in FY2016 to S\$16.9 million in FY2017. The industrial factory rental rates remain relatively stable and the Group continues to introduce new tenants in late 2017 through its initiatives to reorient and diversify its current tenant base. The Group expects improved contribution from the new tenants in 2018.

## PROPERTY DEVELOPMENT

Our Property Development segment did not register any land sales in 2017 as the Group brings key resorts infrastructure into completion. The Group is optimistic that with significant growth in tourist arrival and increased spending on tourism assets will contribute positively to the Group's resorts land sales. With the planned Bintan International Airport, it will widen Bintan's connection to the world and will have positive impact to tourist arrival numbers.

## RESORT OPERATIONS

Tourist arrival into Bintan Resorts recorded all-time high of 898,204 visitors in 2017 buoyed by the significant growth from Chinese visitors and Indonesia domestic travelers. Consequently, our ferry services registered highest passenger load since its inception and Bintan Resorts registered higher service related income. Resort related revenue increased from S\$20.3 million in FY2016 to S\$24.5 million in FY2017 while our Resorts Operation segment registered lower losses of S\$6.4 million as compared FY 2016's S\$6.8 million. While revenue improved in tandem with increased tourist arrival, operating margin was affected by higher marine diesel and operating costs. As the increase in tourist arrival is expected to continue and with new hotels scheduled to open in the coming years, the Group is confident that it is able to achieve critical mass and improved profitability.

## FINANCIAL HIGHLIGHTS

	FY2017	FY2016
<b>INCOME STATEMENTS (IN S\$ MILLION)</b>		
Revenues	1,746.7	1,715.8
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	94.7	300.5
Earnings Before Interest and Tax (EBIT)	(20.4)	179.6
Earnings After Tax Attributable to Shareholders	(136.4)	72.2
<b>SEGMENTAL REVENUE (IN S\$ MILLION)</b>		
Utilities	101.6	100.2
Industrial Parks	32.7	40.0
Resorts	24.5	20.3
Property Developments	–	(0.0)
Automotives	1,587.9	1,555.3
<b>EBITDA BY SEGMENT (IN S\$ MILLION)</b>		
Utilities	36.5	45.1
Industrial Parks	15.2	17.2
Resorts	0.7	0.2
Property Developments	(8.9)	(9.3)
Automotives	72.9	48.0
Corporate	(21.7)	199.3
<b>STATEMENT OF FINANCIAL POSITION (IN S\$ MILLION)</b>		
Cash and Cash Equivalents	258.4	425.4
Investment Properties	232.6	231.7
Land and Other Inventories	851.8	830.1
Trade, Other Receivables and Financing Receivables	1,533.2	1,548.4
Total Assets	4,509.7	4,760.2
Total Borrowings	2,276.5	2,437.5
Shareholders' Equity	1,444.1	1,549.1
<b>CASH FLOW (IN S\$ MILLION)</b>		
Net Cash (used in)/generated from Operating Activities	(30.6)	57.5
Net Cash (used in)/generated from Investing Activities	(137.7)	188.4
Net Cash generated from/(used in) Financing Activities	18.5	(29.1)
Net (decrease)/increase in Cash and Cash equivalents	(149.8)	216.8
<b>FINANCIAL RATIOS</b>		
Current Ratio	1.3	1.6
Debt-to-Equity Ratio (Gross Debt)	157.6%	157.3%
Debt-to-Equity Ratio (Net Debt)	139.7%	129.9%
EBITDA Margin	5.4%	17.5%
Return on Equity	-9.45%	4.66%
Return on Assets	-3.03%	1.52%
<b>STOCK INFORMATION (IN S\$ EXCEPT AS INDICATED)</b>		
Stock Price – Year-end	0.13	0.12
Market Capitalisation as at 31 December (S\$' billion)	0.699	0.569
NAV per Share (cents)	27.05	32.11
Earnings per Share – basic (cents)	(2.803)	1.495
Earnings per Share – diluted (cents)	(2.803)	1.422



# GROUP STRUCTURE

## SUBSIDIARIES

Entities	Effective percentage of ownership	Domicile
PT Batamindo Investment Cakrawala	100.00%	Batam
PT Bintan Inti Industrial Estate	100.00%	Bintan
Bintan Resorts International Pte. Ltd.	100.00%	Singapore
PT Buana Megawisata	100.00%	Jakarta
BU Holdings Pte Ltd	100.00%	Singapore
PT Taman Indah	100.00%	Bintan
PT Surya Bangun Pertiwi	100.00%	Jakarta
Lagoi Dreams Limited	100.00%	British Virgin Islands
Verizon Resorts Limited	100.00%	Malaysia
Batamindo Investment (S) Ltd	100.00%	Singapore
PT Suakajaya Indowahana	100.00%	Jakarta
Win Field Limited	100.00%	British Virgin Islands
Bintan Power Pte. Ltd.	100.00%	Singapore
Golf View Limited	100.00%	Seychelles
Treasure Home Ltd	100.00%	British Virgin Islands
PT Gallant Lagoi Abadi	100.00%	Jakarta
PT Gallant Lagoi Berjaya	100.00%	Jakarta
PT Gallant Lagoi Cemerlang	100.00%	Jakarta
PT Gallant Lagoi Damai	100.00%	Jakarta
PT Gallant Lagoi Elok	100.00%	Jakarta
PT Gallant Lagoi Fenomena	100.00%	Jakarta
PT Gallant Lagoi Gemilang	100.00%	Jakarta
PT Gallant Lagoi Harmoni	100.00%	Jakarta
PT Gallant Lagoi Inti	100.00%	Jakarta
PT Gallant Lagoi Jaya	100.00%	Jakarta
PT Bumi Bintan Abadi	100.00%	Jakarta
PT Bumi Bintan Berjaya	100.00%	Jakarta
PT Bintan Damai Sejahtera	100.00%	Jakarta
PT Bintan Indah Perkasa	100.00%	Jakarta
PT Citra Bintan Lestari	100.00%	Jakarta
PT Nuansa Indah Bintan	100.00%	Jakarta
PT Batam Bintan Telekomunikasi	95.00%	Batam
Bintan Resort Ferries Private Limited	90.74%	Singapore
PT Bintan Aviation Investments	90.00%	Bintan
PT Bintan Resort Cakrawala	86.77%	Bintan
PT Batamindo Executive Village	77.50%	Batam
PT Indomobil Sukses Internasional Tbk	71.49%	Jakarta
PT Auto Euro Indonesia	71.49%	Jakarta
PT Central Sole Agency	71.49%	Jakarta
PT IMG Bina Trada	71.49%	Jakarta
PT Indomobil Trada Nasional	71.49%	Jakarta
PT Indomobil Wahana Trada	71.49%	Jakarta
PT Multicentral Aryaguna	71.49%	Jakarta
PT Wahana Indo Trada	71.49%	Tangerang
PT Wahana Prima Trada Tangerang	71.49%	Tangerang
PT Wahana Wirawan	71.49%	Jakarta

## GROUP STRUCTURE

## SUBSIDIARIES

Entities	Effective percentage of ownership	Domicile
PT Wahana Wirawan Manado	71.49%	Manado
PT Wahana Wirawan Palembang	71.49%	Palembang
PT Sentra Trada Indostation	71.49%	Tangerang
PT Indomobil Sukses Energi	71.49%	Jakarta
PT Wahana Wirawan Riau	71.49%	Riau
PT Indomobil Multi Trada	71.48%	Jakarta
PT Indomurayama Press & Dies Industries	71.48%	Bekasi
PT Wahana Inti Central Mobilindo	71.48%	Jakarta
PT Wahana Inti Selaras	71.48%	Jakarta
PT IMG Sejahtera Langgeng	71.48%	Jakarta
PT National Assemblers	71.47%	Jakarta
PT Wangsa Indra Permana	71.44%	Jakarta
PT Garuda Mataram Motor	71.42%	Jakarta
PT Indo Swedish Motor Assembly Corporation	70.91%	Jakarta
PT Indomobil Prima Niaga	70.80%	Jakarta
PT Unicor Prima Motor	70.80%	Jakarta
PT Indojoya Tatalestari	70.77%	Jakarta
PT Indobuana Autoraya	68.16%	Jakarta
PT Wahana Rejeki Mobilindo Cirebon	67.31%	Cirebon
PT CSM Corporatama	65.08%	Jakarta
PT Duta Indi Jasa	65.08%	Jakarta
PT Indomobil Bintan Corpora	65.08%	Bintan
PT Indomobil Finance Indonesia	65.08%	Jakarta
PT Kharisma Muda	65.08%	Jakarta
PT Wahana Indo Trada Mobilindo	65.08%	Jakarta
PT Indomobil Multi Jasa Tbk	65.08%	Jakarta
PT Indomobil Edukasi Utama	65.08%	Jakarta
PT Rodamas Makmur Motor	64.34%	Batam
PT Marvia Multi Trada	57.18%	Tangerang
PT Indo Traktor Utama	53.61%	Jakarta
PT Indotruck Utama	53.61%	Jakarta
PT Wahana Senjaya Jakarta	50.47%	Jakarta
PT Data Arts Experience	46.46%	Jakarta
PT Seino Indomobil Logistics	45.55%	Jakarta
PT Prima Sarana Mustika	42.89%	Jakarta
Teachcast Global Pte Ltd	42.89%	Singapore
PT Eka Dharma Jaya Sakti	42.89%	Jakarta
PT Wahana Niaga Lombok	39.32%	Lombok
PT Indomobil Summit Logistics	39.05%	Jakarta
PT Lippo Indorent	39.05%	Jakarta
PT Indomatsumoto Press & Dies Industries	36.46%	Bekasi
PT United Indo Surabaya	36.46%	Surabaya
PT Wahana Adidaya Kudus	36.46%	Kudus
PT Wahana Inti Nusa Pontianak	36.46%	Pontianak
PT Wahana Investasindo Salatiga	36.46%	Salatiga
PT Wahana Jaya Indah Jambi	36.46%	Jambi

# GROUP STRUCTURE

## SUBSIDIARIES

Entities	Effective percentage of ownership	Domicile
PT Wahana Jaya Tasikmalaya	36.46%	Tasikmalaya
PT Wahana Lestari Balikpapan	36.46%	Balikpapan
PT Wahana Megahputra Makassar	36.46%	Makassar
PT Wahana Persada Jakarta	36.46%	Bogor
PT Wahana Sumber Baru Yogya	36.46%	Yogyakarta
PT Wahana Sumber Lestari Samarinda	36.46%	Samarinda
PT Wahana Sumber Mobil Yogya	36.46%	Yogyakarta
PT Wahana Sumber Trada Tangerang	36.46%	Tangerang
PT Autobacs Indomobil Indonesia	36.46%	Tangerang
PT Furukawa Indomobil Battery Sales	36.46%	Karawang
PT Indo Auto Care	36.46%	Jakarta
PT Makmur Karsa Mulia	36.45%	Jakarta
PT Indomobil Sugiron Energi	36.45%	Jakarta
PT Kyokuto Indomobil Distributor Indonesia	36.45%	Jakarta
PT Indosentosa Trada	36.10%	Bandung
PT Wahana Delta Prima Banjarmasin	36.10%	Banjarmasin
PT Wahana Persada Lampung	36.10%	Lampung
PT Wahana Sun Hutama Bandung	36.10%	Bandung
PT Wahana Sun Motor Semarang	36.10%	Semarang
PT Wahana Sun Solo	36.10%	Solo
PT Wahana Trans Lestari Medan	36.10%	Medan
PT Indomobil Cahaya Prima	36.10%	Lombok Barat
PT Indomobil Sumber Baru	35.75%	Semarang
PT Indotama Maju Sejahtera	35.75%	Jakarta
PT Wahana Sugi Terra	35.75%	Jakarta



## ASSOCIATES

Entities	Effective percentage of ownership	Domicile
Batamindo Carriers Pte Ltd	36.00%	Singapore
PT Soxal Batamindo	30.00%	Batam
PT Indo Citra Sugiron	35.75%	Jakarta
PT Indo Trada Sugiron	35.75%	Jakarta
PT Indo VDO Instrument	35.75%	Bekasi
PT Kyokuto Indomobil Manufacturing Indonesia	35.03%	Cikampek
PT Indomobil Sompoo Japan	34.76%	Jakarta
PT Seino Indomobil Logistics Services	32.67%	Jakarta
PT Hino Motors Sales Indonesia	28.60%	Jakarta
PT Hino Finance Indonesia	25.62%	Jakarta
PT Indo Masa Sentosa	21.45%	Jakarta
PT Mitsuba Automotive Parts Indonesia	17.87%	Purwakarta
PT Nissan Motor Distributor Indonesia	17.87%	Jakarta
PT Nissan Motor Indonesia	17.87%	Jakarta
PT Shinhan Indo Finance	17.55%	Jakarta
PT Sumi Indo Wiring Systems	14.66%	Jakarta
PT Vantec Indomobil Logistics	14.30%	Jakarta
PT Furukawa Indomobil Battery Manufacturing	13.99%	Purwakarta
PT Indo Global Traktor	13.58%	Jakarta
PT Nissan Financial Services Indonesia	9.76%	Jakarta



# BOARD OF DIRECTORS

## MR LIM HOCK SAN

Non-Executive Chairman and Independent Director

Date of last election : 26 April 2016

Board Committee : Chairman, Audit Committee

Member, Remuneration Committee

Member, Nominating Committee

Mr Lim was appointed as a Non-Executive Chairman and Independent Director on 1 February 2006.

Mr Lim is presently the President and Chief Executive Officer of United Industrial Corporation Limited. He has a Bachelor of Accountancy from the University of Singapore and a Master of Science (Management) from Massachusetts Institute of Technology. Mr Lim also attended the Advanced Management Programme 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 Singapore Chartered Accountants. He is also a recipient of the Singapore Government Meritorious Service Medal, the Public Administration Medal (Gold) and the Public Service Medal.

Current directorship in other companies listed on Singapore stock exchange

- United Industrial Corporation Ltd
- Indofood Agri Resources Ltd
- Interra Resources Ltd
- Ascendas Fund Management (S) Ltd

## MR EUGENE CHO PARK

Executive Director and Chief Executive Officer

Date of last election : 26 April 2016

Board Committee : Nil

Mr Park was appointed as an Executive Director and Chief Executive Director on 1 February 2006.

Responsible for the overall management of the Company, 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 of America and a Master of Business Administration from INSEAD in France.

## MR GIAN TO GUNARA

Executive Director

Date of last election : 28 April 2017

Board Committee : Nil

Mr Gunara was appointed as an Executive Director on 8 November 2006.

Mr Gunara is the Executive Director / Group Chief Operating Officer overseeing the Group Operations especially Southlinks Country Club and Bintan Operations. Prior to joining the company, he held various management positions in Salim Group (Straits-KMP Resort Development Pte. Ltd., PT Ria Bintan, PT Straits CM Village, Avonian Pte. Ltd., Haagtechno BV-Den Bosch in Holland, Hagemeyer NV, Indomarco International and Kangaroo Industries in Los Angeles) and Sembcorp Parks Management Pte Ltd. He has over 28 years of operation experience therefore he was appointed as President Director of PT Batamindo Executive Village, Vice President Director of PT Bintan Resort Cakrawala, and Vice President Director of PT Bintan Inti Industrial Estate. Mr Gunara was appointed as a Non-Executive Director of QAF Limited.

He holds a Bachelor in Business Administration degree from Simon Fraser University, Vancouver, Canada.

Current directorship in other company listed on Singapore stock exchange

- QAF Limited

## MR JUSAK KERTOWIDJOJO

Executive Director

Date of last election : 28 April 2017

Board Committee : Nil

Mr Kertowidjojo was appointed as an executive Director on 30 April 2014.

Mr Kertowidjojo is the President Director of IMAS. Mr Kertowidjojo was first appointed as the Vice President Director II of IMAS in June 2005 and as the President Director and Chief Executive Officer in June 2011. Currently he also serves as a director in a number of IMAS' subsidiaries. He started his professional career with the IMAS Group in 1982. Mr. Kertowidjojo obtained a Bachelor's Degree in Economics and Accounting from the Parahyangan University in Bandung in 1982.

**MR CHOO KOK KIONG**

Executive Director

Date of last election : 28 April 2017

Board Committee : Nil

Mr Choo was appointed as an Executive Director on 30 April 2014.

Mr. Choo is the Executive Director / Group Chief Financial Officer overseeing the Group and its corporate services. Prior to joining the company, he held various management positions in the Sembcorp group. He has over 20 years of finance experience, having held the positions of Vice-President of Finance at Sembcorp Parks Management and Sembcorp Parks Holdings Ltd (now known as Sembcorp Development Ltd), Assistant Vice-President of Finance at Sembcorp Industries Ltd and Accounts Manager with Singapore Precision Industries Pte Ltd. Mr Choo was appointed as a non-executive director of QAF Limited.

He holds a Master in Business Administration from the University of Wales (UK)/Manchester Business School (UK). He had also qualifications from Chartered Institute of Management Accountants (CIMA, UK) and Association of Chartered Certified Accountants (ACCA, UK).

Current directorship in other listed company

– QAF Limited

**DR TAN CHIN NAM**

Non-Executive Director

Date of last election : 28 April 2015

Board Committee : Nil

Dr Tan was appointed as a Non-Executive Director on 25 May 2009.

Dr Tan is currently a senior corporate adviser holding directorships in various boards including Yeo Hiap Seng Ltd and Raffles Education Corporation Ltd. He is also Chairman of the Temasek Management Services Pte Ltd and Global Fusion Capital Pte Ltd. He is a senior adviser of the Salim Group, ZANA Capital Pte Ltd, and Litmus Group Pte Ltd. He is a trustee of Bankinter Foundation of Innovation (Spain) and member of The Centre for Liveable Cities Advisory Board. Dr Tan had 33 years of 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 has held leadership roles 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 Information, Communications and the Arts.

Dr Tan holds degrees in industrial engineering and economics from the University of Newcastle, Australia and an MBA from University of Bradford, UK as well as two honorary doctorates from both universities. He attended Advanced Management Programme at Harvard Business School and is an Eisenhower Fellow. He was awarded four Public Administration Medals by the Government of Singapore and was conferred the Eminent Alumnus Award.

Current directorship in other company listed on Singapore stock exchange

- Yeo Hiap Seng Ltd
- Raffles Education Corporation Ltd

**MR AXTON SALIM**

Non-Executive Director

Date of last election : 26 April 2016

Board Committee : Nil

Mr Axton was appointed as a Non-Executive Director on 30 April 2014.

Mr. Axton Salim was first appointed as Director of PT Indofood Sukses Makmur Tbk based on the resolution of the AGM in 2009 and re-elected in 2012 and 2015. He is concurrently Director of PT Indofood CBP Sukses Makmur Tbk, where he heads the Dairy and Beverages Division; Director of Art Photography Centre Ltd; Non-Executive Director of Indofood Agri Resources Ltd; and Commissioner of PT Salim Ivomas Pratama Tbk and PT London Sumatra Indonesia Tbk. He also serves as Global Co-chair of Scaling Up Nutrition (SUN) Business Network Advisory Group. He holds a Bachelor of Science in Business Administration from University of Colorado, USA.

Current directorship in other company listed on Singapore stock exchange

- Indofood Agri Resources Ltd



# BOARD OF DIRECTORS

## MR FOO KO HING

Independent Director

Date of last election : 28 April 2015

Board Committee : Chairman, Remuneration Committee  
Member, Audit Committee  
Member, Nominating Committee

Mr Foo was appointed as an Independent Director on 8 December 2004.

After leaving Price Waterhouse Coopers in 1986, Mr Foo joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") group in the Trust and Fiduciary Business in Singapore. He was later seconded to HSBC Bank Jersey C.I in 1989 and was subsequently promoted to Executive Director, covering fiduciary activities, private banking, compliance and investment functions. He returned to Singapore in 1991 and resumed responsibilities with the HSBC Investment Bank Group for Private Banking and Trust Services as an Executive Director and Head of Business Development. Mr Foo is also a co-founder and Director of Cerealtech Pte Ltd, a food technology company specialising in enzyme application and micro ingredient development for the industrial baking sector. He is also currently the Independent Director and Audit Committee Chairman of Amara Holdings Ltd. He has over 15 years of experience in investment origination, structuring, monitoring and strategic growth assistance, with emphasis on the private equity investment and capital markets. He has previously served on the boards of various companies in various sectors listed on the SGX-ST. He holds a BA Honours Degree in Economics and Accounting from University of Newcastle Upon Tyne, United Kingdom.

Current directorship in other company listed on Singapore stock exchange

– Amara Holdings Ltd

## MR RIVAIE RACHMAN

Independent Director

Date of last election : 26 April 2016

Board Committee : Chairman, Nominating Committee  
Member, Audit Committee  
Member, Remuneration Committee

Mr Rachman was appointed as an Independent Director on 8 December 2004.

Mr 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 ten years, Head of Riau Investment Coordination Board for six years and President Director of Riau Development Bank from 1965 to 1968.



## KEY EXECUTIVES

Certain information on the business and working experience of the Group's key executives is set out below:

### MR EUGENE CHO PARK

Responsible for the overall management of the Company, 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 State of America and a Master of Business Administration from INSEAD in France.

### MR GIANTO GUNARA

Mr Gunara is the Executive Director / Group Chief Operating Officer overseeing the Group Operations especially Southlinks Country Club and Bintan Operations. Prior to joining the company, he held various management positions in Salim Group (Straits-KMP Resort Development Pte. Ltd., PT Ria Bintan, PT Straits CM Village, Avonian Pte. Ltd., Haagtechno BV-Den Bosch in Holland, Hagemeyer NV, Indomarco International and Kangaroo Industries in Los Angeles) and Sembcorp Parks Management Pte Ltd. He has over 28 years of operation experience therefore he was appointed as President Director of PT Batamindo Executive Village, Vice President Director of PT Bintan Resort Cakrawala, and Vice President Director of PT Bintan Inti Industrial Estate. Mr Gunara was appointed as a Non-Executive Director of QAF Limited. He holds a Bachelor in Business Administration degree from Simon Fraser University, Vancouver, Canada.

### MR JUSAK KERTOWIDJOJO

Mr Kertowidjojo is the President Director of IMAS. Mr Kertowidjojo was first appointed as the Vice President Director II of IMAS in June 2005 and as the President Director and Chief Executive Officer in June 2011. Currently he also serves as a director in a number of IMAS' subsidiaries. He started his professional career with the IMAS Group in 1982. Mr. Kertowidjojo obtained a Bachelor's Degree in Economics and Accounting from the Parahyangan University in Bandung in 1982.

### MR CHOO KOK KIONG

Mr. Choo is the Executive Director / Group Chief Financial Officer overseeing the Group and its corporate services. Prior to joining the company, he held various management positions in the Sembcorp group. He has over 20 years of finance experience, having held the positions of Vice-President of Finance at Sembcorp Parks Management and Sembcorp Parks Holdings Ltd (now known as Sembcorp Development Ltd), Assistant Vice-President of Finance at Sembcorp Industries Ltd and Accounts Manager with Singapore Precision Industries Pte Ltd. Mr Choo was appointed as a non-executive director of QAF Limited. He holds a Master in Business Administration from the University of Wales (UK)/Manchester Business School (UK). He had also qualifications from Chartered Institute of Management Accountants (CIMA, UK) and Association of Chartered Certified Accountants (ACCA, UK).



# CORPORATE INFORMATION

**COMPANY REGISTRATION NUMBER**

200303179Z

**REGISTERED OFFICE**

3 HarbourFront Place  
#16-01 HarbourFront Tower Two  
Singapore 099254

**DIRECTORS**

LIM HOCK SAN  
(Non-Executive Chairman and Independent Director)

EUGENE CHO PARK  
(Executive Director and Chief Executive Officer)

GIANTO GUNARA  
(Executive Director)

JUSAK KERTOWIDJOJO  
(Executive Director)

CHOO KOK KIONG  
(Executive Director)

DR TAN CHIN NAM  
(Non-Executive Director)

AXTON SALIM  
(Non-Executive Director)

FOO KO HING  
(Independent Director)

RIVAIE RACHMAN  
(Independent Director)

**AUDIT COMMITTEE**

LIM HOCK SAN (Chairman)  
FOO KO HING  
RIVAIE RACHMAN

**NOMINATING COMMITTEE**

RIVAIE RACHMAN (Chairman)  
LIM HOCK SAN  
FOO KO HING

**REMUNERATION COMMITTEE**

FOO KO HING (Chairman)  
LIM HOCK SAN  
RIVAIE RACHMAN

**COMPANY SECRETARY**

CHOO KOK KIONG

**SHARE REGISTRAR**

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

**PRINCIPAL BANKERS**

United Overseas Bank Limited  
Standard Chartered Bank Ltd  
DBS Bank Ltd  
PT Bank CIMB Niaga Tbk  
CIMB Singapore Branch

**INDEPENDENT AUDITOR**

Foo Kon Tan LLP  
Public Accountants and Chartered Accountants  
24 Raffles Place #07-03  
Clifford Centre  
Singapore 048621  
  
Partner-in-charge: ONG SOO ANN  
(Since financial year 2013)



# FINANCIAL CONTENTS

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# 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 2012 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.

The Company has complied in all material aspects with the principles and guidelines of the Code. Where there are deviations from the Code, appropriate explanations are provided.

## BOARD MATTERS

**Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and 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 and to ensure that the necessary financial and human resources are in place for the Company to meet its objectives. The Board establishes a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the company’s assets, 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 and considers sustainability issues including environment and social factors in the formulation of policies and procedures.

The board believes that in order to ensure long term success of a business, corporates should integrate sustainability into their operations and strategies. We are committed to conduct our businesses in a sustainable manner and aim to create positive value for all our stakeholders.

As we embark on our sustainability journey, we have set up a Sustainability Reporting Committee within the Group with members from senior management and across business segments. During the process, we have detailed our social, environmental and economic performance based on a thorough process of stakeholder engagement and materiality assessment. We also involved our stakeholders in order to gain their feedback and identify the issues most relevant to them. We further benchmarked ourselves against our peers and the best industry practices, which allowed us to understand the material aspects significant to our businesses.

Our Board will consistently monitor our progress to ensure we continuously improve our sustainability performance and set targets to meet the expectations of our stakeholders and create minimum negative impact on the environment and the community we operate in. We look forward to sharing our first full annual sustainability report in digital form with you in 2<sup>nd</sup> half of 2018 in our website: [www.gallantventure.com](http://www.gallantventure.com).

## Directors’ Duties and Responsibilities

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the Management to take objective decisions as fiduciaries in the interest of the Group.

## Delegation of Authority to Board Committees

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 sections of this statement under Principles 4 to 5, 7 to 9, 11 to 13 detailed the activities of the Audit Committee, Nominating Committee and Remuneration Committee respectively.

# STATEMENT OF CORPORATE GOVERNANCE

## Meetings of Board and Board Committees

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 Company's Constitution permits Board meetings to be conducted by way of telephonic or video conference meeting, provided the requisite quorum of majority of the directors is present.

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 2017:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
<b>Number of meetings held</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>
<b>Name of Directors</b>	<b>Number of meetings attended</b>			
Mr Lim Hock San	4	4	1	1
Mr Foo Ko Hing	4	4	1	1
Mr Rivaie Rachman	4	4	1	1
Mr Eugene Cho Park	4	4*	–	–
Mr Choo Kok Kiong	4	4*	1*	1*
Mr Gianto Gunara	4	4*	–	–
Dr Tan Chin Nam	4	4*	–	–
Mr Axton Salim	2	2*	–	–
Mr Jusak Kertowidjojo	2	2	–	–

\* Attended the meeting as invitee

## Matters reserved for Board's Approval

The Board has adopted internal guidelines on the matters reserved for the Board's decision; and clear directions to Management on matters that must be approved by the Board.

Matters specifically reserved to the Board for its approval are:

- (a) matters involving a conflict of interest for a substantial shareholder or a director;
- (b) strategic policies of the Group;
- (c) annual budgets;
- (d) material acquisitions and disposal of assets;



# STATEMENT OF CORPORATE GOVERNANCE

- (e) corporate or financial restructuring;
- (f) share issuances, interim dividends and other returns to shareholders; and
- (g) any investment or expenditure which requires Board's approval as set out in the Company's authorization matrix which sets out the financial authority and approval guidelines for capital expenditure, investments, divestments and borrowings.

## Orientation, briefings, updates and trainings for Directors

New directors joining the Board will be issued formal letters of appointment setting out his duties and obligations. They will be briefed by the Chairman on their duties and obligations and introduced to the Group's business and governance practice and arrangements, in particular the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on disclosure of price-sensitive information.

New directors will meet up with senior management and the Company Secretary to familiarize himself with his roles, organisation structure and business practices. This will enable him to get acquainted with senior management and the Company Secretary thereby facilitating board interaction and independent access to senior management and the Company Secretary.

The NC is charged with reviewing the training and professional development of the directors. All directors are provided with regular updates on the latest governance and listing policies. The NC will recommend appropriate courses and seminars and arrange for updates by professionals funded by the Company as it deems relevant to improve the performance of the individual director and the whole Board. All directors are encouraged to undergo the courses and seminars arranged by the Company.

During the financial year reported on, the Directors had received updates on regulatory changes to the Listing Rules, accounting standards and Companies Act. The Chief Executive Officer updates the Board at each Board meeting on business and strategic developments. The management highlights the salient operating issues as well as the risk management considerations for the Group's businesses.

## BOARD COMPOSITION AND GUIDANCE

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. 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 nine members, of whom two are Non-Executive and Non-Independent 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.	Mr Jusak Kertowidjojo	Executive Director
5.	Mr Choo Kok Kiong	Executive Director
6.	Dr Tan Chin Nam	Non-Executive Director
7.	Mr Axton Salim	Non-Executive Director
8.	Mr Foo Ko Hing	Independent Director
9.	Mr Rivaie Rachman	Independent Director

# STATEMENT OF CORPORATE GOVERNANCE

The criterion for independence is based on the definition given in the Code. The Code has defined an “Independent” Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgment with a view to the best interests of the company.

## Annual Review of Directors’ Independence in 2017

The independence of each Director is reviewed annually by the Nominating Committee, based on the definition of independence as stated in the Code.

All the Independent Directors, Mr Lim Hock San, Mr Foo Ko Hing and Mr Rivaie Rachman have confirmed their independence and they do not have any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent judgment.

Mr Lim Hock San, Mr Foo Ko Hing and Mr Rivaie Rachman have served as Directors for more than nine years. The Board accordingly performed a specific and rigorous review of their independence as required by the Code. The Board deemed that the length of service of a Director should not determine the effectiveness of independence of an Independent Director. In assessing the independence of a Director, the Board considers it more appropriate to have regard to the Director’s contribution in terms of professionalism, integrity, objectivity and ability to exercise independence of judgment in his deliberation in the interest of the Company. The Board is of the view that the Independent Directors have over the years developed significant insights in the Group’s business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. Mr Lim Hock San, Mr Foo Ko Hing and Mr Rivaie Rachman have confirmed they have no association with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgment. After taking into account all these factors, the Board has determined Mr Lim Hock San, Mr Foo Ko Hing and Mr Rivaie Rachman independent. Each of Mr Lim Hock San, Mr Foo Ko Hing and Mr Rivaie Rachman abstained from the Board’s deliberation of his independence.

## Board size and diversity

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 current Board comprises individuals who are business leaders and professionals with financial, banking, real estate, investment and accounting backgrounds. The varied backgrounds of the Directors enable Management to benefit from their respective expertise and diverse background. The Board also considers gender as an important aspect of diversity alongside factors such as the age, ethnicity and educational background of its members, as it believes that diversity in the Board’s composition contributes to the quality of its decision making. The Company will continue to consider the merits of the candidates in its Board renewal process and believes that doing so will meet its aim of achieving diversity of perspectives as described above.

The composition of the Board is 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.

The experiences and credentials of the Board members are set out in the “Board of Directors” section of the Annual Report.

## Role of Non-Executive Directors

The Non-Executive Directors assist the Board in performing its role by constructively challenge the development of its strategies and bring to the Board different perspectives based on their experiences. They critically assess and review the progress of the management of the Company (“Management”) in implementing strategies set by the Board. When necessary or appropriate, the Non-Executive Directors will meet without the presence of the Management to provide inputs to the Board.

# STATEMENT OF CORPORATE GOVERNANCE

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

His responsibilities include:

- Leading the Board in his role as Chairman of the Board;
- Ensuring regular meetings (with the assistance of the Company Secretary) 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);
- Reviewing board papers that are presented to the Board;
- Ensuring effective communication with shareholders; and
- Promoting good corporate governance.

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.

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

There is no requirement for the Company to appoint a Lead Independent Director as the roles of Chairman and CEO are separate and distinct. The Independent Directors meet amongst themselves without the presence of the other directors where necessary for independent discussions and strive to provide constructive feedback to the Board after their meetings.

# STATEMENT OF CORPORATE GOVERNANCE

## BOARD MEMBERSHIP

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

The Nominating Committee ("NC") comprises three 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

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 review board succession plans for directors, in particular, the Chairman and CEO;
- (b) To develop the process for evaluation of the performance of the Board, its committees and directors and conduct a formal assessment of the effectiveness of the Board, Board Committees and contribution by each director;
- (c) To review the training and professional development programs for the Board;
- (d) To recommend to the Board on all board appointments, re-appointments and re-nominations; and
- (e) To ensure that Independent Directors meet SGX-ST's guidelines and criteria.

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.

## Multiple Board Representations

The NC considers and it is of the view that it would not be appropriate to set a limit on the number of directorships in listed companies that a Director may hold because directors have different capabilities, and the nature of the organisations in which they hold appointments and the kind of committees on which they serve are of different complexities, and for each Director to personally determine the demands of his or her competing directorships and obligations and assess the number of directorships they could hold and serve effectively.

## Alternative Directors

There is currently no Alternative Directors on the Board.



# STATEMENT OF CORPORATE GOVERNANCE

## Selection, Appointment and Re-appointment of Directors

Annually, the NC reviews the composition of the Board and Board committees having regard to the performance and contribution of each individual director and to ensure diversity of skills and experience within the Board and Board committees.

Where there is a resignation or retirement of an existing director, the NC will re-evaluate the Board composition to assess the competencies for the replacement. The NC will deliberate and propose the background, skills, qualification and experience of the candidate it deems appropriate. The factors taken into consideration by the NC could include among other things, whether the new director can add to or complement the mix of skills and qualifications in the existing Board, relevance of his experience and contributions to the business of the Company and the depth and breadth he could bring to Board discussions. Candidates are sourced through a network of contacts and identified based on the established criteria. Search can be made through relevant institutions such as the SID, professional organisations or business federations or external search consultants. New directors will be appointed by way of a Board resolution, after the NC makes the necessary recommendation to the Board.

The Constitution of the Company requires that one-third of the Board retire from office by rotation 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.

Mr Foo Ko Hing, Dr Tan Chin Nam and Eugene Cho Park will retire by rotation pursuant to the Constitution of the Company. The NC has recommended to the Board, their re-election at the forthcoming annual general meeting.

In recommending the above Directors for re-election, the NC has taken into consideration these Directors' contribution and performance. The Board has accepted the NC's recommendation. Mr Foo Ko Hing, Dr Tan Chin Nam and Eugene Cho Park abstained from the Board's deliberation pertaining to their respective re-election.

## Key Information on Directors

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 of the Annual Report.

# STATEMENT OF CORPORATE GOVERNANCE

## BOARD PERFORMANCE

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

The NC has established a formal evaluation process to assess the effectiveness of the Board as a whole and peer assessment.

Each year, the Directors were requested to complete evaluation forms to assess the overall effectiveness of the Board and the Board Committees, as well as peer assessment. The results of the evaluation exercise were considered by the NC, which then made recommendations to the Board, aimed at assisting the Board to discharge its duties more effectively. The chairman should, in consultation with the nominating committee, propose, where appropriate, new members to be appointed to the board or seek the resignation of directors.

The evaluation of Board's performance focuses on Board composition, maintenance of independence, Board information, Board process, Board accountability, communication with Management and standard of conduct. The NC also reviews the Board's performance to enhance shareholders' value in terms of the Company's profitability, liquidity, gearing, dividend yield and total shareholder return against industry peers based on their published financial results.

The NC reviews Individual Director's performance with focus on the contribution by individual Directors to the Board in terms of time commitment and in providing independent and objective perspectives based on their background, experience and competencies in the relevant skills critical to the Company's business and in the development of strategies to enable the Board to have a balance of views and critically assess all relevant issues in its decision makings.

The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year and is of the view that the performances of the Board Committees and the Board have been satisfactory.

## ACCESS TO INFORMATION

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

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.

The Board meet at least quarterly in a year and are provided Board papers comprising quarterly financial reports, budgets, forecasts with explanations for material variances, and relevant reports relating to the business for discussion timely at each Board meeting. 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 Secretary and to other senior management executives of the Company and of the Group at all times in carrying out their duties. The Company Secretary attends 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 appointment and removal of the Company Secretary is subject to the approval of the Board.

# STATEMENT OF CORPORATE GOVERNANCE

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

**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") comprises three members, all of whom including its Chairman are independent. The members of the RC are:

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

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 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. For FY2017, there was no engagement of independent professional advice.

Each of the Executive Director and key management personnel have a service agreement with the Company which can be terminated by either party giving notice of resignation/termination. The RC has reviewed the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, To ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

# STATEMENT OF CORPORATE GOVERNANCE

## LEVEL AND MIX OF REMUNERATION

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

In setting remuneration packages, the RC will take into consideration the pay and employment conditions within the industry and in comparable companies. All the Executive Directors, including the Chief Executive Officer, and key management personnel have service agreements with the Company. The service agreements cover the terms of employment, salaries and other benefits.

The remuneration of Executive Directors and key management personnel comprises both fixed and variable components. The variable component is performance related and is linked to the Group/Company's performance as well as individual's performance. Such performance-related remuneration is designed to align with the interests of shareholders and promote long term success of the Group.

Currently, the Company has no long term incentive schemes. The RC has reviewed and is satisfied that the existing compensation structure with variable component paid out in cash has continued to be effective in incentivising performance without being excessively compensated.

Executive Directors are not paid Directors' fee. All the Non-Executive Directors have no service contract and are compensated with Directors' fee. The RC reviews the Directors' fee for Non-Executive Directors to ensure that the remuneration is commensurate with their contribution and responsibilities.

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

The RC has reviewed the fee structure for non-executive directors as being reflective of their responsibilities and work commitments without over-compensation to the extent that their independence will be compromised and recommends the directors' fee for FY2017 to the Board for tabling at the forthcoming annual general meeting for shareholders' approval.

The RC considers that the current fee structure adequately compensates the non-executive directors, and given the size and operations of the Company, any implementation of schemes to encourage non-executive directors to hold shares in the Company may result in over-compensation. The RC will consider recommending such schemes, if appropriate.

Currently, the Company does not have claw-back provisions which allow it to reclaim incentive components of remuneration from its Directors and key management personnel.



# STATEMENT OF CORPORATE GOVERNANCE

## DISCLOSURE ON REMUNERATION

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

The summary compensation paid to the Directors and top five key executives of the Group during the financial year ended 31 December 2017 is set out below:

### Remuneration of Directors

	Salary	Bonus	Director's Fee	Other Benefits	Total
	%	%	%	%	%
<b>\$500,000 to \$1,499,999</b>					
Eugene Cho Park Executive Director and CEO	54	40	–	6	100
Gianto Gunara Executive Director	54	40	–	6	100
Jusak Kertowidjojo Executive Director	72	8	–	20	100
Choo Kok Kiong Executive Director	54	39	–	7	100
<b>Below \$500,000</b>					
Lim Hock San Non-Executive Chairman and Independent Director	–	–	100	–	100
Dr Tan Chin Nam Non-Executive Director	–	–	100	–	100
Axton Salim Non-Executive Director	–	–	100	–	100
Foo Ko Hing Independent Director	–	–	100	–	100
Rivaie Rachman Independent Director	–	–	100	–	100

## STATEMENT OF CORPORATE GOVERNANCE

The Executive Directors who sit on the Board hold executive positions in the Group's Indonesian subsidiaries. Under Indonesian governance, there is no requirement for corporations in Indonesia to disclose the detailed remuneration of individual directors and executives. The disclosure in Singapore would affect the confidentiality of their remuneration. The Indonesian subsidiaries would be put into a position of unequal treatment in governing the confidentiality of their employees' remuneration. Such executives who are on the Board would be disadvantaged unfairly. In addition, given the highly competitive conditions in the market place where poaching of executives is not uncommon, it is not in the interest of the Company to disclose the remuneration of individual Executive Directors. The Board is of the view that it would be disadvantages to the Group to detail the remuneration of the Directors.

Each Independent Director's remuneration comprises wholly directors' fee of not more than S\$500,000.

### **Remuneration of Key Management Personnel**

The Code recommends that the Company should name and disclose the remuneration of at least the top five key management personnel in bands of S\$250,000.

The Company has many competitors in the same industry which are private companies. By disclosing the top five key management personnel individually in bands of S\$250,000, the Company is susceptible to poaching of its personnel in a highly competitive market place vying for talent. The competitors have publicly available information of profile of the Company's key personnel and remuneration benchmark. The Company does not have similar information and is seriously disadvantaged as compared to its competitors in retaining and recruitment of key personnel. Loss of its key personnel involves considerable loss of operational know-how and cost in recruitment of similar talent and gestation period for new key personnel to be fully inducted into the Company's work practices. All this would impact its business competitive edge vis-a-vis its competitors. Disclosure of the names of the key management personnel will be not in the interest of the Company from a business perspective.

The remuneration of 2 of the Company's top 5 key management personnel is above S\$250,000. The aggregate total remuneration paid to the top 5 key management personnel (who are not directors of the Company or the CEO) in 2017 is approximately S\$1,207,241.

No employee of the Company and its subsidiaries was an immediate family member of a Director or the CEO whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2017.

The Company does not have any employee share scheme for its employees. The RC has reviewed and is satisfied that the existing compensation structure with variable component paid out in cash has continued to be effective in incentivising performance of employees without being excessive.

The remuneration of Executive Directors and key management personnel comprises both fixed and variable components. The variable component is performance related and is linked to the Group/Company's performance as well as individual's performance. Such performance-related remuneration is designed to align with the interests of shareholders and promote long term success of the Group.

Executive Directors are not paid Directors' fee. All the Non-Executive Directors have no service contract and are compensated with Directors' fee taking into considerations their respective contributions and attendance at meetings. Additional variable fees are paid for appointment to board committees according to the level of responsibilities undertaken as chairman or member of the board committees.

# STATEMENT OF CORPORATE GOVERNANCE

## ACCOUNTABILITY

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

The Board provides a balanced and meaningful assessment of the Group's financial performance and prospects regularly through financial statements, announcement of results to shareholders and the SGX-ST as well as the Chairman's statement, and review of operations in the annual report. Financial results are released on a quarterly basis to the shareholders through SGXNET and on the Company's website at <http://www.gallantventure.com>.

The Board is accountable to the shareholders and is committed to ensure compliance with the statutory requirements and the Listing Rules of the Singapore Exchange Trading Limited ("SGX-ST"). The Directors have each signed the respective undertaking in the form set out in Appendix 7.7 of Listing Rules to undertake to use their best endeavours to comply with the SGX-ST Listing Rules and to procure that the Company shall so comply. A similar undertaking has been executed the Heads of each subsidiary in their capacity as Executive Officer.

The Board ensures 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.

The Management currently provides the Board with management accounts and reports which presents a balanced and understandable assessment of the Group's performance, position, prospects and development on a monthly and quarterly basis.

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board is responsible for governing risks and ensuring that the Management maintains a sound system of risk management and internal controls in safeguarding its assets and shareholders' interests.

The AC, with the assistance of internal and external auditors, review and reports to the Board on the adequacy and effectiveness of the of the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management system is conducted annually. In this respect, the AC 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.

Currently, the responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC together with the Management. There is no separate risk committee formed as Board is of the view that a separate risk committee is not required for the time being and the Board will consider engaging professional consultancy firm to assist the management if appropriate.

# STATEMENT OF CORPORATE GOVERNANCE

The Board reviews and determines the Group's level of risk tolerance and risk policies, and oversees the design, implementation and monitoring of the risk management and internal control systems.

The Group has in place a system of internal control and risk management framework 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.

The Board has received assurance from the CEO and CFO of the Company as at 31 December 2017 (a) the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2017 give a true and fair view of the Group's operations and finances; and (b) regarding the effectiveness of the Group's risk management and internal controls.

Based on the internal control and risk management framework established and maintained by the Group, review performed by the Group's internal and external auditors, regular reviews performed by the Management and assurance from the CEO and CFO, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls were adequate and effective as at 31 December 2017 to address financial, operational, compliance and information technology risks.

The Board notes that no system of internal control and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, fraud or other irregularities.

## AUDIT COMMITTEE

**Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.**

### Audit Committee

The AC comprises three members. There are three members including the Chairman are Independent. The AC comprises the following members:

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

The AC Chairman has a Bachelor of Accountancy from the University of Singapore. He is a Fellow of The Chartered Institute of Management Accountants (UK) and a Fellow and past President of the Institute of Singapore Chartered Accountants with considerable business, financial and accounting experience. Mr Foo Ko Hing has considerable business, banking, investment and finance experience having held positions in PricewaterhouseCoopers LLC and in the banking industry. Mr Rachman is an Independent Director of Riau Development Bank and Surya Dumai Palmoil Plantation & Industry Group in Indonesia. His previous positions were the Vice Governor of Riau Province, Head of Riau Economic Planning Board, Head of Riau Investment Coordination Board and President Director of Riau Development Bank.

The Board is satisfied that the members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions.

The experience and qualifications of the AC members are set out in the "Board of Directors" section of the annual report.



# STATEMENT OF CORPORATE GOVERNANCE

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.

All the AC members are kept up to date with changes in accounting standards and issues through updates from the external auditors. The Board is of the view that the members of the AC have sufficient accounting and financial management expertise and experience to discharge the AC's functions.

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

# STATEMENT OF CORPORATE GOVERNANCE

## External Auditors

The Company confirms that it has complied with Rules 712, 715 and 716 of the Listing Manual in engaging Foo Kon Tan LLP ("FKT") registered with the Accounting and Corporate Regulatory Authority, as the external auditors of the Company and of its Singapore subsidiaries, and other suitable audit firms for its foreign subsidiaries. The AC reviews the independence of FKT annually. The AC, having reviewed the range and value of non-audit services performed by FKT 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 LLP be nominated for re-appointment as auditor at the forthcoming AGM. The AC had also reviewed the appointment of the external auditors of those subsidiaries who are not FKT and is satisfied that such appointment would not compromise the standard and effectiveness of the audit.

The aggregate amount of audit fees paid and payable by the Group to the external auditors for FY2017 was approximately S\$2,194,000 of which audit fees amounted to approximately S\$2,118,000 and non-audit fees amounted to approximately S\$76,000.

## Whistle-Blowing Policy

The Company has in place a whistle-blowing framework.

Employees are free to bring complaints in confidence to the attention of their supervisors, the Human Resources Department. The recipient of such complaints shall forward them promptly to the Audit Committee Chairman. The Group will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Following investigation and evaluation of a complaint, the AC Chairman shall report to the AC on recommended disciplinary or remedial action, if any. The action determined by the AC to be appropriated shall then be brought to the Board or to appropriate members of senior management for authorization and implementation respectively. An employee can access the AC Chairman directly to raise concern if he feels that it could not be effectively addressed at managerial level.

The policy is communicated to all employees as part of the Group's efforts to promote awareness of fraud control.

## **INTERNAL AUDIT**

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

The Company's internal audit function is outsourced to an external professional firm. AC is charged with evaluation of the external professional firm to be engaged as the Company's internal auditor ("IA"). At the AC's recommendation, the Company has engaged PricewaterhouseCoopers, Indonesia as its internal auditors ("IA"). The IA 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.

# STATEMENT OF CORPORATE GOVERNANCE

PricewaterhouseCoopers, Indonesia has the professionals with relevant qualifications and experience to perform the review and test of controls of the Group's processes which is consistent with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors. The AC is satisfied that the Company's internal audit function outsourced to PricewaterhouseCoopers, Indonesia is adequately resourced and the IA performs the internal audit according to standards set by the Institute of Internal Auditors. The IA has unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC has annually 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 and effective internal controls in the Company.

## SHAREHOLDER RIGHTS

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

The Company promotes fair and equitable treatment of all shareholders. The Company ensures that that all shareholders be informed on a timely basis of all major developments that impact the Group. The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis via SGXNET.

Shareholders are entitled to attend the general meetings and given the opportunity to participate effectively and vote at general meetings of the Company where relevant rules and procedures governing such meetings will be clearly communicated.

## COMMUNICATION WITH SHAREHOLDERS

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

In line with continuous obligations of the Company pursuant to the SGX-ST's Listing Rules, the Company'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 general meetings; and
- (e) Company's website at [www.gallantventure.com](http://www.gallantventure.com) which shareholders can access information on the Group.

# STATEMENT OF CORPORATE GOVERNANCE

The Company's general meetings are the principal forums for dialogue with shareholders to engage the Board to ask questions on the resolutions tabled at the general meetings and to express their views. The Company will consider the use of other forums such as analyst briefings as and when applicable. The Company's IR team does as and when participates in investor seminars, conference and roadshows to keep the market and investors apprised of the Group's developments and has contact details of the IR team at its website for investors to channel their comments and queries.

The Company does not have a dividend policy. The Board will consider the Group's level of cash, retained earnings and projected capital expenditure before making a dividend proposal. The Notice for the forthcoming AGM does not carry a declaration of dividend for FY2017 in view of the Company to retain the cash and retained earnings for use in the operation of its businesses. The Company will consider the declaration of dividend when the cash permits.

## CONDUCT OF SHAREHOLDERS MEETINGS

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

Shareholders are encouraged to attend the general meetings of the Company 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.

The Company's Constitution allows a member (other than a relevant intermediary as defined in Section 181 of the Companies Act) to appoint one or two proxies to attend and vote in his stead at its general meetings. The Companies Act allows relevant intermediaries that include CPF Approved nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF Approved Nominees' proxies. At general meeting, the Company will have separate resolutions at general meetings on each distinct issue. The Chairman of each AC, RC and NC are normally available at the AGMs to answer any questions relating to the work of these Committees. The Company's external auditors are also present to address any relevant queries by the shareholders.

In compliance with Listing Rules, all the resolutions at the forthcoming AGM will be put to vote by electronic poll to allow greater transparency and more equitable participation by shareholders.

Voting and vote tabulation procedures are disclosed at the general meetings. Votes cast for, or against, each resolution will be read out at shareholders' meetings immediately after vote tabulations. The total numbers of votes cast for or against the resolutions are also announced after the general meetings via SGXNET. The Company is not implementing voting in absentia via mail, e-mail or fax as the authentication of shareholder identity and other related security and integrity of the information still remain a concern. The minutes of the general meetings are taken which incorporates comments or queries from the shareholders and responses from the Board. The minutes are available to shareholders upon their request.

## DEALINGS IN SECURITIES

The Company has adopted a policy on dealing in securities that is in accordance with Rule 1207(19) of the SGX-ST Listing Manual on best practices on dealing in securities. The Company has procedures in place prohibiting dealings in the Company's securities by its directors and employees on short term considerations and during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year and one month before the announcement of the company's full year financial results. Directors and employees are reminded to observe the insider trading laws at all times even when dealing in the company's securities within permitted trading periods and also discouraged from dealing the company's securities on short term considerations.



# STATEMENT OF CORPORATE GOVERNANCE

## 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.

The interested person transactions transacted for the financial year ended 31 December 2017 by the Group are as follows:

Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	S\$'000
<b><u>PURCHASES</u></b>	
PT Mitsuba Automotive Parts	933
PT Mentari Subur Abadi	927
PT Adijaya Mulia	245
PT Sumalindo Alam Lestari	169
PT Salim Ivomas Pratama	126
PT Indofood Sukses Makmur Tbk	100
<b><u>SALES</u></b>	
PT Prima Sarana Gemilang	2,986
PT Wahana Inti Sela	2,300
PT Alam Indah Bintan	1,919
PT Hamfred Technology Indonesia	1,833
PT Laju Perdana Indah	1,219
PT Wolfsburg Auto Indonesia	607
PT Shinhan Indo Finance	561
PT Tunas Karya Indoswasta	419
PT Indofood CBP Sukses Makmur	176
PT Tritunggal Inti Permata	145
PT Indofood Fritolay Makmur	136

## MATERIAL CONTRACTS

There was 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.

The Board is satisfied with the Group's commitment to compliance with the Code of Corporate Governance.

## DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

We are pleased to present this statement to the members together with the audited consolidated financial statements of Gallant Venture Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2017.

In the opinion of the Directors,

- (a) the accompanying consolidated financial statements of the Group and statement of financial position of the Company, are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards;
- (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, as disclosed in Note 2(a)(g).

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

### Names of Directors

The Directors of the Company to 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)  
Mr Jusak Kertowidjojo (Executive Director)  
Mr Choo Kok Kiong (Executive Director)  
Dr Tan Chin Nam (Non-Executive Director)  
Mr Axton Salim (Non-Executive Director)  
Mr Foo Ko Hing (Independent Director)  
Mr Rivaie Rachman (Independent Director)

### Arrangements to enable Directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of the subsidiaries was a party to any arrangement which 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, other than as disclosed in this report.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Chapter 50, none of the Directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations except as follows:

	Number of ordinary shares registered in the name of Director or nominee		Number of ordinary shares in which Director is deemed to have an interest	
	As at 1.1.2017	As at 31.12.2017 and 21.1.2018	As at 1.1.2017	As at 31.12.2017 and 21.1.2018
<b>The Company</b>				
Lim Hock San	1,714,000	1,714,000	–	–
Eugene Cho Park	200,000	200,000	–	–
Gianto Gunara	200,000	200,000	–	–

## Share options scheme

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

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

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

## Audit Committee

The Audit Committee at the end of the financial year comprises the following members:

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

The audit committee performs the functions set out in Section 201B (5) of the Companies Act, Chapter 50, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the committee reviewed the following:

- (i) 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;
- (ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) the quarterly financial information (where applicable) and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 as well as the auditor's report thereon;

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## Audit Committee (Cont'd)

- (iv) effectiveness of the Company's and the Group's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the internal auditors;
- (v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- (viii) reviewed the nature and extent of non-audit services provided by the external auditor;
- (ix) recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- (x) reported actions and minutes of the Audit Committee to the board of directors with such recommendations as the Audit Committee considered appropriate; and
- (xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

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 also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The audit committee is satisfied with the independence and objectivity of the external auditor and has recommended to The Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Report on Corporate Governance.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered 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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CHOO KOK KIONG

Dated: 6 April 2018



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

## Report on the audit of the financial statements

### Qualified Opinion

We have audited the accompanying financial statements of Gallant Venture Ltd ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Company and its Group as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

### Basis for Qualified Opinion

We did not express an audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2016. It was highlighted in our audit report dated 6 April 2017 that due to limitations placed on the scope of our work which is beyond the control of the directors of the Company, we have been unable to obtain sufficient and appropriate audit evidence concerning the consolidation of Market Strength Limited ("MSL") for the year ended 31 December 2016. Accordingly we were unable to determine if the consolidated financial statements of the Group incorporating the consolidated results of MSL up to the date the Company ceased having control of MSL for the year ended 31 December 2016 are fairly stated. In addition, we were also unable to satisfy ourselves as to the accuracy of the gain on disposal of MSL amounting to S\$220.6 million as disclosed in Note 25 of the financial statements for the year ended 31 December 2016. Any adjustment to opening balances would have consequential effects on the current year's and/or prior year's figures and the related disclosures.

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

### Other Information

Management is responsible for the other information. The other information comprises the "Directors' Statement" section of the Annual Report, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

## Report on the audit of the financial statements (Cont'd)

### Other Information (Cont'd)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we did not express an audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2016. Any adjustments to opening balances would have consequential effects on the current year's and/or prior year's figures and the related disclosures. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

### Key Audit Matters

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

#### **Key Audit Matters**

- (i) Impairment assessment of intangible assets, including goodwill

The Group has intangible assets of S\$732 million, including goodwill of S\$486 million, representing 30% of total non-current assets as at 31 December 2017. Intangible assets with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill which is tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired.

The Group is required to perform an impairment test on goodwill of the cash generating unit ("CGU") by comparing its carrying amount with the recoverable amount as at the end of reporting period. The recoverable amount is determined based on value-in-use calculations which includes discounted cash flow projections of the CGU to which the goodwill is allocated to. The impairment test involves significant judgement in determining the allocation of goodwill to the relevant CGU and in estimating the underlying assumptions to be applied in the discounted cash flow projections.

#### **Our response and work performed**

Our audit procedures included among others, evaluating the identification of CGUs within the Group against the accounting standards. We reviewed the basis and methodology adopted to arrive at the recoverable amounts of the CGUs. We obtained the valuation model and assumptions used, challenging management's assumptions and involving independent valuation experts to support us in our evaluation of the model.

We have engaged our auditor's expert to review the valuation model, inputs and assumptions made. In the computation of the discounted cash flow projections, the Group takes into account the indicative market prices of their goods, and uses inputs, such as market growth rate, weighted average cost of capital and other factors, typical of similar automotive companies. Senior management has applied its knowledge of the business in its regular review of these estimates.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

## Report on the audit of financial statements (Cont'd)

### Key Audit Matters (Cont'd)

#### **Key Audit Matters**

- (i) Impairment assessment of intangible assets, including goodwill (Cont'd)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is based on certain key assumptions, such as cash flow projections covering a five-year period and the perpetual growth rate and discount rate per cash generating unit. These assumptions which are determined by management are judgmental. A small change in the assumptions can have a significant impact to the estimation of the recoverable amount.

- (ii) Impairment assessment of financing receivables

As at 31 December 2017, total financing receivables of the Group amounted to S\$988,928,000, in which S\$453,284,000 is classified under current assets and S\$535,644,000 is classified under non-current assets. Assessing the allowance for impairment of financing receivables requires management to make subjective judgements over both the timing of recognition and estimation of the amount required of such impairment.

#### **Our response and work performed**

We found that cautious estimates were made in the determination of the recoverable amount, and based on our assessment, no impairment is required, since the recoverable amount is higher than the carrying amount of CGU.

We have evaluated the competence, capabilities and objectivity of management's expert and our auditor's expert, obtained an understanding of the work of our expert; and evaluated the appropriateness of our expert's work as audit evidence for the relevant assertion. We also focused on the adequacy of disclosures of key assumptions and sensitivity. The Group's disclosures on intangible assets is included in Note 3 to the financial statements.

We assessed and tested the design and operating effectiveness of the controls over the financing receivables' data, receivables' collection process, and the ageing of receivables' balances.

These controls included those over credit review and approval, and system access.

We reviewed the appropriateness of the provisioning methodology used by management in determining the impairment allowances, including assessing the reasonableness of the assumptions used in the provisioning methodology by comparing them with historical data adjusted for current market conditions. These included the estimates used in the probability of default and loss given default.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

## Report on the audit of the financial statements (Cont'd)

### Key Audit Matters (Cont'd)

#### **Key Audit Matters**

##### (ii) Impairment assessment of financing receivables (Cont'd)

Refer to Note 8 of the financial statements for the impairment indicators considered by management in its assessment.

##### (iii) Impairment assessment of trade receivables

As of 31 December 2017, trade receivables amounted to S\$247,396,000, representing 11.7% of total current assets.

Assessing the allowance for impairment of trade receivables requires management to make subjective judgements over both the timing of recognition and estimation of the amount required of such impairment. Collectability of trade receivables is a key element of the Group's working capital, which is managed on an ongoing basis by the Group.

Management will assess impairment for balances past due more than 90 days and those which are uncollectible.

#### **Our response and work performed**

We recomputed management's calculation for the impairment allowance and also tested the adequacy of prior year allowances by comparing them against actual loss incurred in the current year. We challenged management in its key areas of judgement, including the use of portfolio segmentation, loss data periods and estimated market value for collateral held.

As group auditors, we challenged management in the key areas of judgement, including the use of portfolio segmentation, loss data periods and estimated market value of collateral held. Based on our audit procedures, we found management's assessment of the provision for the impairment in the financing receivables to be reasonable.

We assessed the Group's processes and controls for monitoring and identifying trade receivables with collection risks. We performed audit procedures, amongst others, obtaining trade receivable confirmations, assessing the facts and circumstances surrounding the outstanding amount presented by management, and reviewed for evidence of collection by way of subsequent receipts from receivables after the year end.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

## Report on the audit of the financial statements (Cont'd)

### Key Audit Matters (Cont'd)

#### **Key Audit Matters**

##### (iii) Impairment assessment of trade receivables (Cont'd)

#### **Our response and work performed**

As group auditors, we challenged management's assessment of the adequacy of allowance made and assumptions used to calculate the receivables impairment amount, notably through analysis of their aging trends, specific risks and inquiry of management if there is any dispute by receivables.

Based on our audit procedures, we found management's assessment of the provision for the impairment in the trade receivables to be reasonable.

### Responsibilities of Management and Directors for the Financial Statements

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

## Report on the audit of the financial statements (Cont'd)

### Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

## Report on the audit of the financial statements (Cont'd)

### Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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

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

## Report on other legal and regulatory requirements

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

Foo Kon Tan LLP  
Public Accountants and  
Chartered Accountants

Singapore, 6 April 2018

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		The Company		The Group	
		31 December	31 December	31 December	31 December
		2017	2016	2017	2016
	Note	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>					
<b>Non-Current</b>					
Intangible assets	3	110	57	732,452	748,650
Property, plant and equipment	4	415	450	578,529	549,332
Investment properties	5	–	–	232,625	231,686
Subsidiaries	6	2,537,407	2,536,681	–	–
Associates	7	–	–	139,854	233,628
Financing receivables	8	–	–	535,644	510,359
Deferred tax assets	9	–	2,474	33,013	40,025
Other non-current assets	10	155	154	149,800	152,918
		2,538,087	2,539,816	2,401,917	2,466,598
<b>Current</b>					
Land inventories	11	–	–	591,767	612,963
Other inventories	12	–	–	260,020	217,164
Financing receivables	8	–	–	453,284	447,139
Trade and other receivables	13	78,860	135,371	544,303	590,924
Cash and cash equivalents	14	2,394	196,134	258,441	425,413
		81,254	331,505	2,107,815	2,293,603
<b>Total assets</b>		2,619,341	2,871,321	4,509,732	4,760,201
<b>Equity and liabilities</b>					
Share capital	15	1,948,307	1,880,154	1,948,307	1,880,154
Accumulated losses		(116,085)	(91,476)	(299,198)	(162,767)
Reserves	16	80,000	80,000	(204,989)	(168,281)
Equity attributable to equity holder of the Company		1,912,222	1,868,678	1,444,120	1,549,106
Non-controlling interests		–	–	267,970	317,711
<b>Total equity</b>		1,912,222	1,868,678	1,712,090	1,866,817
<b>Liabilities</b>					
<b>Non-Current</b>					
Borrowings	17	330,181	–	798,164	634,194
Debt securities	18	–	228,926	170,117	634,488
Deferred tax liabilities	9	–	–	89,759	94,040
Employee benefits liabilities	19	–	–	41,999	38,467
Other non-current liabilities	20	88	348	32,463	33,804
		330,269	229,274	1,132,502	1,434,993
<b>Current</b>					
Trade and other payables	21	24,220	30,120	346,345	278,622
Borrowings	17	350,728	517,244	1,222,591	1,029,535
Debt securities	18	–	224,580	85,585	139,262
Current tax payable		1,902	1,425	10,619	10,972
		376,850	773,369	1,665,140	1,458,391
<b>Total liabilities</b>		707,119	1,002,643	2,797,642	2,893,384
<b>Total equity and liabilities</b>		2,619,341	2,871,321	4,509,732	4,760,201

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 FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
	Note		
Revenue	24	1,746,741	1,715,757
Cost of sales		(1,403,444)	(1,407,968)
Gross profit		343,297	307,789
Other income	25	56,011	281,722
General and administrative expenses		(187,752)	(175,287)
Other operating expenses	26	(154,087)	(204,310)
Share of associate companies' result		(56,273)	(13,746)
Finance costs	27	(127,030)	(132,672)
(Loss)/profit before taxation	28	(125,834)	63,496
Taxation	29	(31,671)	(21,734)
(Loss)/profit after taxation		(157,505)	41,762
Other comprehensive (expense)/income after taxation:			
Items that are/may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sales investments	16(d)	1,165	(14,109)
Change in fair value of derivative instruments, net of tax	16(c)	(6,738)	(3,452)
Currency translation differences from foreign subsidiaries	16(b)	(53,930)	33,105
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans	16(e)	(429)	(3,455)
Other comprehensive (expense)/income for the year after taxation	30	(59,932)	12,089
Total comprehensive (expense)/income for the year		(217,437)	53,851
(Loss)/profit attributable to:			
– Equity holders of the Company		(136,431)	72,157
– Non-controlling interests		(21,074)	(30,395)
		(157,505)	41,762
Total comprehensive (expense)/income attributable to:			
– Equity holders of the Company		(172,361)	77,480
– Non-controlling interests		(45,076)	(23,629)
		(217,437)	53,851
		Cents	Cents
(Loss)/earnings per share			
– Basic	31	(2.803)	1.495
– Diluted		(2.803)	1.422

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 FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Translation reserve	Hedging reserve	Fair value reserve	Other reserves	Accumulated losses		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2017	1,880,154	(105,771)	(52,319)	4,371	(19,698)	5,136	(162,767)	1,549,106	1,866,817
Loss for the year	-	-	-	-	-	-	(136,431)	(136,431)	(157,505)
Other comprehensive (expense)/income	-	-	(32,532)	(4,845)	860	587	-	(35,930)	(59,932)
<b>Total comprehensive (expense)/income for the year</b>	-	-	(32,532)	(4,845)	860	587	(136,431)	(172,361)	(217,437)
Issuance of shares (Note 15)	68,235	-	-	-	-	-	-	68,235	68,235
Share issuance expenses (Note 15)	(82)	-	-	-	-	-	-	(82)	(82)
Dilution in interests of subsidiary with loss of control (Note 6)	-	-	-	-	-	-	-	1,304	1,304
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	(413)	(413)
Changes in interest in subsidiaries and effect of transaction with non-controlling interest	-	-	-	-	-	(778)	-	(778)	(6,334)
<b>Balance at 31 December 2017</b>	<b>1,948,307</b>	<b>(105,771)</b>	<b>(84,851)</b>	<b>(474)</b>	<b>(18,838)</b>	<b>4,945</b>	<b>(299,198)</b>	<b>1,444,120</b>	<b>1,712,090</b>
Balance at 1 January 2016	1,880,154	(105,771)	(41,645)	6,803	(9,661)	3,027	(234,924)	1,497,983	1,834,417
Profit/(loss) for the year	-	-	-	-	-	-	72,157	72,157	41,762
Other comprehensive income/(expense)	-	-	19,994	(2,432)	(10,037)	(2,202)	-	5,323	12,089
<b>Total comprehensive income/(expense) for the year</b>	-	-	19,994	(2,432)	(10,037)	(2,202)	72,157	77,480	53,851
Disposal of subsidiaries	-	-	(30,668)	-	-	-	-	(30,668)	(30,668)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	(4,011)	(4,011)
Changes in interest in subsidiaries and effect of transaction with non-controlling interest	-	-	-	-	-	4,311	-	4,311	13,228
<b>Balance at 31 December 2016</b>	<b>1,880,154</b>	<b>(105,771)</b>	<b>(52,319)</b>	<b>4,371</b>	<b>(19,698)</b>	<b>5,136</b>	<b>(162,767)</b>	<b>1,549,106</b>	<b>1,866,817</b>

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 FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
	Note		
<b>Cash Flows from Operating Activities</b>			
(Loss)/profit before taxation		(125,834)	63,496
Adjustments for:			
Amortisation of intangible assets		16,313	16,422
Depreciation of property, plant and equipment and investment properties		98,724	104,480
Gain on disposal of property, plant and equipment		(7,776)	(5,076)
Gain on disposal of investment properties		–	(3,173)
Impairment of trade and other receivables		37,153	33,148
Loss on sales of foreclosed assets		11,576	16,514
Reversal of allowance for inventories obsolescence		(512)	(1,364)
Provision for employees' benefits		6,270	5,873
Net gain on disposal of subsidiary	[A]	–	(220,623)
Impairment in goodwill		–	3,124
Impairment in associates		–	33,549
Written off other assets		–	12,014
Interest expense		127,030	132,672
Interest income		(21,551)	(16,530)
Fair value gain on derivative instruments		–	(3,026)
Share of associates' result		56,273	13,746
Operating profit before working capital changes		197,666	185,246
Increase in land inventories		–	(14,558)
(Increase)/decrease in other inventories		(42,344)	92,372
Decrease/(increase) in operating receivables		26,083	(7,447)
Increase in operating payables		70,846	70,993
Cash generated from operating activities		252,251	326,606
Income tax paid		(72,427)	(80,021)
Interest paid		(225,886)	(199,888)
Interest received		16,409	11,949
Employee benefit paid		(932)	(1,134)
Net cash (used in)/generated from operating activities		(30,585)	57,512
<b>Cash Flows from Investing Activities</b>			
Acquisition of intangible assets		(115)	(106)
Acquisition of property, plant and equipment		(125,807)	(134,973)
Acquisition of investment properties		(21,784)	(55,019)
Dividend from associates		6,620	250
Proceeds from disposal of property, plant and equipment		8,736	43,656
Addition in investment in shares stock		(5,511)	(59,550)
Proceeds from disposal of investment properties		–	4,115
Proceeds from sales of associates		–	364
Disposal of subsidiaries, net of cash disposal	[A]	–	390,095
Interest received on and proceeds from restricted cash and time deposits		152	(406)
Net cash (used in)/generated from investing activities		(137,709)	188,426

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 FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
	Note		
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of new shares	15	68,153	–
Proceeds from issuance of debt securities	[B]	256,428	152,593
Repayment of debt securities	[B]	(581,348)	(307,828)
Acquisition of non-controlling interests		–	(3,073)
Proceeds from additional capital stock contribution of NCI		5,323	377
Proceeds from bank borrowings	[B]	2,591,031	2,018,338
Repayment of bank borrowings	[B]	(2,320,707)	(1,885,519)
Dividends paid to non-controlling interests		(413)	(4,011)
Net cash generated from/(used in) financing activities		18,467	(29,123)
(Decrease)/increase in cash and cash equivalents		(149,827)	216,815
Cash and cash equivalents at beginning of year		425,413	201,921
Effect of currency translation on cash and cash equivalents		(17,145)	6,677
Cash and cash equivalents at end of year	14	258,441	425,413

## Note A: Disposal of a Subsidiary

In the previous year, the Group disposed the entire equity interest in its subsidiary, Market Strength Limited ("MSL"). The carrying value of net assets disposed and discharged were as follows:–

	Carrying Value \$'000
Investment in associate	240,529
Other receivables	36,749
	277,278
Other payables	(221,813)
Carrying value of net assets	55,465
Amount due from MSL	186,319
Gain on disposal	220,623
	462,407
<b>Consideration transferred for the disposal</b>	
Cash	390,095
Other receivables	72,312
	462,407
<b>Effect of the disposal on cash flows</b>	
Cash consideration	390,095
Less: Cash balance in subsidiary disposed of	–
Cash inflow on disposal	390,095

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 FINANCIAL YEAR ENDED 31 DECEMBER 2017

## Note B

With effect from 1 January 2017, the Amendments to FRS 7 Statements of Cash Flow comes with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The following is the disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items.

A reconciliation of liabilities arising from financing activities is as follows:

	<b>At 1 January</b>		<b>31 December</b>
	<b>2017</b>	<b>Cash flows</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Bank borrowings	<b>1,663,729</b>	<b>357,026</b>	<b>2,020,755</b>
Debt securities	<b>773,750</b>	<b>(518,048)</b>	<b>255,702</b>

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 FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 1 General information

The financial statements of the Group and the Company for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on the date of the Directors' statement.

The Company was incorporated as a limited liability company listed on Singapore Exchange and domiciled in Singapore.

The registered office and the principal place of business is at 3 HarbourFront Place #16-01 HarbourFront Tower Two, Singapore 099254.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

The Company's immediate holding company is Parallax Venture Partners XXX Ltd, a company incorporated in the British Virgin Islands and its ultimate holding company is Salim Wanye (Shanghai) Enterprises Co., Ltd, a company incorporated in the People's Republic of China.

## 2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information is presented in Singapore dollars, 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.

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below.

#### (a) Income taxes (Note 29)

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations 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. Where 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

### Significant accounting estimates and judgements (Cont'd)

#### (b) Operating lease commitments – as lessor (Note 32 (a))

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. The carrying value of the operating leases as of 31 December 2017 amounted to S\$74,673,000 (2016 – S\$77,997,000).

#### (c) Classification of investment properties (Note 5)

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.

#### (d) Determination of functional currency

The Group measures foreign currency translation in the respective currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

#### (e) Allowance for impairment losses on receivables (Notes 8 and 13)

The Company and the Group evaluate specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Company and the Group use judgement, based on the best available facts and circumstances including but not limited to the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors to record specific provisions for customers receivables against amount due to reduce its receivable amounts that the Company and the Group expect to collect. These specific provisions are revaluated and adjusted if additional information received affects the amounts of allowance for impairment losses of trade receivables, financing receivables and other receivables. The carrying amount of the Company's and the Group's receivables as at 31 December 2017 amount to S\$78,860,000 (2016 – S\$135,371,000) and S\$1,533,231,000 (2016 – S\$1,548,420,000) respectively.

#### (f) Deferred tax assets (Note 9)

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management estimates are required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying amounts of the Company's and the Group's deferred tax assets as at 31 December 2017 are S\$Nil (2016 – S\$2,474,000) and S\$33,013,000 (2016 – S\$40,025,000) respectively.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

### Significant accounting estimates and judgements (Cont'd)

#### (g) Going Concern

As at 31 December 2017, the Company's current liabilities exceeded its current assets by S\$295,596,000 (2016 – S\$441,864,000). The Company's net current liability position is mainly due to loans from its subsidiaries amounting S\$336,328,000 (2016 – S\$517,244,000). Excluding the loan from its subsidiaries, the Company's net current asset was S\$40,732,000 (2016 – S\$75,380,000). The financial statements have been prepared on a going concern basis as the Company is able to meet its current liabilities obligation for the next twelve months either through the dividend from its subsidiaries or financing through capital market. This was demonstrated by the Company's ability to redeem its bonds in 2017 and raised cash from share placement in late 2017.

As at 31 December, the Group has cash and cash equivalents of S\$258.4 million (2016 – S\$425.4 million) and net current assets of S\$442.6 million (2016 – S\$835.2 million) which is able to support its working capital requirements. The Group has outstanding bank loans of S\$1,308.2 million (2016 – S\$1,168.7 million) as at 31 December 2017 which is due within 12 months after year end.

The Group is of the view that the preparation of financial statements on a going concern basis is appropriate for the following reasons:

- the Group has unutilised credit facilities amounting to approximately S\$1,449 million (2016 – S\$1,202 million) and is able to raise funds through bank borrowings and capital market; and
- the Group is able to collect its total trade receivables as they fall due to settle its current liabilities.

### Critical accounting estimates and assumptions used in applying accounting policies

#### (a) Pension and employee benefits (Note 19)

The determination of the Group's obligation cost for pension and employee benefits liabilities is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate. Actual results that differ from the Group's assumptions are recognised in profit or loss as and when they occurred. While the Group believes that its assumptions are reasonable and appropriate, significant changes in the Group's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense. The carrying amount of employee benefit liabilities as at 31 December 2017 amounts to S\$41,999,000 (2016 – S\$38,467,000).

If the discount rate decreases by 1% from management's estimates, the present value of the pension and employee benefits obligation will be increased by S\$1,529,000 (2016 – S\$1,418,000).

#### (b) Depreciation of property, plant and equipment (Note 4)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 80 years. Changes in the expected level of usage and technological development could impact the economic useful lives and residual values of these assets, therefore future depreciation charges could be revised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

### Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

#### (b) Depreciation of property, plant and equipment (Note 4) (Cont'd)

The carrying amounts of the Company's and the Group's property, plant and equipment as at 31 December 2017 are S\$415,000 (2016 – S\$450,000) and S\$578,529,000 (2016 – S\$549,332,000) respectively. If the depreciation of the property, plant and equipment increases/decreases by 10%, the Group's profit for the year will decrease/increase by S\$7,217,000 (2016 – S\$8,061,000).

#### (c) Amortisation of intangible assets (Note 3)

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 with finite useful lives. Management estimates the useful lives of these intangible assets to be within 3 to 20 years. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to impairment testing if there are any indicators of impairment. Indefinite life intangibles are subject to annual impairment testing.

Intangibles assets are written off where, in the opinion of the management, no further economic benefits are expected to arise. The carrying value of the Company's and the Group's intangible assets, excluding goodwill, as at 31 December 2017 are S\$110,000 (2016 – S\$57,000) and S\$248,996,000 (2016 – S\$265,192,000) respectively. If the amortisation of intangible assets increases/decreases by 10%, the Group's profit for the year will decrease/increase by S\$1,631,000 (2016 – S\$1,642,000).

#### (d) Depreciation of investment properties (Note 5)

Investment properties are accounted for using the cost model and are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of these investment properties to be within 3 to 30 years. The carrying value of the investment properties are reviewed when events or changes in circumstances indicate the carrying value may not be recoverable.

The carrying value of the Group's investment properties as at 31 December 2017 is S\$232,625,000 (2016 – S\$231,686,000). If the depreciation of the investment properties increase/decrease by 10%, the Group's profit for the year will decrease/increase by S\$1,867,000 (2016 – S\$2,190,000).

#### (e) Fair value of financial instruments

The Group carries certain financial assets and liabilities at fair value. Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of the mathematical models. The input to these models are derived from observable market data where possible. Where observable data are not available, judgement are required to establish the fair value. The judgement includes considerations of liquidity and model inputs such as volatility and discount rate, prepayment rates and default rate assumptions, which fair value would differ if the Group utilised different valuation methodology. Any changes in fair values of these financial assets and liabilities would affect directly the Group's profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

### Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

#### (e) Fair value of financial instruments (Cont'd)

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring the fair values is included in the following note:

- Note 23 – Derivative financial instruments

The carrying amount of the Group's derivative financial assets as at 31 December 2017 is S\$7,419,000 (2016 – S\$15,827,000) and the carrying amounts of the Company's and the Group's derivative financial liabilities as at 31 December 2017 are S\$Nil (2016 – S\$260,000) and S\$631,000 (2016 – S\$1,380,000) respectively. If the fair value of the Group's derivative financial assets and the Company's and the Group's derivative financial liabilities increase/decrease by 10%, the Company's profit for the year will decrease/increase by S\$Nil (2016 – S\$26,000) and the Group's other comprehensive income for the year will increase/decrease by S\$679,000 (2016 – S\$1,445,000).

#### (f) Allowance for decline in market values and obsolescence of inventories (Notes 11 & 12)

Allowance for decline in market values and obsolescence of inventories is estimated based on the best available facts and circumstances including but not limited to the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated.

If the net realisable value of the inventories decreases by 10% from management's estimates, the Group's profit will decrease by S\$376,000 (2016 – S\$315,000). The carrying amounts of land inventories and other inventories as at 31 December 2017 are S\$591,767,000 (2016 – S\$612,963,000) and S\$260,020,000 (2016 – S\$217,164,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

### Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

#### (g) Impairment of goodwill (Note 3)

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The assessment of impairment of goodwill is determined based on the recoverable amount of the Group's cash-generating units ("CGU") according to business segments. The recoverable amount of the CGU is determined based value-in-use calculation.

This calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and use of estimates (Note 3). The carrying amount of goodwill as at 31 December 2017 amounts to S\$483,458,000 (2016 – S\$483,458,000).

#### (h) Impairment in investment in subsidiaries and associates (Notes 6 and 7)

Determining whether investments in subsidiaries and associates are impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Company and 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 investments based on such estimates. If the present value of estimated future cash flows decreased by 1% from management estimates, is not likely to materially affect the carrying amount. The carrying amount of the investment in subsidiaries and associates are disclosed in Notes 6 and 7 to the financial statements.

## 2(b) Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the amended FRSs that are mandatory for application from that date. This includes the following FRSs which are relevant to the Group:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to FRS 7	Statement of Cash Flows	1 January 2017
Amendments to FRS 12	Recognition of Deferred Tax Assets for Unrecognised Losses	1 January 2017
Improvements to FRSs (issued in December 2016) FRS 112	Disclosure of Interests in Other Entities	1 January 2017

#### Amendments to FRS 7 *Statement of Cash Flows*

The Amendments to FRS 7 *Statement of Cash Flows* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way – e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances.

These amendments are effective on beginning or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Company and Group when applied in.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(b) Interpretations and amendments to published standards effective in 2017 (Cont'd)

### Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments to FRS 12 is effective for annual periods beginning on or after 1 January 2017. Management has reassessed all unrealised losses on debt instruments measured at fair value and there is no material impact.

### Improvements to FRSs (issued in December 2016) FRS 112 *Disclosure of Interests in Other Entities*

These improvements to FRSs (issued in December 2016) FRS 112 *Disclosure of Interests in Other Entities* to clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. These Improvements to FRSs (issued in December 2016) are effective for 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Company when applied in.

## 2(c) SFRS(I) not yet effective

The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018 and thereafter Singapore Financial Reporting Standards (International) (SFRS(I)s) which refer to Singapore Financial Reporting Standards (International) and SFRS(I) Interpretations issued by the ASC.

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed below.

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to SFRS (I) 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
SFRS (I) 15	Revenue from Contracts with Customers	1 January 2018
SFRS (I) 9	Financial Instruments	1 January 2018
SFRS (I) 1 – 40	Amendments Transfers of Investment Property	1 January 2018
SFRS (I) INT 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
SFRS (I) 16	Leases	1 January 2019

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(c) SFRS(I) not yet effective (Cont'd)

### Amendments to SFRS (I) 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments to SFRS (I) 2 *Classification and Measurement of Share-based Payment Transactions*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- (i) The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- (ii) Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- (iii) A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Companies are required to apply the amendments for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact to the consolidated financial statements.

### SFRS (I) 15 *Revenue from Contracts with Customers*

SFRS (I) 15 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new five-step model that will apply to revenue arising from contracts with customers. Under this standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for Construction of Real Estate*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

SFRS (I) 15 is effective for annual periods beginning on or after 1 January 2018.

In 2017, the Group completed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group does not expect significant changes to the basis of revenue recognition for its revenue streams. However, additional disclosures for trade receivables and revenue may be required, including any significant judgement and estimation made. The Group is currently performing a detailed analysis under SFRS (I) 15 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment.

The standards clarify how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, FRS 115, i.e. on 1 January 2018.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(c) SFRS(I) not yet effective (Cont'd)

### SFRS (I) 9 Financial Instruments

SFRS (I) 9 *Financial Instruments* replaces the FRS 39 and it is a package of improvements introduced by SFRS (I) 9 which include a logical model for:

- Classification and measurement;
- A single, forward – looking “expected loss” impairment model; and
- A substantially reformed approach to hedge accounting.

SFRS (I) 9 is effective for annual periods beginning on or after 1 January 2018. In 2017, the Group has completed its initial assessment of the impact on the Group’s financial statements. Overall, the Group does not expect a significant change to the measurement basis arising from adoption the new classification and measurement model under SFRS (I) 9.

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS (I) 9.

For financial assets currently held at fair value, the Group expects to continue measuring cost of the assets at fair value under SFRS (I) 9.

Available-for-sale equity securities are held as long-term investments. For these, the Group expects to elect subsequent changes in fair value in OCI. Under SFRS (I) 9, only dividend income is recognised in profit or loss. Any subsequent fair value changes are recognised in OCI and will not be reclassified in profit or loss.

Impairment – FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loan, trade receivables, financing receivables and financial guarantees, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

The Group is currently performing a detailed analysis under SFRS (I) 9 which will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Management will consider whether the 12-month or lifetime expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of SFRS (I) 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group’s financial statements in the period of initial application as the management has yet to complete its detailed assessment.

### SFRS (I) 16 Leases

SFRS (I) 16 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 *Leases* that are no longer considered fit for purpose, and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. FRS 116 *Leases* will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted SFRS (I) 15.

The Group has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group has warehouse and factory where they are operating leases. The Group expects these operating leases to be recognised as right-of-use (“ROU”) assets with corresponding lease liabilities under the new standard. This would increase the gearing ratio of the Group. It is currently impracticable to disclose any further information on the known or reasonable estimable impact to the entity’s financial statement. Management does not plan to early adopt the above new SFRS (I) 16.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(c) SFRS(I) not yet effective (Cont'd)

### Amendments to SFRS (I) 1 – 40 Transfers of Investment Property

Under the amendments to SFRS (I) 1 – 40 *Transfers of Investment Property* has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The amendments are effective on 1 January 2018. The Group is reassessing the impact to the consolidated financial statements.

### SFRS (I) INT 22 Foreign Currency Transactions and Advance Consideration

This interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

The interpretations are effective from 1 January 2018. The Group is reassessing the impact to the consolidated financial statements.

## 2(d) Significant accounting policies

### (i) Consolidation

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

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

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

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (i) Consolidation (Cont'd)

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (i) Consolidation (Cont'd)

#### Transactions with Non-Controlling Interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### (ii) 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.

#### a. Goodwill

Goodwill on acquisition of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 and on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries and joint ventures is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisition prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (ii) Intangible assets (Cont'd)

#### b. Dealerships and distributorships

Dealerships and distributorships are amortised on straight-line basis over their useful life of 20 years.

#### c. 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 3 years.

### (iii) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to allocate the depreciable amount of these assets over their estimated useful lives as follows:

	<u>Years</u>
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 – 8
Medical equipment	7
Furniture, fixtures and equipment	1 – 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.

Costs incurred in the general overhaul of the main engines of vessels during dry docking are capitalised and depreciated over 3 to 5 years.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (iii) Property, plant and equipment and depreciation (Cont'd)

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

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 S\$1,000, they are expended as expenses in the profit or loss. 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.

### (iv) Investment properties

Investment properties consist of buildings and improvements that are held to earn rental yields, including portions of 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 de-recognised 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. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in the profit or loss.

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 or commencement of an operating lease to another party. 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (v) Investment in subsidiaries

In the Company's separate financial statements, shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

### (vi) Investment in associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss, on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate are prepared as of the same reporting date as the Company unless it is impracticable to do so. When the financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Company.

Upon loss of significant influence or joint control over the associate, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (vi) Investment in associates (Cont'd)

The Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if that associate or joint venture had directly disposed of the related assets or liabilities.

When an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

### (vii) 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 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 de-recognised 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 profit or loss in the year of sale or disposal.

### (viii) Other inventories

Other inventories are stated at the lower of cost and net realisable value. Cost is generally determined on a first-in, first-out basis, specific identification and average methods. The cost of finished goods and work-in-progress comprises goods held for resale, raw materials, labour and an appropriate portion of overheads. Allowance 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (ix) Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired and contractual terms. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date – the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

De-recognition of financial instruments occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment of impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company and the Group currently have legally enforceable rights to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not have investments to be designated as fair value through profit or loss and held-to-maturity financial assets.

#### (a) 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 receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include financing receivables, loans and notes receivables, trade and other receivables, and cash and bank balances. Loans and receivables are recognised initially at fair value, plus any directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (ix) Financial assets (Cont'd)

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

Available-for-sale financial assets include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in other comprehensive income, net of any effects arising from income taxes, until the financial assets are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income is included in the profit or loss for the year.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income shall be removed from the other comprehensive income and recognised in the profit or loss even though the financial asset has not been de-recognised.

The amount of the cumulative loss that is removed from other comprehensive income and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed in profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses recognised in a previous interim period in respect of available-for-sale equity investments are not reversed even if the impairment losses would have been reduced or avoided had the impairment assessment been made at a subsequent reporting period or end of the reporting period.

The Group's available-for-sale financial assets are shown in Note 10.

#### (c) Determination of fair value

The fair values of quoted financial assets are based on quoted market 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, the instrument is measured at cost less any allowance for impairment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (x) Financing receivables

#### (a) Consumer financing receivables

Consumer financing receivables are presented net of amounts financed by banks relating to the cooperation transactions of loan channelling, unearned consumer financing income and allowance for impairment loss on consumer financing receivables.

Based on the consumer joint financing agreements (without recourse), the Group only presents the portion of the total instalments receivable financing by the subsidiaries (net approach). The consumer financing income is presented net of amounts of the banks' rights on such income relating to the transactions.

For consumer joint financing, receivable take over and channelling agreements (with recourse), consumer financing receivables represent all customers' instalments and the total facilities financed by creditors are recorded as liability (gross approach). Interest earned from customers is recorded as part of consumer financing income, while interest charged by the creditors is recorded as part of financing charges.

Unearned income on consumer financing, which is the excess of the aggregate instalment payments to be received from the consumers over the principal amount financed, plus or deducted with the financing process administration fees or expenses, is recognised as income over the term of the respective agreement using effective interest rate method.

The Group does not recognise consumer financing income contract on receivables that are overdue more than three months. The interest income previously recognised during three (3) months but not yet collected is reversed against interest income. Such income is recognised only when the overdue receivable is collected.

#### (b) Net investment in financing leases

Net investment in financing leases represents financing lease receivables plus the guaranteed residual value at the end of the lease period and net of unearned financing lease income, security deposits and allowances for impairment losses. The difference between gross lease receivables and the present value of the lease receivable is recognised as unearned financing lease income.

Unearned financing lease income is recognised as financing lease income based on a constant rate on the net investment using effective interest rate.

### (xi) Foreclosed assets

Foreclosed assets acquired in conjunction with settlement of consumer financing receivables are stated at the lower of related consumer financing receivables' carrying value or net realisable value of foreclosed assets. The difference between the carrying value and the net realisable value recorded as part of allowance for impairment losses and loss on foreclosed assets and is recognised in profit or loss.

In case of default, the customer gives the right to the Group to sell the foreclosed assets or take any other actions to settle the outstanding receivables. Customers are entitled to the positive differences between the proceeds from sales of foreclosed assets and the outstanding consumer financing receivables. If the differences are negative, the resulting losses are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (xii) 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.

The golf membership is assessed as having indefinite life and there is no foreseeable limit to the period over which the memberships are expected to generate cash to the Group. The golf membership is tested for impairment and carried at cost less accumulated impairment loss.

### (xiii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in bank, short term deposits and other short-term investments with maturities of three months or less at the time of placement or purchase that are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short term commitment.

### (xiv) Share capital and treasury shares

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

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

### (xv) Financial liabilities

The Group's financial liabilities include loans and borrowings, debt securities (including bond), consumer financing, obligations under finance lease 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 profit or loss. Financial liabilities are de-recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company and the Group currently have legally enforceable rights to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings and debt securities are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings and debt securities 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 profit or loss over the period of the borrowings and debt securities using the effective interest method. Interest expense is chargeable on the amortised cost over the period of the borrowings and debt securities using the effective interest method.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (xv) Financial liabilities (Cont'd)

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

Borrowings and debt securities which are due to be settled within 12 months after the end of reporting period are included in current liabilities in the statements 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 end of financial period. Borrowings and debt securities 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 end of reporting period are included in non-current liabilities in the statements of financial position.

#### Convertible bonds

Convertible bonds that can be converted into share capital where the number of shares issued does not vary with changes in fair value of the bonds are accounted for as compound financial instruments. The gross proceeds are allocated to the equity and liability components, with the equity component being assigned the residual amount after deducting the fair value of the liability component from the fair value of the compound financial instruments.

Subsequent to initial recognition, the liability component of convertible bonds is measured at amortised cost using the effective interest method. The equity component of convertible bonds is not re-measured. When the conversion option is exercised, its carrying amount will be transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

#### Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method. Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on finance leases).

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on finance leases).

### (xvi) Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (xvi) Derivative financial instruments and hedging activities (Cont'd)

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

The Group uses derivative instruments, such as cross currency and interest rate swaps as part of its asset and liability management activities to manage exposures to foreign currency and interest rate. The Group applies cash flow hedge accounting when transactions meet the specified criteria for hedge accounting treatment.

#### Cash flow hedge

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in the profit or loss.

Changes in the carrying amount of cash flow hedges are charged to the hedging reserve in other comprehensive income. Amounts accumulated in other comprehensive income are recycled to the profit or loss in the periods when the hedged item affects profit or loss. When the hedged transaction results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability.

When a cash flow hedging instrument expires or sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in other comprehensive income is immediately transferred to profit or loss.

#### Derivatives financial instruments not designated as hedging instruments

Derivative financial instruments are not designated as hedging instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date of the derivative contract is entered into and subsequently re-measured at fair value. Such derivative financial instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are recorded directly in profit or loss for the period.

### (xvii) Leases

#### **Where the Group is the Lessee,**

##### Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (xvii) Leases (Cont'd)

#### Where the Group is the Lessee, (Cont'd)

##### Finance leases (Cont'd)

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment".

##### Operating leases

Rentals on operating leases are charged to profit or loss 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 profit or loss when incurred.

Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the profit or loss when incurred.

#### Where the Group is the Lessor,

##### Finance leases

Where assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the lease term using the net investment method, which reflects a constant periodic rate of return.

##### Operating leases

Assets leased out under operating leases are included in investment properties and are stated at revalued amounts and not depreciated. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

### (xviii) Income tax

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 end of reporting period.

Based on Government Regulation of the Republic of Indonesia (RI) No. 71/2008 dated November 4, 2008, companies whose main activity is sales of land and buildings, is subject to final tax for each payment on sales of land and factory (including condominiums and cottages) starting January 1, 2009.

Based on Government Regulation of RI No. 5/2002 dated March 23, 2002, each rental payment on the rental of buildings is subject to final tax of 10% from the gross rental amount starting May 1, 2002.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (xviii) Income tax (Cont'd)

Deferred income tax is recognised for all 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 accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:

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

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

### (xix) 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, which 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" and "Dana Pensiun Indomobil Group" 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, which applies to the majority of the employees. The contributions to the national pension scheme are charged to the profit or loss in the period to which the contributions relate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (xix) Employee benefits (Cont'd)

#### 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 reporting period.

#### 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 calculation is performed annually by qualified actuaries using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

#### 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 are considered key management personnel.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (xx) Impairment of non-financial assets

The carrying amounts of the Company's and Group's non-financial assets subject to impairment are reviewed at the end of each reporting period 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 related 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 represents the value-in-use based on an internal discounted cash flow calculation. 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 profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

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 profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

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 end of reporting period.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (xxi) Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company and the Group if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or the Group or of a parent of the Company.
- (b) An entity is related to the Company and the Group if any of the following conditions applies:
  - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### (xxii) 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 and when specific criteria have been met for each of the Group's activities as described below:

#### (a) Sales of goods

Revenue from sales arising from physical delivery of the Group's products is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincide with their delivery and acceptance.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (xxii) Revenue recognition (Cont'd)

#### (b) Sales of land and factory

Revenue from the sale of land and factory is recognised when all the following conditions have been satisfied:

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

The Group also considers:

- Commitment on delivery of key infrastructure to the sale site such that the buyer is able to access the land and commence construction.
- 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.

#### (c) Financial Services

Revenue from financial services is recognised over the term of the respective contracts based on a constant rate of return on the net investment.

#### (d) Rendering of services

Revenue from a contract to provide installation is recognised by reference to the stage of completion of the contract.

#### (e) Resort operations and ferry services

Revenue is recognised when the services are rendered.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (xxii) Revenue recognition (Cont'd)

#### (f) 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.

#### (g) 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.

#### (h) 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 telecommunication carriers are recognised at the time connections takes place.

#### (i) Clinic operation

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

#### (j) Utilities revenue

Revenue from electricity and water supply is recognised upon delivery.

#### (k) Interest income

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

#### (l) Dividends

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (xxiii) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the related asset. Otherwise, borrowing costs are recognised as expenses when incurred. Borrowing costs consist of interests and other financing charges that the Group incurs in connection with the borrowing of funds.

Capitalisation of borrowing costs commences when the activities to prepare the qualifying asset for its intended use are in progress and the expenditures for the qualifying asset and the borrowing costs have been incurred. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets are substantially completed for their intended use.

Foreign exchange differences arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs.

### (xxiv) Bond issuance costs

Costs incurred in connection with the issuance of bonds by the Group were deferred and are being amortised using the effective interest rate method over the term of the bonds.

The balance of deferred bonds issuance costs is presented as a deduction from the outstanding bonds payable.

### (xxv) Functional currencies

#### Functional and presentation currency

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

### (xxvi) 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 resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in the profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designed and qualifying as net investment hedged and net investment in foreign operations are recognised in other comprehensive income and accumulated in the translation reserve.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2(d) Significant accounting policies (Cont'd)

### (xxvi) Conversion of foreign currencies (Cont'd)

#### Transactions and balances (Cont'd)

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within "finance costs". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position.

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 rates at the end of the reporting period;
- (ii) Income and expenses for each statements presenting profit or loss and other comprehensive income (i.e. including comparatives shall be translated at exchange rates at the dates of the transactions; and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the translation reserve.

### (xxvii) Operating segments

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 FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 3 Intangible assets

		Computer software \$'000	Total \$'000
<b>The Company</b>			
<u>Cost</u>			
At 1 January 2016		542	542
Additions		51	51
Disposal		(23)	(23)
At 31 December 2016		570	570
Additions		106	106
<b>At 31 December 2017</b>		<b>676</b>	<b>676</b>
<u>Accumulated amortisation</u>			
At 1 January 2016		371	371
Amortisation for the year		165	165
Disposal		(23)	(23)
At 31 December 2016		513	513
Amortisation for the year		53	53
<b>At 31 December 2017</b>		<b>566</b>	<b>566</b>
<u>Net book value</u>			
<b>At 31 December 2017</b>		<b>110</b>	<b>110</b>
At 31 December 2016		57	57

	Goodwill \$'000	Dealerships and distributorships \$'000	Computer software \$'000	Total \$'000
<b>The Group</b>				
<u>Cost</u>				
At 1 January 2016	486,582	324,546	1,673	812,801
Additions	–	–	106	106
Disposal	–	–	(21)	(21)
Written off <sup>(a)</sup>	(3,124)	–	–	(3,124)
At 31 December 2016	483,458	324,546	1,758	809,762
Additions	–	–	115	115
Disposal	–	–	(9)	(9)
<b>At 31 December 2017</b>	<b>483,458</b>	<b>324,546</b>	<b>1,864</b>	<b>809,868</b>
<u>Accumulated amortisation</u>				
At 1 January 2016	–	43,272	1,442	44,714
Amortisation for the year	–	16,227	195	16,422
Disposal	–	–	(24)	(24)
At 31 December 2016	–	59,499	1,613	61,112
Amortisation for the year	–	16,227	86	16,313
Disposal	–	–	(9)	(9)
<b>At 31 December 2017</b>	<b>–</b>	<b>75,726</b>	<b>1,690</b>	<b>77,416</b>
<u>Net book value</u>				
<b>At 31 December 2017</b>	<b>483,458</b>	<b>248,820</b>	<b>174</b>	<b>732,452</b>
At 31 December 2016	483,458	265,047	145	748,650

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 3 Intangible assets (Cont'd)

### a. Goodwill

Impairment test for Goodwill

For the purpose of goodwill impairment testing, the carrying amount of goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segments.

A segment-level summary of the goodwill allocation is as follows:–

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Automotive	<b>483,458</b>	483,458
<b>At 31 December</b>	<b>483,458</b>	483,458

The recoverable amount of a CGU was determined based on value-in-use calculation. The value-in-use calculation is a discounted cash flow model using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond five-year period were extrapolated using the estimated growth rates stated below.

The goodwill of S\$3,124,000 was impaired in previous year due to 2 CGUs, (i) Resort operations and (ii) Property development continued to generate losses for the previous financial year.

Key assumptions used for value in use calculations:

	2017 Automotive	2016 Automotive
Gross margin <sup>(1)</sup>	<b>19.90% to 21.13%</b>	17.60%
Growth rate <sup>(2)</sup>	<b>9.26% to 9.93%</b>	4.00%
Discount rate <sup>(3)</sup>	<b>10.74%</b>	5.73%

(1) Budgeted gross margin

(2) Weighted average growth rate used to extrapolate cash flows beyond the budgeted period

(3) Pre-tax discount rate applied to the pre-tax cash flows projections



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 3 Intangible assets (Cont'd)

### a. Goodwill (Cont'd)

#### Impairment test for Goodwill (Cont'd)

Management determined budgeted gross margin based on past performance and its expectations of the market development. The weighted average growth rates reflected management's forecast relating to the automotive segment. The discount rates used were pre-tax and reflected specific risks relating to the automotive segment.

The Group believes that a decrease in the growth margin by 1% or a decrease in the growth rate by 1% used in the above assumptions are not likely to materially cause the recoverable amounts to be lower than the carrying amounts.

### b. Amortisation expense included in the profit or loss is analysed as follows:

	2017 \$'000	2016 \$'000
<b>The Group</b>		
General and administrative expenses	16,313	16,422
	<b>16,313</b>	<b>16,422</b>

## 4 Property, plant and equipment

	Furniture fixtures and equipment \$'000	Office equipment \$'000	Leasehold improvements \$'000	Total \$'000
<b>The Company</b>				
<u>Cost</u>				
At 1 January 2016	91	236	357	684
Additions	113	136	243	492
Disposals	(78)	(151)	(358)	(587)
At 31 December 2016	126	221	242	589
Additions	–	21	77	98
<b>At 31 December 2017</b>	<b>126</b>	<b>242</b>	<b>319</b>	<b>687</b>
<u>Accumulated depreciation</u>				
At 1 January 2016	76	217	357	650
Depreciation for the year	16	27	16	59
Disposals	(72)	(140)	(358)	(570)
At 31 December 2016	20	104	15	139
Depreciation for the year	25	43	65	133
<b>At 31 December 2017</b>	<b>45</b>	<b>147</b>	<b>80</b>	<b>272</b>
<u>Net book value</u>				
<b>At 31 December 2017</b>	<b>81</b>	<b>95</b>	<b>239</b>	<b>415</b>
At 31 December 2016	106	117	227	450

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 4 Property, plant and equipment (Cont'd)

	Balance at 1.1.2017 \$'000	Exchange translation difference \$'000	Additions \$'000	Reclassification/ transfers \$'000	Transfer from investment property \$'000	Disposals \$'000	Balance at 31.12.2017 \$'000
<b>The Group</b>							
<u>Cost</u>							
Leasehold land	208,522	(17,592)	3,257	783	8,330	(725)	202,575
Land improvements	5,176	-	-	115	-	-	5,291
Landfill	4,242	-	-	-	-	-	4,242
Building and infrastructures	367,243	(19,656)	6,981	(9,792)	-	(1,227)	343,549
Golf course	25,307	-	-	-	-	-	25,307
Utilities plant and machinery	304,847	-	1,927	533	-	(15,701)	291,606
Machinery and equipment	201,266	(17,500)	2,589	946	-	(671)	186,630
Vessels and ferry equipment	56,333	-	901	-	-	(162)	57,072
Working wharf	1,685	-	-	-	-	-	1,685
Transportation equipment and vehicles	239,360	(20,061)	13,054	66,029	-	(8,196)	290,186
Medical equipment	921	-	75	-	-	-	996
Furniture, fixtures and equipment	27,164	-	687	3,067	-	(1,323)	29,595
Office equipment	69,236	(6,150)	2,684	3,596	-	(744)	68,622
Resort equipment	3,062	-	168	8	-	(71)	3,167
Reservoir	10,037	-	-	(8)	-	-	10,029
Telecommunication equipment	12,417	-	806	(268)	-	(65)	12,890
Leasehold improvements	24,936	-	7	22	-	-	24,965
Construction-in-progress ("CIP")	4,704	37,926	92,671	(98,476)	-	-	36,825
<b>Total</b>	<b>1,566,458</b>	<b>(43,033)</b>	<b>125,807</b>	<b>(33,445)</b>	<b>8,330</b>	<b>(28,885)</b>	<b>1,595,232</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 4 Property, plant and equipment (Cont'd)

	Balance at 1.1.2017 \$'000	Exchange translation difference \$'000	Depreciation for the year \$'000	Reclassification/ transfers \$'000	Transfer from investment property \$'000	Disposals \$'000	Balance at 31.12.2017 \$'000
<b>The Group</b>							
Accumulated depreciation							
Leasehold land	97,705	(5,198)	5,574	807	-	-	98,888
Land improvements	4,734	-	242	-	-	-	4,976
Landfill	2,968	-	288	-	-	-	3,256
Building and infrastructures	240,330	-	13,002	(4,314)	-	(384)	248,634
Golf course	12,478	-	544	-	-	-	13,022
Utilities plant and machinery	264,994	(9,820)	7,008	520	-	(15,217)	247,485
Machinery and equipment	175,335	-	4,832	(5,201)	-	(707)	174,259
Vessels and ferry equipment	34,817	-	3,027	-	-	(160)	37,684
Working wharf	1,685	-	-	-	-	-	1,685
Transportation equipment and vehicles	77,365	(6,457)	24,535	(14,024)	-	(4,450)	76,969
Medical equipment	888	-	124	-	-	(337)	675
Furniture, fixtures and equipment	23,457	-	1,145	(374)	-	(21)	24,207
Office equipment	50,599	(4,637)	9,258	(1,326)	-	(1,940)	51,954
Resort equipment	2,381	-	184	-	-	(71)	2,494
Reservoir	6,929	-	392	-	-	-	7,321
Telecommunication equipment	8,538	-	674	(152)	-	(63)	8,997
Leasehold improvements	11,727	-	1,345	929	-	-	14,001
Construction-in- progress	196	-	-	-	-	-	196
<b>Total</b>	<b>1,017,126</b>	<b>(26,112)</b>	<b>72,174</b>	<b>(23,135)</b>	<b>-</b>	<b>(23,350)</b>	<b>1,016,703</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 4 Property, plant and equipment (Cont'd)

	Balance at 31.12.2017 \$'000	Balance at 1.1.2017 \$'000
<b>The Group</b>		
Net book value		
Leasehold land <sup>(iii)</sup>	103,687	110,817
Land improvements	315	442
Landfill	986	1,274
Building and infrastructures	94,915	126,913
Golf course	12,285	12,829
Utilities plant and machinery	44,121	39,853
Machinery and equipment	12,371	25,931
Vessels and ferry equipment	19,388	21,516
Working wharf	—	—
Transportation equipment and vehicles	213,217	161,995
Medical equipment	321	33
Furniture, fixtures and equipment	5,388	3,707
Office equipment	16,668	18,637
Resort equipment	673	681
Reservoir	2,708	3,108
Telecommunication equipment	3,893	3,879
Leasehold improvements	10,964	13,209
Construction-in-progress	36,629	4,508
<b>Total</b>	<b>578,529</b>	<b>549,332</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 4 Property, plant and equipment (Cont'd)

	Balance at 1.1.2016 \$'000	Exchange translation difference \$'000	Additions \$'000	Reclassification/ transfers \$'000	Disposals \$'000	Balance at 31.12.2016 \$'000
<b>The Group</b>						
<u>Cost</u>						
Leasehold land	205,647	5,487	5,992	(6,144)	(2,460)	208,522
Land improvements	5,176	–	–	–	–	5,176
Landfill	4,242	–	–	–	–	4,242
Building and infrastructures	345,917	6,561	16,881	213	(2,329)	367,243
Golf course	25,307	–	–	–	–	25,307
Utilities plant and machinery	310,977	–	1,384	276	(7,790)	304,847
Machinery and equipment	195,185	4,018	2,749	(54)	(632)	201,266
Vessels and ferry equipment	56,711	–	1,022	–	(1,400)	56,333
Working wharf	1,685	–	–	–	–	1,685
Transportation equipment and vehicles	223,046	11,093	13,731	661	(9,171)	239,360
Medical equipment	911	–	10	–	–	921
Furniture, fixtures and equipment	25,576	(7)	2,046	(2)	(449)	27,164
Office equipment	62,583	2,961	4,643	(346)	(605)	69,236
Resort equipment	2,459	–	603	–	–	3,062
Reservoir	9,721	–	–	316	–	10,037
Telecommunication equipment	11,059	272	1,129	(43)	–	12,417
Leasehold improvements	22,767	407	1,148	1,711	(1,097)	24,936
Construction-in-progress	30,458	3,128	83,635	(89,867)	(22,650)	4,704
<b>Total</b>	<b>1,539,427</b>	<b>33,920</b>	<b>134,973</b>	<b>(93,279)</b>	<b>(48,583)</b>	<b>1,566,458</b>

	Balance at 1.1.2017 \$'000	Exchange translation difference \$'000	Depreciation for the year \$'000	Reclassification/ transfers \$'000	Disposals \$'000	Balance at 31.12.2017 \$'000
<u>Accumulated depreciation</u>						
Leasehold land	91,528	895	5,575	(231)	(62)	97,705
Land improvements	4,486	–	248	–	–	4,734
Landfill	2,680	–	288	–	–	2,968
Building and infrastructures	224,483	3	14,313	1,531	–	240,330
Golf course	11,934	–	544	–	–	12,478
Utilities plant and machinery	257,510	1,876	8,327	(230)	(2,489)	264,994
Machinery and equipment	108,865	–	9,943	56,527	–	175,335
Vessels and ferry equipment	33,348	–	2,869	–	(1,400)	34,817
Working wharf	1,685	–	–	–	–	1,685
Transportation equipment and vehicles	73,206	3,894	24,827	(19,394)	(5,168)	77,365
Medical equipment	871	–	17	–	–	888
Furniture, fixtures and equipment	22,602	20	1,278	–	(443)	23,457
Office equipment	40,240	1,943	9,141	(284)	(441)	50,599
Resort equipment	2,264	–	117	–	–	2,381
Reservoir	6,537	–	392	–	–	6,929
Telecommunication equipment	7,745	215	578	–	–	8,538
Leasehold improvements	9,577	–	2,150	–	–	11,727
Construction-in-progress	–	(5)	–	201	–	196
<b>Total</b>	<b>899,561</b>	<b>8,841</b>	<b>80,607</b>	<b>38,120</b>	<b>(10,003)</b>	<b>1,017,126</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 4 Property, plant and equipment (Cont'd)

	Balance at 31.12.2016 \$'000	Balance at 1.1.2016 \$'000
<b>The Group</b>		
Net book value		
Leasehold land <sup>(iii)</sup>	110,817	114,119
Land improvements	442	690
Landfill	1,274	1,562
Building and infrastructures	126,913	121,434
Golf course	12,829	13,373
Utilities plant and machinery	39,853	53,467
Machinery and equipment	25,931	86,320
Vessels and ferry equipment	21,516	23,363
Working wharf	–	–
Transportation equipment and vehicles	161,995	149,840
Medical equipment	33	40
Furniture, fixtures and equipment	3,707	2,974
Office equipment	18,637	22,343
Resort equipment	681	195
Reservoir	3,108	3,184
Telecommunication equipment	3,879	3,314
Leasehold improvements	13,209	13,190
Construction-in-progress	4,508	30,458
<b>Total</b>	<b>549,332</b>	<b>639,866</b>

Depreciation expense

		<b>The Company</b>		<b>The Group</b>	
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Depreciation expense charged to:					
Profit or loss	28	<b>133</b>	59	<b>72,174</b>	80,607
		<b>133</b>	59	<b>72,174</b>	80,607

- (i) As at 31 December 2017, certain property, plant and equipment with carrying value totalling approximately S\$552,000,000 (2016 – S\$538,000,000) have been pledged as security to banks to secure borrowing and credit facilities for the Group (Note 17(i) and (iii)).
- (ii) The carrying amount of transportation equipment and vehicles held under finance leases at 31 December 2017 amounted to S\$1,153,939 (2016 – S\$231,674) (Note 17(iv)).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 4 Property, plant and equipment (Cont'd)

### (iii) The leasehold land

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

HGB	Expiration date
PT Bintan Resort Cakrawala	13 December 2023 (66 ha), 16 February 2025 (50.72 ha) and 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 (256.86 ha)	17 and 18 December 2019 (54.35 ha and 174.21 ha), 26 February 2025 (26.8 ha) and 1 July 2031 (1.5 ha)
PT Batamindo Executive Village (193 ha)	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 (245.41 ha excluding land sold)	24 August 2075 (235.89 ha) and 13 December 2023 (9.52 ha)

The details of the leasehold land ("Hak Guna Bangunan"/"HGB") under PT Indomobil Sukses Internasional Tbk and its subsidiaries comprise the following:

HGB	Expiration date
PT Indomobil Sukses Internasional Tbk. and its subsidiaries	17 April 2018 to 4 April 2044 (146.25 ha)



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 4 Property, plant and equipment (Cont'd)

Included in CIP account relates to CIP of PT Indomobil Sukses Internasional Tbk and its subsidiaries amounting to S\$32,187,000, representing all preliminary costs related to the construction of buildings and improvement and vehicles.

During the year, the Group carried out a review of the recoverable amounts of its property, plant and equipment in view of the continuing losses in certain subsidiaries. The recoverable amount of the assets was estimated based on value-in-use. The estimate of value-in-use was determined using a pre-tax discount rate of 10.71% to 12.90% (2016 – 5.73% to 9.65%).

Based on the assessment, no impairment loss was recognised.

## 5 Investment properties

	2017 \$'000	2016 \$'000
<b>The Group</b>		
<u>Cost</u>		
Balance at beginning of year	687,547	622,825
Additions	21,784	55,019
Disposals	–	(6,352)
Transfer to property, plant and equipment (Note 4)	(8,330)	–
Transfer from land inventories	14,035	17,498
Balance at end of year	715,036	688,990
<u>Accumulated depreciation</u>		
Balance at beginning of year	455,861	438,841
Depreciation for the year (Note 28)	26,550	23,873
Disposals	–	(5,410)
Balance at end of year	482,411	457,304
Net book value	232,625	231,686
Rental income (Note 28)	30,051	31,596
Direct operating expenses arising from investment property that generated rental income (Note 28)	(26,011)	(28,262)
Gross profit arising from investment properties	4,040	3,334

Investment properties of the Group are held mainly for use by tenants under operating leases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 5 Investment properties (Cont'd)

The following are the details of the investment properties of the Group:

<u>Description and location</u>	<u>Gross Area (approximately)</u>
Factories, dormitories, commercial complex and housing in Batamindo Industrial Park, Batamindo Executive Village and Bintan Inti Industrial Estate situated at Batam Island, Bintan Island and Villas	813,136 sqm
Office buildings situated in Jakarta	213,549 sqm

As of 31 December 2017, the fair value of the investment properties situated at Batam and Bintan Island of S\$467,143,000 (2016 – S\$467,143,000) was based on valuation using the income approach/replacement cost approach by independent professional valuers, KJPP Rengganis, Hamid & Rekan after taking into consideration the prevailing market conditions and other factors considered appropriate by the Directors, except for PT Batamindo Executive Village (PT BEV)'s investment properties. The net carrying values of PT BEV's investment properties as of 31 December 2017 amounted to S\$148,000 (2016 – S\$183,000) which approximates fair value based on management's estimates.

As of 31 December 2017, the fair value of the investment properties situated in Jakarta of S\$515,532,408 (2016 – S\$191,349,000) was based on valuation using the market approach, discounted cash flow method and replacement cost approach by independent professional valuers, KJPP Tri, Santi and Rekan.

## 6 Subsidiaries

	<u>2017 \$'000</u>	<u>2016 \$'000</u>
<b>The Company</b>		
– quoted equity securities	1,328,805	1,328,805
– unquoted equity securities		
– Balance on beginning of year	1,207,876	1,207,876
– Additions during the year	726	–
– Balance at end of year	1,208,602	1,207,876
	<u>2,537,407</u>	<u>2,536,681</u>

Management has determined that a subsidiary is considered material to the Group if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its revenue accounts for 10% or more of the Group's consolidated revenue.

During the year, the Group carried out a review of the recoverable amounts of its investment in subsidiaries in view of the continuing losses in certain subsidiaries. The recoverable amount of the assets was estimated based on value-in-use. The estimate of value-in-use was determined using a pre-tax discount rate of 10.71% to 12.90% (2016 – 5.73% to 9.65%).

Based on the assessment, no impairment loss was recognised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 6 Subsidiaries (Cont'd)

Details of the Group's material subsidiaries at the end of the reporting period are set out below:

Name	Place of incorporation/ and operation	Proposition of ownership interest and voting rights held by the Group		Principal activities
		2017 %	2016 %	
<u>Held by the Company</u>				
PT Indomobil Sukses Internasional Tbk (“PT IMAS”) <sup>(1)(4)</sup>	Indonesia	71.49	71.49	Investment holding
PT Batamindo Investment Cakrawala (“PT BIC”) <sup>(2)</sup>	Indonesia	99.99	99.99	Development and management of industrial estate
<u>Held by Verizon Resorts Limited</u>				
PT Buana Megawisata (“PT BMW”) <sup>(3)</sup>	Indonesia	99.99	99.99	Wholesaler of hotels, resorts and golf courses, resort development activities and business management consultancy

Notes:

- (1) Audited by Purwantono, Sungkoro & Surja, a member firm of Ernst & Young Global Limited
- (2) Audited by Kosasih, Nurdyaman, Tjahjo & Rekan, a member firm of Crowe Horwath International
- (3) Audited by Johan Malonda Mustika & Rekan
- (4) On 3 November 2017, a non-wholly owned subsidiary of PT Indo Global Traktor received capital injection of IDR 6,735,000 from another shareholder. Upon the completion capital injection, the effective shareholding changed from 36.4% to 13.5%, and ceased to be a subsidiary of PT IMAS.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Place of incorporation/ and operation	Number of subsidiaries	
		2017	2016
Car rental	Indonesia	<b>5</b>	5
Data Processing	Indonesia	<b>1</b>	1
Development, operation and management of industrial park/resorts/residential/country club	Indonesia	<b>22</b>	6
Distributor/dealership	Indonesia	<b>47</b>	48
Dormant	Singapore	<b>1</b>	1
E-Learning/Education services	Indonesia	<b>1</b>	–
E-Learning/Education services	Singapore	<b>1</b>	–
Financing	Indonesia	<b>1</b>	1
Investment holding	British Virgin Islands	<b>3</b>	3
Investment holding	Indonesia	<b>1</b>	1
Investment holding	Malaysia	<b>1</b>	1
Investment holding	Seychelles	<b>1</b>	1
Investment holding	Singapore	<b>1</b>	1
Logistic	Indonesia	<b>2</b>	2

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 6 Subsidiaries (Cont'd)

Principal activities	Place of incorporation/ and operation	Number of subsidiaries	
		2017	2016
Management and consultancy services	Indonesia	1	1
Management and consultancy services	Singapore	2	2
Manpower Service	Indonesia	1	1
Manufacturing/assembling	Indonesia	3	2
Plantation/Forestry contractor	Indonesia	2	2
Press and dies manufacturing	Indonesia	2	2
Provision of ferry services	Singapore	1	1
Rental and Building Management	Indonesia	1	1
Repair	Indonesia	–	1
Telecommunication services	Indonesia	1	1
Trading	Indonesia	9	10
Workshop/gas station	Indonesia	3	3
		<b>114</b>	<b>98</b>

Shares held in PT IMAS and PT BMW have been pledged as securities for bank borrowings (Note 17(iii)).

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

### a. Summarised Consolidated Statements of Financial Position

	PT Indomobil Sukses Internasional Tbk and its subsidiaries As at 31 December	
	2017 \$'000	2016 \$'000
Current assets	<b>1,303,865</b>	1,253,042
Non-current assets	<b>1,792,324</b>	1,392,499
Current liabilities	<b>(1,555,761)</b>	(1,355,742)
Non-current liabilities	<b>(624,533)</b>	(680,599)
Equity attributable to owners of the Company	<b>(789,086)</b>	(499,101)
Non-controlling interests	<b>(126,810)</b>	(110,099)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 6 Subsidiaries (Cont'd)

### b. Summarised Consolidated Statement of Comprehensive Income

	PT Indomobil Sukses Internasional Tbk and its subsidiaries For year ended 31 December	
	2017 \$'000	2016 \$'000
Revenue	1,587,871	1,555,332
Expenses	(1,596,731)	(1,592,162)
Loss for the year	(8,860)	(36,830)
Loss attributable to owners of the Company	(13,565)	(33,718)
Profit/(loss) attributable to non-controlling interests	4,705	(3,112)
Loss for the year	(8,860)	(36,830)
Other comprehensive income attributable to owners of the Company	267,644	59,872
Other comprehensive (expense)/income attributable to non-controlling interests	(1,048)	5,196
Other comprehensive income for the year	266,596	65,068
Total comprehensive income attributable to owners of the Company	254,079	26,154
Total comprehensive income attributable to non-controlling interests	3,657	2,084
Total comprehensive income for the year	257,736	28,238

### c. Summarised Consolidated Statement of Cash Flows

	PT Indomobil Sukses Internasional Tbk and its subsidiaries For year ended 31 December	
	2017 \$'000	2016 \$'000
Net cash (outflow)/inflow from operating activities	(59,366)	65,524
Net cash outflow from investing activities	(111,243)	(200,692)
Net cash inflow from financing activities	145,047	161,565
Net cash (outflow)/inflow	(25,562)	26,397

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 7 Associates

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Unquoted equity investments, at cost		
Beginning of the year	324,497	558,918
Additions during the year	5,511	57,844
Disposal during the year*	(7,820)	(292,265)
	322,188	324,497
Provision for impairment of investment in associates <sup>(1)</sup>	(33,549)	(33,549)
Exchange translation difference	7,395	8,321
Share of post-acquisition reserves	(149,560)	(64,895)
Dividend paid by associates companies	(6,620)	(746)
	139,854	233,628

\* Refer to Note A of the Consolidated Statement of Cash Flows.

(1) In the previous year, goodwill of S\$33,549,000 relating to an associate was impaired as the associate had incurred losses over the years.

Set out below are the associates of the Group as at 31 December 2017, which, in the opinion of the directors are material to the Group.

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by Group*	
			2017 %	2016 %
Indirectly held through PT IMAS's subsidiaries				
PT Hino Motor Sales Indonesia ("PT HMSI") <sup>(1)</sup>	Distributor	Indonesia	28.6	28.6
PT Nissan Motor Indonesia ("PT NMI") <sup>(1)</sup>	Manufacturing	Indonesia	17.87	17.87
PT Nissan Motor Distributor Indonesia ("PT NMDI") <sup>(1)</sup>	Distributor	Indonesia	17.87	17.87
PT Shinhan Indo Finance ("PT SIF") <sup>(2)</sup>	Financing	Indonesia	17.56	17.56

\* These represent the effective interest percentage held by the Group

(1) Audited by Purwantono, Sungkoro & Surja, a member of Ernst & Young Global Limited

(2) Audited by Johan Malonda Mustika & Rekan

All of these associates are accounted for using the equity method in these consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 7 Associates (Cont'd)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements in accordance with FRSs.

### a. Summarised Statements of Financial Position

	PT HMSI Year ended		PT NMI Year ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	\$'000	\$'000	\$'000	\$'000
Current assets	408,830	348,158	167,284	254,470
Non-current assets	14,695	18,901	175,430	269,944
Current Liabilities	(356,437)	(286,411)	(88,033)	(42,384)
Non-current liabilities	(1,436)	(1,579)	(13,015)	(11,101)

	PT NMDI Year ended		PT SIF Year ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	\$'000	\$'000	\$'000	\$'000
Current assets	128,478	103,835	131,455	106,433
Non-current assets	16,111	34,987	17,249	17,669
Current Liabilities	(188,332)	(128,797)	(83,405)	(10,223)
Non-current liabilities	(3,129)	(2,010)	(45,476)	(89,884)

### b. Summarised Statement of Comprehensive Income

	PT HMSI Year ended		PT NMI Year ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	\$'000	\$'000	\$'000	\$'000
Revenue	1,112,077	724,057	198,831	260,767
Profit/(Loss) from continuing operations	9,545	32,430	(135,726)	(59,769)
Other comprehensive expense for the year	–	–	–	(456)
Total comprehensive income/(expense)				
for the year	9,545	23,112	(135,726)	(57,754)
Dividends received from the associate during the year	6,620	–	–	–



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 7 Associates (Cont'd)

### b. Summarised Statement of Comprehensive Income (Cont'd)

	PT NMDI		PT SIF	
	Year ended		Year ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	\$'000	\$'000	\$'000	\$'000
Revenue	326,173	379,181	14,671	10,678
Loss from continuing operations	(31,415)	(23,816)	(12,792)	(8,867)
Other comprehensive expense				
for the year	–	(97)	(54)	(241)
Total comprehensive expense				
for the year	(31,415)	(23,360)	(12,848)	(6,979)
Dividends received from the associate				
during the year	–	–	–	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2017	2016
	\$'000	\$'000
<b>The Group</b>		
Net assets of the associates	280,269	582,008
Proportion of the Group's ownership interest in the associates	57,069	112,423
PPA adjustment	33,500	33,500
Carrying amount	90,569	145,923
Add:		
Carrying amount of individually immaterial associates	49,285	87,705
Carrying amount of the Group's interest in the associates	139,854	233,628

PPA adjustment relate mainly to the goodwill of an associate.

### Unrecognised share of losses of an associate

	2017	2016
	\$'000	\$'000
The unrecognised share of losses of an associate for the year	46,872	–
Cumulative unrecognised share of loss of an associate	46,872	–

### Aggregate information of associates that are not individually material

#### Summarised Statements of Comprehensive Income

	2017	2016
	\$'000	\$'000
<b>The Group</b>		
Profit/(loss) from continuing operations	8,771	(8,689)
Other comprehensive income for the year	(813)	–
Total comprehensive expense for the year	7,958	(8,689)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 8 Financing receivables

The following consists of consumer financing receivables and investment in finance leases from subsidiaries engaged in financial services.

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Current		
Net investment in financing leases	216,055	202,214
Consumer financing receivables – net	237,229	244,925
	453,284	447,139
Non-Current		
Net investment in financing leases	283,203	238,153
Consumer financing receivables – net	252,441	272,206
	535,644	510,359
	988,928	957,498

As at 31 December 2017, financing receivables amounting to S\$471 million (2016 – S\$444 million) and S\$119 million (2016 – S\$517 million) have been pledged as security for borrowings (Note 17(iii)) and debt securities (Note 18) respectively.

The effective interest rates of consumer financing receivables in Indonesian Rupiah are ranging from 11.81% to 35.18% and 9.00% to 9.44% in US dollar as of 31 December 2017 (2016 – 11.81% to 35.18% and 9.00% to 9.44% in US dollar).

The effective interest rates of net investment in financing leases in Indonesian Rupiah are ranging from 9.48% to 19.30% and 7.50% to 9.80% in US dollar as of 31 December 2017 (2016 – 9.48% to 19.30% and 7.50% to 9.80% in US dollar).

### (a) Consumer financing receivables-net

	2017 \$'000	2016 \$'000
<b>The Group</b>		
<u>Gross Investments – Third Parties</u>		
Within one year	272,893	292,693
Between 2 – 5 years	306,500	331,412
After 5 years	–	–
Total	579,393	624,105
Less: unearned finance income	(84,626)	(100,918)
Less: allowance for impairment losses	(5,097)	(6,056)
Consumer financing receivables – net	489,670	517,131

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 8 Financing receivables (Cont'd)

### (a) Consumer financing receivables-net (Cont'd)

The ageing of consumer financing receivables past due but not impaired as at 31 December 2017 is as follows:

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Past due 1 – 30 days	3,412	3,857
Past due 31 – 60 days	1,965	2,329
Past due more than 60 days	3,288	2,069
	<b>8,665</b>	8,255

Consumer financing receivables that were neither past due nor impaired amounting to S\$565,631,000 (2016 – S\$609,794,000) for the Group were related to customers for whom there was no recent history of default. Consumer financing receivables that were past due but not impaired related to customers that have a good track record with the Group.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of consumer financing receivables not past due or past due over 60 days. These receivables are mainly arising from customers that have a good credit record with the Group.

Movements in the allowance for impairment of consumer financing receivables are as follows:

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Beginning of the year	6,056	5,116
Allowance for the year	35,624	30,911
Written off during the year	(36,107)	(30,247)
Translation differences	(476)	276
Balance at end of the year	<b>5,097</b>	6,056

Management believes that the above allowance for impairment losses on consumer financing receivables is adequate to cover possible losses that may arise from non-cancellation of financing receivables.

The consumer financing receivables are denominated in the following currencies:

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Indonesian rupiah	486,901	514,126
United States dollar	2,769	3,005
	<b>489,670</b>	517,131

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 8 Financing receivables (Cont'd)

### (a) Consumer financing receivables-net (Cont'd)

The consumer financing debtors relate primarily to the Group's motor vehicle and motorcycle financing. Before accepting new customers, the Group assesses the potential customers' credit worthiness and sets credit limits by using its internal systems. The receivables given to the customers for financing of vehicles are secured by Certificates of Ownership (BPKB) or other documents of ownership which give the Group the right to sell the repossessed collateral or take any other action to settle the outstanding debt.

The loan period ranges from 12 to 36 months for motorcycles, 12 to 60 months for passenger cars and 12 to 36 months for commercial vehicles and heavy equipment and machinery. Default or delinquency in payment is considered an indicator that the debtor balances are impaired. An allowance for impairment is made based on the estimated irrecoverable amount by reference to past default experience. The Group has the right to repossess the assets whenever its customers default on their instalment obligations. It usually exercises its right if the loan has been overdue for 30 days or longer for motorcycle and passenger car and 60 days or longer for commercial vehicle and heavy equipment and machinery. Management has considered the balances against which collective impairment provision is made as impaired.

### (b) Net investment in financing leases

	2017 \$'000	2016 \$'000
<b>The Group</b>		
<u>Gross Investments – Third Parties</u>		
Within one year	<b>280,371</b>	259,443
Between 2 – 5 years	<b>337,594</b>	280,626
	<b>617,965</b>	540,069
<u>Gross Investments – Related parties</u>		
Within one year	–	421
Less: unearned finance lease income	<b>(114,719)</b>	(95,562)
Less: allowance for impairment losses	<b>(3,988)</b>	(4,561)
Investment in financing lease – net	<b>499,258</b>	440,367

All the net investment in financing leases that were neither past due nor impaired were related to customers for whom there was no recent history of default. The Group believes that no impairment allowance is necessary in respect of the financing receivables as these are mainly arising from customers that have a good credit record with the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 8 Financing receivables (Cont'd)

### (b) Net investment in financing leases (Cont'd)

Movements in the allowance for impairment of net investment in finance leases are as follows:

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Beginning of the year	4,561	7,470
Allowance for the year	207	–
Written off during the year	–	(3,143)
Translation differences	(780)	234
Balance at end of the year	3,988	4,561

The Group believes that the above allowance for impairment losses on financing receivables on net investment in finance lease is adequate to cover possible losses that may arise from non-cancellation of financing receivables.

The financing receivables on net investment in financing leases are denominated in the following currencies:

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Indonesian rupiah	451,393	370,046
United States dollar	47,865	70,321
	499,258	440,367

## 9 Deferred taxation

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

	2017 \$'000	2016 \$'000
<b>The Company</b>		
<b>Deferred tax assets</b>		
To be recovered within one year	–	–
To be recovered after one year	–	2,474
	–	2,474
<b>The Group</b>		
<b>Deferred tax assets</b>		
To be recovered within one year	–	–
To be recovered after one year	33,013	40,025
	33,013	40,025
<b>Deferred tax liabilities</b>		
To be recovered within one year	–	–
To be recovered after one year	89,759	94,040
	89,759	94,040

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 9 Deferred taxation (Cont'd)

The balance of deferred tax assets and liabilities comprise tax on:-

	Balance at 1 January 2017 \$'000	(Credited)/ charged to profit or loss \$'000	Balance at 31 December 2017 \$'000
<b>The Company</b>			
<b>Deferred tax assets</b>			
Fiscal loss net of expired tax loss	2,703	(2,703)	-
Property, plant and equipment	(22)	22	-
Interest income	(207)	207	-
	<u>2,474</u>	<u>(2,474)</u>	<u>-</u>

	Balance at 1 January 2016 \$'000	Credited to profit or loss \$'000	Balance at 31 December 2016 \$'000
<b>Deferred tax assets</b>			
Fiscal loss net of expired tax loss	6,731	(4,028)	2,703
Property, plant and equipment	(22)	-	(22)
Interest income	(207)	-	(207)
	<u>6,502</u>	<u>(4,028)</u>	<u>2,474</u>

	Balance at 1 January 2017 \$'000	(Credited)/ charged to profit or loss (Note 29) \$'000	Charge to OCI for the year \$'000	Foreign exchange difference \$'000	Balance at 31 December 2017 \$'000
<b>The Group</b>					
<b>Deferred tax assets</b>					
Fiscal loss net of expired tax loss	35,401	-	-	(4,801)	30,600
Estimated liability for employee service entitlements	6,635	908	(189)	(797)	6,557
Allowance for impairment loss of receivables	485	411	-	331	1,227
Allowance for impairment loss of investments	7,523	186	-	(530)	7,179
Valuation allowance	(2)	-	-	-	(2)
Property, plant and equipment	(13,124)	-	-	4,019	(9,105)
Foreclosed and intangible assets	1,247	(105)	-	(98)	1,044
Lease transaction	(50)	30	-	(8)	(28)
Others	1,910	(557)	-	(5,812)	(4,459)
	<u>40,025</u>	<u>873</u>	<u>(189)</u>	<u>(7,696)</u>	<u>33,013</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 9 Deferred taxation (Cont'd)

	Balance at 1 January 2017 \$'000	(Credited)/ charged to profit or loss (Note 29) \$'000	Charge to OCI for the year \$'000	Foreign exchange difference \$'000	Balance at 31 December 2017 \$'000
<b>The Group</b>					
<b>Deferred tax liabilities</b>					
Fiscal loss net of expired tax loss	(203)	24	–	609	430
Estimated liability for employee service entitlements	858	30	132	140	1,160
Property, plant and equipment	(5,863)	517	–	(10,339)	(15,685)
Allowance for impairment loss of receivables	90	(19)	–	19	90
Interest income	(1)	–	–	–	(1)
Associates	(16,810)	–	–	–	(16,810)
Amortisation of distributorships and Dealerships	(66,302)	4,056	–	–	(62,246)
Others	(5,809)	–	–	9,112	3,303
	<u>(94,040)</u>	<u>4,608</u>	<u>132</u>	<u>(459)</u>	<u>(89,759)</u>
	Balance at 1 January 2016 \$'000	(Credited)/ charged to profit or loss (Note 29) \$'000	Charge to OCI for the year \$'000	Foreign exchange difference \$'000	Balance at 31 December 2016 \$'000
<b>The Group</b>					
<b>Deferred tax assets</b>					
Fiscal loss net of expired tax loss	40,582	2,627	–	(7,808)	35,401
Estimated liability for employee service entitlements	5,679	984	(120)	92	6,635
Allowance for impairment loss of receivables	629	446	–	(590)	485
Allowance for impairment loss of investments	2,519	4,688	–	316	7,523
Valuation allowance	(1)	(1)	–	–	(2)
Property, plant and equipment	(13,834)	(3,307)	–	4,017	(13,124)
Foreclosed and intangible assets	1,257	(68)	–	58	1,247
Lease transaction	163	(884)	–	671	(50)
Others	3,533	(1,999)	–	376	1,910
	<u>40,527</u>	<u>2,486</u>	<u>(120)</u>	<u>(2,868)</u>	<u>40,025</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 9 Deferred taxation (Cont'd)

	Balance at 1 January 2016 \$'000	(Credited)/ charged to profit or loss (Note 29) \$'000	Charge to OCI for the year \$'000	Foreign exchange difference \$'000	Balance at 31 December 2016 \$'000
<b>The Group</b>					
<b>Deferred tax liabilities</b>					
Fiscal loss net of expired tax loss	(183)	(42)	–	22	(203)
Estimated liability for employee service entitlements	621	90	124	23	858
Property, plant and equipment	(6,539)	951	–	(275)	(5,863)
Allowance for impairment loss of receivables	73	16	–	1	90
Interest income	(1)	–	–	–	(1)
Associates	(16,810)	–	–	–	(16,810)
Amortisation of distributorships and dealerships	(70,361)	4,059	–	–	(66,302)
Others	(2,481)	155	–	(3,483)	(5,809)
	<u>(95,681)</u>	<u>5,229</u>	<u>124</u>	<u>(3,712)</u>	<u>(94,040)</u>

Unrecognised taxable temporary differences associated with investments in subsidiaries and associates

Deferred income tax liabilities of S\$51,000,000 (2016 – S\$56,000,000) have not been recognised for withholding and other taxes that will be payable on the earnings of overseas subsidiaries and associates when remitted to the holding company.

## 10 Other non-current assets

		The Company		The Group	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Unquoted investments in shares of stock					
– at cost					
Beginning of the year		–	–	41,431	38,310
Addition during the year		–	–	16,117	364
Translation differences		–	–	(533)	2,757
		–	–	57,015	41,431
– allowance for impairment losses	(i)	–	–	(10,000)	(10,000)
		–	–	47,015	31,431
Quoted investment in shares of stock					
Beginning of the year		–	–	68,966	64,090
Fair value reserve		–	–	–	2,813
Translation difference		–	–	(19,444)	2,063
	(ii)	–	–	49,522	68,966
Total available-for-sale financial assets		–	–	96,537	100,397
Derivative assets	23	–	–	7,419	15,827
Estimated claims for tax refund		–	–	29,600	33,629
Restrictive cash in banks and time deposits		–	–	581	766
Other receivables		–	–	13,902	1,877
Prepayment and deposits		155	154	1,761	422
		<u>155</u>	<u>154</u>	<u>149,800</u>	<u>152,918</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 10 Other non-current assets (Cont'd)

- (i) Included in the unquoted investments in shares of stock is a subsidiary's share of approximately 10% of total shares in Bintan Lagoon Resort Ltd ("BLRL") and are classified as available-for-sale financial assets. There is 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. These investments has been stated at cost. The carrying amount of the unquoted equity investments has been fully impaired due to carrying amount of BLRL had been below cost for prolonged period.
- (ii) The quoted equity investments represent the Group's investment in shares of PT Mutistrada Arah Sarana Tbk. which are listed on Indonesian Stock Exchange. These are classified as available-for-sale financial assets and stated at fair value.

## 11 Land inventories

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Land for sale, at cost	<b>591,767</b>	612,963

As at 31 December 2017, land inventories of PT Surya Bangun Pertiwi ("PT SBP") comprise 3,744 ha (2016 – 3,744 ha) with Building Use Right ("HGB"). Part of the land's HGB for 3,285 ha (2016 – 3,285 ha) will expire in 30 years while the HGB of 459 ha (2016 – 459 ha) has been extended and renewed for period of 80 years, effective from August 1995.

As at 31 December 2017, PT BMW's land inventories comprise 13,925 ha (2016 – 13,932 ha) of land with HGB certificates. Part of the land's HGB amounting to 12,153 ha (2016 – 12,160 ha) will expire in 30 years while the HGB of 1,772 ha (2016 – 1,772 ha) has been extended and renewed for a period of 80 years.

Certain plot of lands under land inventories have been pledged as collateral for bank borrowings (Note 17(iii)).

## 12 Other inventories

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Finished/trading goods <sup>(1)</sup>	<b>167,253</b>	121,218
Work-in-progress	<b>1,577</b>	1,804
Raw and indirect materials	<b>4,886</b>	4,412
Spare parts	<b>73,274</b>	71,828
Inventories-in-transit	<b>1,581</b>	2,209
Fuel and lubrication oil	<b>2,687</b>	2,616
Consumables and supplies	<b>61</b>	6,464
Others	<b>12,458</b>	9,765
Allowance for inventories obsolescence	<b>(3,757)</b>	(3,152)
	<b>260,020</b>	217,164

(1) The finished/trading goods consist of automobiles, motorcycles and stamping dies.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 12 Other inventories (Cont'd)

Movements in the allowance for inventories obsolescence are as follows:

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Beginning of the year	3,152	1,940
Reversal of allowance for the year	(512)	(1,364)
Written off during the year	288	(240)
Translation differences	829	2,816
End of the year	3,757	3,152

The reversal of allowance during the prior year were made when the related inventories were sold above their carrying amount in previous periods.

Inventories amounting to S\$181 million at 31 December 2017 (2016 – S\$228 million) have been pledged as collateral for bank borrowing (Note 17(i) and (iii)) and debt securities (Note 18).

## 13 Trade and other receivables

		The Company		The Group	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables					
– related parties		–	–	39,962	33,000
– external parties		–	–	218,180	216,521
Impairment of trade receivables		–	–	(10,746)	(9,570)
Net trade receivables	(i)	–	–	247,396	239,951
Other receivables:					
Refundable deposits		573	153	765	187
Prepayments		1,943	1,620	40,138	39,712
Amount owing by subsidiaries		76,304	61,274	–	–
Amount owing by related parties		–	11	195,068	168,750
Interest receivables		–	–	–	–
Foreclosed assets	22	–	–	14,236	15,940
Others		40	72,313	48,214	127,705
		78,860	135,371	298,421	352,294
Impairment of other receivables		–	–	(1,514)	(1,321)
Net other receivables	(ii)	78,860	135,371	296,907	350,973
Total	(i) + (ii)	78,860	135,371	544,303	590,924

In prior year, included in others is a receivable of S\$72,312,000 arising from the disposal of a subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 13 Trade and other receivables (Cont'd)

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	78,226	134,737	218,889	258,785
Indonesian rupiah	–	–	284,883	259,921
United States dollar	634	634	36,873	71,251
Euro	–	–	3,657	966
Swedish Krona	–	–	1	1
	<b>78,860</b>	<b>135,371</b>	<b>544,303</b>	<b>590,924</b>

The ageing of trade and other receivables past due but not impaired is as follows:

	The Company		The Group	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Past due 1 – 30 days	–	–	38,525	46,318
Past due 31 – 90 days	–	–	13,681	9,151
Past due more than 90 days	40	72,313	73,307	143,301
	<b>40</b>	<b>72,313</b>	<b>125,513</b>	<b>198,770</b>

Trade and other receivables that were neither past due nor impaired amounting to S\$78,820,000 (2016 – S\$63,058,000) and S\$418,790,000 (2016 – S\$392,154,000) for the Company and the Group respectively related to a wide range of customers for whom there was no recent history of default. Trade and other receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due over 90 days. These receivables are mainly arising from customers that have a good credit record with the Group.

The movements in allowance for impairment losses on doubtful receivables in respect of trade and other receivables were as follows:

	Allowance for impairment losses on trade receivables		Allowance for impairment losses on other receivables	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>The Group</b>				
At 1 January	9,570	8,796	1,321	1,535
Allowance during the year	1,667	1,963	18	294
Allowance written off during the year	(60)	–	–	–
Reversal of allowance during the year	(363)	(20)	–	–
Translation differences	(68)	(1,169)	175	(508)
At 31 December	<b>10,746</b>	<b>9,570</b>	<b>1,514</b>	<b>1,321</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 13 Trade and other receivables (Cont'd)

The reversal of allowance was due to the doubtful debts recovered from receivables which were previously provided for.

The average credit period for external and related parties on sales of goods and services varies among the Group's businesses but it is not more than 90 days and do not bear any interest. The credit quality of trade and other receivables is assessed based on credit policies established by the individual Group businesses. Significant financial difficulties of a trade and other debtor, probability that the trade and other debtor will enter bankruptcy or delinquency in payment are considered indicators that the trade and other debtor is impaired and an allowance for impairment is made based on the estimated irrecoverable amount determined by reference to past default experience.

As at 31 December 2017, certain trade and other receivables amounting to approximately S\$286 million (2016 – S\$381 million) were pledged to banks to secure borrowing and credit facilities of the Group (Note 17(i) and (iii)) and debt securities (Note 18).

The non-trade amount owing by subsidiaries represents (i) interest bearing loans at 1.75% per annum + 1 month SIBOR rate, and (ii) advanced payment of expenses which are non-interest bearing. These balances are unsecured and repayable on demand.

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

The related parties are corporate entities who are subject to common control or common significant influence by a shareholder of the Company.

## 14 Cash and cash equivalents

	The Company		The Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash at bank and on hand	2,344	840	127,015	198,699
Time deposits	50	195,294	131,426	226,714
	<b>2,394</b>	<b>196,134</b>	<b>258,441</b>	<b>425,413</b>

- (i) The fixed deposits have an average maturity of 1 day to 365 days (2016 – 1 day to 365 days) from the end of the financial year with the following interest rates:

	2017	2016
Singapore dollar	0.05%	0.05%
Indonesian rupiah	4.00% – 10.35%	4.00% – 10.35%

- (ii) The cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Singapore dollar	2,086	618	33,850	23,385
United States dollar	162	195,491	44,295	206,898
Indonesian rupiah	146	25	179,853	194,150
Others	–	–	443	980
	<b>2,394</b>	<b>196,134</b>	<b>258,441</b>	<b>425,413</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 15 Share capital

	No. of ordinary share		Amount	
	2017	2016	\$'000 2017	\$'000 2016
<b>The Company and The Group</b>				
<b>Issued and fully paid,</b>				
<b>with no par value</b>				
Beginning of financial year	4,824,965,112	4,824,965,112	1,880,154	1,880,154
Issuance of shares	513,045,113	–	68,153	–
End of financial year	5,338,010,225	4,824,965,112	1,948,307	1,880,154

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.

In December 2017, the Company issued and allotted 513,045,113 new shares at an issue price of S\$0.133 to (i) Emirates Investment Holding Pte Ltd, (ii) Lion Trust (Singapore) Limited and (iii) Terrafirma Property Holdings Ltd. The net proceeds raised will be used to fund the Group business expansion and working capital for the Group.

The newly issued shares rank *pari passu* in all respects with existing issued shares.

The Company did not hold any treasury shares as at 31 December 2017 (2016 – Nil).

## 16 Reserves

	Note	The Company		The Group	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Capital reserve	(a)	80,000	80,000	(105,771)	(105,771)
Translation reserve	(b)	–	–	(84,851)	(52,319)
Hedging reserve	(c)	–	–	(474)	4,371
Fair value reserve	(d)	–	–	(18,838)	(19,698)
Other reserves	(e)	–	–	4,945	5,136
		80,000	80,000	(204,989)	(168,281)

The capital reserve comprises equity component of convertible notes and effects of transactions with non-controlling interests, arising from the acquisition of additional PT IMAS shares in 2013.

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

The hedging reserve comprises the effective portion of the cumulative change (net of taxes) in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected profit or loss.

Fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are de-recognised or impaired.

Other reserves comprise of the differences arising from the change in equity of subsidiaries, effects of transaction with non-controlling interest and actuarial losses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 16 Reserves (Cont'd)

Movement of reserves is as follows:

### (a) Capital reserve

	The Company		The Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Beginning and at end of year	<u>80,000</u>	<u>80,000</u>	<u>(105,771)</u>	<u>(105,771)</u>

### (b) Translation reserve

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Beginning of year	<u>(52,319)</u>	(41,645)
Net currency translation differences of financial statements of foreign subsidiaries and associated companies	<u>(53,930)</u>	33,105
Disposal of subsidiaries	–	(30,668)
Less: Non-controlling interests	<u>21,398</u>	(13,111)
At end of year	<u>(84,851)</u>	<u>(52,319)</u>

### (c) Hedging reserve

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Beginning of year	<u>4,371</u>	6,803
Loss arising during the year	<u>(6,738)</u>	(3,452)
Less: Non-controlling interests	<u>1,893</u>	1,020
At end of year	<u>(474)</u>	<u>4,371</u>

### (d) Fair value reserve

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Beginning of year	<u>(19,698)</u>	(9,661)
Available-for-sale financial assets – Fair value gain/(loss)	<u>1,165</u>	(14,109)
Less: Non-controlling interests	<u>(305)</u>	4,072
At end of year	<u>(18,838)</u>	<u>(19,698)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 16 Reserves (Cont'd)

(e) Other reserves

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Beginning of year	5,136	3,027
Actuarial loss during the year	(429)	(3,455)
Changes in interest in subsidiaries	(778)	4,311
Less: Non-controlling interests	1,016	1,253
At end of year	4,945	5,136

## 17 Borrowings

		The Company		The Group	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Current borrowings</b>					
Short term loans	(i)	–	–	721,685	728,653
Loan from subsidiaries	(ii)	336,328	517,244	–	–
Current portion of non-current borrowings					
– Bank loans	(iii)	14,400	–	500,795	300,777
– Finance lease	(iv)	–	–	106	105
– Consumer financing	(iv)	–	–	–	–
– Other loans		–	–	5	–
		350,728	517,244	1,222,591	1,029,535
<b>Non-current borrowings</b>					
Bank loans	(iii)	330,181	–	798,043	634,077
Finance lease	(iv)	–	–	2	117
Consumer financing	(iv)	–	–	–	–
Other loans		–	–	119	–
		330,181	–	798,164	634,194
Total borrowings		680,909	517,244	2,020,755	1,663,729
Secured		344,581	–	2,020,755	1,663,729
Unsecured		336,328	517,244	–	–
		680,909	517,244	2,020,755	1,663,729

- (i) Some of the short term loans are secured by the PT IMAS's subsidiaries' property, plant and equipment (Note 4), trade and other receivables (Note 13) and other inventories (Note 12) and have certain terms under the loan agreement that require PT IMAS and its subsidiaries to obtain prior approval from the borrowers with respect to transactions involving amounts that exceed certain thresholds agreed with the borrowers such as among others, mergers or acquisitions; sale or pledge of assets and engaging in non-arm's length transactions and change in majority ownership.
- (ii) Loans from subsidiaries are unsecured and repayable on demand. Interest is charged at the interest rate of 1.7% to 4.75% (2016 – 1.7% to 7.25%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 17 Borrowings (Cont'd)

- (iii) The details of the bank loans are as follows:–

The Company and its subsidiaries (exclude PT IMAS and its subsidiaries)

The bank borrowings are secured by the Company's and its subsidiaries' assets as follows:–

- (1) Mortgage of certain land titles of PT Batamindo Investment Cakrawala ("PT BIC"), PT Bintan Inti Industrial Estate ("PT BIIE"), PT Bintan Resort Cakrawala ("PT BRC"), PT Buana Megawisatama ("PT BMW") and PT Surya Bangun Pertiwi ("PT SBP");
- (2) Pledge of accounts of PT BIC, PT BIIE, PT BRC, PT SBP, Bintan Resort Ferries Private Limited ("BRF") and the Company;
- (3) Assignment of insurance proceeds, receivables and movable assets of PT BIC and PT BIIE;
- (4) Pledge of shares of PT Indomobil Sukes Internasional Tbk ("PT IMAS") and PT Buana Megawisatama ("PT BMW").

Certain covenants as below, among others, need to be maintained and have been complied with as at end of the reporting period –

- (1) Ratio of Borrower Net debts to Borrower EBITDA shall not exceed between 4.50 to 7.0
- (2) Borrower Debt Service Coverage Ratio will not be less than 1.25
- (3) Borrower Minimum Net Worth will not be less than 1.50 billion

PT IMAS and its subsidiaries

The bank borrowings are secured by the subsidiaries' assets as follows:–

- (1) Property, Plant and Equipment (Note 4)
- (2) Consumer financing receivables (Note 8)
- (3) Net investment in finance lease (Note 8)
- (4) Marketable equities of available-for-sales assets
- (5) Other inventories (Note 12)
- (6) Trade and Other Receivables (Note 13)

Certain covenants as below, among others, need to be maintained and have been complied with as at the end of the reporting period –

- (1) Gearing ratio will not be more than 8.5 and 10
- (2) Maintain management control
- (3) Maintain shareholding of minimum 51% in a subsidiary



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 17 Borrowings (Cont'd)

(iv) Obligation under finance lease

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Minimum lease payments payable:		
Within 1 years	106	104
Between 2 to 5 years	2	117
More than 5 years	–	–
	108	221
Less:		
Finance charges allocated to future periods	–	–
Present value of minimum lease payments	108	221
Present value of minimum lease payments:		
Within 1 years	106	104
Between 2 to 5 years	2	117
More than 5 years	–	–
	108	221

\* Amount less than \$1,000

The Group leases motor vehicles and transportation equipment from non-related and related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal value at the end of the lease term. The finance lease is secured by the underlying assets (Note 4).

The borrowings of the Company and the Group exposed to interest rates are as follows:

	The Company		The Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current portion:				
– at floating interest rate	14,400	–	726,734	105,498
– at fixed interest rate	336,328	517,244	495,857	924,037
	350,728	517,244	1,222,591	1,029,535
Non-current portion:				
– at floating interest rate	330,181	–	719,436	405,943
– at fixed interest rate	–	–	78,728	228,251
	330,181	–	798,164	634,194
	680,909	517,244	2,020,755	1,663,729

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 17 Borrowings (Cont'd)

The borrowings are denominated in the following currencies:

	The Company		The Group	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	<b>405,998</b>	62,906	<b>414,588</b>	184,922
United States dollar	–	–	<b>246,739</b>	402,254
Indonesian rupiah	<b>274,911</b>	454,338	<b>1,359,428</b>	1,076,553
	<b>680,909</b>	517,244	<b>2,020,755</b>	1,663,729

The borrowing repayment profile is as follows:–

	The Company		The Group	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Repayable:				
Within 1 years	<b>350,728</b>	517,244	<b>1,222,591</b>	1,029,535
Between 2 to 5 years	<b>330,181</b>	–	<b>798,164</b>	634,194
More than 5 years	–	–	–	–
	<b>680,909</b>	517,244	<b>2,020,755</b>	1,663,729

The effective interest rates of the total borrowings at the end of reporting period are as follows:

	The Company		The Group	
	2017	2016	2017	2016
Short term loans	–	–	<b>2.90% to</b> <b>12.11%</b>	1.99% to 11.29%
Bank loans	<b>6.29%</b>	–	<b>2.60% to</b> <b>11.50%</b>	2.60% to 11.50%
Finance leases	–	–	<b>4.58% to</b> <b>13.06%</b>	4.58% to 13.06%
Loan from subsidiaries	<b>1.70% to</b> <b>4.75%</b>	1.70% to 7.25%	–	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 18 Debt securities

Debt securities comprise of fixed rate notes and bonds issued by the Company and subsidiaries in the Group.

	2017 \$'000	2016 \$'000
<b>The Company</b>		
Bonds		
– Current (i)	–	225,000
– Non-current (i)	–	230,000
Less: deferred issuance costs	–	(1,494)
Net	–	453,506
Secured	–	–
Unsecured	–	453,506
	–	453,506
Repayable:		
Within 1 years	–	224,580
Between 2 and 5 years	–	228,926
More than 5 years	–	–
	–	453,506

During the year, the Company fully redeemed the following bonds: (i) S\$150 million 5.9% on 12 May 2017 (ii) S\$75 million 7.00% on 02 August 2017 and (iii) S\$230 million 7.00% on 02 November 2017 (2016 – S\$175 million 5.95% on 20 April 2016).

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Notes and Bonds		
– Current	86,051	364,224
– Non-current	170,781	411,711
Nominal value	256,832	775,935
Less: deferred issuance costs	(1,130)	(2,185)
Net	255,702	773,750
Secured	255,702	320,244
Unsecured	–	453,506
	255,702	773,750
Repayable:		
Within 1 years	85,585	139,262
Between 2 and 5 years	170,117	634,488
More than 5 years	–	–
	255,702	773,750

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 18 Debt securities (Cont'd)

(1) The terms of the Group's debt securities are as follows:

Details of Bonds	Source Currency	Amount '000	Range of Nominal Interest Rate	Range of Maturity date
IMFI Bonds II Phase I	IDR	368,000,000	10.00% – 10.25%	24/04/2018 – 24/04/2019
IMFI Bonds II Phase II	IDR	323,500,000	10.75% – 11.00%	06/11/2018 – 06/11/2019
IMFI Bonds II Phase III	IDR	908,000,000	10.50% – 10.65%	16/03/2018 – 16/03/2020
IMFI Bonds II Phase IV	IDR	410,000,000	8.00% – 9.40%	23/03/2018 – 23/03/2022
IMFI Bonds III Phase I	IDR	500,000,000	7.65% – 9.10%	07/07/2018 – 07/07/2022
IMFI 2014 Bonds I Phase IV	IDR	58,000,000	11.40%	22/04/2018

(2) The bonds were collateralised by fiduciary transfer of financing receivables (Note 8), other inventories (Note 12) and trade receivables (Note 13) of PT IMAS's subsidiaries amounting to 50% to 60% of the total principal amount of the bonds.

The debt securities are denominated in the following currencies:

	The Company		The Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Singapore dollar	–	453,506	–	453,506
Indonesian rupiah	–	–	255,702	320,244
	–	453,506	255,702	773,750

## 19 Employee benefits liabilities

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Balance at beginning of year	38,467	30,960
Net employee benefits expense (Note 28)	6,270	5,873
Actual benefit payments	(932)	(1,134)
Foreign exchange difference	(1,213)	2,594
Income recognised in other comprehensive income ("OCI")	(593)	174
Balance at end of year	41,999	38,467

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 19 Employee benefits liabilities (Cont'd)

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, PT Sentra Jasa Aktuaria, PT Bumi Dharma Akuarial and PT Sienco Aktuarindo Utama which considered the following assumptions:

Discount rate	:	8.67% to 9.22% (2016 – 8.67% to 9.22%) per annum
Mortality rate	:	Tabel Mortalita Indonesia (TMI-III) – 2011 (2016 – Tabel Mortalita Indonesia (TMI-III) – 2011)
Annual salary increases	:	7% to 9.5% (2016 – 7% to 13%) per annum
Retirement age	:	55 to 60 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:

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Current service cost	5,037	4,700
Interest expense	1,203	1,212
Immediate recognition of past service cost – vested	–	(107)
Excess payment	30	68
	<b>6,270</b>	<b>5,873</b>
Employee benefits liabilities:		
Present value of employee benefits liabilities	<b>41,999</b>	38,467
	<b>41,999</b>	<b>38,467</b>

## 20 Other non-current liabilities

	Note	The Company		The Group	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deposits from tenants	(i)	88	88	26,146	27,909
Refundable golf membership deposit	(ii)	–	–	3,256	2,993
Unearned revenue	(iii)	–	–	2,430	1,522
Derivative liabilities	23	–	260	631	1,380
		<b>88</b>	<b>348</b>	<b>32,463</b>	<b>33,804</b>

- (i) 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.
- (ii) Refundable deposits received for golf club membership, which consist of Individual Type, Corporate A and B type, will be due on 1 August 2020.
- (iii) Unearned revenue relates to the prepayment from the tenants on the lease of land and building.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 20 Other non-current liabilities (Cont'd)

The other non-current liabilities are denominated in the following currencies:

	The Company		The Group	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	88	348	27,518	29,623
Indonesian rupiah	–	–	4,945	4,181
United States dollar	–	–	–	–
	<b>88</b>	<b>348</b>	<b>32,463</b>	<b>33,804</b>

## 21 Trade and other payables

	The Company		The Group	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Trade				
Trade payables	–	–	207,424	118,852
Non-trade				
Accruals	2,180	728	45,693	42,710
Other payable	600	781	53,535	54,930
Interest payable on bank loan	4,079	7,619	16,687	9,117
Advances from customers and distributors	–	–	12,852	18,614
Amount owing to related parties	–	–	7,714	30,194
Amount owing to subsidiaries	17,361	20,992	–	–
Other current liabilities	–	–	2,440	4,205
	<b>24,220</b>	<b>30,120</b>	<b>346,345</b>	<b>278,622</b>

Trade payables are generally on 30 days (2016 – 30 days) credit terms.

Amounts owing to subsidiaries and related parties represent advances and are non-trade, unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	7,525	23,667	43,457	49,259
Indonesian rupiah	16,568	6,453	301,825	219,900
United States dollar	127	–	1,063	3,431
Euro	–	–	–	5,799
Swedish Kronor	–	–	–	10
Others	–	–	–	223
	<b>24,220</b>	<b>30,120</b>	<b>346,345</b>	<b>278,622</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 22 Foreclosed assets

Foreclosed assets represent acquired assets in conjunction with settlement of consumer financing receivables. In case of default, the consumers give the right to the Group to sell the foreclosed assets or take any other actions to settle the outstanding receivables.

The Group determined that the foreclosed assets will be converted into cash within maximum three months.

	Note	2017 \$'000	2016 \$'000
<b>The Group</b>			
Foreclosed assets		20,337	22,771
Less allowance for impairment loss		(6,101)	(6,831)
	13	<u>14,236</u>	<u>15,940</u>

The movement in allowance for impairment losses in value of foreclosed assets is as follows:–

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Balance at beginning of the year	6,831	7,348
Reversal of allowance during the year	(175)	(839)
Translation differences	(555)	322
Balance at the end of the year	<u>6,101</u>	<u>6,831</u>

## 23 Derivative financial instruments

The fair value of the Group's derivative financial instruments was:–

		2017		2016	
	Note	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
<b>The Company</b>					
<u>Non-current</u>					
Not designated as hedging instruments					
– Interest rate swaps (iv)	20	–	–	–	260
		<u>–</u>	<u>–</u>	<u>–</u>	<u>260</u>
<b>The Group</b>					
<u>Non-current</u>					
Designated as cash flow hedges					
– Interest rate swaps (i)		43	–	152	–
– Cross currency swaps (ii)		2,575	–	7,068	–
– Cross currency interest rate swap (iii)		4,801	–	8,607	–
		<u>7,419</u>	<u>–</u>	<u>15,827</u>	<u>–</u>
Not designated as hedging instruments					
– Cross currency interest rate swap (iii)		–	–	–	–
– Interest rate swaps (iv)		–	631	–	1,380
	10, 20	<u>7,419</u>	<u>631</u>	<u>15,827</u>	<u>1,380</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 23 Derivative financial instruments (Cont'd)

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

### (i) Interest rate swap

The notional amounts of the interest rate swaps at 31 December 2017 were US\$9,333,000 (2016 – US\$42,543,000) for derivative assets and derivative liabilities.

### (ii) Cross currency swap

The notional amounts of the cross currency swaps at 31 December 2017 were US\$195,058,000 (2016 – US\$150,948,000) for derivative assets and derivative liabilities.

### (iii) Cross currency interest rate swap

The notional amount of the cross currency interest rate swap at 31 December 2017 were US\$64,450,000 (2016 – US\$50,000,000) and EUR€596,602 (2016 – EUR€596,602).

### (iv) Interest rate swap

In year 2015, the Company entered into Interest Rate Swap (“IRS”) contracts with a financial institution to swap the fixed interest rate to floating interest rate on the notes issued during the year (Note 18). The terms of the contracts were as follows:–

- (a) Based on notional amount of S\$175,000,000, the Company pays the financial institution at interest rate of 5.25% + 6 months SOR while the financial institution pays the Company at fixed interest rate of 5.95%.
- (b) Based on notional amount of S\$150,000,000, the Company pays the financial institution at interest rate of 4.85% + 6 months SOR while the financial institution pays the Company at fixed interest rate of 5.90%.

During the year, the Company has terminated the interest rate swap contracts with the financial institution.

As of 31 December 2017, the fair value of the swaps were recorded as a derivative liability amounting to S\$631,000 (2016 – S\$1,380,000) (Note 20) and the Group’s loss on valuation of fair value of the swap was recorded as part of “other income” (Note 25) in the consolidated statement of comprehensive income.

Period when the cash flows on cash flow hedges are expected to occur or affect the profit or loss

### Interest rate swaps

Interest rate swaps are transacted to hedge variable quarterly interest payments on borrowings that will mature on 31 December 2017. Fair value gains and losses on the interest rate swaps recognised in other comprehensive income are reclassified to profit or loss as part of interest expense over the period of the borrowings.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 23 Derivative financial instruments (Cont'd)

### Cross currency swaps

Cross currency swaps are transacted to hedge highly probable forecast transactions denominated in foreign currency expected to occur at various dates within three months from the end of the reporting period. The cross currency swaps have maturity dates that coincide within the expected occurrence of these transactions. Gains and losses recognised in other comprehensive income prior to the occurrence of these hedged forecast transactions affect profit or loss. This is generally within three months from the end of the reporting period. For those cross currency swaps used to hedge highly probable forecast foreign currency purchases of property, plant and equipment, fair value gains and losses are included in the cost of the assets and recognised in profit or loss over their estimated useful lives as part of depreciation expense.

## 24 Revenue

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Sales of goods	1,421,631	1,310,253
Rendering of services	5,013	4,779
Financials services	163,296	145,121
Electricity and water supply	99,334	98,022
Rental and related income	27,136	124,882
Sales of land and factory	–	4,115
Golf revenue	4,060	4,057
Ferry services	20,420	17,724
Telecommunication	2,326	2,151
Clinic operation	777	806
Others	2,748	3,847
	<b>1,746,741</b>	<b>1,715,757</b>

## 25 Other income

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Exchange (loss)/gain, net	(15,397)	4,166
Gain on disposal of property, plant and equipment	7,766	5,076
Interest income	21,551	16,530
Other telecommunication income	875	848
Bank charges	(35)	(208)
Bad debt recovered	12,109	11,015
Commission income	3,847	1,169
Penalty income	7,989	7,432
Sales incentive and dealer development	5,364	5,581
Scrap income	238	205
Rental income	3,658	3,326
Administration and registration income	2,289	1,213
Subsidy income (for sales or promotion)	840	611
Management fee income	986	95
Gain on disposal of subsidiary	–	220,623
Gain on disposal of investment properties	–	3,173
Others	3,931	867
	<b>56,011</b>	<b>281,722</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 26 Other operating expenses

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Communication	1,770	1,798
Depreciation and amortisation	10,364	10,094
Entertainment	489	544
Insurance	1,442	1,833
Management fee	213	446
Marketing and promotion expenses	14,734	13,776
Professional fees	1,852	1,796
Rental	7,306	7,370
Repairs and maintenance	4,584	3,575
Representation costs	1,235	1,388
Staff costs and related expenses	46,337	47,435
Taxes and licences	3,229	3,117
Transport and travelling	5,747	5,656
Printing and stationeries	124	132
Packing and delivery	10,043	10,718
Security expenses	4,917	5,749
Sales commission and incentive	9,436	9,431
Allowance for impairment losses and loss on sales of foreclosed assets	14,842	15,823
Utilities	3,455	3,454
Written off of goodwill, associates and assets	–	48,687
Office supplies	2,429	2,115
Others	9,539	9,373
	<b>154,087</b>	<b>204,310</b>

## 27 Finance costs

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Interest expense on:		
– Bank loans and short term loans	106,520	96,057
– Finance lease	–	2
– Debt securities	19,474	36,427
– Other loans	1,036	186
	<b>127,030</b>	<b>132,672</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 28 (Loss)/Profit before taxation

	Note	2017 \$'000	2016 \$'000
<b>The Group</b>			
(Loss)/profit before taxation has been arrived at after charging/(crediting):			
Audit fee paid to:			
– auditor of the Company		563	599
– other auditors		1,555	1,168
Non-audit fees paid to:			
– auditor of the Company		23	25
– other auditors		53	35
Costs of inventories recognised as expenses		1,034,146	1,124,170
Reversal of allowance for inventories obsolescence	12	(512)	(1,364)
Allowance for impairment of financing receivables	8	35,624	30,911
Allowance for impairment of foreclosed assets	22	(175)	(839)
Amortisation of intangible assets	3	16,313	16,422
Depreciation of property, plant and equipment	4	72,174	80,607
Depreciation of investment properties	5	26,550	23,873
Directors' fees		405	405
Directors' remuneration			
– Directors' salaries and related costs		2,948	2,961
– CPF contributions		48	48
		2,996	3,009
Foreign exchange loss/(gain), net		15,397	(4,166)
Net allowance for impairment of trade and other receivables, excluding financing receivables	13	1,322	2,237
Operating lease rentals			
– office equipment and office premises		1,600	1,630
Provision for employees' benefits	19	6,270	5,873
Rental income (included in revenue)			
– investment properties	5	(30,051)	(31,596)
Operating expenses arising from investment properties that generated rental income	5	26,011	28,262
Staff costs (other than Directors)			
– salaries and related costs		135,260	135,207
– CPF contributions		711	707
		135,971	135,914

## 29 Taxation

	Note	2017 \$'000	2016 \$'000
<b>The Group</b>			
Current taxation			
Indonesia tax		32,643	24,118
Singapore tax		289	359
		32,932	24,477
Deferred taxation			
Indonesia tax		(3,735)	(2,743)
Singapore tax		2,474	–
	9	(1,261)	(2,743)
		31,671	21,734

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 29 Taxation (Cont'd)

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 the Group's (loss)/profit as a result of the following:

	2017 \$'000	2016 \$'000
<b>The Group</b>		
(Loss)/profit before taxation	(125,834)	63,496
Tax at domestic tax rates applicable to profit in the respective countries	6,479	11,073
Difference of tax effects on gross income subject to final tax instead of corporate tax	596	(2,542)
Tax effects on non-taxable income <sup>(1)</sup>	(6,716)	(3,423)
Tax effects on non-deductible expenses <sup>(2)</sup>	8,931	10,683
Deferred tax on temporary differences not recognised	22,381	5,943
	<b>31,671</b>	<b>21,734</b>

(1) Included in other income relates mainly to exchange gain, disposal of subsidiary, and dividend income.

(2) Included in non-deductible expenses relates mainly to interest expense, impairment of goodwill and investment in associate.

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2017 \$'000	2016 \$'000
<b>The Group</b>		
Tax losses	5,696	10,517

Tax losses relate mainly to losses generated by Indonesian subsidiaries of the Company.

Under Indonesian taxation laws, tax losses may be carried forward for a period of five (5) years. The tax authorities may assess the Company within ten (10) years from the date the tax was payable.

## 30 Other comprehensive (expense)/income after taxation

	Before tax \$'000	Tax expense \$'000	Net of tax \$'000
<b>The Group</b>			
<b>31 December 2017</b>			
Disclosure of tax effects relating to each component of other comprehensive income/(expense):			
Available-for-sale investments	1,165	–	1,165
Derivative instruments	(6,738)	–	(6,738)
Currency translation differences	(53,930)	–	(53,930)
Actuarial losses arising during the period	(429)	–	(429)
	<b>(59,932)</b>	<b>–</b>	<b>(59,932)</b>
<b>31 December 2016</b>			
Available-for-sale investments	(14,109)	–	(14,109)
Derivative instruments	(3,452)	–	(3,452)
Currency translation differences	33,105	–	33,105
Actuarial losses arising during the period	(3,455)	–	(3,455)
	<b>12,089</b>	<b>–</b>	<b>12,089</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 31 (Loss)/earnings per share

The Group

The basic (loss)/earnings per share is calculated based on the consolidated (losses)/profits attributable to owners of the parent divided by the weighted average number of shares in issue of 4,867,718,871 (2016 – 4,824,965,112) shares during the financial year.

Fully diluted (loss)/earnings per share were calculated on the consolidated (losses)/profits attributable to owners of the parent divided by 5,117,718,871 (2016 – 5,074,965,112) ordinary shares. The number of ordinary shares is calculated based on the weighted average number of shares in issue during the financial year adjusted for the effects of the dilutive issuable shares from the convertible bond. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

The following tables reflect the profit or loss and share data used in the computation of basic and diluted (loss)/earnings per share for the years ended 31 December:

	2017	2016
<b>The Group</b>		
Basic (loss)/earnings per share (in cents)	<b>(2.803)</b>	1.495
Diluted (loss)/earnings per share (in cents)	<b>(2.803)</b>	1.422

The calculation of (loss)/earnings per share attributable to ordinary equity holders of the Company is based on the following:

	2017 \$'000	2016 \$'000
<b>The Group</b>		
(Loss)/profit attributable to shareholders	<b>(136,431)</b>	72,157

Number of shares used for the calculation of loss per share is as follows:

	No. (in thousands)	No. (in thousands)
<b>The Group</b>		
Weighted average number of ordinary shares for purposes basic earnings per share	<b>4,867,719</b>	4,824,965
Effects of dilution:		
Assumed conversion of convertible bond	<b>250,000</b>	250,000
Weighted average number of ordinary shares for diluted earnings per shares ('000)	<b>5,117,719</b>	5,074,965

In the current financial year, 250,000,000 shares granted under the conversion right of the convertible bonds have not been included in the calculation of diluted loss per share because they are anti-dilutive.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 32 Commitments

### (a) Operating lease commitments

#### *Where the company is the lessee*

At the end of the reporting period, the Company was committed to making the following lease rental payments under non-cancellable operating leases for office premises and office equipment with a term of:

	The Company		The Group	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<u>Lease rentals payable:</u>				
Not later than one year	599	601	1,285	1,205
Later than one year and not later than five years	1,630	2,261	2,801	3,455
Later than five years	–	–	–	16

The Company had entered into a new lease agreement starting from 1 September 2016 and will expire on 31 August 2021. The current lease rental payable is S\$49,323 per month and incremental of 1.4% every year.

The leases for the office equipment on which rental is payable will expire on 31 January 2018, and the current rental payable on the lease is S\$400 per month which are subject to revision on renewal of lease agreement.

The leases on the Group's office premises, office equipment, warehouse rental on which rental is payable will expire between 31 January 2018 and not later than 31 August 2021, and the current rental payable on the lease are between S\$300 to S\$52,102 per month which are subject to revision on renewal of lease agreement.

#### *Where the company is the lessor*

The future minimum lease payments receivables under non-cancellable operating leases from sites with a term of more than one year are as follows:

	The Company		The Group	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<u>Lease rentals receivable:</u>				
Not later than one year	342	338	22,860	23,909
Later than one year and not later than five years	930	1,272	40,309	43,420
Later than five years	–	–	11,504	10,668

The leases on the Company's premises on which rentals are received will expire on 31 August 2021. The current rent receivable on the lease ranges from S\$9,084 to S\$10,015 per month.

The leases on the Group's premises on which rentals are received will expire between 5 January 2016 and not later than 31 March 2035. The current rent receivable on the lease ranges from S\$1,976 to S\$136,767 per month which are subject to revision on renewal of lease agreement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 32 Commitments (Cont'd)

### (b) Other commitments

As at end of the reporting period, the Group had the following commitments in respect of plant and equipment:

	Group	
	2017	2016
	\$'000	\$'000
Expenditure authorised and contracted for the construction of airport	<u>101,737</u>	<u>103,296</u>

## 33 Related parties transactions

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

In addition to the related party information disclosed elsewhere in the financial statements, there were significant related party transactions which were carried out in the normal course of business on terms agreed between the parties as follows:

	2017	2016
	\$'000	\$'000
<b>The Group</b>		
<b>(a) With associates and joint ventures</b>		
Management fees paid	132	21
Sales of goods and services	(1,794)	(1,096)
Purchase of goods and services	991	72
Rental income	(563)	–
<b>(b) With related companies and associates of ultimate holding company</b>		
Management fees paid	151	107
Human resource management fee	385	278
Interest income	(5,168)	(2,237)
Purchase of goods and services	10,126	10,251
Rental income	(62)	–
Sales of goods and services	(47,501)	(37,836)
<b>(c) Remuneration of Directors of the Company and key management personnel of the Group</b>		
Salaries and other short-term employee benefits	2,996	3,009

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 34 Segment information

### (A) Operating segments

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

(i) 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.

(ii) Utilities segment

Utilities segment is engaged in the activities of provision of electricity and water supply, telecommunication 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.

(iii) 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.

(iv) Property development segment

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

(v) Automotive segment (including workshops)

PT IMAS is considered as one operating segment and is organised into automotive segment because the decisions for resource allocation and performance assessment are made directly by the board of PT IMAS, taking into account the opinion of the Company's Board. The automotive segment is engaged in activities of vehicle sales distribution, after sales services, vehicle ownership financing, spare part distribution, vehicle assembly, automotive parts manufacturing and other related supporting services.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 34 Segments information (Cont'd)

	Industrial Parks		Utilities		Resort Operations		Property Development		Automotive		Corporate		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>The Group</b>																
Business segments																
<b>Operating revenue</b>																
External sales	32,713	39,961	101,660	100,173	24,497	20,291	-	-	1,587,871	1,555,332	-	-	-	-	1,746,741	1,715,757
Inter segment sales	-	-	94	-	62	-	-	-	-	-	-	-	(156)	-	-	-
Total sales	32,713	39,961	101,754	100,173	24,559	20,291	-	-	1,587,871	1,555,332	-	-	(156)	-	1,746,741	1,715,757
<b>Segment results</b>																
(Loss)/profit from operations	(11,478)	(5,623)	24,329	26,877	(6,424)	(6,450)	(11,931)	(9,580)	84,584	5,357	(21,611)	199,333	-	-	57,469	209,914
Share of associates' results																
Finance costs															(56,273)	(13,746)
(Loss)/profit before taxation															(127,030)	(132,672)
Taxation															(125,834)	63,496
(Loss)/profit after taxation															(31,671)	(21,734)
Attributable to:															(157,505)	41,762
Equity holders of the Company															(136,431)	72,157
Non-controlling interests															(21,074)	(30,395)
															(157,505)	41,762
<b>Assets</b>																
Segment assets	109,389	149,749	172,908	173,777	38,053	37,827	674,721	675,280	1,793,167	1,660,179	1,289,384	1,364,285	-	-	4,077,622	4,061,037
Associates															139,854	233,628
Unallocated corporate assets															292,256	465,476
Total assets															4,509,732	4,760,201

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 34 Segments information (Cont'd)

[illegible]

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 34 Segments information (Cont'd)

### (B) Geographical segments

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

### (C) Segment revenue and segment expense

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

### (D) Segment assets and liabilities

Segment assets include all operating assets and consist principally of trade and other receivables, land inventories, other inventories, financing receivables, 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, notes receivables, deferred tax assets, deferred tax liabilities, current tax payable, loans and borrowings.

The Group does not have any major customers.

## 35 Financial risk management objectives and policies

The Company and the Group have financial risk management policies setting out the Company's and the Group's overall business strategies and its risk management philosophy. The Company and the Group are exposed to financial risks arising from its diversified operations and the use of financial instruments. The financial risks included market price risk, foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets on the Company's and the Group's financial performance. The Company and the Group use financial instruments, principally interest rate swaps and cross-currency swaps to hedge certain risk exposures.

The Company co-ordinates, under the directions of the directors, financial risk management policies and their implementation on a group-wide basis. The Group's policies are designed to manage the financial impact of fluctuations in interest rates and exchange rates and to minimise the Group's financial risks. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31 December 2017 are disclosed in Note 23.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 35 Financial risk management objectives and policies (Cont'd)

### (a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will have on the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

### (i) Interest rate risk

Interest rate risk is the risk arising from the changes in market interest rates which leads to the fluctuation of the fair value or future cash flows of the financial instruments.

The Group is financed through interest-bearing bank loans, other borrowings such as shareholders' loans, and advances from related parties and debt securities. 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 Group actively reviews its debt portfolio and evaluates the interest rates are in line with the changes in interest rate which is relevant in the money market. The Group also uses hedging instruments such as interest rate swaps to minimise its exposure to interest rate volatility. The Group designates these interest rate swaps and cross currency interest rate swap as cash flow hedges (Note 23).

### Sensitivity analysis for interest rate risk

At the end of reporting period, if Singapore dollar, United States dollar and Indonesian rupiah interest rates had been 50 (2016 – 50) basis points lower/higher with all other variables held constant, the Group's profit/(loss) net of tax would have been higher/lower by the amounts shown below, arising mainly as a result of lower/higher interest expense on floating rate borrowings.

	Profit or loss	
	2017 \$'000	2016 \$'000
<b>The Group</b>		
Singapore dollar		
– lower 50 basis points (2016 – 50 basis points)	2,073	925
– higher 50 basis points (2016 – 50 basis points)	(2,073)	(925)
United States dollar		
– lower 50 basis points (2016 – 50 basis points)	814	1,086
– higher 50 basis points (2016 – 50 basis points)	(814)	(1,086)
Indonesian rupiah		
– lower 50 basis points (2016 – 50 basis points)	4,679	4,060
– higher 50 basis points (2016 – 50 basis points)	(4,679)	(4,060)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 35 Financial risk management objectives and policies (Cont'd)

### (a) Market risk (Cont'd)

#### (ii) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group has transactional currency exposures arising primarily from purchases, assets and liabilities which arise from daily operations that are denominated in a currency other than the respective functional currencies of group entities, primarily Singapore dollar (SGD) and Indonesian rupiah (IDR). The foreign currencies in which these transactions are denominated are mainly United States dollar (USD) and Euro (EURO).

The Company and the Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of reporting period, such foreign currency balances (mainly in IDR and USD) amount to S\$308,000 (2016 – S\$195,516,000) and S\$224,591,000 (2016 – S\$402,028,000) for the Company and the Group respectively.

The Group maintains a natural hedge, whenever possible by borrowing in the currency of the country in which its property or investment is located or by borrowing in currencies that match the future revenue streams to be generated from its investments. The Group also enters into cross currency swaps to hedge the foreign exchange risk of its loans denominated in foreign currency and these swaps are designated as cash flow hedges (Note 23).

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

In relation to its investments in foreign subsidiaries whose net assets are exposed to currency translation risk and which are held for long term investment purposes, the differences arising from such translation are recorded under the currency translation reserves. These translation differences are reviewed and monitored on a regular basis.

#### Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in foreign currencies 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).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 35 Financial risk management objectives and policies (Cont'd)

### (a) Market risk (Cont'd)

#### (ii) Foreign exchange risk (Cont'd)

##### Sensitivity analysis (Cont'd)

	2017		2016	
	Appreciation/ (depreciation) of foreign currency rate	Effect on profit before tax increase/ (decrease) \$'000	Appreciation/ (depreciation) of foreign currency rate	Effect on profit before tax increase/ (decrease) \$'000
Indonesian rupiah	0.54%	(4,710)	(1.36%)	7,690
Indonesian rupiah	(0.54%)	4,710	1.36%	(7,690)
United States dollar	0.04%	(69)	(0.43%)	1,391
United States dollar	(0.04%)	69	0.43%	(1,391)
Euro	(2.03%)	(74)	9.23%	(446)
Euro	2.03%	74	(9.23%)	446
Swedish krona	(0.19%)	(0)	0.90%	0
Swedish krona	0.19%	0	(0.90%)	(0)

The average and year end exchange rates for 2017 and 2016 are as follows:

	2017		2016	
	Year end	Average	Year end	Average
Indonesian rupiah	Rp.10,134/\$1	Rp.9,671/\$1	Rp.9,299/\$1	Rp.9,732/\$1
United States dollar	US\$0.75/\$1	US\$0.73/\$1	US\$0.69/\$1	US\$0.72/\$1

#### (iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group is exposed to market price risks arising from its investment in equity investments quoted on the IDX in Indonesia classified as available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purposes. The Group does not actively trade available-for-sale investments.

### (b) 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 the Group to incur a financial loss. For the subsidiaries engaging in consumer financing, a financial loss will arise when the debtor does not meet its contractual obligation.

The financial assets that potentially subject the Group to significant concentration of credit risk consist principally of cash and bank balances, trade and other receivables, financing receivables, loan and notes receivables. For trade receivables, the Company and the Group adopt the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 35 Financial risk management objectives and policies (Cont'd)

### (b) Credit risk (Cont'd)

The Company's and the Group's objectives are to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group has in place credit policies and procedures to ensure the ongoing credit evaluation and active account monitoring. Credit risk which is encountered by the Group comes from credits given to customers. To reduce this risk, there is a policy to ensure the product sales are to be made to customers who can be trusted and proven to have a good credit history and pass the credit verification. The Group monitors the receivable balance continuously to maximise installment billings and reduce the possibility of doubtful accounts.

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 reporting date, there were no significant concentrations of credit risk other than the loan receivable, financing receivables, notes receivables and interest receivables as disclosed in Note 8 and Note 10.

The Company's and the Group's major classes of financial assets are bank deposits, trade and other receivables and financing receivables. Cash is held with financial institutions of good standing/established financial institutions/reputable financial institutions. Further details of credit risks on financing receivables and trade and other receivables are disclosed in Note 8 and Note 13 respectively.

The Company gives corporate guarantees to banks for the bank borrowings of its subsidiaries. The maximum exposure of the Company in respect of these guarantees at the reporting date is the amount of S\$20,000,000 (2016: S\$20,000,000). At the reporting date, the Company has considered it is not probable that a claim will be made against the Company under the such guarantees.

### (c) Liquidity risk

Liquidity risk is the risk that the Company and the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or other financial assets. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Group maintains a balance between continuity of accounts receivable collectability and flexibility through the use of borrowings, debt securities and stand-by credit facilities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 35 Financial risk management objectives and policies (Cont'd)

### (c) 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 1 year \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>The Company</b>				
<b>As at 31 December 2017</b>				
Non-derivative financial liabilities:				
Trade and other payables	24,220	–	–	24,220
Borrowings	364,475	399,060	–	763,535
Debt securities	–	–	–	–
Other non-current liabilities	–	88	–	88
	<b>388,695</b>	<b>399,148</b>	<b>–</b>	<b>787,843</b>
<b>As at 31 December 2016</b>				
Non-derivative financial liabilities:				
Trade and other payables	30,120	–	–	30,120
Borrowings	546,356	–	–	546,356
Debt securities	248,288	235,367	–	483,655
Other non-current liabilities	–	88	–	88
	<b>824,764</b>	<b>235,455</b>	<b>–</b>	<b>1,060,219</b>
	Less than 1 year \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>The Group</b>				
<b>As at 31 December 2017</b>				
Non-derivative financial liabilities:				
Trade and other payables	332,694	–	–	332,694
Borrowings	1,309,218	979,755	–	2,288,973
Debt securities	106,606	184,794	–	291,400
Other non-current liabilities	–	29,402	–	29,402
	<b>1,748,518</b>	<b>1,193,951</b>	<b>–</b>	<b>2,942,469</b>
<b>As at 31 December 2016</b>				
Non-derivative financial liabilities:				
Trade and other payables	257,338	–	–	257,338
Borrowings	1,122,112	755,584	–	1,877,696
Debt securities	411,334	440,598	–	851,932
Other non-current liabilities	–	30,902	–	30,902
	<b>1,790,784</b>	<b>1,227,084</b>	<b>–</b>	<b>3,017,868</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 35 Financial risk management objectives and policies (Cont'd)

### (c) Liquidity risk (Cont'd)

The table below analyses the derivative financial instruments of the Group for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 3 and 5 years \$'000	Over 5 years \$'000
<b>The Group</b>				
<b>As at 31 December 2017</b>				
Net-settled interest rate swaps –				
Cash flow hedges				
– Net cash inflows	4,826	–	–	–
Net-settled currency swaps –				
Cash flow hedges				
– Net receipts/(payments)	(3,671)	2,228	–	–
<b>As at 31 December 2016</b>				
Net-settled interest rate swaps –				
Cash flow hedges				
– Net cash inflows	25	9,655	–	–
Net-settled currency swaps –				
Cash flow hedges				
– Net receipts/(payments)	(13,135)	(1,707)	–	–

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

The Company is able to raise funds through bank borrowings and capital market, and dividend income from subsidiaries to settle its current liabilities for the next twelve months.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 35 Financial risk management objectives and policies (Cont'd)

### (d) 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.

## 36 Capital management

The Company's and Group's objectives when managing capital are:

- (a) To safeguard the Company's and the Group's abilities to continue as a going concern;
- (b) To support the Company's and the Group's stabilities and growth;
- (c) To provide capital for the purpose of strengthening the Company's and the Group's risk management capabilities; and
- (d) To provide an adequate return to shareholders.

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 Company and the Group currently do not adopt any formal dividend policy.

The Company and the Group monitor capital net debt ratio, which is net debt divided by total capital plus net debt. The Company and the Group include within net debt, total borrowings, less bank balances and short-term deposits. Capital represents total equity of the Group. The capital net debt ratio is monitored both inclusive and exclusive of the Group's financial services companies, which by their nature are generally more leveraged than the Group's other businesses. The Company and the Group do not have a defined gearing ratio benchmark or range.

The capital net debt ratios at 31 December 2017 and 2016 were as follows:

	<b>The Company</b>		<b>The Group</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Including financial service company				
Net Debt	<b>678,515</b>	774,616	<b>2,018,016</b>	2,012,066
Total equity + debt	<b>2,593,131</b>	2,839,428	<b>3,988,547</b>	4,304,296
Excluding financial service company				
Net Debt	–	–	<b>987,411</b>	1,057,462
Total equity + debt	–	–	<b>2,922,481</b>	3,283,608
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Capital net debt ratio excluding financial service companies	<b>0.26</b>	0.27	<b>0.34</b>	0.32
Capital net debt ratio including financial service companies	<b>0.26</b>	0.27	<b>0.51</b>	0.47

There were no changes in the Company's and the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements except as disclosed in Note 17 and Note 18.

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Fair value- hedging instrument	Financial liabilities through profit or loss	Other financial liabilities within the scope of FRS 39	Total
2017	Note	\$'000	\$'000	\$'000	\$'000
<b>The Company</b>					
<b><u>Financial liabilities</u></b>					
Trade and other payables	21	–	–	24,220	24,220
Borrowings	17	–	–	680,909	680,909
Debt securities	18	–	–	–	–
Derivative liabilities	23	–	–	–	–
Other non-current liabilities	20	–	–	88	88
		–	–	705,217	705,217

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 37 Financial instruments (Cont'd)

### Accounting classification of financial assets and financial liabilities (Cont'd)

	Note	Fair value- hedging instrument \$'000	Financial liabilities through profit or loss \$'000	Other financial liabilities within the scope of FRS 39 \$'000	Total \$'000
<b>2017</b>					
<b>The Group</b>					
<b>Financial liabilities</b>					
Trade and other payables	21	–	–	332,694	332,694
Borrowings	17	–	–	2,020,647	2,020,647
Debt securities	18	–	–	255,702	255,702
Derivative liabilities	23	–	631	–	631
Other non-current liabilities	20	–	–	29,402	29,402
		–	631	2,638,445	2,639,076

	Note	Available- for-sales \$'000	Fair value- hedging instrument \$'000	Financial assets through profit or loss \$'000	Loan and receivables \$'000	Total \$'000
<b>2016</b>						
<b>The Company</b>						
<b>Financial assets</b>						
Trade and other receivables	13	–	–	–	133,751	133,751
Cash and cash equivalents	14	–	–	–	196,134	196,134
Other non-current assets	10	–	–	–	154	154
		–	–	–	330,039	330,039

<b>The Group</b>						
<b>Financial assets</b>						
Trade and other receivables	13	–	–	–	535,272	535,272
Financing receivables	8	–	–	–	957,498	957,498
Cash and cash equivalents	14	–	–	–	425,413	425,413
Derivative assets	23	–	15,827	–	–	15,827
Other non-current assets	10	100,397	–	–	2,889	103,286
		100,397	15,827	–	1,921,072	2,037,296

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 37 Financial instruments (Cont'd)

### Accounting classification of financial assets and financial liabilities (Cont'd)

			Financial liabilities through profit or loss \$'000	Other financial liabilities within the scope of FRS 39 \$'000	Total \$'000
	Note	Fair value- hedging instrument \$'000			
<b>2016</b>					
<b>The Company</b>					
<b>Financial liabilities</b>					
Trade and other payables	21	–	–	30,120	30,120
Borrowings	17	–	–	517,244	517,244
Debt securities	18	–	–	453,506	453,506
Derivative liabilities	23	–	260	–	260
Other non-current liabilities	20	–	–	88	88
		–	260	1,000,958	1,001,218
<b>The Group</b>					
<b>Financial liabilities</b>					
Trade and other payables	21	–	–	257,338	257,338
Borrowings	17	–	–	1,663,507	1,663,507
Debt securities	18	–	–	773,750	773,750
Derivative liabilities	23	–	1,380	–	1,380
Other non-current liabilities	20	–	–	30,902	30,902
		–	1,380	2,725,497	2,726,877

## 38 Fair value measurement

FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 : unobservable inputs for the asset or liability.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 38 Fair value measurement (Cont'd)

### Fair value measurement of financial instruments (Cont'd)

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2017 and 31 December 2016.

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2017</b>					
<u>Financial assets</u>					
<b>The Group</b>					
Quoted and unquoted financial assets	10	49,522	–	47,015	96,537
Derivative assets	23	–	7,419	–	7,419
		<u>49,522</u>	<u>7,419</u>	<u>47,015</u>	<u>103,956</u>
<u>Financial liabilities</u>					
<b>The Company</b>					
Derivative liabilities	23	–	–	–	–
<b>The Group</b>					
Derivative liabilities	23	–	631	–	631
		<u>–</u>	<u>631</u>	<u>–</u>	<u>631</u>
	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2016</b>					
<u>Financial assets</u>					
<b>The Group</b>					
Quoted and unquoted financial assets	10	68,966	–	31,431	100,397
Derivative assets	23	–	15,827	–	15,827
		<u>68,966</u>	<u>15,827</u>	<u>31,431</u>	<u>116,224</u>
<u>Financial liabilities</u>					
<b>The Company</b>					
Derivative liabilities	23	–	260	–	260
<b>The Group</b>					
Derivative liabilities	23	–	1,380	–	1,380
		<u>–</u>	<u>1,380</u>	<u>–</u>	<u>1,380</u>

(i) Level 1 fair value measurements

The available-for-sale equity investment held by the Group is traded in active markets and is based on quoted market prices at the end of reporting period. The quoted market price used for financial assets held by the Group is the current market price.

(ii) Level 2 fair value measurements

The Group's derivatives consist of interest rate swap contracts and cross currency interest rate swap contracts. These derivatives are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including credit quality of counterparties, foreign exchange spot and forwards rates, interest rate curves and forward rate curves. The Group held unquoted investments in shares of stock.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 38 Fair value measurement (Cont'd)

### Fair value measurement of financial instruments (Cont'd)

#### (iii) Level 3 fair value measurements

The Group held unquoted investments in shares of stock. The fair values are determined by reference to these investments' net assets values as stated in their audited financial statements.

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

The carrying amount of trade and other receivables (Note 13), current financing receivables (Note 8), cash and cash equivalent (Note 14), trade and other payable (Note 21), current borrowings (Note 17) and debt securities (Note 18) are reasonable approximation of fair values due to their short term nature.

The carrying amounts of other non-current assets (Note 10), other non-current liabilities (Note 20) and non-current borrowings (Note 17) and debt securities (Note 18) are reasonable approximation of fair values as their interest rate approximate the market lending rate.

## 39 Events after end of reporting period

#### (i) The Group has incorporated the following companies:-

(a) GV Airport Holdings Pte. Ltd. engages in investment holding. The Group's wholly owned subsidiary.

(b) PT Indomobil Ekspres Truk engages in Workshop, Services, Trading, Construction, Industry, Land Transportation, Agriculture, Printing and Mining. The Group's subsidiaries, PT Indomobil Multi Jasa Tbk and PT CSM Corporatama hold 100% shareholding of the company established.

#### (ii) On 9 Mar 2018, the Group has purchased 450,000 ordinary shares by way of market acquisition at a net consideration of S\$50,421 and these shares purchased will be held as treasury shares.

#### (iii) The Group has obtained credit facilities from PT Bank Sumitomo Mitsui Indonesia and PT Bank UOB Indonesia.

# STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2018

Issued and Fully Paid-up Capital	:	\$1,948,307,083.47
Total number of shares including treasury shares	:	5,338,010,225
No. of treasury shares	:	450,000
Total number of shares excluding treasury shares	:	5,337,560,225
Class of Shares	:	Ordinary
Voting Rights	:	One vote per share

## Distribution of Shareholdings as at 20 March 2018

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	43	1.07	1,034	0.00
100-1,000	470	11.69	223,300	0.00
1,001-10,000	1,097	27.28	8,069,869	0.15
10,001-1,000,000	2,368	58.89	190,925,186	3.58
1,000,001 and above	43	1.07	5,138,340,836	96.27
Total	4,021	100.00	5,337,560,225	100.00

## Top 20 shareholders as at 20 March 2018

No.	NAME	NO OF SHARES	%
1	RAFFLES NOMINEES (PTE) LTD	1,658,012,861	31.70
2	CITIBANK NOMS S'PORE PTE LTD	1,522,840,551	29.12
3	SEMBACORP DEVELOPMENT LTD	554,898,866	10.61
4	CGS-CIMB SECURITIES (S) PL	442,361,162	8.46
5	UOB KAY HIAN PTE LTD	434,099,990	8.30
6	HSBC (SINGAPORE) NOMS PTE LTD	203,382,900	3.89
7	TERRAFIRMA PROPERTY HOLDINGS LTD	102,609,023	2.01
8	DBS NOMINEES PTE LTD	39,260,700	0.75
9	MAYBANK KIM ENG SECS PTE LTD	24,232,303	0.46
10	OCBC SECURITIES PRIVATE LTD	23,716,529	0.45
11	CIGA ENTERPRISES PTE LTD	18,770,000	0.36
12	KWEE LIONG PHING	14,737,000	0.28
13	PHILLIP SECURITIES PTE LTD	14,219,110	0.27
14	UNITED OVERSEAS BANK NOMINEES	12,367,192	0.24
15	MORGAN STANLEY ASIA (S) SEC PL	11,216,900	0.21
16	RHB SECURITIES SINGAPORE P L	7,269,400	0.14
17	DB NOMINEES (S) PTE LTD	5,204,984	0.10
18	LIM KEE YEK	4,636,600	0.09
19	OCBC NOMINEES SINGAPORE	3,441,100	0.07
20	ONG SEE BOON OR TAN SOON KIAT	3,300,000	0.06
<b>Total</b>		<b>5,100,577,171</b>	<b>97.57</b>



# STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2018

## Public Float

Based on the information available to the Company as at 20 March 2018, approximately 22.17% 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 Trading Limited is complied with.

## SUBSTANTIAL SHAREHOLDERS

	Number of Shares	
	Direct Interest	Deemed Interest
Dornier Profits Limited (" <b>Dornier</b> ")	189,545,100	467,466,638
Parallax Venture Partners XXX Ltd (" <b>PVP</b> ")	2,936,862,151	657,011,738
Salim Wanye (Shanghai) Enterprises Co., Ltd (" <b>Salim Wanye</b> ") <sup>(1)</sup>	–	3,593,873,889
Jaslene Limited (" <b>Jaslene</b> ") <sup>(1)</sup>	–	3,593,873,889
Success Medal International Limited (" <b>Success Medal</b> ") <sup>(1)</sup>	–	3,593,873,889
Salim & Van (Shanghai) Investment Ltd (" <b>Salim &amp; Van</b> ") <sup>(1)</sup>	–	3,593,873,889
Manyip Holdings Limited (" <b>Manyip</b> ") <sup>(1)</sup>	–	3,593,873,889
Anthoni Salim <sup>(2)</sup>	–	3,596,980,577
Sembcorp Development Ltd (" <b>SDL</b> ") <sup>(3)</sup>	554,898,866	–
Sembcorp Industries Ltd (" <b>SCI</b> ") <sup>(3)</sup>	–	554,898,866
Temasek Holdings (Private) Limited (" <b>Temasek</b> ") <sup>(3)</sup>	–	554,898,866

Notes:

- (1) Salim Wanye has a controlling interest in PVP and is deemed to be interested in the Shares in which PVP has an interest. Success Medal, together with Salim & Van, has a controlling interest in Salim Wanye and is deemed to be interested in the Shares in which PVP has an interest. Each of Jaslene and Salim & Van has an interest in more than 20% of the issued share capital of Salim Wanye. Manyip, via its controlling interest in Salim & Van, has an interest in more than 20% of the issued share capital of Salim Wanye. Each of Jaslene, Salim & Van and Manyip is deemed to be interested in the Shares in which PVP has an interest.
- (2) 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.
- (3) Temasek has an interest in more than 20% of the share capital of SCI, and SCI in turn has a controlling interest in SDL. Accordingly, Temasek and SCI are deemed to be interested in the Shares in which SDL has a direct interest.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Gallant Venture Ltd. will be held at Orchard Parade Hotel, Antica I & II, Level 2, 1 Tanglin Road Singapore 247905 on **Monday, 30 April 2018 at 10.00 a.m.** to transact the following businesses:—

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Directors' Statement and Auditors' Report thereon. **(Resolution 1)**
2. To approve the Directors' fee of S\$405,000 for the financial year ended 31 December 2017 (2016: S\$405,000/-). **(Resolution 2)**
3. To re-elect Mr Foo Ko Hing who is retiring under Article 115 of the Constitution of the Company. **(Resolution 3)**
4. To re-elect Dr Tan Chin Nam who is retiring under Article 115 of the Constitution of the Company. **(Resolution 4)**
5. To re-elect Mr Eugene Cho Park who is retiring under Article 115 of the Constitution of the Company. **(Resolution 5)**
6. To re-appoint Foo Kon Tan LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

## AS SPECIAL BUSINESS

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

7. Authority to issue shares

That authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued 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

- (b) 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),

# NOTICE OF ANNUAL GENERAL MEETING

Provided that:

- (c) 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% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with paragraph (d) 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 (excluding treasury shares and subsidiary holdings) (as calculated in accordance with paragraph (d) below);
- (d) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (c) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) at the time such authority was conferred, after adjusting for:
  - (i) new Shares arising from the conversion or exercise of any convertible securities;
  - (ii) 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
  - (iii) 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;
- (e) in this Resolution, "**subsidiary holdings**" shall have the meaning ascribed to it in the listing rules of the SGX-ST; and
- (f) (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. **(Resolution 7)**

**(See Explanatory Note 1)**

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

That:–

- (a) 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 are in accordance with the review procedures for Interested Person Transactions as set out in the Appendix (the "**IPT Mandate**");

# NOTICE OF ANNUAL GENERAL MEETING

- (b) 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) the Audit Committee of the Company be and is hereby authorised 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) 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 8)**

**(See Explanatory Note 2)**

## 9. Renewal of the Share Purchase Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) as may be amended from time to time, 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,

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;

# NOTICE OF ANNUAL GENERAL MEETING

(c) in this Resolution:

“**subsidiary holdings**” has the meaning ascribed to it in the listing rules of the SGX-ST;

“**Prescribed Limit**” means, subject to the Companies Act, 10% of the total number of issued Shares of the Company (excluding subsidiary holdings and 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 or acquired, 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 (as defined hereafter) 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 trading 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 9)**

**(See Explanatory Note 3)**

## 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  
Company Secretary  
Singapore, 13 April 2018

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:-

1. Ordinary Resolution 7 is to authorise 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 (excluding treasury shares and subsidiary holdings) calculated on the basis set out in the said resolution. 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 (excluding treasury shares and subsidiary holdings) calculated on the basis set out in the said resolution. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
2. Ordinary Resolution 8 relates to the renewal of the mandate, which was approved by the shareholders on 28 April 2017 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.
3. Ordinary Resolution 9 relates to the renewal of the mandate, which was first approved by the shareholders on 23 January 2009 and was renewed at the previous annual general meetings of the Company, authorising the Company to purchase its own Shares. Please refer to the Appendix to this Notice of Annual General Meeting for more information.

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:-

1. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
2. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.
3. A proxy need not be a member of the Company.
4. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
5. The instrument appointing a proxy must be deposited at the registered office of the Company at 3 HarbourFront Place #16-01 HarbourFront Tower Two Singapore 099254 not later than 48 hours before the time appointed for the Meeting.
6. The sending of a proxy form by a member does not preclude him from attending and voting in person at the Annual General Meeting if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the proxy form to the Annual General Meeting.
7. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.
8. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his/her vote(s) at the Annual General Meeting in person as proxy of his/her CPF and/or SRS Approved Nominee. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

## Personal data privacy:

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





## PROXY FORM

### GALLANT VENTURE LTD.

Co. Registration No. 200303179Z

(Incorporated in the Republic of Singapore)

#### IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Meeting.
2. 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.
3. 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.

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

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

being a \*member/members of Gallant Venture Ltd. (the “**Company**”) hereby appoint:–

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings to be represented by proxy	
			No. of Shares	%

\*and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings to be represented by proxy	
			No. of Shares	%

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 Orchard Parade Hotel Antica I & II Level 2 1 Tanglin Road Singapore 247905 on **Monday, 30 April 2018 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) or (√) 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		No of Votes or indicate with a tick (√) or cross (X)**	
		For	Against
<b>Ordinary business</b>			
1.	To receive and adopt the Audited Financial Statements, Directors’ Statement and Auditor’s Report for the financial year ended 31 December 2017.		
2.	To approve Directors’ fee of S\$405,000 for the year ended 31 December 2017.		
3.	To re-elect Mr Foo Ko Hing as a Director.		
4.	To re-elect Dr Tan Chin Nam as a Director.		
5.	To re-elect Mr Eugene Cho Park as a Director.		
6.	To re-appoint Foo Kon Tan LLP as Auditors and to authorise the Directors to fix their remuneration.		
<b>Special business</b>			
7.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
8.	To approve the renewal of the IPT Mandate for Interested Person Transactions.		
9.	To approve the renewal of the Share Purchase Mandate.		

\*Delete accordingly

\*\*All resolutions would be put to vote by poll in accordance with listing rule of the Singapore Exchange Securities Limited.

Please tick (√) or cross (X) the number of votes within the box provided. A tick or cross would represent you are exercising all your votes “For” or “Against” the relevant resolution.

Total number of Shares held in:	Number of shares
(a) CDP Register	
(b) Register of Members	

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

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

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

\*Delete where applicable

**IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THE PROXY FORM**

**Notes:**

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in the form of proxy.  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 (the "**Companies Act**").
2. A proxy need not be a member of the Company.
3. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his/her vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.
4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.
5. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised 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.

fold here

Affix  
Postage  
Stamp

The Company Secretary  
**GALLANT VENTURE LTD.**  
3 HarbourFront Place  
#16-01 HarbourFront Tower Two  
Singapore 099254

fold here

6. A corporation which is a member of the Company may authorise 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 the Constitution of the Company and Section 179 of the Companies Act, Chapter 50 of Singapore.
7. 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 3 HarbourFront Place #16-01 HarbourFront Tower Two Singapore 099254 not later than 48 hours before the time set for the Annual General Meeting.
8. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 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.
9. 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 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
10. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.
11. Personal data privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.









**GALLANT VENTURE LTD.**

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