GALLANT VENTURE

# MANAGING INVESTMENTS CREATING VALUE

ANNUAL REPORT 2018

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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 Datsun for passenger vehicle, Hino, Volvo and Renault Trucks for commercial vehicles, Volvo, Kalmar, John Deere 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, Dialoog 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

2018 was a year of significant improvement in each of our operating divisions. Our detailed business review will provide more information later in this report, however, we thought it would be useful to highlight a few major points here.

Although we will still report a net loss of S$73.7 million for the year, 2018 has been a significant step forward in our turnaround, and constitutes a good base to build further in 2019 and 2020. Each of our businesses is working well and have shown much improved results. We have increased our EBITDA to S$181.1 million in 2018 from our 2017's S$94.7 million. We have also continued to work hard on improving our balance sheet, and we have now halved the debt levels at the Group excluding IMAS from our S$821 million (post-Indomobil acquisition peak) to this year's S$410 million.

This strong improvement in cash flow, along with the continuing de-levering of our balance sheet means our company is now in a much stronger financial position – and creates a good base for our continuing growth.

### Automotive

Our Automotive Segment reported net profit for 2018, but after adjustments for accounting and exchange rate differences, we, at the Group level, report a net loss for our Automotive Segment of S$21.7 million. However, we are optimistic that our Automotive results in 2019 will continue to improve. We will have the launch of a number of new models of passenger vehicles (across different brands) that are important and should add significant volumes in 2019 and 2020. Our logistics trucking business JV with Seino has been a spectacular success and the growth projections are significant. The financing business is also doing very well with good growth and well managed portfolio quality.

### Utilities

Although our utilities business had lower revenue in 2018 versus 2017, the operating results had a significant improvement due to cost reduction exercises in our Bintan facilities, as well as the beginnings of increased demand in Bintan Resorts on the back of record high tourist arrivals to our resorts. We expect to see continuing improvements in the segment as well going forward.

# LETTER TO SHAREHOLDERS

### Industrial Parks

Continuing growth in industrial parks as a result of the refocus of our Bintan Inti Industrial Park has helped this segment to a significant improvement in its results. Looking forward, we seem to have a collateral benefit from the US/China trade disputes, as we have a number of enquiries from large scale manufacturers who are looking to move some of their production capabilities out of China.

### Resort Operation

The record number of visitor arrivals to Bintan Resorts in 2018 has led to significant improvements in the results of our Resort Operations segment – especially our ferry business. In discussions with tour operators and hotels, we expect 2019 to be another record year of arrivals and hope to see additional improvement in our performance from this segment.

### Property Development

Our property development segment still saw weak performance in 2018. However we are optimistic especially since the development of the overhang of sold properties has significantly improved, and with the much higher occupancy numbers reported from all the hotels in Bintan, we expect to see significant new demand for our Property Development segment in 2019 and 2020. We also believe there will be significant additional demand in conjunction with the run up to the opening of the new international airport – the first privately owned public international airport in Indonesia. With a 3,000 meter runway, it will cater to the heavy increase of both domestic and international visitors to Bintan Resorts moving forward.

Your company looks stronger than ever, and the recorded loss notwithstanding, we are confident of our position in the markets that we operate in, and expect our investments to continue to improve and yield better results.

Sincerely,

MR LIM HOCK SAN
Non-Executive Chairman
Independent Director

MR EUGENE CHO PARK
Chief Executive Officer
Executive Director

# BUSINESS REVIEW

Trade war broke out in 2018 with USA and China imposing billions dollar tariffs on each other's goods. This has impacted not just on USA-China bilateral trades but also global supply chain linkages with other nations. While the world is monitoring the development and trade negotiations between the 2 countries, the fear of full bloom trade war and de-globalization form the backdrop of regional economic sentiment in 2$^{nd}$ half of 2018. Indonesia economy was not spared from the ongoing trade war as USA and China are its biggest trading partners and will face increasing uncertainties in the geopolitical and global economic climate. The rising US interest rates, a widening current account deficit, and weak commodity prices have weakened the rupiah against the dollar surpassing IDR15,000 to USD1, the first in 20 years. The Indonesia presidential elections in April 2019 will be watched closely by the business communities especially on any changes in trade and investment policies by the new elected president. The Group's businesses which are primarily focused on Indonesia will stay vigilant and nimble in view of the uncertainties but is confident that Indonesia in the long-term will continue to offer valuable and investment opportunities nothwithstanding the trade tension between USA and China may have.

The Group reduced its net loss attributable to shareholders from FY2017's S$136.4 million to S$73.7 million in FY2018. IMAS' revenue increased by 5%, whereas on Rupiah term registered an increase of 14%. The growth was from its trucks and heavy duty equipment, after sale services, financial services, and vehicle rental related business. Delay in launch of new passenger vehicles has impacted passenger vehicle segment. The Group's Industrial Parks recovered from its low and has registered healthy growth in occupancy and introduction of new industrial cluster such as food related activities. Our Resort Operations delivered strong growth with tourist arrivals into Bintan exceeding 1 million in FY2018. Along with growth in the Industrial Parks and Resorts segments, our Utilities business saw improved margin as consumptions pick up in the Resorts segment and favourable energy cost in Bintan. The Group expects the new industrial tenants and hotels continue to contribute positively in the coming years. With tourist arrivals into Bintan gaining momentum, coupled with cruise ships calling into Bintan, the Group expects more new investments into Bintan and will continue to contribute to our Resort Operations and Utilities segments. While our Property Development segment underperformed without any new land sales, the Group is hopeful that growth in tourist arrivals and new hotel developments in Bintan will drive the demand for our property.

## AUTOMOTIVE

IMAS's Rupiah denominated revenue from its trucks and heavy duty equipment, after sales services, financial services and vehicle rental related business continue to register strong growth of 33%, 16%, 17% and 33%, respectively. Growth in these segments have compensated underperforming passenger vehicle segment. With launching of new Nissan models in FY2019, the Group expects strong recovery in this segment towards 2$^{nd}$ half of 2019. New models such as Livina, a long waited and highly anticipated MPV, and Serena, the upscale MPV that features trendy technology and line of design. Operational income excluding the revaluation gain on investment properties improved from S$86.2 million to S$117.1 million. IMAS's full year profit was S$9.6 million

# BUSINESS REVIEW

as compared S$8.9 million loss in FY2017. Excluding share of losses from its associated companies and revaluation gain on investment properties, IMAS reported a net profit of S$10.3 million in FY2018 as compared to FY2017's loss of S$6.0 million.

IMAS has over the past years expanded and diversified into more sustainable automotive related businesses so to cushion fluctuation in passenger vehicle segment. Diversification strategy has shown results and key initiatives are:–

(i) Riding on strong economic growth, expand and focus on commercial vehicle franchise, such as Hino and Volvo;

(ii) Enter into logistics business in partnership with Seino Holdings Co Ltd. IMAS is now the largest 3rd party trucking company in Indonesia with more than 3,000 trucks. It has attracted premium customers such as Indofood, Unilever Indonesia, Mayora Indah and Coca-Cola;

(iii) Expanding its car leasing business targeting institutional customers, such as banks and large corporations. It is one of the leading players in Indonesia with a fleet of 13,000 vehicles.

(iv) Expanding its financial services by entering into multi-finance and micro-finance.

(v) Partnering with ExxonMobil in setting up micro filling stations across Indonesia for the 2W market selling motorcycle spare parts, petrol, diesel and oil lubricants. IMAS targets 10,000 stations over the next 5 years.

## UTILITIES

Power consumption from the industrial parks has declined marginally by 1% from FY2017 but was offset by the increased consumption in the Resorts segment. Overall, the margin from the Utilities segment improved by 7% due to lower power generation costs in Bintan. During the year under review, the Group secured several new industrial tenants and expects the power consumption to increase significantly once the new tenants commence operation in 2019. With the increased in commercial activities and tourist arrivals in Bintan, coupled with new hotels and commercial properties coming online, the Group expects that the power consumption in Bintan Resorts to grow at much fast pace than the Industrial segment. As the profitability of this segment is much affected by fluctuation of fuel prices, the Group continues to seek diversification of its fuel sources so to maintain healthy profit margin.

## INDUSTRIAL PARKS

Although revenue from the industrial rental and support services remain flat as new tenants are expected to commence operation in FY2019, the Group has compensated the shortfall with strong revenue stream from Batam housing project. The Group has received increasing industrial lease enquires as more international manufacturers are diversifying their product bases so to avoid punitive tariff as a result of trade war between the USA and China. As such, the Group is planning to expand its industrial parks segment, its first expansion in a decade. With the new tenants and expansion from its existing tenants, approximately 70,000 sqm of additional factory spaces will be taken up bringing the occupancy rate in our Batam industrial park to over 90% by mid 2019. The Indonesia's Industry Ministry has selected our two industrial parks in Batam and Bintan to host Halal manufacturing cluster so to promote manufacturing of halal products in Indonesia. This cluster in our Parks comes with one-stop integrated support center that facilitate Halal certification. In Bintan Industrial Estate, the Group has secured its first halal food processing tenant that produces coconut-based products and the Group plans to elevate its Bintan Industrial Estate into a Halal and food relating manufacturing center. Alongside with the food cluster, Bintan Industrial Estate has repurposed its offshore marine segment with the introduction of Bintan Offshore Marine Centre ("BOMC"), a new development offering to host and support offshore marine related activities in Bintan.

The Group is confident that the repositioning of our Industrial Parks will contribute significantly to our rental income and supporting services in this segment. Our Industrial Parks are better positioned to serve the new economy and have a balanced and diversified tenants base. In addition, the Group is expanding its Bintan Industrial Estate with the development of Bintan International Airport and Maintenance, Repairs and Overhaul ("MRO") Center. This will serve growing regional tourist activities as well as fast growing airspace industry in Indonesia. The Group is hopeful that the aviation segment will contribute positively after commercial operation around FY2021.

## PROPERTY DEVELOPMENT

The Group has been working closely with investors on their hotel developments in Bintan. The Group expects introduction of more hotel room keys between 2019 and 2021 so to cope with influx of tourists into Bintan. Apart from tourist arrivals through Singapore and domestic tourists, our Bintan Resorts is receiving regular port call from international cruise ships. Introduction of Bintan International Airport in 2021 will further strengthen tourist arrivals into Bintan. While the Group did not conclude any new land sales during the year under review, the Group will continue to benefit from new developments and strong tourist arrivals.

Updates on Lagoi Bay Development:–

a. **New Development**

The 100 safari themed tents, “The Canopi” by Treasure Bay Bintan is joining the Tribute Portfolio, a brand under Marriott International. Marriott Bonvoy members will be able to earn points and eligible nights at this property.

Continue its successful The Canopi project, Treasure Bay Bintan is rolling out 100 new glamping concept tents in phases in 2nd half of 2019 under “Ammon” which will be managed by The Hip and Happening Group, an avant-garde hotel and leisure management company helmed by zealous hoteliers versed in hospitality.

b. **New Hotels**

Doulos Phos, “Oldest active passenger ship”; the ship hotel is undergoing the final touches before opening its 100 rooms to welcome its first visitor in 2nd quarter of 2019.

c. **New Attraction**

The new Marine Life Discovery Park, by Treasure Bay Bintan, sets to open in 2019. It is an exciting new attraction where visitors of all ages can enjoy and learn more about marine life through fun immersive interaction with marine creatures, such as snorkeling, diving or touch pool activities. Tours to the back-of-house facilities, such as the laboratory, the quarantine pool and the aquaculture pool, offer in-depth understanding on the technical know-how in caring and managing the marine life, as well as conservation effort that everyone can practice. Marine Life Discovery Park will be home to over 70 species and 15,000 fishes, and its exhibits will extend beyond just marine life. With an integrated natural mangrove and aviary, visitors can appreciate the flora and fauna which form an integral part of the region’s marine life eco-system too.

## RESORT OPERATIONS

2018 was a record-setting year for Bintan tourist arrival making it the best year in its history with an all-time high of 1,063,458 visitors, up 18% from 2017. Visitors from China grew by 107% followed by India and Singapore, 20% and 6% respectively. The Group has close collaboration and partnership with resort operators, travel agencies, tourism bureau and stakeholders in Singapore to promote Singapore and Bintan as preferred twin-destination in South Asia:

(i) The Group tied up with Genting Dream Cruise to offer 2-Night Bintan Island Weekend Getaway as part of the ship’s year-round itineraries. This has contributed to our international tourist arrival and contributed to our resort supporting services. The Group is in discussion with another leading cruise operator to include Bintan as part of their itineraries;

# BUSINESS REVIEW


(ii) Promote Bintan as a regional MICE venue through the Group's travel agencies network. The island hosted several MICE events for corporations from Singapore, China, Hong Kong and India;

(iii) Partner will hotel operators outside our Bintan Resorts to broaden our product offering as well as integrate tour activities throughout Bintan island. Hotel operators outside our Bintan Resorts, such as The Residence by Cenizaro Hotels & Resorts group, receive their guests into Bintan through our Bintan Ferries and our Bintan Ferry Terminal, which contribute positively to our business segment;

(iv) Work closely with stakeholders to offer attractive travel packages in Bintan. This includes packaging of our ferry tickets, hotel room stay and key attractions for important tourist market such as China and India;

(v) Work closely with stakeholders in Singapore, such as Changi Airport Group and Singapore Cruise Center, to offer end-to-end tour packaging linking activities and attractions in Singapore and Bintan. The partnership includes hassle-free fly-ferry transfer service for passengers travelling from the Changi Airport to Bintan, through Tanah Merah Ferry Terminal. Integration of passenger and baggage transfer eases travel experience and enhanced attractiveness of Singapore-Bintan tour packages.

With the anticipated Bintan International Airport in 2021, the Group expects further growth in domestic and international direct inbound travelers to Bintan. Singapore-Bintan opportunity will be further enhanced to encourage travel from Bintan to Singapore and further widen capturing of value. The Group is confident that this segment will be profitable here forward.

## GOING FORWARD

With the looming trade war between the USA and China, global uncertainties will have an impact on regional businesses. The Group will stay vigilant and innovate, focusing on its core competencies 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 halal and food industrial cluster in Bintan;

(e) Diversification of fuel sources so to improve utilities' margin; and

(f) To diversify and expand sustainable and high margin automotive related businesses.

# FINANCIAL REVIEW

The Group's revenue increased 5% from FY2017's S$1,746.7 million to S$1,832.7 million in FY2018. The increase was mainly from Automotive, Industrial Parks and Resort Operation segments. For the Automotive, although the passenger vehicle sales declined as compared to the previous year, it was compensated by higher growth in its trucks and heavy duty equipment sales, after sale services, financial services and vehicle rental. Higher revenue from the housing project in Batam and our ferry services grew in tandem with higher tourist arrivals into Bintan, which contributed the increase in the Industrial Parks and Resort Operation respectively.

The Group reported a net loss attributable to shareholders of S$73.7 million as compared to a net loss of S$136.4 million in the preceding year having improvements across business segments including lower losses in IMAS associated companies.

In line with recovery in our key business segments, the Group's EBITDA increased to S$181.1 million from FY2017's S$94.7 million. Contributions from our five business segments were S$145.3 million (FY2017: S$72.9 million) from Automotive, S$38.0 million (FY2017: S$36.5 million) from Utilities, S$20.1 million (FY2017: S$15.2 million) from Industrial Parks, -S$9.8 million (FY2017: -S$8.9 million) from Property Development and S$2.3 million (FY2017: S$0.7 million) from Resort Operations.

Basic and diluted net loss per share was 1.38 cents per share for the period under review. The Group's Net Asset Value ("NAV") per share as at 31 December 2018 was 26.95 cents.

## AUTOMOTIVE

IMAS' revenue increased by 5% from S$1,587.9 million in FY2017 to S$1,666.6 million in FY2018. In Rupiah term, the revenue increased by 14%. The growth was mainly from its trucks and heavy duty equipment sales, financial services, after sale services and vehicle rental related activities while its passenger vehicle's sale underperformed during the period under review. Excluding the revaluation gain on investment properties, its operating income increased from S$86.2 million in FY2017 to S$117.1 million in FY2018. On full year basis, IMAS reported a net profit of S$9.6 million (including investment properties' revaluation gain of S$14.0 million) as compared to 2017's net loss of S$8.9 million (including investment properties' revaluation gain of S$53.6 million). As the Group's accounting policy is to record its investment properties at cost, the Group has excluded the S$14.0 million property revaluation gain in Year 2018 results. Including the segmental adjustments, the automotive segment's adjusted net loss was S$21.7 million as compared to 2017's adjusted net loss of S$79.9 million. With the Indonesia economy expecting to perform relatively well, increased infrastructure spending by the Indonesia government and growth in industrial sectors will further drive growth in IMAS trucks and heavy duty equipment segment. Its financial services, vehicle rental and logistics related business will continue to benefit from broad base improvements in the Indonesia economy. After much delay, IMAS's flagship brand – Nissan has launched new car models in 2019 and IMAS positive contributions from these new models.

## UTILITIES

Our Utilities' revenue decreased marginally from S$101.6 million in FY2017 to S$100.2 million in FY2018. Power consumption from the industrial parks decreased by 1% but this was offset by the increased in Bintan Resorts. Utilities profit increased from S$6.7 million in FY2017 to S$15.5 million in FY2018 and was mainly due to lower energy cost and lower financing costs. The Group expects increased revenue and profitability once new industrial tenants and hotels in Bintan Resorts commence operation.

# FINANCIAL REVIEW

## INDUSTRIAL PARKS

Revenue for the year was S$36.2 million as compared to S$32.7 million in FY2017. While the industrial rental and support services performed fairly, the housing project in Batam registered higher revenue as compared to the previous period. The Industrial Parks' losses reduced from S$16.9 million in FY2017 to S$10.6 million in FY2018. The Group expects the industrial rental and supporting services to improve significantly once the new tenants in both industrial parks commence operation in 2019.

## PROPERTY DEVELOPMENT

The operating losses in our Property Development segment reduced by 2% despite and the Group did not register any land sales in 2018. The Group is confident that with strong tourist arrival growth and ongoing hotel developments in Bintan will contribute positively to the Group and will attract more investments into Bintan. With the development of Bintan International Airport, the Group expects generate significantly higher tourist arrivals and elevate Bintan into a world class tourist destination.

## RESORT OPERATIONS

Bintan Resorts received record-breaking 1,063,458 visitors in 2018 with Chinese inbound registered 107% growth vs the previous year. Our ferry services' revenue increased by 14% and continued to register highest passenger load since its inception. Resort related revenue, including its Holiday Villa, continued to perform well and consequently, our Resorts Operation segment's losses reduced from S$6.4 million in FY 2017 to S$4.3 million in FY2018. With continued growth in tourist arrivals coupled with further hotel developments in Bintan, the Group is confident that this segment is able to achieve critical mass and turn profitable earlier in the near future.

# FINANCIAL HIGHLIGHTS

| | FY2018 | FY2017 |
|---|---|---|
| **INCOME STATEMENTS (IN S$ MILLION)** | | |
| Revenues | **1,832.7** | 1,746.7 |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) | **181.1** | 94.7 |
| Earnings/(Loss) Before Interest and Tax (EBIT) | **65.4** | (20.4) |
| Loss After Tax Attributable to Shareholders | **(73.7)** | (136.4) |
| **SEGMENTAL REVENUE (IN S$ MILLION)** | | |
| Utilities | **100.2** | 101.6 |
| Industrial Parks | **36.2** | 32.7 |
| Resorts | **29.7** | 24.5 |
| Property Developments | **–** | – |
| Automotives | **1,666.6** | 1,587.9 |
| **EBITDA BY SEGMENT (IN S$ MILLION)** | | |
| Utilities | **38.0** | 36.5 |
| Industrial Parks | **20.1** | 15.2 |
| Resorts | **2.3** | 0.7 |
| Property Developments | **(9.8)** | (8.9) |
| Automotives | **145.3** | 72.9 |
| Corporate | **(14.8)** | (21.7) |
| **STATEMENT OF FINANCIAL POSITION (IN S$ MILLION)** | | |
| Cash and Cash Equivalents | **228.9** | 258.4 |
| Investment Properties | **182.2** | 232.6 |
| Land and Other Inventories | **954.2** | 851.8 |
| Trade, Other Receivables and Financing Receivables | **1,903.0** | 1,533.2 |
| Total Assets | **5,250.3** | 4,509.7 |
| Total Borrowings | **2,799.3** | 2,276.5 |
| Shareholders' Equity | **1,438.4** | 1,444.1 |
| **CASH FLOW (IN S$ MILLION)** | | |
| Net Cash used in Operating Activities | **(277.6)** | (30.6) |
| Net Cash used in Investing Activities | **(230.1)** | (137.7) |
| Net Cash generated from Financing Activities | **483.7** | 18.5 |
| Net decrease in Cash and Cash equivalents | **(24.0)** | (149.8) |
| **FINANCIAL RATIOS** | | |
| Current Ratio | **1.1** | 1.3 |
| Debt-to-Equity Ratio (Gross Debt) | **194.6%** | 157.6% |
| Debt-to-Equity Ratio (Net Debt) | **178.7%** | 139.7% |
| EBITDA Margin | **9.9%** | 5.4% |
| Return on Equity | **-5.12%** | -9.45% |
| Return on Assets | **-1.40%** | -3.03% |
| **STOCK INFORMATION (IN S$ EXCEPT AS INDICATED)** | | |
| Stock Price – Year-end | **0.13** | 0.13 |
| Market Capitalisation as at 31 December (S$' billion) | **0.710** | 0.699 |
| NAV per Share (cents) | **26.95** | 27.05 |
| Loss per Share – basic (cents) | **(1.382)** | (2.803) |
| Loss per Share – diluted (cents) | **(1.382)** | (2.803) |

# GROUP STRUCTURE

| SUBSIDIARIES | | |
|---|---|---|
| **Entities** | **Effective percentage of ownership** | **Domicile** |
| PT Batamindo Investment Cakrawala | 100% | Batam |
| PT Bintan Inti Industrial Estate | 100% | Bintan |
| Bintan Resorts International Pte. Ltd. | 100% | Singapore |
| PT Buana Megawisatama | 100% | Jakarta |
| BU Holdings Pte Ltd | 100% | Singapore |
| PT Taman Indah | 100% | Bintan |
| PT Surya Bangun Pertiwi | 100% | Jakarta |
| Lagoi Dreams Limited | 100% | British Virgin Islands |
| Verizon Resorts Limited | 100% | Malaysia |
| Batamindo Investment (S) Ltd | 100% | Singapore |
| PT Suakajaya Indowahana | 100% | Jakarta |
| Win Field Limited | 100% | British Virgin Islands |
| Bintan Power Pte. Ltd. | 100% | Singapore |
| Golf View Limited | 100% | Seychelles |
| Treasure Home Ltd | 100% | British Virgin Islands |
| PT Gallant Lagoi Abadi | 100% | Jakarta |
| PT Gallant Lagoi Berjaya | 100% | Jakarta |
| PT Gallant Lagoi Cemerlang | 100% | Jakarta |
| PT Gallant Lagoi Damai | 100% | Jakarta |
| PT Gallant Lagoi Elok | 100% | Jakarta |
| PT Gallant Lagoi Fenomena | 100% | Jakarta |
| PT Gallant Lagoi Gemilang | 100% | Jakarta |
| PT Gallant Lagoi Harmoni | 100% | Jakarta |
| PT Gallant Lagoi Inti | 100% | Jakarta |
| PT Gallant Lagoi Jaya | 100% | Jakarta |
| PT Bumi Bintan Abadi | 100% | Jakarta |
| PT Bumi Bintan Berjaya | 100% | Jakarta |
| PT Bintan Damai Sejahtera | 100% | Jakarta |
| PT Bintan Indah Perkasa | 100% | Jakarta |
| PT Citra Bintan Lestari | 100% | Jakarta |
| PT Nuansa Indah Bintan | 100% | Jakarta |
| GV Airport Holdings Pte Ltd | 100% | Singapore |
| PT Batam Bintan Telekomunikasi | 95% | Batam |
| Bintan Resort Ferries Private Limited | 90.74% | Singapore |
| 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 |

| 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 Indomatsumoto Press & Dies Industries | 71.49% | Bekasi |
| PT IMG Sejahtera Langgeng | 71.48% | Jakarta |
| 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 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 Unicor Prima Motor | 70.80% | Jakarta |
| PT Indomobil Prima Niaga | 70.80% | Jakarta |
| PT Indojaya 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 Indomobil Ekspress Truk | 65.08% | Jakarta |
| PT Indomobil Energi Lestari | 64.69% | Jakarta |
| PT Indomobil Prima Energi | 64.41% | 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 Seino Indomobil Logistics | 48.74% | Jakarta |
| PT Data Arts Experience | 46.46% | 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 United Indo Surabaya | 36.46% | Surabaya |
| PT Wahana Adidaya Kudus | 36.46% | Kudus |

# GROUP STRUCTURE

| SUBSIDIARIES | | |
|---|---|---|
| **Entities** | **Effective percentage of ownership** | **Domicile** |
| PT Wahana Inti Nusa Pontianak | 36.46% | Pontianak |
| PT Wahana Investasindo Salatiga | 36.46% | Salatiga |
| PT Wahana Jaya Indah Jambi | 36.46% | Jambi |
| 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% | Singapore |
| PT Bintan Aviation Investments | 33.33% | Jakarta |
| PT Soxal Batamindo Industrial Gases | 30% | 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 Sompo Japan | 34.76% | Jakarta |
| PT Seino Indomobil Logistics Services | 32.67% | Jakarta |
| PT Car & Cars Indonesia | 32.03% | Jakarta |
| PT Hino Motors Sales Indonesia | 28.60% | Jakarta |
| PT Hino Finance Indonesia | 25.62% | Jakarta |
| PT Indo Masa Sentosa | 21.45% | Jakarta |
| PT Nissan Motor Distributor Indonesia | 17.87% | Jakarta |
| PT Mitsuba Automotive Parts Indonesia | 17.87% | Purwakarta |
| PT Shinhan Indo Finance | 17.55% | Jakarta |
| PT Sumi Indo Wiring Systems | 14.66% | Jakarta |
| PT Vantec Indomobil Logistics | 14.30% | 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 and Risk Management 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: 30 April 2018

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 GIANTO 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. He started his career with Haagtechno BV-Den Bosch in Holland as a Management Trainee in 1984 and is currently a Non-Executive Director of QAF Limited. He sits on the Board of Director/Commissioner of several subsidiaries of the Group and in other private enterprises.

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 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 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 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 2015 and 2018. He is concurrently Director of PT Indofood CBP Sukses Makmur Tbk, where he heads the Dairy Division; Non-Executive Director of Indofood Agri Resources Ltd; Director of Art Photography Centre Ltd; 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 Advisory Group. Mr. Axton started his career in the Indofood Fritolay Makmur as a Brand Manager and was then after appointed as an Assistant CEO of Indofood Sukses Makmur Tbk.

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

## DR TAN CHIN NAM

Non-Executive Director

Date of last election: 30 April 2018
Board Committee
– Nil

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

Dr Tan is currently a Director of Yeo Hiap Seng Limited and a Senior Adviser of Salim Group. He is also the Chairman of Global Fusion Capital Pte Ltd. He is a member of the Centre for Liveable Cities Advisory Board, as well as Board of Trustees of BankInter Foundation for Innovation (Spain) and Eight Inc Advisory Board.

Dr Tan had 33 years of distinguished service in the Singapore Public Service holding various key appointments before completing his term as a Permanent Secretary in 2007. He held various top public leadership positions including as General Manager and Chairman for National Computer Board, Managing Director for Economic Development Board, Chief Executive for Singapore Tourism Board, Permanent Secretary for Ministry of Manpower and Ministry of Information, Communications and the Arts, Chairman for National Library Board and Media Development Authority. He played a leading role in the information technology, economic, tourism, manpower, library, media, arts and creative industries development of Singapore.

Previously, Dr Tan was also held various corporate appointments included Chairman of Temasek Management Services Pte Ltd and One North Resource Advisory Panel, Senior Adviser for Singbridge Corporate Pte Ltd and Zana Capital Pte Ltd, Board Member of Raffles Education Corporation Pte Ltd, PSA International Pte Ltd, Stamford Land Ltd and Sino-Singapore Guangzhou Knowledge City Investment and Development Co Ltd, as well as the member of International Advisory Board and Economic Development Board in Rotterdam.

Dr Tan holds degrees in industrial engineering and economics from the University of Newcastle, Australia and an MBA from University of Bradford, UK. He also holds two honorary doctorates by 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.

Current directorship in other company listed on Singapore stock exchange
– Yeo Hiap Seng Ltd

# BOARD OF DIRECTORS

## MR FOO KO HING

Non-Executive and Independent Director

Date of last election: 30 April 2018

Board Committee

– Chairman, Remuneration Committee
– Member, Audit and Risk Management 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

Non-Executive and Independent Director

Date of last election: 26 April 2016

Board Committee

– Chairman, Nominating Committee
– Member, Audit and Risk Management 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 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 GIANTO GUNARA

Mr Gunara is the Executive Director/Group Chief Operating Officer overseeing the Group Operations. He started his career with Haagtechno BV-Den Bosch in Holland as a Management Trainee in 1984 and is currently a Non-Executive Director of QAF Limited. He sits on the Board of Director/Commissioner of several subsidiaries of the Group and in other private enterprises. He holds a Bachelor in Business Administration degree from Simon Fraser University, Vancouver, Canada.

## 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
(Non-Executive and Independent Director)

RIVAIE RACHMAN
(Non-Executive and Independent Director)

**AUDIT AND RISK MANAGEMENT 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 Mandiri (Persero) Tbk, Singapore Branch
PT Bank CIMB Niaga Tbk

**INDEPENDENT AUDITOR**
Foo Kon Tan LLP
Public Accountants and Chartered Accountants
24 Raffles Place #07-03
Clifford Centre
Singapore 048621

Partner-in-charge: HO TEIK TIONG
(Since financial year ended 31 December 2018)

# FINANCIAL CONTENTS

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 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.

This is the second year we will be publishing our sustainability report based on the Global Reporting Initiative framework. During the year, the Sustainability Reporting Committee reached out to internal and external stakeholders to seek feedback on our inaugural Sustainability Report to identify areas for improvement for our upcoming report. During the process, additional materiality matrix has been identified after further benchmarked ourselves against our peers.

Our Board continues to monitor our progress to ensure we continue to improve our sustainability performance and goals to minimise our impacts on the environment and the communities in which we operated and leverage on the sustainability strategy to enhance long-term shareholder value.

The full sustainability report for FY 2018 in digital form will be available on our website: www.gallantventure.com by 31st May 2019.

### 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 and Risk Management 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 and Risk Management Committee, Nominating Committee and Remuneration Committee respectively.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

**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 meetings, 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 2018:

| | Board | Audit and Risk Management Committee | Remuneration Committee | Nominating Committee |
|---|---|---|---|---|
| **Number of meetings held** | **4** | **5** | **1** | **1** |
| **Name of Directors** | **Number of meetings attended** | | | |
| Mr Lim Hock San | 4 | 5 | 1 | 1 |
| Mr Foo Ko Hing | 4 | 5 | 1 | 1 |
| Mr Rivaie Rachman | 4 | 5 | 1 | 1 |
| Mr Eugene Cho Park | 4 | 5* | – | – |
| Mr Choo Kok Kiong | 4 | 5* | 1* | 1* |
| Mr Gianto Gunara | 4 | 5* | – | – |
| Dr Tan Chin Nam | 4 | 4* | – | – |
| Mr Axton Salim | 3 | 3* | – | – |
| 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;

(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.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

**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 Nominating Committee ("NC") is charged with reviewing the training and professional development of the directors. All directors are provided with regular updates on the corporate governance, financial, legal and regulatory requirements. The NC will recommend appropriate trainings and seminars and arrange for training by professional bodies 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 attend the trainings and seminars arranged by the Company to stay abreast of the relevant changes.

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 Non-Executive and Independent Directors. The majority of the Board comprises Non-Executive 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 | Non-Executive and Independent Director |
| 9. | Mr Rivaie Rachman | Non-Executive and Independent Director |

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.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

**Annual Review of Directors' Independence in 2018**

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

FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 and Risk Management 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

FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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) | Non-Executive and Independent Director |
| Mr Lim Hock San | Non-Executive and Independent Director |
| Mr Foo Ko Hing | Non-Executive and 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;

(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

FINANCIAL YEAR ENDED 31 DECEMBER 2018

**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 Singapore Institute of Directors ("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 Lim Hock San, Mr Axton Salim, and Mr Rivaie Rachman 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. Each of the Director has abstained from the Board's deliberation on his re-election. Mr Rivaie Rachman and Mr Lim Hock San, being NC Chairman and member have abstained from the NC's deliberation of 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.

**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 NC, propose, where appropriate, new members to be appointed to the board or seek the resignation of directors.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 and Board Committees 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.

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.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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) | Non-Executive and Independent Director |
| Mr Lim Hock San | Non-Executive and Independent Director |
| Mr Rivaie Rachman | Non-Executive and 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 FY2018, 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

FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 FY2018 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

FINANCIAL YEAR ENDED 31 DECEMBER 2018

**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 2018 is set out below:

**Remuneration of Directors**

| | Salary | Bonus | Director's Fee | Other Benefits | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| **S$500,000 to S$1,499,999** | | | | | |
| Eugene Cho Park<br>Executive Director and CEO | 61 | 33 | – | 6 | 100 |
| Gianto Gunara<br>Executive Director | 61 | 32 | – | 7 | 100 |
| Jusak Kertowidjojo<br>Executive Director | 72 | 8 | – | 20 | 100 |
| Choo Kok Kiong<br>Executive Director | 60 | 32 | – | 8 | 100 |
| **Below S$500,000** | | | | | |
| Lim Hock San<br>Non-Executive Chairman and Independent Director | – | – | 100 | – | 100 |
| Dr Tan Chin Nam<br>Non-Executive Director | – | – | 100 | – | 100 |
| Axton Salim<br>Non-Executive Director | – | – | 100 | – | 100 |
| Foo Ko Hing<br>Non-Executive and Independent Director | – | – | 100 | – | 100 |
| Rivaie Rachman<br>Non-Executive and Independent Director | – | – | 100 | – | 100 |

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 disclose the exact remuneration of the Directors.

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

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

**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-à-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 2018 is approximately S$1,241,721.

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 2018.

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.

## 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 by each of the Head of each subsidiary in their capacity as Executive Officer.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 present 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 responsibility of overseeing the Company's risk management framework and policies is undertaken by the Audit Committee together with the Management. The Audit Committee was renamed the Audit and Risk Management Committee ("ARMC") with effect of 28 February 2019.

The ARMC, 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 ARMC will review the audit plans, and the findings of the auditors and will ensure that the Company follows up on the auditors' recommendations raised, if any, during the audit process.

The 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 2018 (a) the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2018 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 ARMC, is of the opinion that the Group's internal controls were adequate and effective as at 31 December 2018 to address financial, operational, compliance and information technology risks and risk management systems.

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.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

## AUDIT AND RISK MANAGEMENT COMMITTEE

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

The ARMC comprises three members chaired by an Independent Director. The ARMC comprises the following members:

| | |
|---|---|
| Mr Lim Hock San (Chairman) | Non-Executive and Independent Director |
| Mr Foo Ko Hing | Non-Executive and Independent Director |
| Mr Rivaie Rachman | Non-Executive and Independent Director |

The ARMC 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 ARMC have recent and relevant accounting or related financial management expertise or experience to discharge the ARMC's functions.

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

The ARMC 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.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

The ARMC has the power to conduct or authorise investigations into any matters within the ARMC's scope of responsibility. The ARMC 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 ARMC or any Director is involved in the deliberations and voting on any resolutions in respect of matters he is interested in.

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

All the ARMC 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 ARMC have sufficient accounting and financial management expertise and experience to discharge the ARMC's functions.

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

**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 ARMC reviews the independence of FKT annually. The ARMC, 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 ARMC recommended that Foo Kon Tan LLP be nominated for re-appointment as auditor at the forthcoming AGM. The ARMC 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 FY2018 was approximately S$1,875,000 of which audit fees amounted to approximately S$1,813,000 and non-audit fees amounted to approximately S$62,000.

**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 and/or the Human Resources Department. The recipient of such complaints shall forward them promptly to the ARMC 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 ARMC Chairman shall report to the ARMC on recommended disciplinary or remedial action, if any. The action determined by the ARMC as appropriate shall then be brought to the Board or to appropriate members of senior management for authorization and implementation respectively. An employee can access the ARMC 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.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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. ARMC is charged with evaluation of the external professional firm to be engaged as the Company's internal auditor ("IA"). At the ARMC's recommendation, the Company has engaged PricewaterhouseCoopers, Indonesia as its internal auditors ("IA"). The IA reports directly to the Chairman of the Audit and Risk Management 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.

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. PricewaterhouseCoopers, Indonesia has confirmed their independence to the ARMC. 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 ARMC. The ARMC is satisfied that the Company's internal audit function outsourced to PricewaterhouseCoopers, Indonesia is independent, adequately resourced and effective.

The ARMC 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 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.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 which shareholders can access information on the Group.

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 Investment Relation ("IR") team as and when will participate 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 is website for investors to channel their comments and queries.

The Company does not have a dividend policy. The Board will consider the Group's financial performance, liquidity, capital expenditure commitment and need to repay debt before proposing to declare dividend. The Notice for the forthcoming AGM does not carry a declaration of dividend for FY 2018 as the Company is committing its cash resources further develop its Resorts, Utilities and Automotive 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 ARMC, 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 queries related to the audit by the shareholders.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

## 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 ARMC has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are on normal commercial terms and are not prejudicial to the interests of the shareholders.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

The interested person transactions transacted for the financial year ended 31 December 2018 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 |
| **PURCHASES** | |
| PT Inti Ganda Perdana | 1,240 |
| PT Indomarco Prismatama | 1,114 |
| PT Mentari Subur Abadi | 796 |
| PT Asuransi Central Asia | 619 |
| PT Salim Ivomas Pratama | 555 |
| PT Hino Motors Sales Indonesia | 347 |
| PT Prima Sarana Gemilang | 243 |
| PT Wahana Murni Sejahtera | 134 |
| PT Kalamur | 115 |
| **SALES** | |
| PT Hino Motors Sales Indonesia | 4,721 |
| PT Hino Motors Manufacturing Indonesia | 2,052 |
| PT Alam Indah Bintan[(1)] | 2,002 |
| PT Prima Sarana Gemilang | 1,448 |
| PT Indomobil Manajemen Corpora | 1,211 |
| PT Hamfred Technology Indonesia | 1,052 |
| PT Wahana Inti Sela | 652 |
| PT Wolfsburg Auto Indonesia | 536 |
| PT Suzuki Indomobil Sales | 495 |
| PT Nissan Motor Distributor Indonesia | 353 |
| PT Sumi Rubber Indonesia | 286 |
| PT Indofood CBP Sukses Makmur Tbk | 243 |
| PT Shinhan Indo Finance | 240 |
| PT Indofood Fritolay Makmur | 164 |
| PT Soxal Batamindo Industrial Gases | 107 |

(1) PT Alam Indah Bintan, and its subsidiaries, ceased to be an interested person with the Group with effect from 30 November 2018.

# STATEMENT OF CORPORATE GOVERNANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

There are no Interested Person Transactions conducted outside the Shareholders' Mandate (excluding transactions less than S$100,000)

## USE OF SUBSCRIPTION PROCEEDS AS AT DATE OF THIS ANNUAL REPORT

The Company refers to the net proceeds of approximately S$68,173,000 raised from the subscription of 513,045,113 new ordinary shares in the capital of the Company at an issue price of S$0.133 for each Subscription Share on 14 December 2017. The use of proceeds is in accordance with the stated use and is in accordance with the percentage allocated in the Company's announcement dated 27 June 2018.

As at date of this annual report, the status on the use of the net proceeds is as follows:–

| Intended use of net proceeds | % allocated | Amount allocated (S$ million) | Net proceeds utilised as at date of this Annual Report (S$ million) | Balance of net proceeds as at date of this Annual Report (S$ million) |
|---|---|---|---|---|
| General working capital | 50% | 34.085 | – | 34.085 |
| Repayment of loans | 50% | 34.085 | 12.151 | 21.934 |
| | **100%** | **68.170** | **12.151** | **56.019** |

## 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 2018

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 2018.

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 2018 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 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)"); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due, as disclosed in Note 2(a)(g) – Going concern.

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 statement 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 (Non-Executive and Independent Director)
Mr Rivaie Rachman (Non-Executive and 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 statement.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**Directors' interests in shares or debentures**

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, 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 | |
|---|---|---|---|---|
| **The Company** | **As at 1.1.2018** | **As at 31.12.2018 and 21.1.2019** | **As at 1.1.2018** | **As at 31.12.2018 and 21.1.2019** |
| 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 and Risk Management Committee**

The Audit and Risk Management Committee ("ARMC") at the end of the financial year comprises the following members:

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

The ARMC performs the functions set out in Section 201B (5) of the Act, 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 2018 as well as the auditor's report thereon;

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**Audit and Risk Management 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 ARMC;

(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 ARMC to the board of directors with such recommendations as the ARMC considered appropriate; and

(xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

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

The ARMC 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 ARMC 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 2018

**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

..............................................................................
CHOO KOK KIONG

Dated: 5 April 2019

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

**Report on the Audit of the Financial Statements**

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 the Group as at 31 December 2018, 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, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2018 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 Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current 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.

**(a) Impairment assessment of investments in subsidiaries of the Company (Note 6) and goodwill of the Group (Note 3)**

As at 31 December 2018, investments in subsidiaries of the Company amounts to $2.50 billion representing about 97% of the Company's total assets.

As at 31 December 2018, the Group has goodwill of $483 million arising from its acquisition of automotive business included in intangible assets, representing about 9% of the Group's total assets.

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, the higher of fair value less cost to sell and value-in-use ("VIU"). The recoverable amount from VIU calculation is based on certain key assumptions, such as the 5-year cash flow projections and the growth rate, terminal value and discount rate of the cash generating unit ("CGU") in order to calculate the present value of the CGU's future cash flows. These assumptions which are determined by management are judgmental. A small change in the assumptions may have a significant impact to the estimation of the recoverable amount.

# 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)

**Our response and work performed**

Our audit procedures included among others, evaluating the identification of CGUs within the Group. We obtained the valuation model prepared by management and the inputs and assumptions used.

We engaged auditor's expert to support us in our evaluation of the model. We evaluated whether the auditor's expert has the necessary competence, capabilities and objectivity for our purposes. We also obtained an understanding of the relevant field of expertise when determining the nature, scope of objectives of that expert's work and evaluating the adequacy of that work for our purposes.

In the computation of the 5-years discounted cash flow projections (including terminal value), the Group had taken into account the indicative market prices of their goods, and used inputs, such as market growth rate, weighted average cost of capital and other factors, typical of similar industry. Management had applied its knowledge of the business in its regular review of these estimates.

Through engaging our auditor's expert and considering their work and findings, we assessed reasonableness of the basis, methodology adopted, inputs and assumptions used to arrive at the recoverable amounts of the CGUs based on their VIU calculations. We also checked the arithmetical accuracy and completeness of the VIU calculations.

We also focused on the adequacy of disclosures of key assumptions and sensitivity. The Group's disclosures on intangible assets and investments in subsidiaries are included in Note 3 and Note 6 to the financial statements respectively.

**(b) Impairment assessment of financing receivables (Note 8) and trade receivables (Note 13) of the Group**

As at 31 December 2018, total financing receivables of the Group amounts to $1.20 billion, in which $0.52 billion is classified under current assets and $0.68 billion is classified under non-current asset. Total financing receivables represents about 23% of the Group's total assets.

As at 31 December 2018, trade receivables amount to $256.1 million, representing about 5% of the Group's total assets.

The Group applies on a forward-looking basis the expected credit losses ("ECL") associated with its financing receivables and trade receivables in accordance with SFRS(I) 9 Financial Instruments.

The Group elects to assess the ECL on its financing receivables using the general approach. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies the simplified approach in calculating ECL. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group establishes a provision matrix that is based on its historical credit loss experience, adjusted for current market conditions and forward-looking factors specific to the debtors and the economic environment.

# 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)

Assessing the ECL for impairment of receivables requires management to make subjective judgements. ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions.

**Our response and work performed**

We evaluated the appropriateness of the general approach and simplified approach used by management, including assessing the reasonableness of assumptions used in determining changes in credit risk and historical default rates adjusted for current conditions and forward-looking information, respectively.

We reviewed 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 of credit review and approval.

We reviewed 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, tested the accuracy of the ageing report and reviewed for evidence of collection by way of subsequent receipts from receivables after the year end.

We recomputed management's calculation of the ECL. We also reviewed the adequacy and reasonableness of the relevant disclosures. The Group's disclosures on the credit risk are included in Note 36(b) to the financial statements.

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 and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSAs.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GALLANT VENTURE LTD.

**Report on the Audit of the Financial Statements (Cont'd)**

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 SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- 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.

# 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)

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current 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.

The engagement partner of the audit resulting in this independent auditor's report is Mr Ho Teik Tiong.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 5 April 2019

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

| | Note | The Company 31 Dec 2018 $'000 | The Company 31 Dec 2017 $'000 | The Company 1 Jan 2017 $'000 | The Group 31 Dec 2018 $'000 | The Group 31 Dec 2017 $'000 Restated | The Group 1 Jan 2017 $'000 Restated |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| **Non-Current** | | | | | | | |
| Intangible assets | 3 | **62** | 110 | 57 | **716,234** | 732,452 | 748,650 |
| Property, plant and equipment | 4 | **310** | 415 | 450 | **769,129** | 578,529 | 549,332 |
| Investment properties | 5 | **–** | – | – | **182,203** | 232,625 | 231,686 |
| Subsidiaries | 6 | **2,537,174** | 2,537,407 | 2,536,681 | **–** | – | – |
| Associates | 7 | **–** | – | – | **116,269** | 139,854 | 233,628 |
| Financing receivables | 8 | **–** | – | – | **680,318** | 535,644 | 510,359 |
| Deferred tax assets | 9 | **–** | – | 2,474 | **34,542** | 33,013 | 40,025 |
| Other non-current assets | 10 | **155** | 155 | 154 | **345,388** | 149,800 | 152,918 |
| | | **2,537,701** | 2,538,087 | 2,539,816 | **2,844,083** | 2,401,917 | 2,466,598 |
| **Current** | | | | | | | |
| Land inventories | 11 | **–** | – | – | **594,654** | 591,767 | 612,963 |
| Other inventories | 12 | **–** | – | – | **359,552** | 260,020 | 217,164 |
| Financing receivables | 8 | **–** | – | – | **519,405** | 453,284 | 447,139 |
| Trade and other receivables | 13 | **81,393** | 78,860 | 135,371 | **703,775** | 544,303 | 590,924 |
| Cash and cash equivalents | 14 | **381** | 2,394 | 196,134 | **228,879** | 258,441 | 425,413 |
| | | **81,774** | 81,254 | 331,505 | **2,406,265** | 2,107,815 | 2,293,603 |
| **Total assets** | | **2,619,475** | 2,619,341 | 2,871,321 | **5,250,348** | 4,509,732 | 4,760,201 |
| **Equity and Liabilities** | | | | | | | |
| **Equity** | | | | | | | |
| Share capital | 15 | **1,948,307** | 1,948,307 | 1,880,154 | **1,948,307** | 1,948,307 | 1,880,154 |
| Treasury shares | 16 | **(50)** | – | – | **(50)** | – | – |
| Accumulated losses | | **(148,600)** | (116,085) | (91,476) | **(373,273)** | (299,198) | (162,767) |
| Reserves | 17 | **80,000** | 80,000 | 80,000 | **(136,594)** | (204,989) | (168,281) |
| Equity attributable to equity holders of the Company | | **1,879,657** | 1,912,222 | 1,868,678 | **1,438,390** | 1,444,120 | 1,549,106 |
| Non-controlling interests | | **–** | – | – | **293,995** | 267,970 | 317,711 |
| **Total equity** | | **1,879,657** | 1,912,222 | 1,868,678 | **1,732,385** | 1,712,090 | 1,866,817 |
| **Liabilities** | | | | | | | |
| **Non-Current** | | | | | | | |
| Borrowings | 18 | **311,489** | 330,181 | – | **1,030,198** | 798,164 | 634,194 |
| Debt securities | 19 | **–** | – | 228,926 | **163,237** | 170,117 | 634,488 |
| Deferred tax liabilities | 9 | **–** | – | – | **102,209** | 89,759 | 94,040 |
| Employee benefits liabilities | 20 | **–** | – | – | **36,709** | 41,999 | 38,467 |
| Contract liabilities | 25 | **–** | – | – | **11,621** | 2,430 | 1,522 |
| Other non-current liabilities | 21 | **88** | 88 | 348 | **32,780** | 30,033 | 32,282 |
| | | **311,577** | 330,269 | 229,274 | **1,376,754** | 1,132,502 | 1,434,993 |
| **Current** | | | | | | | |
| Trade and other payables | 22 | **45,494** | 24,220 | 30,120 | **505,260** | 332,694 | 258,277 |
| Contract liabilities | 25 | **–** | – | – | **15,195** | 13,651 | 20,345 |
| Borrowings | 18 | **381,583** | 350,728 | 517,244 | **1,410,338** | 1,222,591 | 1,029,535 |
| Debt securities | 19 | **–** | – | 224,580 | **195,560** | 85,585 | 139,262 |
| Current tax payable | | **1,164** | 1,902 | 1,425 | **14,856** | 10,619 | 10,972 |
| | | **428,241** | 376,850 | 773,369 | **2,141,209** | 1,665,140 | 1,458,391 |
| **Total liabilities** | | **739,818** | 707,119 | 1,002,643 | **3,517,963** | 2,797,642 | 2,893,384 |
| **Total equity and liabilities** | | **2,619,475** | 2,619,341 | 2,871,321 | **5,250,348** | 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 2018

| | Note | Year ended 31 December 2018 $'000 | Year ended 31 December 2017 $'000 |
|---|---|---|---|
| Revenue | 25 | **1,832,713** | 1,746,741 |
| Cost of sales | | **(1,470,278)** | (1,403,444) |
| Gross profit | | **362,435** | 343,297 |
| Other income | 26 | **76,400** | 56,011 |
| General and administrative expenses | | **(189,031)** | (187,752) |
| Other operating expenses | 27 | **(147,235)** | (154,087) |
| Share of associate companies' results | | **(14,473)** | (56,273) |
| Finance costs | 28 | **(136,690)** | (127,030) |
| Loss before taxation | 29 | **(48,594)** | (125,834) |
| Taxation | 30 | **(27,274)** | (31,671) |
| Loss after taxation | | **(75,868)** | (157,505) |
| Other comprehensive (expense)/income after taxation: | | | |
| Items that are/may be reclassified subsequently to profit or loss | | | |
| Change in fair value of available-for-sale financial assets | 17(d) | **–** | 1,165 |
| Change in fair value of cash flow hedges, net of tax | 17(c) | **(2,620)** | (6,738) |
| Currency translation differences from foreign subsidiaries | 17(b) | **(36,752)** | (53,930) |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Change in fair value on equity instruments at fair value through other comprehensive income | 17(d) | **76,285** | – |
| Remeasurements of defined benefit plans | 17(e) | **5,871** | (429) |
| Other comprehensive income/(expense) for the year after taxation | 31 | **42,784** | (59,932) |
| Total comprehensive expense for the year | | **(33,084)** | (217,437) |
| Loss attributable to: | | | |
| – Equity holders of the Company | | **(73,748)** | (136,431) |
| – Non-controlling interests | | **(2,120)** | (21,074) |
| | | **(75,868)** | (157,505) |
| Total comprehensive (expense)/income attributable to: | | | |
| – Equity holders of the Company | | **(40,257)** | (172,361) |
| – Non-controlling interests | | **7,173** | (45,076) |
| | | **(33,084)** | (217,437) |
| | | **Cents** | **Cents** |
| Loss per share | | | |
| – Basic | 32 | **(1.382)** | (2.803) |
| – Diluted | | **(1.382)** | (2.803) |

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 2018

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital $'000 | Treasury shares $'000 | Capital reserve $'000 | Translation reserve $'000 | Hedging reserve $'000 | Fair value reserve $'000 | Other reserves $'000 | Accumulated losses $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| Balance at 1 January 2018, as reported | 1,948,307 | – | (105,771) | (84,851) | (474) | (18,838) | 4,945 | (299,198) | 1,444,120 | 267,970 | 1,712,090 |
| Effects of adoption SFRS(I) 9 (Note 40) | – | – | – | (276) | – | 28,549 | – | (327) | 27,946 | 11,050 | 38,996 |
| Balance at 1 January 2018, as restated | 1,948,307 | – | (105,771) | (85,127) | (474) | 9,711 | 4,945 | (299,525) | 1,472,066 | 279,020 | 1,751,086 |
| Loss for the year | – | – | – | – | – | – | – | (73,748) | (73,748) | (2,120) | (75,868) |
| Other comprehensive (expense)/income | – | – | – | (23,214) | (1,780) | 54,464 | 4,021 | – | 33,491 | 9,293 | 42,784 |
| **Total comprehensive (expense)/income for the year** | – | – | – | (23,214) | (1,780) | 54,464 | 4,021 | (73,748) | (40,257) | 7,173 | (33,084) |
| Purchase of treasury shares (Note 16) | – | (50) | – | – | – | – | – | – | (50) | – | (50) |
| Dilution in interests of subsidiary with loss of control (Note 6) | – | – | – | – | – | – | – | – | – | 79 | 79 |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | – | (376) | (376) |
| Changes in interest in subsidiaries and effect of transaction with non-controlling interests | – | – | – | – | – | – | 6,631 | – | 6,631 | 8,099 | 14,730 |
| **Balance at 31 December 2018** | 1,948,307 | (50) | (105,771) | (108,341) | (2,254) | 64,175 | 15,597 | (373,273) | 1,438,390 | 293,995 | 1,732,385 |

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 2018

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital $'000 | Capital reserve $'000 | Translation reserve $'000 | Hedging reserve $'000 | Fair value reserve $'000 | Other reserves $'000 | Accumulated losses $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| Balance at 1 January 2017 | 1,880,154 | (105,771) | (52,319) | 4,371 | (19,698) | 5,136 | (162,767) | 1,549,106 | 317,711 | 1,866,817 |
| Loss for the year | – | – | – | – | – | – | (136,431) | (136,431) | (21,074) | (157,505) |
| Other comprehensive (expense)/income | – | – | (32,532) | (4,845) | 860 | 587 | – | (35,930) | (24,002) | (59,932) |
| **Total comprehensive (expense)/income for the year** | – | – | (32,532) | (4,845) | 860 | 587 | (136,431) | (172,361) | (45,076) | (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 interests | – | – | – | – | – | – | – | – | (413) | (413) |
| Changes in interest in subsidiaries and effect of transaction with non-controlling interests | – | – | – | – | – | (778) | – | (778) | (5,556) | (6,334) |
| **Balance at 31 December 2017** | 1,948,307 | (105,771) | (84,851) | (474) | (18,838) | 4,945 | (299,198) | 1,444,120 | 267,970 | 1,712,090 |

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 2018

| | Note | Year ended 31 December 2018 $'000 | Year ended 31 December 2017 $'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Loss before taxation | | **(48,594)** | (125,834) |
| Adjustments for: | | | |
| Amortisation of intangible assets | 3, 29 | **16,309** | 16,313 |
| Depreciation of property, plant and equipment and investment properties | 29 | **99,459** | 98,724 |
| Loss/(gain) on disposal of property, plant and equipment | 26 | **221** | (7,776) |
| Net impairment of financing, trade and other receivables | 8, 13 | **46,924** | 37,153 |
| Loss on sales of foreclosed assets | | **15,754** | 11,576 |
| Reversal of allowance for inventories obsolescence | 12, 29 | **(73)** | (512) |
| Provision for employees' benefits | 20, 29 | **5,776** | 6,270 |
| Write back of other payable | 26 | **(1,851)** | – |
| Gain on dilution from a subsidiary to associate | 26 | **(464)** | – |
| Loss on disposal of investment properties | | **3,001** | – |
| Reversal of allowance for foreclosed assets | 23,29 | **(1,903)** | (175) |
| Gain on dilution from associate to unquoted equity investments | 26 | **(16,181)** | – |
| Interest expense | 28 | **136,690** | 127,030 |
| Interest income | 26 | **(22,732)** | (21,551) |
| Share of associate companies' results | | **14,473** | 56,273 |
| Operating profit before working capital changes | | **246,809** | 197,491 |
| Increase in land inventories | | **(2,888)** | – |
| Increase in other inventories | | **(112,350)** | (42,344) |
| (Increase)/decrease in operating receivables | | **(296,461)** | 26,258 |
| Increase in operating payables and contract liabilities | | **180,983** | 70,846 |
| Cash generated from operating activities | | **16,093** | 252,251 |
| Income tax paid | | **(79,590)** | (72,427) |
| Interest paid | | **(220,722)** | (225,886) |
| Interest received | | **7,860** | 16,409 |
| Employee benefit paid | 20 | **(1,234)** | (932) |
| Net cash used in operating activities | | **(277,593)** | (30,585) |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Acquisition of intangible assets | | **(92)** | (115) |
| Acquisition of property, plant and equipment | | **(222,981)** | (125,807) |
| Acquisition of investment properties | | **(4,707)** | (21,784) |
| Dividend from associates | | **5,560** | 6,620 |
| Proceeds from disposal of property, plant and equipment | | **2,898** | 8,736 |
| Addition in investments | | **(10,992)** | (5,511) |
| Interest received on and proceeds from restricted cash and time deposits | | **254** | 152 |
| Net cash used in investing activities | | **(230,060)** | (137,709) |

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 2018

| | Note | Year ended 31 December 2018 $'000 | Year ended 31 December 2017 $'000 |
|---|---|---|---|
| **Cash Flows from Financing Activities** | | | |
| Proceeds from issuance of new shares | 15 | **–** | 68,153 |
| Proceeds from issuance of debt securities | A | **209,331** | 256,428 |
| Repayment of debt securities | A | **(82,917)** | (581,348) |
| Purchase of treasury shares | 16 | **(50)** | – |
| Proceeds from additional capital stock contribution of NCI | | **5,249** | 5,323 |
| Proceeds from bank borrowings | A | **3,538,286** | 2,591,031 |
| Repayment of bank borrowings | A | **(3,185,861)** | (2,320,707) |
| Dividends paid to non-controlling interests | | **(376)** | (413) |
| Net cash generated from financing activities | | **483,662** | 18,467 |
| Decrease in cash and cash equivalents | | **(23,991)** | (149,827) |
| Cash and cash equivalents at beginning of year | | **258,441** | 425,413 |
| Effect of currency translation on cash and cash equivalents | | **(5,571)** | (17,145) |
| Cash and cash equivalents at end of year | 14 | **228,879** | 258,441 |

**Note A**

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.

| | | **Cash flows** | | | **Non-cash flows** | | |
|---|---|---|---|---|---|---|---|
| | **As at 1 January 2018 S$'000** | **Proceeds S$'000** | **Repayments S$'000** | **Interest paid S$'000** | **Interest expenses S$'000** | **The effect of changes in foreign exchange rates S$'000** | **As at 31 December 2018 S$'000** |
| **Borrowings (Note 18)** | **2,020,755** | **3,538,286** | **(3,185,861)** | **(159,284)** | **105,872** | **120,768** | **2,440,536** |
| **Debt securities (Note 19)** | **255,702** | **209,331** | **(82,917)** | **(61,438)** | **30,818** | **7,301** | **358,797** |

| | | Cash flows | | | Non-cash flows | | |
|---|---|---|---|---|---|---|---|
| | As at 1 January 2017 S$'000 | Proceeds S$'000 | Repayments S$'000 | Interest paid S$'000 | Interest expenses S$'000 | The effect of changes in foreign exchange rates S$'000 | As at 31 December 2017 S$'000 |
| Borrowings (Note 18) | 1,663,729 | 2,591,031 | (2,320,707) | (164,596) | 101,276 | 150,022 | 2,020,755 |
| Debt securities (Note 19) | 773,750 | 256,428 | (581,348) | (61,290) | 25,754 | (157,592) | 255,702 |

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 2018

## 1 General information

The financial statements of the Group and the Company for the financial year ended 31 December 2018 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 (International) ("SFRS(I)") 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 Dollar which is the Company's functional currency. All financial information, presented in Singapore Dollar, is rounded to the nearest thousand ($'000) unless otherwise stated.

The preparation of the financial statements in conformity with SFRS(I) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

*Significant judgements used in applying accounting policies*

(a) Income taxes (Note 30)

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.

(b) Classification of property leases as operating lease (as lessor) (Note 33 (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 Group's operating leases as of 31 December 2018 is S$100,215,000 (2017 – S$74,673,000, 1 January 2017 – S$77,997,000).

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

The Group classifies certain buildings and improvements as investment properties as these are leased out to earn rental income. The Group has assessed and determined that an insignificant portion of investment properties is held for own use in the supply of building management services or and 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

*Significant judgements used in applying accounting policies (Cont'd)*

(e) Allowance for expected credit losses (ECL) of financing receivables (Note 8) and trade and other receivables (Note 13)

Allowance for ECL of receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at each reporting date. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, current market conditions, assumptions and expectations of future conditions.

For financing receivables and non-trade receivables, the Group and the Company apply the general approach to determine ECL. ECL is measured as an allowance equal to 12-month ECL for stage-1 (low credit risk) assets, or lifetime ECL for stage-2 (deterioration in credit risk) or stage-3 (credit impaired) assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider qualitative and quantitative reasonable and supportable forward looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within 12 months after the reporting date.

For trade receivables, the Group and the Company apply the simplified approach and uses a provision matrix to calculate ECL. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust historical credit loss experience with current market conditions and forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions.

The carrying amount of the Group's financing receivables as at 31 December 2018 is S$1,199,723,000 (2017 – S$988,928,000, 1 January 2017 – S$957,498,000).

The carrying amounts of the Company's and the Group's trade and other receivables as at 31 December 2018 amount to S$81,393,000 (2017 – S$78,860,000, 1 January 2017 – S$135,371,000) and S$703,775,000 (2017 – S$544,303,000, 1 January 2017 – S$590,924,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

*Significant judgements used in applying accounting policies (Cont'd)*

(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 judgements 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 amount of the Company's and the Group's deferred tax assets as at 31 December 2018 are S$Nil (2017 – S$Nil, 1 January 2017 – S$2,474,000) and S$34,542,000 (2017 – S$33,013,000, 1 January 2017 – S$40,025,000) respectively.

(g) Going Concern

As at 31 December 2018, the Company's current liabilities exceeded its current assets by S$346,467,000 (2017 – S$295,596,000, 1 January 2017 – S$441,864,000). The Company's net current liability position is mainly due to loans from its subsidiaries (Note 18) amounting S$362,079,000 (2017 – S$336,328,000, 1 January 2017 – S$517,244,000). Excluding the loan from its subsidiaries, the Company's net current asset is S$15,612,000 (2017 – S$40,732,000, 1 January 2017 – 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 or the subsidiaries of not recalling the loans.

As at 31 December, the Group has cash and cash equivalents (Note 14) of S$228,879,000 (2017 – S$258,441,000, 1 January 2017 – S$425,413,000) and net current assets of S$265,056,000 (2017 – S$442,675,000, 1 January 2017 – S$835,212,000) which is able to support its working capital requirements. The Group has outstanding borrowings and debts securities (Note 18 and 19) of S$1,605,898,000 (2017 – S$1,308,176,000, 1 January 2017 – S$1,168,797,000) as at 31 December 2018 which is due within 12 months after end of reporting period.

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$1,660 million (2017 – S$1,449 million, 1 January 2017 – 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 (including financing receivables) as they fall due to settle its current liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

(a) Pension and employee benefits (Note 20)

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 2018 amounts to S$36,709,000 (2017 – S$41,999,000, 1 January 2017 – 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 increase by S$1,440,000 (2017 – S$1,529,000, 1 January 2017 – 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.

The carrying amounts of the Company's and the Group's property, plant and equipment as at 31 December 2018 are S$310,000 (2017 – S$415,000, 1 January 2017 – S$450,000) and S$769,129,000 (2017 – S$578,529,000, 1 January 2017 – S$549,332,000) respectively. If the depreciation of the property, plant and equipment increases/decreases by 10%, the Group's loss for the year will increase/decrease by S$7,051,000 (2017 – S$7,217,000).

(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 and more frequently, if there are any indicators of impairment.

Intangibles assets are written off where, in the opinion of the management, no further economic benefits are expected to arise. The carrying amounts of the Company's and the Group's intangible assets, excluding goodwill, as at 31 December 2018 are S$62,000 (2017 – S$110,000, 1 January 2017 – S$57,000) and S$232,776,000 (2017 – S$248,996,000, 1 January 2017 – S$265,192,000) respectively. If the amortisation of intangible assets increases/decreases by 10%, the Group's loss for the year will increase/decrease by S$1,631,000 (2017 – S$1,631,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

(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 and impaired if necessary. 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 amount of the Group's investment properties as at 31 December 2018 is S$182,203,000 (2017 – S$232,625,000, 1 January 2017 – S$231,686,000). If the depreciation of the investment properties increase/decrease by 10%, the Group's loss for the year will increase/decrease by S$2,895,000 (2017 – S$2,655,000).

(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.

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:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**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)

- Note 24 – Derivative financial instruments

The carrying amount of the Group's derivative financial assets as at 31 December 2018 is S$23,337,000 (2017 – S$7,419,000, 1 January 2017 – S$15,827,000) and the carrying amount of the Company's and the Group's derivative financial liabilities as at 31 December 2018 are S$Nil (2017 – S$Nil, 1 January 2017 – S$260,000) and S$1,139,000 (2017 – S$631,000, 1 January 2017 – S$1,380,000) respectively. If the fair value of the Group's derivative financial assets and the Company's and the Group's derivative financial liabilities increase/decrease by 10%, the Company's loss for the year will decrease/increase by S$Nil (2017 – S$Nil) and the Group's other comprehensive expense for the year will decrease/increase by S$2,220,000 (2017 – S$679,000).

(f) Valuation of unquoted equity instruments (Note 10)

The Group owns unquoted equity investments in shares and elected to measure these equity instruments at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

These investments, stated at their fair values (Level 3 of the fair value hierarchy), are based on management valuations using external valuers. Estimating the fair value is a complex process involving judgements and estimates regarding various inputs and underlying assumptions. This is due to the nature of the underlying assets comprising many categories of assets and liabilities recorded in the statement of financial position of the investee. The valuation of these investments is determined using the adjusted net assets method that involves the use of unobservable inputs. The valuations are sensitive to key assumptions applied in deriving at the significant unobservable inputs i.e. a small change in the assumptions may have a significant impact to the valuation.

The fair value amounts ascribed to these investments is disclosed in Note 10.

(g) Allowance for decline in market values and obsolescence of land inventories (Note 11) and other inventories (Note 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.

The carrying amount of the Group's land inventories and other inventories as at 31 December 2018 are S$594,654,000 (2017 – S$591,767,000, 1 January 2017 – S$612,963,000) and S$359,552,000 (2017 – S$260,020,000, 1 January 2017 – S$217,164,000) respectively. If the net realisable value of the inventories decreases by 10% from management's estimates, the Group's loss for the year will increase by S$428,000 (2017 – S$376,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

(h) 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 2018 is S$483,458,000 (2017 – S$483,458,000, 1 January 2017 – S$483,458,000).

(i) 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's estimates, is not likely to materially affect the carrying amount.

The carrying amount of the Company's investment in subsidiaries and the Group's investment in associates as at 31 December 2018 are S$2,537,174,000 (2017 – S$2,537,407,000, 1 January 2017 – S$2,536,681,000) and S$116,269,000 (2017 – S$139,854,000, 1 January 2017 – S$233,628,000) respectively.

**2(b) Interpretations and amendments to published standards effective in 2018**

Convergence with International Financial Reporting Standards

In December 2017, the Accounting Standards Council ("ASC") Singapore issued Singapore Financial Reporting Standards (International) (SFRS(I)), Singapore's equivalent of the International Financial Reporting Standards (IFRSs). Singapore-incorporated companies that have issued or are in the process of issuing equity or debt instruments for trading in a public market in Singapore are required to apply the new reporting framework, SFRS(I), for annual periods beginning on or after 1 January 2018.

The Group's and the Company's financial statements for the financial year ended 31 December 2018 are prepared in accordance with SFRS(I) issued by ASC. As a result, this will be the first set of financial statements prepared under SFRS(I)s.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2(b) Interpretations and amendments to published standards effective in 2018 (Cont'd)**

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

In adopting the new reporting framework, the Group and the Company are required to apply SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group and the Company have applied SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group and the Company applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied.

If there are changes to the accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening statement of financial position and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Management did not elect any of the mandatory exceptions and the optional exemptions in SFRS(I) 1 except for the following:

- The Group and the Company have elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39, Financial Instruments: Recognition and Measurement are applied to financial instruments up to the financial year ended 31 December 2017. The Group and the Company are also exempted from complying with SFRS(1) 7, Financial instruments: Disclosures to the extent that the disclosures required in SFRS(I) 7 relate to the items within the scope of SFRS(I) 9.

  As a result, the requirements under SFRS (old framework) are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

Other new SFRS(I) and amendments in 2018

On 1 January 2018, the Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018.

| Reference | Description | Effective date (Annual periods beginning on or after) |
|---|---|---|
| Amendments to SFRS(I) 1-40 | Transfers to Investment Property | 1 January 2018 |
| SFRS(I) 9 | Financial Instruments | 1 January 2018 |
| SFRS(I) 15 | Revenue from Contracts with Customers | 1 January 2018 |
| SFRS(I) INT 22 | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |

Most of the amendments listed above did not have any impact on the amounts recognised in prior periods and did not significantly affect the current period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2(b) Interpretations and amendments to published standards effective in 2018 (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 did not have any impact on the Group's financial statements.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It is a package of improvements introduced which includes:

- Classification and measurement;
- A single, forward looking expected credit loss model for calculating impairment on financial assets; and
- A new general hedge accounting requirements.

It also carries forward the guidance on recognition and de-recognition of financial instruments from FRS 39.

Overall, there was no 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.

In the assessment of impairment on debt instruments, the Group applied the expected credit loss model using either the general approach – the 12-month or lifetime basis which is dependent on whether there has been a significant increase in the credit risk of the assets from initial recognition to the date of initial application of SFRS(I) 9 or the simplified approach – the use of provision matrix and calculating ECL on a lifetime basis.

SFRS(I) 9 was generally adopted without restating the comparative information. The adjustments arising from the new impairment rules and fair value measurement of the Group's unquoted investments in shares are recognised in the opening equity on 1 January 2018. These are disclosed in Note 40.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2(b) Interpretations and amendments to published standards effective in 2018 (Cont'd)**

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.

The standard also includes clarification on how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- Determine whether an entity 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 did not have any significant impact on the Group's 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 amendments did not have any significant impact on the Group's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

| Reference | Description | Effective date (Annual periods beginning on or after) |
|---|---|---|
| SFRS(I) 10 and SFRS(I) 1-28 | Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| SFRS(I) 16 | Leases | 1 January 2019 |
| SFRS(I) 9 | Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation | 1 January 2019 |
| SFRS(I) 1-28 | Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| SFRS(I) 1-19 | Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| SFRS(I) 1-1 and SFRS(I) 1-8 | Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material | 1 January 2020 |
| SFRS(I) 3 | Amendments to SFRS(I) 3: Definition of a Business | 1 January 2020 |
| Various SFRS(I)s | Amendments to References to the Conceptual Framework in SFRS(I) Standards | 1 January 2020 |
| SFRS(I) 17 | Insurance Contracts | 1 January 2021 |

Except for the following, the Group expects that the adoption of the other standards and amendments above will have no material impact on the Group's financial statements in the period of initial application.

SFRS(I) 16 *Leases*

SFRS(I) 16 *Leases* replaces FRS 17 *Leases* accounting requirements introduced more than 30 years ago. This new standard eliminates the lessee's classification of leases as either operating or finance leases and introduce a single lessee accounting model.

i. The Group and the Company as lessee

Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and financial liabilities to pay rentals with a term of more than 12 months, unless the underlying asset is of a low value.

SFRS(I) 16 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires a more extensive disclosures to be provided by a lessor.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

SFRS(I) 16 *Leases* (Cont'd)

i. The Group and the Company as lessee (Cont'd)

SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 Determining whether an Arrangement contains a Lease, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*.

The new standard affects primarily the accounting for the Group's existing operating lease arrangements as a lessee. 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 Group's financial statements until the Group adopts SFRS(I) 16 in 2019.

Management does not plan to early adopt the above new SFRS(I) 16.

ii. The Group and the Company as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for other leases in which the Group is a lessor.

Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material

The amendments clarify the definition of material and how it should be applied by including in the definition guidance. The new definition of material states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Amendments to SFRS(I) 3: Definition of a Business

The amendments are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of SFRS(I) 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

**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 interests even if that results in a deficit balance.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(i) Consolidation (Cont'd)**

Subsidiary and existence of control

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.

Non-controlling interests

Non-controlling interests 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(i) Consolidation (Cont'd)**

Changes in ownership interests in subsidiaries without loss of control

Changes in the Company owners' ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amount 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 interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Changes in ownership interests in subsidiaries resulting in loss of control

When 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 interests;
– 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.

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

**(ii) Business combination**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises:

– the fair values of the assets transferred,
– the liabilities incurred to the former owners of the acquiree,
– the equity interests issued by the Group,
– the fair value of any asset or liability resulting from a contingent consideration arrangement and
– fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of acquiree's identifiable net assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(ii) Business combination (Cont'd)**

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

**(iii) 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 interests 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 2018

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

**(iii) 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.

**(iv) 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:

| | Years |
|---|---|
| Leasehold land | 15 – 80 |
| Land improvements | 20 |
| Landfill | 3 |
| Building and infrastructures | 3 – 30 |
| Golf course | 36 – 45 |
| Utilities plant and machinery | 3 – 30 |
| Machinery and equipment | 3 – 15 |
| Vessels and ferry equipment | 4 – 15 |
| Working wharf | 3 |
| Transportation equipment and vehicles | 3 – 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 2018

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

**(iv) 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.

**(v) 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 amounts.

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 2018

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

**(vi) 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.

**(vii) 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 accounts 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 2018

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

**(vii) 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.

**(viii) Inventories**

a. Land

Land inventories are carried at the lower of cost and net realisable value. Cost of land inventories is recorded at cost. 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.

b. 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 2018

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

**(ix) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal rights to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**(x) Financial assets**

a. Classification

From 1 January 2018, with the adoption of SFRS(I) 9, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instruments at fair value through other comprehensive income (FVOCI).

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

b. Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

c. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(x) Financial assets (Cont'd)**

c. Measurement (Cont'd)

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is de-recognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

*Equity instruments*

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity instruments measured at FVOCI are not reported separately from other changes in fair value.

The Group has elected to measure these equity instruments at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(x) Financial assets (Cont'd)**

d. Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments not held at FVTPL. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(x) Financial assets (Cont'd)**

d. Impairment (Cont'd)

*Credit-impaired financial asset*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes, as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Measurement of expected credit losses*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by the default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(x) Financial assets (Cont'd)**

d. Impairment (Cont'd)

*Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the profit or loss.

e. 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.

f. Accounting policies applied until 31 December 2017

The Group has applied SFRS(I) 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

*Classification*

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(x) Financial assets (Cont'd)**

f. Accounting policies applied until 31 December 2017 (Cont'd)

*Impairment and measurement*

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.

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

(1) 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 2018

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

**(x) Financial assets (Cont'd)**

f. Accounting policies applied until 31 December 2017 (Cont'd)

*Impairment and measurement* (Cont'd)

(2) 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 instruments 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 instruments 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(xi) 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 processing fees, which are incurred at the first time the financing agreement is signed and directly attributable to consumer financing, are recognised as administration income. Early terminations are treated as cancellation of existing consumer finance contracts and the resulting gain or loss is recognised in profit and loss for the year.

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.

(c) Other financing receivables

Other financing receivables are factoring receivables purchased from other companies, without recourse.

Other factoring receivables are initially measured at the purchase price, net of directly attributable transaction costs. They are presented net of purchase price, unearned financing income and allowance for impairment loss on other factoring receivables.

Unearned income on other financing receivables, 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(xii) 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.

**(xiii) Golf membership**

Golf membership is measured initially at cost. Subsequent to initial recognition, golf membership is stated at cost less any accumulated impairment losses, if any. The carrying amount of golf membership is reviewed annually for impairment when an indicator of impairment arises during the reported period indicates 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, if any.

**(xiv) 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.

**(xv) 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.

**(xvi) Financial liabilities**

The Group's financial liabilities include loans and borrowings, debt securities (including bond), obligations under finance leases and trade and other payables.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(xvi) Financial liabilities (Cont'd)**

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.

Borrowings and debt securities

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(xvi) Financial liabilities (Cont'd)**

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).

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

**(xvii) Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from customer. If the customer pays consideration before the Group transfers good or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier).

Contract liabilities are recognised as revenue when the Group performs under the contract.

**(xviii) Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(xviii) Derivative financial instruments and hedging activities (Cont'd)**

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument. Until 31 December 2017, the Group classified foreign currency options as held-for-trading derivatives and accounted for them at FVPL.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ("aligned time value") are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(xviii) Derivative financial instruments and hedging activities (Cont'd)**

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses).

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

**(xix) 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(xix) Leases (Cont'd)**

**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.

**(xx) 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(xx) Income tax (Cont'd)**

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.

**(xxi) 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(xxi) Employee benefits (Cont'd)**

Provisions for employee service entitlements

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

The calculation is performed annually by qualified actuarists 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### (xxii) 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 2018

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

**(xxiii) 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 Company or to the parent of the Company.

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.

**(xxiv) Revenue recognition**

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or extending a service to the customer, which is when the customer obtains control of the good or derived benefits from the usage of the service. A performance obligation may be satisfied at a point in time or over time. If a performance obligation is satisfied over time, the revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(xxiv) Revenue recognition (Cont'd)**

(a) Sale of goods

Sale of goods includes automobiles, truck and heavy duty equipment and automotive parts and accessories. Revenue is recognised at a point in time when the control of the goods are transferred, being when the goods are delivered to the customer or collected by customer which signify that all criteria for acceptance have been satisfied.

(b) Financial services

Revenue from consumer financing, finance leases and factoring receivables is recognised over the term of the respective contracts based on a constant rate of return on the net investment using the effective interest method.

(c) Services rendered

Revenue from villa operation, ferry services, golfing, use of social facilities, food and beverages, car rental, logistic services and clinic operation is recognised when the services are rendered or when the supplies are delivered to customers.

Revenue from contract service is recognised by reference to the stage of completion of the contract.

Revenue from golf subscription fees is recognised over the period of the subscription while non-refundable golf club membership is recognised as revenue in the period of sale.

(d) Utilities revenue

Revenue from electricity and water is recognised at a point in time upon consumption by the customer.

(e) Rental and service and maintenance

Rental from investment properties is recognised proportionately over the lease term. The service and maintenance is provided evenly 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.

(f) Telecommunication service

Revenue from telecommunication services is recognised over a period of time as it accrues over the term of the telecommunication contracts. Revenue from telecommunication installation services is recognised when the installations are placed in service. Revenue from network interconnection with other domestic telecommunication carriers is recognised when the time connection takes place.

(g) Sales of land and factory

The Group sells land for development and factory in the ordinary course of business. Revenue is recognised at a point of time when the control over the property had been transferred to the customer, which coincides with the transfer of the legal title, as the satisfaction of the performance obligation. In cases where the performance obligation includes specific criteria to be fulfilled in stages, the revenue is recognised over time based on the stages of completion reflecting the progress towards complete satisfaction of that performance obligation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(xxiv) Revenue recognition (Cont'd)**

(h) Interest income

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

(i) Dividends

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

(j) Government grants

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

**(xxv) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised 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.

**(xxvi) 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.

**(xxvii) 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 Dollar, which is also the functional currency of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

**(xxviii) 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 as 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.

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.

**(xxix) 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 2018

## 3 Intangible assets

| | Computer software $'000 | Total $'000 |
|---|---|---|
| **The Company** | | |
| Cost | | |
| At 1 January 2017 | 570 | 570 |
| Additions | 106 | 106 |
| At 31 December 2017 and **31 December 2018** | **676** | **676** |
| Accumulated amortisation | | |
| At 1 January 2017 | 513 | 513 |
| Amortisation for the year | 53 | 53 |
| At 31 December 2017 | **566** | **566** |
| Amortisation for the year | **48** | **48** |
| **At 31 December 2018** | **614** | **614** |
| Net book value | | |
| **At 31 December 2018** | **62** | **62** |
| At 31 December 2017 | 110 | 110 |
| At 1 January 2017 | 57 | 57 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**3 Intangible assets (Cont'd)**

| | Goodwill $'000 | Dealerships and distributorships $'000 | Computer software $'000 | Total $'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| Cost | | | | |
| At 1 January 2017 | 483,458 | 324,546 | 1,758 | 809,762 |
| Additions | – | – | 115 | 115 |
| Disposal | – | – | (9) | (9) |
| At 31 December 2017 | **483,458** | **324,546** | **1,864** | **809,868** |
| Additions | **–** | **–** | **92** | **92** |
| Disposal | **–** | **–** | **(52)** | **(52)** |
| Exchange translation differences | **–** | **–** | **(4)** | **(4)** |
| **At 31 December 2018** | **483,458** | **324,546** | **1,900** | **809,904** |
| Accumulated amortisation | | | | |
| At 1 January 2017 | – | 59,499 | 1,613 | 61,112 |
| Amortisation for the year (Note 29) | – | 16,227 | 86 | 16,313 |
| Disposal | – | – | (9) | (9) |
| At 31 December 2017 | **–** | **75,726** | **1,690** | **77,416** |
| Amortisation for the year (Note 29) | **–** | **16,227** | **82** | **16,309** |
| Disposal | **–** | **–** | **(52)** | **(52)** |
| Exchange translation differences | **–** | **–** | **(3)** | **(3)** |
| **At 31 December 2018** | **–** | **91,953** | **1,717** | **93,670** |
| Net book value | | | | |
| **At 31 December 2018** | **483,458** | **232,593** | **183** | **716,234** |
| At 31 December 2017 | 483,458 | 248,820 | 174 | 732,452 |
| At 1 January 2017 | 483,458 | 265,047 | 145 | 748,650 |

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**3 Intangible assets (Cont'd)**

a. Goodwill (Cont'd)

Impairment test for Goodwill (cont'd)

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

| | 2018<br>$'000 | 2017<br>$'000 | 1 Jan 2017<br>$'000 |
|---|---|---|---|
| **The Group** | | | |
| Automotive | **483,458** | 483,458 | 483,458 |
| | **483,458** | 483,458 | 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.

Key assumptions used for value-in-use calculations:

| | 2018<br>Automotive | 2017<br>Automotive | 1 Jan 2017<br>Automotive |
|---|---|---|---|
| Gross margin(1) | **19.65% to 19.95%** | 19.90% to 21.13% | 17.60% |
| Growth rate(2) | **5.00%** | 4.00% | 4.00% |
| Discount rate(3) | **10.12%** | 10.74% | 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

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:

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| **The Group** | | |
| General and administrative expenses | **16,309** | 16,313 |
| | **16,309** | 16,313 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4 Property, plant and equipment

| | Furniture fixtures and equipment $'000 | Office equipment $'000 | Leasehold improvements $'000 | Total $'000 |
|---|---|---|---|---|
| **The Company** | | | | |
| Cost | | | | |
| At 1 January 2017 | 126 | 221 | 242 | 589 |
| Additions | – | 21 | 77 | 98 |
| At 31 December 2017 | **126** | **242** | **319** | **687** |
| Additions | **–** | **31** | **–** | **31** |
| **At 31 December 2018** | **126** | **273** | **319** | **718** |
| Accumulated depreciation | | | | |
| At 1 January 2017 | 20 | 104 | 15 | 139 |
| Depreciation for the year | 25 | 43 | 65 | 133 |
| At 31 December 2017 | **45** | **147** | **80** | **272** |
| Depreciation for the year | **22** | **49** | **65** | **136** |
| **At 31 December 2018** | **67** | **196** | **145** | **408** |
| Net book value | | | | |
| **At 31 December 2018** | **59** | **77** | **174** | **310** |
| At 31 December 2017 | 81 | 95 | 239 | 415 |
| At 1 January 2017 | 106 | 117 | 227 | 450 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

| | Balance at 1.1.2018 $'000 | Exchange translation differences $'000 | Additions $'000 | Reclassification/ transfers $'000 | Disposals $'000 | Balance at 31.12.2018 $'000 |
|---|---|---|---|---|---|---|
| **The Group** | | | | | | |
| Cost | | | | | | |
| Leasehold land | 202,575 | (4,453) | 1,654 | 2,133 | – | 201,909 |
| Land improvements | 5,291 | – | – | – | – | 5,291 |
| Landfill | 4,242 | – | – | – | – | 4,242 |
| Building and infrastructures | 343,549 | (5,857) | 10,273 | 4,759 | (1,255) | 351,469 |
| Golf course | 25,307 | – | – | – | – | 25,307 |
| Utilities plant and machinery | 291,606 | – | 197 | 239 | – | 292,042 |
| Machinery and equipment | 186,630 | (1,739) | 8,415 | (78,710) | (407) | 114,189 |
| Vessels and ferry equipment | 57,072 | – | 1,156 | 394 | (5) | 58,617 |
| Working wharf | 1,685 | – | – | – | – | 1,685 |
| Transportation equipment and vehicles | 290,186 | (13,107) | 9,640 | 173,439 | (4,491) | 455,667 |
| Medical equipment | 996 | – | – | – | (81) | 915 |
| Furniture, fixtures and equipment | 29,595 | (107) | 838 | (1,596) | (9,268) | 19,462 |
| Office equipment | 68,622 | (2,842) | 3,953 | (196) | (732) | 68,805 |
| Resort equipment | 3,167 | (17) | 87 | 4 | (173) | 3,068 |
| Reservoir | 10,029 | – | – | (16) | – | 10,013 |
| Telecommunication equipment | 12,890 | (373) | 1,024 | 3 | – | 13,544 |
| Leasehold improvements | 24,965 | – | – | (22,597) | (2) | 2,366 |
| Construction-in-progress | 36,825 | (671) | 258,282 | (212,024) | (439) | 81,973 |
| **Total** | 1,595,232 | (29,166) | 295,519 | (134,168) | (16,853) | 1,710,564 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

| | Balance at 1.1.2018 $'000 | Exchange translation differences $'000 | Depreciation for the year $'000 | Reclassification/ transfers $'000 | Disposals $'000 | Balance at 31.12.2018 $'000 |
|---|---|---|---|---|---|---|
| **The Group** | | | | | | |
| Accumulated depreciation | | | | | | |
| Leasehold land | 98,888 | (2,664) | 5,269 | 228 | – | 101,721 |
| Land improvements | 4,976 | – | 50 | – | – | 5,026 |
| Landfill | 3,256 | – | 288 | – | – | 3,544 |
| Building and infrastructures | 248,634 | (2,085) | 12,016 | (9,044) | (1,040) | 248,481 |
| Golf course | 13,022 | – | 544 | – | – | 13,566 |
| Utilities plant and machinery | 247,485 | – | 6,390 | 7,944 | – | 261,819 |
| Machinery and equipment | 174,259 | (1,224) | 4,191 | (88,058) | (376) | 88,792 |
| Vessels and ferry equipment | 37,684 | – | 3,047 | 370 | (5) | 41,096 |
| Working wharf | 1,685 | – | – | – | – | 1,685 |
| Transportation equipment and vehicles | 76,969 | (3,360) | 29,872 | (18,959) | (2,332) | 82,190 |
| Medical equipment | 675 | – | 20 | - | (81) | 614 |
| Furniture, fixtures and equipment | 24,207 | (37) | 1,722 | (9) | (8,464) | 17,419 |
| Office equipment | 51,954 | (2,203) | 5,790 | (220) | (711) | 54,610 |
| Resort equipment | 2,494 | (4) | 192 | (5) | (167) | 2,510 |
| Reservoir | 7,321 | – | 392 | (1) | – | 7,712 |
| Telecommunication equipment | 8,997 | (259) | 719 | 2 | – | 9,459 |
| Leasehold improvements | 14,001 | – | 3 | (12,811) | (2) | 1,191 |
| Construction-in-progress | 196 | – | – | (196) | – | – |
| **Total** | 1,016,703 | (11,836) | 70,505 | (120,759) | (13,178) | 941,435 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

| | Balance at 1.1.2017 $'000 | Exchange translation differences $'000 | Additions $'000 | Reclassification/ transfers $'000 | Transfer from investment property $'000 | Disposals $'000 | Balance at 31.12.2017 $'000 |
|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | |
| Cost | | | | | | | |
| 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 | 4,704 | 37,926 | 92,671 | (98,476) | – | – | 36,825 |
| **Total** | 1,566,458 | (43,033) | 125,807 | (33,445) | 8,330 | (28,885) | 1,595,232 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

| | Balance at 1.1.2017 $'000 | Exchange translation differences $'000 | Depreciation for the year $'000 | Reclassification/ transfers $'000 | Transfer from investment property $'000 | Disposals $'000 | Balance at 31.12.2017 $'000 |
|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | |
| 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 |
| **Total** | 1,017,126 | (26,112) | 72,174 | (23,135) | – | (23,350) | 1,016,703 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

| | Balance at 31.12.2018 $'000 | Balance at 31.12.2017 $'000 | Balance at 1.1.2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Net book value | | | |
| Leasehold land(iii) | **100,188** | 103,687 | 110,817 |
| Land improvements | **265** | 315 | 442 |
| Landfill | **698** | 986 | 1,274 |
| Building and infrastructures | **102,988** | 94,915 | 126,913 |
| Golf course | **11,741** | 12,285 | 12,829 |
| Utilities plant and machinery | **30,223** | 44,121 | 39,853 |
| Machinery and equipment | **25,397** | 12,371 | 25,931 |
| Vessels and ferry equipment | **17,521** | 19,388 | 21,516 |
| Working wharf | **–** | – | – |
| Transportation equipment and vehicles | **373,477** | 213,217 | 161,995 |
| Medical equipment | **301** | 321 | 33 |
| Furniture, fixtures and equipment | **2,043** | 5,388 | 3,707 |
| Office equipment | **14,195** | 16,668 | 18,637 |
| Resort equipment | **558** | 673 | 681 |
| Reservoir | **2,301** | 2,708 | 3,108 |
| Telecommunication equipment | **4,085** | 3,893 | 3,879 |
| Leasehold improvements | **1,175** | 10,964 | 13,209 |
| Construction-in-progress | **81,973** | 36,629 | 4,508 |
| **Total** | **769,129** | 578,529 | 549,332 |

Depreciation expense

| | Note | The Group 2018 $'000 | The Group 2017 $'000 |
|---|---|---|---|
| Depreciation expense are charged to profit or loss as follows: | | | |
| (a) Cost of goods sold | | **45,460** | 44,680 |
| (b) Other operating expenses | 27 | **9,570** | 10,364 |
| (c) General and Admin expenses | | **15,475** | 17,130 |
| | 29 | **70,505** | 72,174 |

(i) As at 31 December 2018, certain property, plant and equipment with carrying value totalling approximately S$602,000,000 (2017 – S$552,000,000, 1 January 2017 – S$538,000,000) have been pledged as security to banks to secure borrowing and credit facilities for the Group (Note 18(i) and (iii)).

(ii) The carrying amount of transportation equipment and vehicles held under finance leases at 31 December 2018 amounted to S$2,617,262 (2017 – S$1,153,939, 1 January 2017 – S$231,674) (Note 18(iv)).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(iii) Leasehold land

The details of the leasehold land ("Hak Guna Bangunan"/"HGB") comprise the following:

| HGB | Expiration date | Location |
|---|---|---|
| PT Bintan Resort Cakrawala | 23 September 2023 (35.85 ha),<br>13 December 2023 (66 ha),<br>16 February 2025 (68.72 ha) and<br>16 February 2025 (1,559 ha) | Bintan Island |
| PT Batamindo Investment Cakrawala | 17 December 2019 (50.35 ha)<br>18 December 2019 (173.30 ha)<br>26 February 2025 (26.80 ha) and<br>01 July 2031 (1.50 ha) | Batam Island |
| PT Batamindo Executive Village | 31 August 2020 (193 ha) | Batam Island |
| PT Bintan Inti Industrial Estate (246.44 ha excluding land sold) | 24 August 2075 (236.92 ha) and<br>13 December 2023 (9.52 ha) | Bintan Island |
| PT Indomobil Sukses Internasional Tbk. and its subsidiaries | 04 January 2019 to 04 April 2044 (119.08 ha) | Jakarta |

Included in construction in progress relates to PT Indomobil Sukses Internasional Tbk and its subsidiaries amounting to S$80,280,000 (2017 – S$32,187,000, 1 January 2017 – S$13,114,000), representing all preliminary costs related to the construction of buildings and improvement and vehicles.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 5 Investment properties

| | 2018<br>$'000 | 2017<br>$'000 | 1 Jan 2017<br>$'000 |
|---|---|---|---|
| **The Group** | | | |
| Cost | | | |
| Balance at beginning of year | **716,479** | 688,990 | 622,825 |
| Additions | **4,707** | 21,784 | 55,019 |
| Disposals | **(3,101)** | – | (6,352) |
| Exchange differences | **(23,537)** | – | – |
| Transfer to property, plant and equipment (Note 4) | **–** | (8,330) | – |
| Transfer from land inventories | **–** | 14,035 | 17,498 |
| Balance at end of year | **694,548** | 716,479 | 688,990 |
| Accumulated depreciation | | | |
| Balance at beginning of year | **483,854** | 457,304 | 438,841 |
| Depreciation for the year (Note 29) | **28,954** | 26,550 | 23,873 |
| Disposals | **(100)** | – | (5,410) |
| Exchange difference | **(363)** | – | – |
| Balance at end of year | **512,345** | 483,854 | 457,304 |
| Net book value | **182,203** | 232,625 | 231,686 |
| Rental income (Note 29) | **32,744** | 30,051 | 31,596 |
| Direct operating expenses arising from investment property that generated rental income (Note 29) | **(19,476)** | (26,011) | (28,262) |
| Gross profit arising from investment properties | **13,268** | 4,040 | 3,334 |

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

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

| Description and location | Gross Area (approximately) |
|---|---|
| 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 | 972,346 sqm |
| Office buildings situated in Jakarta | 213,549 sqm |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 5 Investment properties (Cont'd)

As of 31 December 2018, the fair value of the investment properties situated at Batam and Bintan Island of S$498,936,000 (2017 – S$467,143,000, 1 January 2017 – 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 2018 amounted to S$113,000 (2017 – S$148,000, 1 January 2017 – S$183,000) which approximates fair value based on management's estimates.

As of 31 December 2018, the fair value of the investment properties situated in Jakarta of S$507,074,484 (2017 – S$515,532,408, 1 January 2017 – S$191,349,000) was based on valuation using the market approach, discounted cash flow and replacement cost approach by independent professional valuers, (i) KJPP Tri, Santi and Rekan, (ii) KJPP Benedictus Darmanpuspita and Rekan, (iii) KJPP Amin, Nirwan, Alfantori and Rekan.

## 6 Subsidiaries

| | 2018<br>$'000 | 2017<br>$'000 | 1 Jan 2017<br>$'000 |
|---|---|---|---|
| **The Company** | | | |
| At cost: | | | |
| – quoted equity securities | **1,328,805** | 1,328,805 | 1,328,805 |
| – unquoted equity securities | | | |
| – Balance on beginning of year | **1,208,602** | 1,207,876 | 1,207,876 |
| – Additions during the year | **–** | 726 | – |
| – Disposals during the year | **(233)** | – | – |
| – Balance at end of year | **1,208,369** | 1,208,602 | 1,207,876 |
| | **2,537,174** | 2,537,407 | 2,536,681 |

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 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.

Key assumptions used for value-in-use calculations:

| | 2018 | 2017 | 1 Jan 2017 |
|---|---|---|---|
| Gross margin(1) | **19.84% to 53.59%** | 20.51% to 43.64% | 18.87% to 54.95% |
| Growth rate(2) | **4.20% to 5.12%** | 5.10% | 3.00% to 5.10% |
| Discount rate(3) | **10.12% to 11.56%** | 11.12% to 15.70% | 10.64% to 12.45% |

(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 2018

## 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 |
|---|---|---|---|---|---|
| | | 2018<br>% | 2017<br>% | 1 Jan 2017<br>% | |
| Held by the Company | | | | | |
| PT Indomobil Sukses Internasional Tbk ("PT IMAS")[1][4][5] | Indonesia | **71.49** | 71.49 | 71.49 | Investment holding |
| PT Batamindo Investment Cakrawala ("PT BIC")[2] | Indonesia | **99.99** | 99.99 | 99.99 | Development and management of industrial estate |
| Held by Verizon Resorts Limited | | | | | |
| PT Buana Megawisatama ("PT BMW")[3] | Indonesia | **99.99** | 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, Nurdiyaman, 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, PT Indo Global Traktor, received capital injection of IDR 6,735,000 from another shareholder. Upon the completion capital injection, the effective shareholding diluted from 36.4% to 13.5%, and ceased to be a subsidiary of PT IMAS.

(5) On 16 August 2018, the effective ownership in PT Indomobil Prima Energi increased from 1% to 90.09% due to an increase in the shareholdings by PT IMG Sejahtera Langgeng, a wholly owned subsidiary of PT IMAS.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**6 Subsidiaries (Cont'd)**

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 2018 | 2017 | 1 Jan 2017 |
|---|---|---|---|---|
| Car rental | Indonesia | **5** | 5 | 5 |
| Data Processing | Indonesia | **1** | 1 | 1 |
| Development, operation and management of industrial park/resorts/residential/ country club | Indonesia | **22** | 22 | 6 |
| Distributor/dealership | Indonesia | **48** | 47 | 48 |
| Dormant | Singapore | **1** | 1 | 1 |
| E-Learning/Education services | Indonesia | **1** | 1 | – |
| E-Learning/Education services | Singapore | **1** | 1 | – |
| Financing | Indonesia | **1** | 1 | 1 |
| Investment holding | British Virgin Islands | **3** | 3 | 3 |
| Investment holding | Indonesia | **1** | 1 | 1 |
| Investment holding | Malaysia | **1** | 1 | 1 |
| Investment holding | Seychelles | **1** | 1 | 1 |
| Investment holding | Singapore | **2** | 1 | 1 |
| Logistics | Indonesia | **2** | 2 | 2 |
| Management and consultancy services | Indonesia | **–** | 1 | 1 |
| Management and consultancy services | Singapore | **2** | 2 | 2 |
| Manpower Service | Indonesia | **1** | 1 | 1 |
| Manufacturing/assembling | Indonesia | **3** | 3 | 2 |
| Plantation/Forestry contractor | Indonesia | **2** | 2 | 2 |
| Press and dies manufacturing | Indonesia | **2** | 2 | 2 |
| Provision of ferry services | Singapore | **1** | 1 | 1 |
| Rental and Building Management | Indonesia | **1** | 1 | 1 |
| Repair | Indonesia | **–** | – | 1 |
| Truck services | Indonesia | **1** | – | – |
| Telecommunication services | Indonesia | **1** | 1 | 1 |
| Trading | Indonesia | **8** | 9 | 10 |
| Workshop/gas station | Indonesia | **5** | 3 | 3 |
| | | **117** | 114 | 98 |

Shares held in PT IMAS and PT BMW have been pledged as securities for bank borrowings (Note 18(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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6 **Subsidiaries (Cont'd)**

a. Summarised Consolidated Statements of Financial Position

| | PT Indomobil Sukses Internasional Tbk and its subsidiaries As at 31 December 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| Current assets | **1,623,874** | 1,303,865 | 1,253,042 |
| Non-current assets | **2,238,818** | 1,792,324 | 1,392,499 |
| Current liabilities | **(2,012,063)** | (1,555,761) | (1,355,742) |
| Non-current liabilities | **(876,964)** | (624,533) | (680,599) |
| Equity attributable to owners of the Company | **(833,282)** | (789,086) | (499,101) |
| Non-controlling interests | **(140,383)** | (126,810) | (110,099) |

b. Summarised Consolidated Statement of Comprehensive Income

| | PT Indomobil Sukses Internasional Tbk and its subsidiaries For year ended 31 December 2018 $'000 | 2017 $'000 |
|---|---|---|
| Revenue | **1,666,567** | 1,587,871 |
| Expenses | **(1,656,969)** | (1,596,731) |
| Profit/(loss) for the year | **9,598** | (8,860) |
| Profit/(loss) attributable to owners of the Company | **2,455** | (13,565) |
| Profit attributable to non-controlling interests | **7,143** | 4,705 |
| Profit/(loss) for the year | **9,598** | (8,860) |
| Other comprehensive income attributable to owners of the Company | **72,916** | 267,644 |
| Other comprehensive income/(expense) attributable to non-controlling interests | **902** | (1,048) |
| Other comprehensive income for the year | **73,818** | 266,596 |
| Total comprehensive income attributable to owners of the Company | **75,371** | 254,079 |
| Total comprehensive income attributable to non-controlling interests | **8,045** | 3,657 |
| Total comprehensive income for the year | **83,416** | 257,736 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 6 Subsidiaries (Cont'd)

c. Summarised Consolidated Statement of Cash Flows

| | PT Indomobil Sukses Internasional Tbk and its subsidiaries For year ended 31 December 2018 $'000 | 2017 $'000 |
|---|---|---|
| Net cash outflow from operating activities | **(211,338)** | (59,366) |
| Net cash outflow from investing activities | **(304,494)** | (111,243) |
| Net cash inflow from financing activities | **499,897** | 145,047 |
| Net cash outflow | **(15,935)** | (25,562) |

## 7 Associates

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Unquoted equity investments, at cost | | | |
| Beginning of the year | **321,517** | 324,497 | 558,918 |
| Additions during the year | **10,992** | 5,511 | 57,844 |
| Disposals during the year* | **(11,611)** | (8,491) | (292,265) |
| | **320,898** | 321,517 | 324,497 |
| Provision for impairment of investment in associates(1) | **(33,549)** | (33,549) | (33,549) |
| Share of post-acquisition reserves (net of dividend) | **(171,080)** | (148,114) | (57,320) |
| | **116,269** | 139,854 | 233,628 |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 7 Associates (Cont'd)

Set out below are the associates of the Group, 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* % |
|---|---|---|---|
| **Indirectly held through PT IMAS's subsidiaries** | | | |
| **31 December 2018** | | | |
| PT Hino Motor Sales Indonesia ("PT HMSI")[1] | Distributor | Indonesia | 28.60 |
| PT Hino Finance Indonesia ("PT HFI")[1] | Financing | Indonesia | 26.03 |
| 31 December 2017 and 1 Jan 2017 | | | |
| PT Hino Motor Sales Indonesia ("PT HMSI")[1] | Distributor | Indonesia | 28.60 |
| PT Nissan Motor Indonesia ("PT NMI")[1] [3] | Manufacturing | Indonesia | 17.87 |
| PT Nissan Motor Distributor Indonesia ("PT NMDI")[1] | Distributor | Indonesia | 17.87 |
| PT Shinhan Indo Finance ("PT SIF")[2] | Financing | Indonesia | 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.

(3) The Company's effective ownership in PT NMI was reduced from 25.00% to 19.90% due to the sale of shares. Due to this, PT NMI ceased to be an associate of the Group and classified as equity investments as disclosed in Note 10.

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 2018

**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.

| 31 December 2018 | PT HMSI $'000 | PT HFI $'000 | Other individually immaterial associates $'000 | Total $'000 |
|---|---|---|---|---|
| Current assets | 636,574 | 427,636 | | |
| Non-current assets | 16,303 | 16,683 | | |
| Current liabilities | (408,294) | (372,849) | | |
| Non-current liabilities | (177,809) | – | | |
| Net assets | 66,774 | 71,470 | | |
| Revenue | 1,411,922 | 4,021 | | |
| Profit/(loss) after tax | 8,779 | 402 | (24,123) | (14,942) |
| Other comprehensive expenses | – | (1,138) | (220) | (1,358) |
| Total comprehensive income/(expense) | 8,779 | (736) | (24,343) | (16,300) |
| Dividend received from the associate during the year | 4,721 | – | 839 | 5,560 |
| Proportion of the Group's ownership interest | 19,095 | 18,603 | 45,071 | 82,769 |
| PPA adjustment | 33,500 | – | – | 33,500 |
| Carrying amount of interest in associate | 52,595 | 18,603 | 45,071 | 116,269 |

The unrecognised share of losses of associate for the year is S$3,181,000 and the cumulative unrecognised share of loss of associate is S$50,053,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7 **Associates (Cont'd)**

| 31 December 2017 | PT HMSI $'000 | PT NMI $'000 | PT NMDI $'000 | PT SIF $'000 | Other individually immaterial associates $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Current assets | 408,830 | 167,284 | 128,478 | 131,455 | | |
| Non-current assets | 14,695 | 175,430 | 16,111 | 17,249 | | |
| Current liabilities | (356,437) | (88,033) | (188,332) | (83,405) | | |
| Non-current liabilities | (1,436) | (13,015) | (3,129) | (45,476) | | |
| Net assets/(liabilities) | 65,652 | 241,666 | (46,872) | 19,823 | | |
| Revenue | 1,112,077 | 198,831 | 326,173 | 14,671 | | |
| Profit/(loss) after tax | 9,545 | (135,726) | (31,415) | (12,792) | 179,159 | 8,771 |
| Other comprehensive expenses | – | – | – | (54) | (759) | (813) |
| Total comprehensive income/(expense) | 9,545 | (135,726) | (31,415) | (12,846) | 178,400 | 7,958 |
| Dividend received from the associate during the year | 6,620 | – | – | – | – | 6,620 |
| Proportion of the Group's ownership interest | 18,774 | 43,192 | (8,377) | 3,480 | 49,285 | 106,354 |
| PPA adjustment | 33,500 | – | – | – | – | 33,500 |
| Carrying amount of interest in associate | 52,274 | 43,192 | (8,377) | 3,480 | 49,285 | 139,854 |

The unrecognised share of losses of associate for the year is S$46,872,000 and the cumulative unrecognised share of loss of associate is S$46,872,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**7 Associates (Cont'd)**

| 1 January 2017 | PT HMSI $'000 | PT NMI $'000 | PT NMDI $'000 | PT SIF $'000 | Other individually immaterial associates $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Current assets | 348,158 | 254,470 | 103,835 | 106,433 | | |
| Non-current assets | 18,901 | 269,944 | 34,987 | 17,669 | | |
| Current liabilities | (286,411) | (42,384) | (128,797) | (10,223) | | |
| Non-current liabilities | (1,579) | (11,101) | (2,010) | (89,884) | | |
| Net assets | 79,069 | 470,929 | 8,015 | 23,995 | | |
| Revenue | 724,057 | 260,767 | 379,181 | 10,678 | | |
| Profit/(loss) after tax | 32,430 | (59,769) | (23,816) | (8,867) | 51,333 | (8,689) |
| Other comprehensive (expenses)/income | (9,318) | 2,015 | 456 | 1,888 | 4,959 | – |
| Total comprehensive income/(expense) | 23,112 | (57,754) | (23,360) | (6,979) | 56,292 | (8,689) |
| Proportion of the Group's ownership interest | 22,611 | 84,167 | 1,432 | 4,213 | 87,705 | 200,128 |
| PPA adjustment | 33,500 | – | – | – | – | 33,500 |
| Carrying amount of interest in associate | 56,111 | 84,167 | 1,432 | 4,213 | 87,705 | 233,628 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 8 Financing receivables

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

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Current | | | |
| Net investment in financing leases | **277,655** | 216,055 | 202,214 |
| Consumer financing receivables – net | **217,879** | 237,229 | 244,925 |
| Other financing receivables – net | **23,871** | – | – |
| | **519,405** | 453,284 | 447,139 |
| Non-Current | | | |
| Net investment in financing leases | **422,018** | 283,203 | 238,153 |
| Consumer financing receivables – net | **249,197** | 252,441 | 272,206 |
| Other financing receivables – net | **9,103** | – | – |
| | **680,318** | 535,644 | 510,359 |
| | **1,199,723** | 988,928 | 957,498 |

As at 31 December 2018, financing receivables amounting to S$568 million (2017 – S$471 million, 1 January 2017 – S$444 million) and S$178 million (2017 – S$119 million, 1 January 2017 – S$517 million) have been pledged as security for borrowings (Note 18(iii)) and debt securities (Note 19) respectively.

The effective interest rates (per annum) of consumer financing receivables in Indonesian Rupiah are ranging from 12.00% to 29.06% and Nil in US Dollar as of 31 December 2018 (2017 – 10.41% to 33.50% and 9.00% to 9.46% in US Dollar, 1 January 2017 – 11.81% to 35.18% and 9.00% to 9.44% in US Dollar).

The effective interest rates (per annum) of net investment in financing leases in Indonesian Rupiah are ranging from 11.31% to 27.44% and 7.57% to 9.29% in US Dollar as of 31 December 2018 (2017 – 11.31% to 37.12% and 8.17% to 9.37% in US Dollar, 1 January 2017 – 9.48% to 19.30% and 7.50% to 9.80% in US Dollar).

The effective interest rates (per annum) of net of other financing receivables in Indonesian Rupiah are ranging from 10.94% to 19.82% as of 31 December 2018 (2017 and 1 January 2017 – Nil in Indonesian Rupiah).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**8 Financing receivables (Cont'd)**

(a) Consumer financing receivables-net

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Gross Investments – third parties | | | |
| Not later than one year | **257,292** | 272,893 | 292,693 |
| Later than one year and not later than five years | **303,161** | 306,500 | 331,412 |
| Later than five years | **–** | – | – |
| Total | **560,453** | 579,393 | 624,105 |
| Gross Investments – related parties | | | |
| Not later than one year | **67** | – | – |
| Less: unearned finance income | **(87,485)** | (84,626) | (100,918) |
| Less: allowance for impairment losses | **(5,959)** | (5,097) | (6,056) |
| Consumer financing receivables – net | **467,076** | 489,670 | 517,131 |

The ageing of consumer financing receivables past due but not impaired is as follows:

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Past due 1 – 30 days | **3,501** | 3,412 | 3,857 |
| Past due 31 – 60 days | **1,650** | 1,965 | 2,329 |
| Past due more than 60 days | **1,515** | 3,288 | 2,069 |
| | **6,666** | 8,665 | 8,255 |

Consumer financing receivables that were neither past due nor impaired amounting to S$547,828,000 (2017 – S$565,631,000, 1 January 2017 – 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 8 Financing receivables (Cont'd)

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

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

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **The Group** | | |
| Beginning of the year | **5,097** | 6,056 |
| Allowance for the year | **40,874** | 35,624 |
| Written off during the year | **(39,778)** | (36,107) |
| Translation differences | **(234)** | (476) |
| Balance at end of the year | **5,959** | 5,097 |

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:

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Indonesian Rupiah | **467,076** | 486,901 | 514,126 |
| United States Dollar | **–** | 2,769 | 3,005 |
| | **467,076** | 489,670 | 517,131 |

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 8 Financing receivables (Cont'd)

(b) Net investment in financing leases

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Gross Investments – third parties | | | |
| Not later than one year | **350,865** | 280,371 | 259,443 |
| Later than one year and not later than five years | **493,717** | 337,594 | 280,626 |
| Later than five years | **–** | – | – |
| | **844,582** | 617,965 | 540,069 |
| Gross Investments – related parties | | | |
| Not later than one year | **15,322** | – | 421 |
| Less: unearned finance lease income | **(155,393)** | (114,719) | (95,562) |
| Less: allowance for impairment losses | **(4,838)** | (3,988) | (4,561) |
| Investment in financing lease – net | **699,673** | 499,258 | 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.

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

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| The Group | | |
| Beginning of the year, as reported | **3,988** | 4,561 |
| Effects of adoption SFRS(I) 9 (Note 40) | **546** | – |
| Beginning of the year, as restated | **4,534** | 4,561 |
| Allowance for the year | **609** | 207 |
| Written off during the year | **(129)** | – |
| Translation differences | **(176)** | (780) |
| Balance at end of the year | **4,838** | 3,988 |

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:

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Indonesian Rupiah | **666,825** | 451,393 | 370,046 |
| United States Dollar | **32,848** | 47,865 | 70,321 |
| | **699,673** | 499,258 | 440,367 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 8 Financing receivables (Cont'd)

(c) Other financing receivables-net

| | 2018<br>$'000 | 2017<br>$'000 | 1 Jan 2017<br>$'000 |
|---|---|---|---|
| **The Group** | | | |
| Gross Investments – third parties | | | |
| Not later than one year | 15,502 | – | – |
| Later than one year and not later than five years | 10,202 | – | – |
| Later than five years | – | – | – |
| | 25,704 | – | – |
| Gross Investments – related parties | | | |
| Not later than one year | 11,333 | – | – |
| Less: unearned finance lease income | (3,967) | – | – |
| Less: allowance for impairment losses | (96) | – | – |
| Other financing receivables – net | 32,974 | – | – |

Other financing receivables that were neither past due nor impaired amounting to S$25,608,000 (2017 and 1 January 2017 – S$Nil) for the Group were related to customers for whom there was no recent history of default. Other financing receivables that were past due but not impaired related to customers that have a good track record with the Group.

There is no other financing receivables past due but not impaired.

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

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| **The Group** | | |
| Beginning of the year | – | – |
| Allowance for the year | 96 | – |
| Balance at end of the year | 96 | – |

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

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

| | 2018<br>$'000 | 2017<br>$'000 | 1 Jan 2017<br>$'000 |
|---|---|---|---|
| **The Group** | | | |
| Indonesian Rupiah | 32,974 | – | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 statements of financial position as follows:

| | 2018<br>$'000 | 2017<br>$'000 | 1 Jan 2017<br>$'000 |
|---|---|---|---|
| **The Company** | | | |
| **Deferred tax assets** | | | |
| To be recovered within one year | **–** | – | – |
| To be recovered after one year | **–** | – | 2,474 |
| | **–** | – | 2,474 |
| **The Group** | | | |
| **Deferred tax assets** | | | |
| To be recovered within one year | **–** | – | – |
| To be recovered after one year | **34,542** | 33,013 | 40,025 |
| | **34,542** | 33,013 | 40,025 |
| **Deferred tax liabilities** | | | |
| To be recovered within one year | **–** | – | – |
| To be recovered after one year | **102,209** | 89,759 | 94,040 |
| | **102,209** | 89,759 | 94,040 |

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

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

There were no movements in deferred tax assets between 1 January 2018 and 31 December 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 9 Deferred taxation (Cont'd)

| | Balance at 1 January 2018 $'000 | (Credited)/ charged to profit or loss (Note 30) $'000 | Charge to OCI for the year $'000 | Foreign exchange difference $'000 | Balance at 31 December 2018 $'000 |
|---|---|---|---|---|---|
| **The Group** | | | | | |
| **Deferred tax assets** | | | | | |
| Fiscal loss net of expired tax loss | 26,040 | 1,582 | (123) | (1,163) | 26,336 |
| Estimated liability for employee service entitlements | 6,473 | 634 | (377) | (290) | 6,440 |
| Allowance for impairment loss of receivables | 1,228 | 416 | – | (58) | 1,586 |
| Allowance for impairment loss of investments | 7,179 | – | – | (317) | 6,862 |
| Valuation allowance | (2) | – | – | – | (2) |
| Property, plant and equipment | (10,668) | 2,070 | (12) | 459 | (8,151) |
| Foreclosed and intangible assets | 1,044 | (56) | (678) | (41) | 269 |
| Lease transaction | (27) | 12 | – | 1 | (14) |
| Others | 1,746 | 1,236 | (1,693) | (73) | 1,216 |
| | 33,013 | 5,894 | (2,883) | (1,482) | 34,542 |

| | Balance at 1 January 2018, as reported $'000 | Effect of adoption SFRS(I) 9 (Note 40) $'000 | Balance at 1 January 2018, as restated $'000 | (Credited)/ charged to profit or loss (Note 30) $'000 | Charge to OCI for the year $'000 | Foreign exchange difference $'000 | Balance at 31 December 2018 $'000 |
|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | |
| **Deferred tax liabilities** | | | | | | | |
| Fiscal loss net of expired tax loss | 403 | – | 403 | (96) | – | (18) | 289 |
| Estimated liability for employee service entitlements | 1,233 | – | 1,233 | (71) | (56) | (34) | 1,072 |
| Property, plant and equipment | (15,734) | – | (15,734) | (7,521) | – | 706 | (22,549) |
| Allowance for impairment loss of receivables | 90 | – | 90 | 44 | – | (2) | 132 |
| Interest income | (1) | – | (1) | – | – | – | (1) |
| Associates | (16,810) | – | (16,810) | – | – | – | (16,810) |
| Amortisation of distributorships and Dealerships | (62,246) | – | (62,246) | 4,057 | – | – | (58,189) |
| Equity investment at fair value OCI | – | (13,180) | (13,180) | (1,169) | – | – | (14,349) |
| Others | 3,306 | – | 3,306 | – | – | 4,890 | 8,196 |
| | (89,759) | (13,180) | (102,939) | (4,756) | (56) | 5,542 | (102,209) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**9 Deferred taxation (Cont'd)**

| | Balance at 1 January 2017 $'000 | (Credited)/ charged to profit or loss (Note 30) $'000 | Charge to OCI for the year $'000 | Foreign exchange difference $'000 | Balance at 31 December 2017 $'000 |
|---|---|---|---|---|---|
| **The Group** | | | | | |
| **Deferred tax assets** | | | | | |
| Fiscal loss net of expired tax loss | 35,401 | (4,560) | – | (4,801) | 26,040 |
| Estimated liability for employee service entitlements | 6,635 | 908 | (189) | (881) | 6,473 |
| Allowance for impairment loss of receivables | 485 | 411 | – | 332 | 1,228 |
| Allowance for impairment loss of investments | 7,523 | 186 | – | (530) | 7,179 |
| Valuation allowance | (2) | – | – | – | (2) |
| Property, plant and equipment | (13,124) | – | – | 2,456 | (10,668) |
| Foreclosed and intangible assets | 1,247 | (105) | – | (98) | 1,044 |
| Lease transaction | (50) | 30 | – | (7) | (27) |
| Others | 1,910 | (217) | – | 53 | 1,746 |
| | 40,025 | (3,347) | (189) | (3,476) | 33,013 |

| | Balance at 1 January 2017 $'000 | (Credited)/ charged to profit or loss (Note 30) $'000 | Charge to OCI for the year $'000 | Foreign exchange difference $'000 | Balance at 31 December 2017 $'000 |
|---|---|---|---|---|---|
| **The Group** | | | | | |
| **Deferred tax liabilities** | | | | | |
| Fiscal loss net of expired tax loss | (203) | 24 | – | 582 | 403 |
| Estimated liability for employee service entitlements | 858 | 30 | 132 | 213 | 1,233 |
| Property, plant and equipment | (5,863) | 517 | – | (10,388) | (15,734) |
| 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) | – | – | 9,115 | 3,306 |
| | (94,040) | 4,608 | 132 | (459) | (89,759) |

Unrecognised taxable temporary differences associated with investments in subsidiaries and associates

Deferred income tax liabilities of S$44,000,000 (2017 – S$51,000,000, 1 January 2017 – 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 10 Other non-current assets

| | Note | The Company 2018 $'000 | The Company 2017 $'000 | The Company 1 Jan 2017 $'000 | The Group 2018 $'000 | The Group 2017 $'000 | The Group 1 Jan 2017 $'000 |
|---|---|---|---|---|---|---|---|
| Available-for-sale ("AFS") financial assets | | | | | | | |
| – Unquoted investment in shares of stock – at cost | | | | | | | |
| Beginning of the year | | – | – | – | – | 41,431 | 38,310 |
| Addition | | – | – | – | – | 16,117 | 364 |
| Translation differences | | – | – | – | – | (533) | 2,757 |
| Impairment losses | | – | – | – | – | (10,000) | (10,000) |
| At end of the year | | – | – | – | – | 47,015 | 31,431 |
| – Quoted investment in shares of stock | (i) | | | | | | |
| Beginning of the year | | – | – | – | – | 68,966 | 64,090 |
| Fair value reserve | | – | – | – | – | – | 2,813 |
| Translation differences | | – | – | – | – | (19,444) | 2,063 |
| At end of the year | | – | – | – | – | 49,522 | 68,966 |
| Total AFS financial assets | | – | – | – | – | 96,537 | 100,397 |
| Equity investments at FVOCI | (i) | | | | | | |
| Beginning of the year, as reported | | – | – | – | **96,537** | – | – |
| Effect of adoption SFRS(I) 9 | 40 | – | – | – | **52,722** | – | – |
| Beginning of the year, as restated | | – | – | – | **149,259** | – | – |
| Addition | (ii) | – | – | – | **29,230** | – | – |
| Disposal | | – | – | – | **(1,098)** | – | – |
| Fair value reserves | | – | – | – | **77,259** | – | – |
| Translation differences | | – | – | – | **(3,483)** | – | – |
| At end of the year | | – | – | – | **251,167** | – | – |
| Derivative assets | 24 | – | – | – | **23,337** | 7,419 | 15,827 |
| Estimated claims for tax refund | | – | – | – | **28,859** | 29,600 | 33,629 |
| Restricted cash in banks and time deposits | | – | – | – | **316** | 581 | 766 |
| Other receivables | | – | – | – | **40,313** | 13,902 | 1,877 |
| Prepayment | | – | – | – | **793** | 1,144 | 176 |
| Deposits | | **155** | 155 | 154 | **603** | 617 | 246 |
| | | **155** | 155 | 154 | **345,388** | 149,800 | 152,918 |

(i) This relates mainly to the Group's investment in shares of PT Multistrada Arah Sarana Tbk which is listed on Indonesia Stock Exchange.

(ii) Included in additions relate mainly to PT Nissan Motors Indonesia ("NMI"), which had been diluted from a shareholding of 25% to a shareholding on 19.9% as disclosed in Note 7.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 11 Land inventories

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Land for sale, at cost | **594,654** | 591,767 | 612,963 |

As at 31 December 2018, land inventories of PT Surya Bangun Pertiwi ("PT SBP") comprise 3,744 ha (2017 – 3,744 ha, 1 January 2017 – 3,744 ha) with Building Use Right ("HGB"). Part of the land's HGB for 3,285 ha (2017 – 3,285 ha, 1 January 2017 – 3,285 ha) will expire in 30 years while the HGB of 459 ha (2017 – 459 ha, 1 January 2017 – 459 ha) has been extended and renewed for period of 80 years, effective from August 1995.

As at 31 December 2018, PT BMW's land inventories comprise 13,925 ha (2017 – 13,925 ha, 1 January 2017 – 13,932 ha) of land with HGB certificates. Part of the land's HGB amounting to 12,153 ha (2017 – 12,153 ha, 1 January 2017 – 12,153 ha) will expire in 30 years while the HGB of 1,772 ha (2017 – 1,772 ha, 1 January 2017 – 12,153 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 18 (iii)).

## 12 Other inventories

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Finished/trading goods[(1)] | **237,343** | 167,253 | 121,218 |
| Work-in-progress | **1,486** | 1,577 | 1,804 |
| Raw and indirect materials | **6,716** | 4,886 | 4,412 |
| Spare parts | **80,375** | 73,274 | 71,828 |
| Inventories-in-transit | **21,175** | 1,581 | 2,209 |
| Fuel and lubrication oil | **3,267** | 2,687 | 2,616 |
| Consumables and supplies | **28** | 61 | 6,464 |
| Others | **13,446** | 12,458 | 9,765 |
| Allowance for inventories obsolescence | **(4,284)** | (3,757) | (3,152) |
| | **359,552** | 260,020 | 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 2018

## 12 Other inventories (Cont'd)

Movements in the allowance for inventories obsolescence are as follows:

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| **The Group** | | |
| Beginning of the year | **3,757** | 3,152 |
| Reversal of allowance for the year (Note 29) | **(73)** | (512) |
| Written off during the year | **723** | 288 |
| Translation differences | **(123)** | 829 |
| End of the year | **4,284** | 3,757 |

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$160 million at 31 December 2018 (2017 – S$181 million, 1 January 2017 – S$228 million) have been pledged as collateral for bank borrowings (Note 18(i) and (iii)) and debt securities (Note 19).

## 13 Trade and other receivables

| | | The Company | | | The Group | | |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2017 | 1 Jan 2017 | 2018 | 2017 | 1 Jan 2017 |
| | Note | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | | | | | | | |
| – related parties | | **–** | – | – | **40,440** | 39,962 | 33,000 |
| – external parties | | **–** | – | – | **228,703** | 218,180 | 216,521 |
| Impairment of trade receivables | | **–** | – | – | **(13,040)** | (10,746) | (9,570) |
| Net trade receivables | (i) | **–** | – | – | **256,103** | 247,396 | 239,951 |
| Other receivables: | | | | | | | |
| Refundable deposits | | **956** | 573 | 153 | **985** | 765 | 187 |
| Amount owing by subsidiaries | | **78,277** | 76,304 | 61,274 | **–** | – | – |
| Amount owing by related parties | | **52** | – | 11 | **213,517** | 195,068 | 168,750 |
| Others | | **70** | 40 | 72,313 | **65,619** | 48,214 | 127,705 |
| | | **79,355** | 76,917 | 133,751 | **280,121** | 244,047 | 296,642 |
| Impairment of other receivables | | **–** | – | – | **(1,973)** | (1,514) | (1,321) |
| Net other receivables | (ii) | **79,355** | 76,917 | 133,751 | **278,148** | 242,533 | 295,321 |
| At amortised cost | (i) + (ii) | **79,355** | 76,917 | 133,751 | **534,251** | 489,929 | 535,272 |
| Prepayments | | **2,038** | 1,943 | 1,620 | **158,356** | 40,138 | 39,712 |
| Foreclosed assets | 23 | **–** | – | – | **11,168** | 14,236 | 15,940 |
| Total | | **81,393** | 78,860 | 135,371 | **703,775** | 544,303 | 590,924 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Trade and other receivables are denominated in the following currencies:

| | The Company | | | The Group | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Singapore Dollar | **81,393** | 78,226 | 134,737 | **19,982** | 218,889 | 258,785 |
| Indonesian Rupiah | **–** | – | – | **633,370** | 284,883 | 259,921 |
| United States Dollar | **–** | 634 | 634 | **49,866** | 36,873 | 71,251 |
| Euro | **–** | – | – | **524** | 3,657 | 966 |
| Swedish Krona | **–** | – | – | **14** | 1 | 1 |
| Others | **–** | – | – | **19** | – | – |
| | **81,393** | 78,860 | 135,371 | **703,775** | 544,303 | 590,924 |

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

| | The Company | | | The Group | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Past due 1 – 30 days | **–** | – | – | **45,361** | 38,525 | 46,318 |
| Past due 31 – 90 days | **–** | – | – | **14,723** | 13,681 | 9,151 |
| Past due more than 90 days | **70** | 40 | 72,313 | **121,593** | 73,307 | 143,301 |
| | **70** | 40 | 72,313 | **181,677** | 125,513 | 198,770 |

Trade and other receivables that were neither past due nor impaired amounting to S$81,323,000 (2017 – S$78,820,000, 1 January 2017 – S$63,058,000) and S$522,098,000 (2017 – S$418,790,000, 1 January 2017 – 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 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| **The Group** | | | | |
| At 1 January | **10,746** | 9,570 | **1,514** | 1,321 |
| Allowance during the year | **4,970** | 1,667 | **472** | 18 |
| Allowance written off during the year | **(2,259)** | (60) | **–** | – |
| Reversal of allowance during the year | **(97)** | (363) | **–** | – |
| Translation differences | **(320)** | (68) | **(13)** | 175 |
| At 31 December | **13,040** | 10,746 | **1,973** | 1,514 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 rendered 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 2018, certain trade and other receivables amounting to approximately S$325 million (2017 – S$286 million, 1 January 2017 – S$381 million) were pledged to banks to secure borrowing and credit facilities of the Group (Note 18 (i) and (iii)) and debt securities (Note 19).

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 | | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | **1 Jan 2017** | **2018** | **2017** | **1 Jan 2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Cash at bank and on hand | **331** | 2,344 | 840 | **107,012** | 127,015 | 198,699 |
| Time deposits | **50** | 50 | 195,294 | **121,867** | 131,426 | 226,714 |
| | **381** | 2,394 | 196,134 | **228,879** | 258,441 | 425,413 |

(i) The fixed deposits have an average maturity of 1 day to 365 days (2017 – 1 day to 365 days, 1 January 2017 – 1 day to 365 days) from the end of the financial year with the following effective interest rates:

| | **2018** | **2017** | **1 Jan 2017** |
|---|---|---|---|
| Singapore Dollar | **0.05% – 0.75%** | 0.05% – 1.00% | 0.05% |
| United States Dollar | **1.50% – 1.75%** | 1.25% – 1.75% | – |
| Indonesian Rupiah | **5.00% – 9.00%** | 3.80% – 9.00% | 4.00% – 10.35% |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 14 Cash and cash equivalents (Cont'd)

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

| | The Company | | | The Group | | |
|---|---|---|---|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 | 1 Jan 2017<br>$'000 | 2018<br>$'000 | 2017<br>$'000 | 1 Jan 2017<br>$'000 |
| Singapore Dollar | **222** | 2,086 | 618 | **17,645** | 33,850 | 23,385 |
| United States Dollar | **131** | 162 | 195,491 | **45,917** | 44,295 | 206,898 |
| Indonesian Rupiah | **28** | 146 | 25 | **164,745** | 179,853 | 194,150 |
| Others | **–** | – | – | **572** | 443 | 980 |
| | **381** | 2,394 | 196,134 | **228,879** | 258,441 | 425,413 |

## 15 Share capital

| | No. of ordinary share | | Amount | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018<br>$'000 | 2017<br>$'000 |
| **The Company and The Group** | | | | |
| **Issued and fully paid, with no par value** | | | | |
| Beginning of financial year | **5,338,010,225** | 4,824,965,112 | **1,948,307** | 1,880,154 |
| Issuance of shares[i] | **–** | 513,045,113 | **–** | 68,153 |
| End of financial year | **5,338,010,225** | 5,338,010,225 | **1,948,307** | 1,948,307 |

(i) 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 holders of ordinary shares (excluding treasury 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.

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

## 16 Treasury shares

| | No. of ordinary share | | Amount | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018<br>$'000 | 2017<br>$'000 |
| **The Company and The Group** | | | | |
| Beginning of financial year | **–** | – | **–** | – |
| Purchase of treasury shares | **450,000** | – | **(50)** | – |
| End of financial year | **450,000** | – | **(50)** | – |

On 9 March 2018, the Group purchased 450,000 ordinary shares by way of market acquisition at a net consideration of S$50,421 and these will presented as a component within shareholders' equity.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 17 Reserves

| | Note | The Company 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 | The Group 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|---|---|---|---|
| Capital reserve | (a) | **80,000** | 80,000 | 80,000 | **(105,771)** | (105,771) | (105,771) |
| Translation reserve | (b) | **–** | – | – | **(108,341)** | (84,851) | (52,319) |
| Hedging reserve | (c) | **–** | – | – | **(2,254)** | (474) | 4,371 |
| Fair value reserve | (d) | **–** | – | – | **64,175** | (18,838) | (19,698) |
| Other reserves | (e) | **–** | – | – | **15,597** | 4,945 | 5,136 |
| | | **80,000** | 80,000 | 80,000 | **(136,594)** | (204,989) | (168,281) |

**The Company**

The Capital reserve comprises equity component of convertible bonds issued for the acquisition of PT IMAS.

**The Group**

The capital reserve comprises the 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 whose functional currencies are different from the Group's presentation currency.

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 and financial assets as fair value through other comprehensive income 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.

Movement of reserves is as follows:

(a) Capital reserve

| | The Company 2018 $'000 | 2017 $'000 | The Group 2018 $'000 | 2017 $'000 |
|---|---|---|---|---|
| Beginning and **at end of year** | **80,000** | 80,000 | **(105,771)** | (105,771) |

(b) Translation reserve

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **The Group** | | |
| Beginning of year, as reported | **(84,851)** | (52,319) |
| Effects of adoption SFRS(I) 9 | **(386)** | – |
| Less: Non-controlling interests | **110** | – |
| | **(276)** | – |
| Beginning of year, as restated | **(85,127)** | (52,319) |
| Net currency translation differences of financial statements of foreign subsidiaries and associated companies | **(36,752)** | (53,930) |
| Less: Non-controlling interests | **13,538** | 21,398 |
| At end of year | **(108,341)** | (84,851) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**17 Reserves (Cont'd)**

(c) Hedging reserve

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **The Group** | | |
| Beginning of year | **(474)** | 4,371 |
| Loss arising during the year | **(2,620)** | (6,738) |
| Less: Non-controlling interests | **840** | 1,893 |
| At end of year | **(2,254)** | (474) |

(d) Fair value reserve

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **The Group** | | |
| Beginning of year, as reported | **(18,838)** | (19,698) |
| Effects of adoption SFRS(I) 9 | **39,934** | – |
| Less: Non-controlling interests | **(11,385)** | – |
| | **28,549** | – |
| Beginning of year, as restated | **9,711** | (19,698) |
| Available-for-sale financial assets – Fair value gain | **–** | 1,165 |
| Equity instruments at FVOCI – Fair value gain | **76,285** | – |
| Less: Non-controlling interests | **(21,821)** | (305) |
| At end of year | **64,175** | (18,838) |

(e) Other reserves

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **The Group** | | |
| Beginning of year | **4,945** | 5,136 |
| Actuarial gain/(loss) during the year | **5,871** | (429) |
| Changes in interest in subsidiaries | **14,730** | (6,334) |
| Less: Non-controlling interests | **(9,949)** | 6,572 |
| At end of year | **15,597** | 4,945 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 18 Borrowings

| | | The Company | | | The Group | | |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2017 | 1 Jan 2017 | 2018 | 2017 | 1 Jan 2017 |
| | Note | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Current borrowings** | | | | | | | |
| Short term loans | (i) | **–** | – | – | **957,908** | 721,685 | 728,653 |
| Loan from subsidiaries | (ii) | **362,079** | 336,328 | 517,244 | **–** | – | – |
| Current portion of non-current borrowings | | | | | | | |
| – Bank loans | (iii) | **19,504** | 14,400 | – | **433,486** | 500,795 | 300,777 |
| – Finance lease | (iv) | **–** | – | – | **2** | 106 | 105 |
| – Consumer financing | (iv) | **–** | – | – | **444** | – | – |
| – Other loans | | **–** | – | – | **18,498** | 5 | – |
| | | **381,583** | 350,728 | 517,244 | **1,410,338** | 1,222,591 | 1,029,535 |
| **Non-current borrowings** | | | | | | | |
| Bank loans | (iii) | **311,489** | 330,181 | – | **1,007,305** | 798,043 | 634,077 |
| Finance lease | (iv) | **–** | – | – | **–** | 2 | 117 |
| Other loans | | **–** | – | – | **22,893** | 119 | – |
| | | **311,489** | 330,181 | – | **1,030,198** | 798,164 | 634,194 |
| Total borrowings | | **693,072** | 680,909 | 517,244 | **2,440,536** | 2,020,755 | 1,663,729 |
| Represented by: | | | | | | | |
| Secured | | **330,993** | 344,581 | – | **2,440,536** | 2,020,755 | 1,663,729 |
| Unsecured | | **362,079** | 336,328 | 517,244 | **–** | – | – |
| | | **693,072** | 680,909 | 517,244 | **2,440,536** | 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 1.70% to 6.00% (2017 – 1.70% to 4.75%, 1 January 2017 – 1.70% to 7.25%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**18 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") and PT Bintan Resort Cakrawala ("PT BRC") as disclosed in Note 5 & 6. PT Buana Megawisatama ("PT BMW") and PT Surya Bangun Pertiwi ("PT SBP") as disclosed in Note 11;

(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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**18 Borrowings (Cont'd)**

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

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 leases (Note 8)

(4) Other non-current asset – equity investments at FVOCI (Note 10)

(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 2018

**18 Borrowings (Cont'd)**

(iv) Obligation under finance lease

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Minimum lease payments payable: | | | |
| Not later than one year | **446** | 106 | 105 |
| Later than one year and not later than five years | **–** | 2 | 117 |
| Later than five years | **–** | – | – |
| | **446** | 108 | 222 |
| Less: | | | |
| Finance charges allocated to future periods | **–** | – | – |
| Present value of minimum lease payments | **446** | 108 | 222 |
| Present value of minimum lease payments: | | | |
| Not later than one year | **446** | 106 | 105 |
| Later than one year and not later than five years | **–** | 2 | 117 |
| Later than five years | **–** | – | – |
| | **446** | 108 | 222 |

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 | | |
|---|---|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
| Current portion: | | | | | | |
| – at floating interest rate | **19,504** | 14,400 | – | **1,206,680** | 726,734 | 105,498 |
| – at fixed interest rate | **362,079** | 336,328 | 517,244 | **203,658** | 495,857 | 924,037 |
| | **381,583** | 350,728 | 517,244 | **1,410,338** | 1,222,591 | 1,029,535 |
| Non-current portion: | | | | | | |
| – at floating interest rate | **311,489** | 330,181 | – | **715,348** | 719,436 | 405,943 |
| – at fixed interest rate | **–** | – | – | **314,850** | 78,728 | 228,251 |
| | **311,489** | 330,181 | – | **1,030,198** | 798,164 | 634,194 |
| | **693,072** | 680,909 | 517,244 | **2,440,536** | 2,020,755 | 1,663,729 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 18 Borrowings (Cont'd)

The borrowings are denominated in the following currencies:

| | The Company | | | The Group | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Singapore Dollar | **288,981** | 405,998 | 62,906 | **265,385** | 414,588 | 184,922 |
| United States Dollar | **130,808** | – | – | **396,119** | 246,739 | 402,254 |
| Indonesian Rupiah | **273,283** | 274,911 | 454,338 | **1,779,032** | 1,359,428 | 1,076,553 |
| | **693,072** | 680,909 | 517,244 | **2,440,536** | 2,020,755 | 1,663,729 |

The borrowing repayment profile is as follows:–

| | The Company | | | The Group | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Repayable: | | | | | | |
| Not later than one year | **381,583** | 350,728 | 517,244 | **1,410,338** | 1,222,591 | 1,029,535 |
| Later than one year and not later than five years | **311,489** | 330,181 | – | **1,030,198** | 798,164 | 634,194 |
| Later than five years | **–** | – | – | **–** | – | – |
| | **693,072** | 680,909 | 517,244 | **2,440,536** | 2,020,755 | 1,663,729 |

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

| | The Company | | | The Group | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 | 2018 | 2017 | 1 Jan 2017 |
| Short term loans | **–** | – | – | **3.53% to 10.50%** | 2.58% to 9.75% | 1.99% to 11.29% |
| Bank loans | **6.44% to 7.53%** | 6.29% | – | **2.63% to 10.71%** | 2.63% to 10.50% | 2.60% to 11.50% |
| Finance leases | **–** | – | – | **13.18%** | 4.58% to 13.06% | 4.58% to 13.06% |
| Loan from subsidiaries | **1.70% to 6.00%** | 1.70% to 4.75% | 1.70% to 7.25% | **–** | – | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 Debt securities

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

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Company** | | | |
| 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: | | | |
| Not later than one year | **–** | – | 224,580 |
| Later than one year and not later than five years | **–** | – | 228,926 |
| Later than five years | **–** | – | – |
| | **–** | – | 453,506 |

In the previous year, the Company fully redeemed the following bonds: (i) S$150 million 5.90% 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.

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Notes and Bonds | | | |
| – Current | **195,926** | 86,051 | 364,224 |
| – Non-current | **163,237** | 170,781 | 411,711 |
| Nominal value | **359,163** | 256,832 | 775,935 |
| Less: Deferred issuance costs | **(366)** | (1,130) | (2,185) |
| Net | **358,797** | 255,702 | 773,750 |
| Secured | **358,797** | 255,702 | 320,244 |
| Unsecured | **–** | – | 453,506 |
| | **358,797** | 255,702 | 773,750 |
| Repayable: | | | |
| Not later than one year | **195,560** | 85,585 | 139,262 |
| Later than one year and not later than five years | **163,237** | 170,117 | 634,488 |
| Later than five years | **–** | – | – |
| | **358,797** | 255,702 | 773,750 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 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 III Phase III | IDR | 1,000,000,000 | 6.50% – 8.45% | 28/05/2019 – 18/05/2023 |
| IMFI Bonds III Phase II | IDR | 1,082,000,000 | 6.80% – 8.15% | 25/02/2019 – 15/02/2023 |
| IMFI Bonds III Phase I | IDR | 215,000,000 | 8.60% – 9.10% | 07/07/2020 – 07/07/2022 |
| IMFI Bonds II Phase IV | IDR | 172,000,000 | 8.80% – 9.40% | 23/03/2020 – 23/03/2022 |
| IMFI Bonds II Phase III | IDR | 908,000,000 | 10.50% – 10.65% | 16/03/2019 – 16/03/2020 |
| IMFI Bonds II Phase II | IDR | 202,500,000 | 11.00% | 06/11/2019 |
| IMFI Bonds II Phase I | IDR | 198,000,000 | 10.25% | 24/04/2019 |

(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 | | |
|---|---|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
| Singapore Dollar | **–** | – | 453,506 | **–** | – | 453,506 |
| Indonesian Rupiah | **–** | – | – | **358,797** | 255,702 | 320,244 |
| | **–** | – | 453,506 | **358,797** | 255,702 | 773,750 |

## 20 Employee benefits liabilities

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **The Group** | | |
| Balance at beginning of year | **41,999** | 38,467 |
| Net employee benefits expense (Note 29) | **5,776** | 6,270 |
| Actual benefit payments | **(1,234)** | (932) |
| Foreign exchange difference | **(1,844)** | (1,213) |
| Company contribution | **(578)** | – |
| Income recognised in other comprehensive income | **(7,410)** | (593) |
| Balance at end of year | **36,709** | 41,999 |

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 2018

## 20 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 Akuaria and PT Sienco Aktuarindo Utama which considered the following assumptions:

| | | |
|---|---|---|
| Discount rate | : | 8.14% to 9.19% (2017 – 8.67% to 9.22%, 1 January 2017 – 8.67% to 9.22%) per annum |
| Mortality rate | : | Tabel Mortalita Indonesia (TMI-III) – 2011 (2017 – Tabel Mortalita Indonesia (TMI-III) – 2011, 1 January 2017 – Tabel Mortalita Indonesia (TMI-III) – 2011) |
| Annual salary increases | : | 7% to 8% (2017 – 7% to 9.5%, 1 January 2017 – 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:

| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Current service cost | **4,824** | 5,037 | 4,700 |
| Interest expense | **1,090** | 1,203 | 1,212 |
| Immediate recognition of past service cost – vested | **(213)** | – | (107) |
| Excess payment | **75** | 30 | 68 |
| | **5,776** | 6,270 | 5,873 |
| Net present value of employee benefits liabilities | **36,709** | 41,999 | 38,467 |

## 21 Other non-current liabilities

| | | The Company | | | The Group | | |
|---|---|---|---|---|---|---|---|
| | Note | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 | 2018 $'000 | 2017 $'000 restated | 1 Jan 2017 $'000 restated |
| Deposits from tenants | (i) | **88** | 88 | 88 | **27,865** | 26,146 | 27,909 |
| Refundable golf membership deposit | (ii) | **–** | – | – | **3,776** | 3,256 | 2,993 |
| Derivative liabilities | 24 | **–** | – | 260 | **1,139** | 631 | 1,380 |
| | | **88** | 88 | 348 | **32,780** | 30,033 | 32,282 |

(i) Deposits from tenants represent deposits 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

| | The Company | | | The Group | | |
|---|---|---|---|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 | 1 Jan 2017<br>$'000 | 2018<br>$'000 | 2017<br>$'000<br>restated | 1 Jan 2017<br>$'000<br>restated |
| Singapore Dollar | **88** | 88 | 348 | **26,807** | 27,518 | 29,623 |
| Indonesian Rupiah | **–** | – | – | **5,973** | 2,515 | 2,659 |
| | **88** | 88 | 348 | **32,780** | 30,033 | 32,282 |

## 22 Trade and other payables

| | The Company | | | The Group | | |
|---|---|---|---|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 | 1 Jan 2017<br>$'000 | 2018<br>$'000 | 2017<br>$'000<br>restated | 1 Jan 2017<br>$'000<br>restated |
| Trade | | | | | | |
| Trade payables | **–** | – | – | **320,554** | 207,424 | 118,852 |
| Non-trade | | | | | | |
| Accruals | **1,329** | 2,180 | 728 | **58,356** | 45,693 | 42,710 |
| Other payable | **483** | 600 | 781 | **90,054** | 53,535 | 54,930 |
| Interest payable on bank loan | **2,905** | 4,079 | 7,619 | **2,983** | 16,687 | 9,117 |
| Amount owing to related parties | **1** | – | – | **29,809** | 7,714 | 30,194 |
| Amount owing to subsidiaries | **40,776** | 17,361 | 20,992 | **–** | – | – |
| Other current liabilities | **–** | – | – | **3,504** | 1,641 | 2,474 |
| | **45,494** | 24,220 | 30,120 | **505,260** | 332,694 | 258,277 |

Trade payables are generally on 30 days (2017 – 30 days, 1 January 2017 – 30 days) credit terms.

Amounts owing to subsidiaries and related parties represent advances and are non-trade, unsecured, interest-free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 22 Trade and other payables (Cont'd)

Trade and other payables are denominated in the following currencies:

| | The Company | | | The Group | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 restated | $'000 restated |
| Singapore Dollar | **17,697** | 7,525 | 23,667 | **52,572** | 43,457 | 49,259 |
| Indonesian Rupiah | **26,016** | 16,568 | 6,453 | **398,327** | 288,174 | 199,555 |
| United States Dollar | **1,781** | 127 | – | **24,184** | 1,063 | 3,431 |
| Euro | **–** | – | – | **2,807** | – | 5,799 |
| Swedish Kronor | **–** | – | – | **25,980** | – | 10 |
| Others | **–** | – | – | **1,390** | – | 223 |
| | **45,494** | 24,220 | 30,120 | **505,260** | 332,694 | 258,277 |

## 23 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 | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| Foreclosed assets | | **15,110** | 20,337 | 22,771 |
| Less: allowance for impairment loss | | **(3,942)** | (6,101) | (6,831) |
| | 13 | **11,168** | 14,236 | 15,940 |

The movement in allowance for impairment losses in value of foreclosed assets is as follows:–

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **The Group** | | |
| Balance at beginning of the year | **6,101** | 6,831 |
| Reversal of allowance during the year (Note 29) | **(1,903)** | (175) |
| Translation differences | **(256)** | (555) |
| Balance at the end of the year | **3,942** | 6,101 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 24 Derivative financial instruments

The fair value of the Group's derivative financial instruments was:–

| | Note | 2018 Assets $'000 | 2018 Liabilities $'000 | 2017 Assets $'000 | 2017 Liabilities $'000 | 1 Jan 2017 Assets $'000 | 1 Jan 2017 Liabilities $'000 |
|---|---|---|---|---|---|---|---|
| **The Company** | | | | | | | |
| Non-current | | | | | | | |
| Not designated as hedging instruments | | | | | | | |
| – Interest rate swaps (iv) | 21 | **–** | **–** | – | – | – | 260 |

| | Note | 2018 Assets $'000 | 2018 Liabilities $'000 | 2017 Assets $'000 | 2017 Liabilities $'000 | 1 Jan 2017 Assets $'000 | 1 Jan 2017 Liabilities $'000 |
|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | |
| Non-current | | | | | | | |
| Designated as cash flow hedges | | | | | | | |
| – Interest rate swaps (i) | | **78** | **–** | 43 | – | 152 | – |
| – Cross currency swaps (ii) | | **22,466** | **–** | 2,575 | – | 7,068 | – |
| – Cross currency interest rate swap (iii) | | **793** | **1,139** | 4,801 | – | 8,607 | – |
| | | **23,337** | **1,139** | 7,419 | – | 15,827 | – |
| Not designated as hedging instruments | | | | | | | |
| – Cross currency interest rate swap (iii) | | **–** | **–** | – | – | – | – |
| – Interest rate swaps (iv) | | **–** | **–** | – | 631 | – | 1,380 |
| | 10, 21 | **23,337** | **1,139** | 7,419 | 631 | 15,827 | 1,380 |

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.

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 13 December 2020. 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 2018

## 24 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.

(i) Interest rate swap

The notional amounts of the interest rate swaps at 31 December 2018 were US$14,668,000 (2017 – US$9,333,000, 1 January 2017 – S$42,543,000) for derivative assets and derivative liabilities.

(ii) Cross currency swap

The notional amounts of the cross currency swaps at 31 December 2018 were US$201,374,000 (2017 – US$195,058,000, 1 January 2017 – S$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 2018 were US$42,000,000 (2017 – US$64,450,000, 1 January 2017 – S$50,000,000) and EUR€Nil (2017 – EUR€596,602, 1 January 2017 – EUR€596,602).

(iv) Interest rate swap

The Company terminated the interest rate swap contracts with the financial institution in 2017 that was entered into in 2015. The notional amount is S$175,000,000 and S$150,000,000 at interest rate of 5.25% + 6 months SOR and 4.85% + 6 months SOR where the financial institution pays the company at fixed rate of 5.95% and 5.9%.

The fair value of the Group's swaps was recorded as a derivative liability amounting to S$631,000 (Note 21). The Group and the Company loss on valuation of fair value of swap not designated as hedging instruments were recorded as part of other income in the consolidated statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 25 Revenue

Disaggregated revenue information

| | For the financial year ended 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | Industrial park $'000 | Utilities $'000 | Automotive $'000 | Resort Operations $'000 | Total $'000 |
| **Segments** | | | | | |
| **Type of goods or services** | | | | | |
| Sales of goods | – | – | 1,355,518 | – | 1,355,518 |
| Rendering of services | 3,756 | – | – | 1,131 | 4,887 |
| Financial services | – | – | 176,268 | – | 176,268 |
| Electricity and water supply | – | 97,807 | – | – | 97,807 |
| Rental and related income | 22,309 | – | 134,781 | 1,118 | 158,208 |
| Sale of residential units | 5,186 | – | – | – | 5,186 |
| Golf revenue | 3,970 | – | – | – | 3,970 |
| Ferry services | – | – | – | 25,421 | 25,421 |
| Telecommunication | – | 2,435 | – | – | 2,435 |
| Others | 974 | – | – | 2,039 | 3,013 |
| **Total revenue** | 36,195 | 100,242 | 1,666,567 | 29,709 | 1,832,713 |
| **Timing of revenue recognition** | | | | | |
| At a point in time | 13,886 | 97,807 | 1,355,518 | 28,390 | 1,495,601 |
| Over time | 22,309 | 2,435 | 311,049 | 1,319 | 337,112 |
| **Total revenue** | 36,195 | 100,242 | 1,666,567 | 29,709 | 1,832,713 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 25 Revenue (Cont'd)

Disaggregated revenue information (Cont'd)

| | For the financial year ended 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | Industrial park $'000 | Utilities $'000 | Automotive $'000 | Resort Operations $'000 | Total $'000 |
| **Segments** | | | | | |
| **Type of goods or services** | | | | | |
| Sales of goods | – | – | 1,314,056 | – | 1,314,056 |
| Rendering of services | 3,872 | – | – | 1,141 | 5,013 |
| Financial services | – | – | 163,296 | – | 163,296 |
| Electricity and water supply | – | 99,334 | – | – | 99,334 |
| Rental and related income | 23,033 | – | 110,519 | 1,159 | 134,711 |
| Golf revenue | 4,060 | – | – | – | 4,060 |
| Ferry services | – | – | – | 20,420 | 20,420 |
| Telecommunication | – | 2,326 | – | – | 2,326 |
| Others | 1,748 | – | – | 1,777 | 3,525 |
| **Total revenue** | 32,713 | 101,660 | 1,587,871 | 24,497 | 1,746,741 |
| **Timing of revenue recognition** | | | | | |
| At a point in time | 9,680 | 99,334 | 1,314,056 | 23,166 | 1,446,236 |
| Over time | 23,033 | 2,326 | 273,815 | 1,331 | 300,505 |
| **Total revenue** | 32,713 | 101,660 | 1,587,871 | 24,497 | 1,746,741 |

The Group operates mainly in Indonesia. Accordingly, revenue by geographical market is not presented.

Reconciliation of the revenue with the amount as disclosed in the segment information (Note 35)

| | For the financial year ended 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | Industrial park $'000 | Utilities $'000 | Automotive $'000 | Resort Operations $'000 | Total $'000 |
| **Segments** | | | | | |
| External | **36,195** | **100,242** | **1,666,567** | **29,709** | **1,832,713** |
| Inter segment | **–** | **128** | **–** | **44** | **172** |
| | **36,195** | **100,370** | **1,666,567** | **29,753** | **1,832,885** |
| Elimination | **–** | **(128)** | **–** | **(44)** | **(172)** |
| **Total revenue** | **36,195** | **100,242** | **1,666,567** | **29,709** | **1,832,713** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 25 Revenue (Cont'd)

Reconciliation of the revenue with the amount as disclosed in the segment information (Note 35) (Cont'd)

| | For the financial year ended 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | Industrial park $'000 | Utilities $'000 | Automotive $'000 | Resort Operations $'000 | Total $'000 |
| **Segments** | | | | | |
| External | 32,713 | 101,660 | 1,587,871 | 24,497 | 1,746,741 |
| Inter segment | – | 94 | – | 62 | 156 |
| | 32,713 | 101,754 | 1,587,871 | 24,559 | 1,746,897 |
| Elimination | – | (94) | – | (62) | (156) |
| **Total revenue** | 32,713 | 101,660 | 1,587,871 | 24,497 | 1,746,741 |

Contract liabilities

| | 31 December 2018 $'000 | 31 December 2017 $'000 restated | 1 January 2017 $'000 restated |
|---|---|---|---|
| **Non-Current liabilities** | | | |
| Contract liabilities | **11,621** | 2,430 | 1,522 |
| **Current liabilities** | | | |
| Contract liabilities | **15,195** | 13,651 | 20,345 |

Contract liabilities relate primarily to:

- Advance consideration received from customers; and
- Unearned revenue arising from contract with customers.

The contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer. The significant changes in the contract liabilities during the year are as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **The Group** | | |
| Revenue recognised that was included in contract liabilities at the beginning of the year | **13,651** | 20,345 |
| Increases due to cash received, excluding amounts recognised as revenue during the year | **(26,816)** | (16,081) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 26 Other income

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **The Group** | | |
| Exchange loss, net | **(842)** | (15,397) |
| (Loss)/gain on disposal of property, plant and equipment | **(221)** | 7,766 |
| Interest income | **22,732** | 21,551 |
| Other telecommunication income | **796** | 875 |
| Bank charges | **(36)** | (35) |
| Bad debt recovered | **12,109** | 12,109 |
| Commission income | **2,509** | 3,847 |
| Penalty income | **8,195** | 7,989 |
| Sales incentive and dealer development | **5,347** | 5,364 |
| Scrap income | **269** | 238 |
| Rental income | **3,364** | 3,658 |
| Administration and registration income | **2,067** | 2,289 |
| Subsidy income (for sales or promotion) | **568** | 840 |
| Management fee income | **226** | 986 |
| Written off marketing and technical fee | **1,851** | – |
| Loss on disposal of investment | **(148)** | – |
| Write off of associates | **(87)** | – |
| Provision for doubtful debts | **(825)** | – |
| Gain on dilution of a subsidiary to associate | **464** | – |
| Gain on dilution from associate to unquoted equity investments | **16,181** | – |
| Others | **1,881** | 3,931 |
| | **76,400** | 56,011 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 27 Other operating expenses

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| **The Group** | | |
| Communication | **1,500** | 1,770 |
| Depreciation of property, plant and equipment (Note 4) | **9,570** | 10,364 |
| Entertainment | **527** | 489 |
| Insurance | **1,444** | 1,442 |
| Management fee | **9** | 213 |
| Marketing and promotion expenses | **14,396** | 14,734 |
| Professional fees | **1,594** | 1,852 |
| Rental | **6,881** | 7,306 |
| Repairs and maintenance | **4,216** | 4,584 |
| Representation costs | **1,183** | 1,235 |
| Staff costs and related expenses | **44,571** | 46,337 |
| Taxes and licences | **3,886** | 3,229 |
| Transport and travelling | **6,640** | 5,747 |
| Printing and stationeries | **135** | 124 |
| Packing and delivery | **5,522** | 10,043 |
| Security expenses | **4,800** | 4,917 |
| Sales commission and incentive | **8,085** | 9,436 |
| Loss on sales of foreclosed assets | **15,754** | 14,842 |
| Utilities | **3,402** | 3,455 |
| Office supplies | **2,391** | 2,429 |
| Others | **10,729** | 9,539 |
| | **147,235** | 154,087 |

## 28 Finance costs

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| **The Group** | | |
| Interest expense on: | | |
| – Bank loans and short term loans | **136,111** | 106,520 |
| – Debt securities | **–** | 19,474 |
| – Other loans | **579** | 1,036 |
| | **136,690** | 127,030 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 29 Loss before taxation

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Loss before taxation has been arrived at after charging/(crediting): | | | |
| Audit fee paid to: | | | |
| – auditor of the Company | | **418** | 563 |
| – other auditors | | **1,395** | 1,555 |
| Non-audit fees paid to: | | | |
| – auditor of the Company | | **24** | 23 |
| – other auditors | | **38** | 53 |
| Costs of inventories recognised as expenses | | **1,120,897** | 1,034,146 |
| Reversal of allowance for inventories obsolescence | 12 | **(73)** | (512) |
| Allowance for impairment of financing receivables | 8 | **41,579** | 35,831 |
| Reversal of allowance for impairment of foreclosed assets | 23 | **(1,903)** | (175) |
| Amortisation of intangible assets | 3 | **16,309** | 16,313 |
| Depreciation of property, plant and equipment | 4 | **70,505** | 72,174 |
| Depreciation of investment properties | 5 | **28,954** | 26,550 |
| | | **99,459** | 98,724 |
| Directors' fees | | **405** | 405 |
| Directors' remuneration | | | |
| – Directors' salaries and related costs | | **2,695** | 2,948 |
| – CPF contributions | | **44** | 48 |
| | | **2,739** | 2,996 |
| Foreign exchange loss, net | | **842** | 15,397 |
| Net allowance for impairment of trade and other receivables, excluding financing receivables | | **5,345** | 1,322 |
| Operating lease rentals | | | |
| – office equipment and office premises | | **1,411** | 1,600 |
| Provision for employees' benefits | 20 | **5,776** | 6,270 |
| Rental income (included in revenue) | | | |
| – investment properties | 5 | **(32,744)** | (30,051) |
| Operating expenses arising from investment properties that generated rental income | 5 | **19,476** | 26,011 |
| Staff costs (other than Directors) | | | |
| – salaries and related costs | | **130,084** | 135,260 |
| – CPF contributions | | **696** | 711 |
| | | **130,780** | 135,971 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 30 Taxation

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **The Group** | | | |
| Current taxation | | | |
| Indonesia tax | | **37,574** | 32,643 |
| Singapore tax | | **350** | 289 |
| | | **37,924** | 32,932 |
| Deferred taxation | | | |
| Indonesia tax | | **(10,650)** | (3,735) |
| Singapore tax | | **–** | 2,474 |
| | 9 | **(10,650)** | (1,261) |
| | | **27,274** | 31,671 |

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 as a result of the following:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **The Group** | | |
| Loss before taxation | **(48,594)** | (125,834) |
| Tax at domestic tax rates applicable to profit in the respective countries | **12,662** | 6,479 |
| Difference of tax effects on gross income subject to final tax instead of corporate tax | **(451)** | 596 |
| Tax effects on non-taxable income(1) | **(1,528)** | (6,716) |
| Tax effects on non-deductible expenses(2) | **7,089** | 8,931 |
| Deferred tax on temporary differences not recognised | **9,502** | 22,381 |
| | **27,274** | 31,671 |

(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.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **The Group** | | |
| Tax losses | **3,704** | 5,696 |

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 31 Other comprehensive income/(expense) after taxation

| | Before tax $'000 | Tax expense $'000 | Net of tax $'000 |
|---|---|---|---|
| **The Group** | | | |
| **31 December 2018** | | | |
| Disclosure of tax effects relating to each component of other comprehensive income/(expense): | | | |
| Equity instruments at FVOCI | **89,465** | **(13,180)** | **76,285** |
| Derivative instruments | **(2,620)** | **–** | **(2,620)** |
| Currency translation differences | **(36,752)** | **–** | **(36,752)** |
| Actuarial losses arising during the period | **5,871** | **–** | **5,871** |
| | **55,964** | **(13,180)** | **42,784** |
| **31 December 2017** | | | |
| 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) |
| | (59,932) | – | (59,932) |

## 32 Loss per share

The Group

The basic loss per share is calculated based on the consolidated losses attributable to owners of the parent divided by the weighted average number of shares in issue of 5,337,635,225 (2017 – 4,867,718,871) shares during the financial year.

Fully diluted loss per share were calculated on the consolidated losses attributable to owners of the parent divided by 5,587,635,225 (2017 – 5,117,718,871) 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 per share for the years ended 31 December:

| | 2018 | 2017 |
|---|---|---|
| **The Group** | | |
| Basic loss per share (in cents) | **(1.382)** | (2.803) |
| Diluted loss per share (in cents) | **(1.382)** | (2.803) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 32 Loss per share (Cont'd)

The calculation of loss per share attributable to ordinary equity holders of the Company is based on the following:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **The Group** | | |
| Loss attributable to shareholders | **(73,748)** | (136,431) |

Number of shares used for the calculation of loss per share is as follows:

| | No. (in thousands) | No. (in thousands) |
|---|---|---|
| **The Group** | | |
| Weighted average number of ordinary shares for purposes basic loss per share | **5,337,635** | 4,867,719 |
| Effects of dilution: | | |
| Assumed conversion of convertible bond | **250,000** | 250,000 |
| Weighted average number of ordinary shares for diluted per shares ('000) | **5,587,635** | 5,117,719 |

There are 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 2018

## 33 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 | | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | **1 Jan 2017** | **2018** | **2017** | **1 Jan 2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Lease rentals payable: | | | | | | |
| Not later than one year | **605** | 599 | 601 | **647** | 1,285 | 1,205 |
| Later than one year and not later than five years | **1,024** | 1,630 | 2,261 | **1,124** | 2,801 | 3,455 |
| Later than five years | **–** | – | – | **–** | – | 16 |

The Company had entered into a lease agreement which 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 August 2021 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 August 2021 and not later than 31 May 2022, 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 | | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | **1 Jan 2017** | **2018** | **2017** | **1 Jan 2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Lease rentals receivable: | | | | | | |
| Not later than one year | **346** | 342 | 338 | **25,328** | 22,860 | 23,909 |
| Later than one year and not later than five years | **584** | 930 | 1,272 | **51,809** | 40,309 | 43,420 |
| Later than five years | **–** | – | – | **23,078** | 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 31 August 2021 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 2018

## 33 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:

| | 2018<br>$'000 | 2017<br>$'000 | 1 Jan 2017<br>$'000 |
|---|---|---|---|
| **The Group** | | | |
| Expenditure authorised and contracted for the construction of airport | – | 101,737 | 103,296 |

As at the end of the reporting period the Group's associate will undertake the construction of the airport through external borrowings.

## 34 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:

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| **The Group** | | |
| **(a) With associates and joint ventures** | | |
| Management fees paid | **161** | 132 |
| Sales of goods and services | **(8,266)** | (1,794) |
| Purchase of goods and services | **970** | 991 |
| Rental income | **(282)** | (563) |
| Broker and guarantee fee | **51** | – |
| **(b) With related companies and associates of ultimate holding company** | | |
| Management fees paid | **431** | 151 |
| Human resource management fee | **332** | 385 |
| Interest income | **(4,616)** | (5,168) |
| Purchase of goods and services | **9,284** | 10,126 |
| Rental income | **(312)** | (62) |
| Sales of goods and services | **(60,797)** | (47,501) |
| Dividend received | **7,059** | – |
| **(c) Remuneration of Directors of the Company and key management personnel of the Group** | | |
| Salaries and other short-term employee benefits | **2,739** | 2,996 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 35 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 2018

## 35 Segments information (Cont'd)

| | Industrial Parks | | Utilities | | Resort Operations | | Property Development | | Automotive | | Corporate | | Elimination | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **The Group** | | | | | | | | | | | | | | | | |
| Business segments | | | | | | | | | | | | | | | | |
| **Operating revenue** | | | | | | | | | | | | | | | | |
| External sales | **36,195** | 32,713 | **100,242** | 101,660 | **29,709** | 24,497 | **–** | – | **1,666,567** | 1,587,871 | **–** | – | **–** | – | **1,832,713** | 1,746,741 |
| Inter segment sales | **–** | – | **128** | 94 | **44** | 62 | **–** | – | **–** | – | **–** | – | **(172)** | (156) | **–** | – |
| Total sales | **36,195** | 32,713 | **100,370** | 101,754 | **29,753** | 24,559 | **–** | – | **1,666,567** | 1,587,871 | **–** | – | **(172)** | (156) | **1,832,713** | 1,746,741 |
| **Segment results** | | | | | | | | | | | | | | | | |
| (Loss)/profit from operations | **(6,659)** | (11,478) | **28,367** | 24,329 | **(3,088)** | (6,424) | **(13,425)** | (11,931) | **112,404** | 84,584 | **(15,030)** | (21,611) | **–** | – | **102,569** | 57,469 |
| Share of associates' results | | | | | | | | | | | | | | | **(14,473)** | (56,273) |
| Finance costs | | | | | | | | | | | | | | | **(136,690)** | (127,030) |
| Loss before taxation | | | | | | | | | | | | | | | **(48,594)** | (125,834) |
| Taxation | | | | | | | | | | | | | | | **(27,274)** | (31,671) |
| Loss after taxation | | | | | | | | | | | | | | | **(75,868)** | (157,505) |
| Attributable to: | | | | | | | | | | | | | | | | |
| Equity holders of the Company | | | | | | | | | | | | | | | **(73,748)** | (136,431) |
| Non-controlling interests | | | | | | | | | | | | | | | **(2,120)** | (21,074) |
| | | | | | | | | | | | | | | | **(75,868)** | (157,505) |
| **Assets** | | | | | | | | | | | | | | | | |
| Segment assets | **101,802** | 109,389 | **139,245** | 172,908 | **41,674** | 38,053 | **673,622** | 674,721 | **2,623,439** | 1,793,167 | **1,290,246** | 1,289,384 | **–** | – | **4,870,028** | 4,077,622 |
| Associates | | | | | | | | | | | | | | | **116,269** | 139,854 |
| Unallocated corporate assets | | | | | | | | | | | | | | | **264,051** | 292,256 |
| Total assets | | | | | | | | | | | | | | | **5,250,348** | 4,509,732 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 35 Segments information (Cont'd)

| | Industrial Parks | | Utilities | | Resort Operations | | Property Development | | Automotive | | Corporate | | Elimination | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **The Group** | | | | | | | | | | | | | | | | |
| Business segments (Cont'd) | | | | | | | | | | | | | | | | |
| **Liabilities** | | | | | | | | | | | | | | | | |
| Segment liabilities | **22,255** | 19,804 | **38,633** | 47,889 | **10,017** | 9,700 | **46,674** | 20,358 | **2,037,652** | 1,584,256 | **13,141** | 12,792 | **–** | – | **2,168,372** | 1,694,799 |
| Unallocated corporate liabilities | | | | | | | | | | | | | | | **1,349,591** | 1,102,843 |
| Total liabilities | | | | | | | | | | | | | | | **3,517,963** | 2,797,642 |
| **Other information** | | | | | | | | | | | | | | | | |
| Capital expenditure | **5,109** | 3,999 | **1,663** | 3,045 | **1,407** | 1,354 | **176** | 1,294 | **287,133** | 116,016 | **31** | 99 | **–** | – | **295,519** | 125,807 |
| Software costs | **90** | 6 | **–** | – | **2** | 3 | **–** | – | **–** | – | **–** | 106 | **–** | – | **92** | 115 |
| Reversal for inventories obsolescence | **(73)** | – | **–** | – | **–** | – | **–** | – | **–** | (512) | **–** | – | **–** | – | **(73)** | (512) |
| Amortisation of intangible assets | **21** | 20 | **–** | – | **12** | 13 | **–** | – | **16,227** | 16,227 | **49** | 53 | **–** | – | **16,309** | 16,313 |
| Depreciation of property, plant and equipment | **5,393** | 4,750 | **12,509** | 13,213 | **5,269** | 6,950 | **226** | 259 | **46,972** | 46,870 | **136** | 132 | **–** | – | **70,505** | 72,174 |
| Depreciation of investment properties | **22,326** | 22,175 | **35** | 35 | **91** | 139 | **3,374** | 2,737 | **3,128** | 1,464 | **–** | – | **–** | – | **28,954** | 26,550 |
| (Loss)/gain on disposal of property, plant and equipment | **(756)** | 957 | **–** | – | **(6)** | (2) | **–** | – | **541** | 6,811 | **–** | – | **–** | – | **(221)** | 7,766 |
| Impairment of trade and other receivables | **791** | (213) | **–** | – | **257** | 62 | **–** | – | **4,394** | 1,818 | **–** | 18 | **–** | – | **5,442** | 1,685 |
| Addition of investment properties | **2,669** | 2,385 | **–** | – | **–** | – | **256** | 6,231 | **1,782** | 13,168 | **–** | – | **–** | – | **4,707** | 21,784 |
| Allowance for impairment of financing receivables | **–** | – | **–** | – | **–** | – | **–** | – | **41,579** | 35,831 | **–** | – | **–** | – | **41,579** | 35,831 |
| Write back of other payables | **(1,851)** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(1,851)** | – |
| Gain on dilution from a subsidiary to associate | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(464)** | – | **–** | – | **(464)** | – |
| Gain on dilution from an associate to unquoted equity investments | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(16,181)** | – | **–** | – | **(16,181)** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 35 Segment 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.

## 36 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 2018 are disclosed in Note 24.

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 2018

**36 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 24).

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 (2017 – 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 | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| **The Group** | | |
| Singapore Dollar | | |
| – lower 50 basis points (2017 – 50 basis points) | **1,981** | 2,073 |
| – higher 50 basis points (2017 – 50 basis points) | **(1,981)** | (2,073) |
| United States Dollar | | |
| – lower 50 basis points (2017 – 50 basis points) | **825** | 814 |
| – higher 50 basis points (2017 – 50 basis points) | **(825)** | (814) |
| Indonesian Rupiah | | |
| – lower 50 basis points (2017 – 50 basis points) | **4,425** | 4,679 |
| – higher 50 basis points (2017 – 50 basis points) | **(4,425)** | (4,679) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**36 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$159,000 (2017 – S$308,000, 1 January 2017 – S$195,516,000) and S$211,234,000 (2017 – S$224,591,000, 1 January 2017 – 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 24).

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 loss 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 2018

**36 Financial risk management objectives and policies (Cont'd)**

(a) Market risk (Cont'd)

(ii) Foreign exchange risk (Cont'd)

Sensitivity analysis (Cont'd)

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | 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 | **9.09%** | **(119,428)** | 0.54% | (4,710) |
| Indonesian Rupiah | **(9.09%)** | **119,428** | (0.54%) | 4,710 |
| United States Dollar | **2.26%** | **(6,914)** | 0.04% | (69) |
| United States Dollar | **(2.26%)** | **6,914** | (0.04%) | 69 |
| Euro | **(2.16%)** | **(11)** | (2.03%) | (74) |
| Euro | **2.16%** | **11** | 2.03% | 74 |
| Swedish Krona | **4.17%** | **1** | (0.19%) | (0) |
| Swedish Krona | **(4.17%)** | **(1)** | 0.19% | 0 |

The average and year end exchange rates for 2018 and 2017 are as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Year end | Average | Year end | Average |
| Indonesian Rupiah | **Rp.10,603/$1** | **Rp.10,528/$1** | Rp.10,134/$1 | Rp.9,671/$1 |
| United States Dollar | **US$0.73/$1** | **US$0.74/$1** | US$0.75/$1 | US$0.73/$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 investments quoted on the IDX in Indonesia. They are held for strategic rather than trading purposes. The Group does not actively trade equity 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 2018

**36 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 13.

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 (2017 and 1 January 2017 – 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 such guarantees.

There is no impact on the corporate guarantee as there are no differential rates given by the financial institutions.

Financial assets

The Group applies the SFRS(I) 9 expected credit losses which uses either a 12-month or a lifetime expected credit losses depending on the level of credit risk to measuring loss allowance for all trade receivables, financing receivables and other financial assets.

The Group and Company apply the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. For all other financial assets, the Group and Company apply the general approach.

While cash and cash equivalents are also subject to the impairment requirements and the identified impairment loss was immaterial.

For the non-trade intercompany balances, it is considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected credit losses. Management consider "low credit risk" when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flows obligations in the near term.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**36 Financial risk management objectives and policies (Cont'd)**

(b) Credit risk (Cont'd)

Financial assets (Cont'd)

To measure the expected credit losses, trade receivables and financing receivables have been grouped based on shared credit risk characteristics and days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months for trade receivables and over a period of 96 months for financing receivables before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The receivables with "non-performing" credit risk rating has been provided for, while the receivables with "performing" credit risk rating are not impaired.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of SFRS(I) 9 was determined as follows for both trade receivables and financing receivables:

| | **Trade receivables** | | | | |
|---|---|---|---|---|---|
| | | **Days past due** | | | |
| | **Current S$'000** | **1-30 days S$'000** | **31-60 days S$'000** | **>60 days S$'000** | **Total S$'000** |
| **31 December 2018** | | | | | |
| Gross carrying amount | **126,617** | **41,561** | **12,285** | **88,680** | **269,143** |
| Provision for allowance | **–** | **–** | **–** | **(13,040)** | **(13,040)** |

| | **Trade receivables** | | | | |
|---|---|---|---|---|---|
| | | **Days past due** | | | |
| | **Current S$'000** | **1-30 days S$'000** | **31-60 days S$'000** | **>60 days S$'000** | **Total S$'000** |
| 1 January 2018 | | | | | |
| Gross carrying amount | 123,378 | 38,050 | 13,607 | 83,107 | 258,142 |
| Provision for allowance | – | – | – | (10,746) | (10,746) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**36 Financial risk management objectives and policies (Cont'd)**

(b) Credit risk (Cont'd)

Financial assets (Cont'd)

| | Financing receivables | | | | |
|---|---|---|---|---|---|
| | | Days past due | | | |
| | Current | 1-30 days | 31-60 days | >60 days | Total |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **31 December 2018** | | | | | |
| Expected credit loss rate | **0.86%** | **3.75%** | **10.69%** | **16.55%** | **0.90%** |
| Gross carrying amount | **1,203,950** | **3,501** | **1,650** | **1,515** | **1,210,616** |
| Provision for allowance | **(10,335)** | **(131)** | **(176)** | **(251)** | **(10,893)** |

| | Financing receivables | | | | |
|---|---|---|---|---|---|
| | | Days past due | | | |
| | Current | 1-30 days | 31-60 days | >60 days | Total |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| 1 January 2018 | | | | | |
| Expected credit loss rate | 0.84% | 2.78% | 7.34% | 16.16% | 0.91% |
| Gross carrying amount | 989,348 | 3,412 | 1,965 | 3,288 | 998,013 |
| Provision for allowance | (8,315) | (95) | (144) | (531) | (9,085) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**36 Financial risk management objectives and policies (Cont'd)**

(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.

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

| | Contractual undiscounted cash flows | | | | |
|---|---|---|---|---|---|
| | Not later than one year $'000 | Later than one year and not later than five years $'000 | Later than five years $'000 | Total $'000 | Total carrying amount $'000 |
| **The Company** | | | | | |
| **As at 31 December 2018** | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Trade and other payables | **45,494** | **–** | **–** | **45,494** | **45,494** |
| Borrowings | **394,498** | **361,909** | **–** | **756,407** | **693,072** |
| Other non-current liabilities | **–** | **88** | **–** | **88** | **88** |
| | **439,992** | **361,997** | **–** | **801,989** | **738,654** |
| **As at 31 December 2017** | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Trade and other payables | 24,220 | – | – | 24,220 | 24,220 |
| Borrowings | 364,475 | 399,060 | – | 763,535 | 680,909 |
| Other non-current liabilities | – | 88 | – | 88 | 88 |
| | 388,695 | 399,148 | – | 787,843 | 705,217 |
| **As at 1 January 2017** | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Trade and other payables | 30,120 | – | – | 30,120 | 30,120 |
| Borrowings | 546,356 | – | – | 546,356 | 517,244 |
| Debt securities | 248,288 | 235,367 | – | 483,655 | 453,506 |
| Other non-current liabilities | – | 88 | – | 88 | 88 |
| | 824,764 | 235,455 | – | 1,060,219 | 1,000,958 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(c) Liquidity risk (Cont'd)

| | Contractual undiscounted cash flows | | | | |
|---|---|---|---|---|---|
| | Not later than one year $'000 | Later than one year and not later than five years $'000 | Later than five years $'000 | Total $'000 | Total carrying amount $'000 |
| **The Group** | | | | | |
| **As at 31 December 2018** | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Trade and other payables | **505,260** | **–** | **–** | **505,260** | **505,260** |
| Borrowings | **1,529,835** | **1,262,464** | **–** | **2,792,299** | **2,440,536** |
| Debt securities | **143,264** | **260,452** | **–** | **403,716** | **358,797** |
| Other non-current liabilities | **–** | **31,641** | **–** | **31,641** | **31,641** |
| | **2,178,359** | **1,554,557** | **–** | **3,732,916** | **3,336,234** |
| **As at 31 December 2017** | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Trade and other payables | 332,694 | – | – | 332,694 | 332,694 |
| Borrowings | 1,309,218 | 979,755 | – | 2,288,973 | 2,020,755 |
| Debt securities | 106,606 | 184,794 | – | 291,400 | 255,702 |
| Other non-current liabilities | – | 29,402 | – | 29,402 | 29,402 |
| | 1,748,518 | 1,193,951 | – | 2,942,469 | 2,638,553 |
| **As at 1 January 2017** | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Trade and other payables | 258,277 | – | – | 258,277 | 258,277 |
| Borrowings | 1,122,112 | 755,584 | – | 1,877,696 | 1,663,729 |
| Debt securities | 411,334 | 440,598 | – | 851,932 | 773,750 |
| Other non-current liabilities | – | 30,902 | – | 30,902 | 30,902 |
| | 1,791,723 | 1,227,084 | – | 3,018,807 | 2,726,658 |

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**36 Financial risk management objectives and policies (Cont'd)**

(c) Liquidity risk (Cont'd)

| | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 3 and 5 years $'000 | Over 5 years $'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| **As at 31 December 2018** | | | | |
| Net-settled interest rate swaps – Cash flow hedges – Net cash inflows | **2,140** | **–** | **–** | **–** |
| Net-settled currency swaps – Cash flow hedges – Net receipts/(payments) | **2,140** | **13,970** | **3,233** | **–** |
| **As at 31 December 2017** | | | | |
| 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 | – | – |
| **As at 1 January 2017** | | | | |
| 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.

(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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 37 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 2018, 2017 and 1 January 2017 were as follows:

| | The Company | | | The Group | | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | **1 Jan 2017** | **2018** | **2017** | **1 Jan 2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Including financial service company | | | | | | |
| Net Debt | **692,691** | 678,515 | 774,616 | **2,570,454** | 2,018,016 | 2,012,066 |
| Total equity + debt | **2,572,729** | 2,593,131 | 2,839,428 | **4,531,718** | 3,988,547 | 4,304,296 |
| Excluding financial service company | | | | | | |
| Net Debt | **–** | – | – | **1,133,280** | 987,411 | 1,057,462 |
| Total equity + debt | **–** | – | – | **3,062,537** | 2,922,481 | 3,283,608 |
| | **2018** | **2017** | **1 Jan 2017** | **2018** | **2017** | **1 Jan 2017** |
| Capital net debt ratio excluding financial service companies | **0.27** | 0.26 | 0.27 | **0.37** | 0.34 | 0.32 |
| Capital net debt ratio including financial service companies | **0.27** | 0.26 | 0.27 | **0.57** | 0.51 | 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 18 and Note 19.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 Financial instruments

### Accounting classification of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are as follows:

| | Note | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **The Company** | | | | |
| Financial assets at amortised cost | | | | |
| Trade and other receivables | 13 | **79,355** | 76,917 | 133,751 |
| Cash and cash equivalents | 14 | **381** | 2,394 | 196,134 |
| Other non-current assets | 10 | **155** | 155 | 154 |
| | | **79,891** | 79,466 | 330,039 |
| **The Group** | | | | |
| Financial assets at amortised cost | | | | |
| Trade and other receivables | 13 | **534,251** | 489,929 | 535,272 |
| Financing receivables | 8 | **1,199,723** | 988,928 | 957,498 |
| Cash and cash equivalents | 14 | **228,879** | 258,441 | 425,413 |
| Other non-current assets[1] | 10 | **41,232** | 15,100 | 2,889 |
| | | **2,004,085** | 1,752,398 | 1,921,072 |
| Financial assets at fair value through other comprehensive income (FVOCI) | 10 | **251,167** | – | – |
| Available-for-sale financial assets | 10 | **–** | 96,537 | 100,397 |
| Derivative financial instruments | | | | |
| Used for hedging | 10,24 | **23,337** | 7,419 | 15,827 |
| | | **2,278,589** | 1,856,354 | 2,037,296 |

[1] Comprises restricted cash/time deposits, deposits and other receivables

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 Financial instruments (Cont'd)

### Accounting classification of financial assets and financial liabilities (Cont'd)

| | Note | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| **The Company** | | | | |
| Financial liabilities at amortised cost | | | | |
| Trade and other payables | 22 | **45,494** | 24,220 | 30,120 |
| Borrowings | 18 | **693,072** | 680,909 | 517,244 |
| Debt securities | 19 | **–** | – | 453,506 |
| Other non-current liabilities | 21 | **88** | 88 | 88 |
| | | **738,654** | 705,217 | 1,000,958 |
| Derivative financial instruments | | | | |
| Held for trading at FVPL | 24 | **–** | – | 260 |
| | | **738,654** | 705,217 | 1,001,218 |
| **The Group** | | | | |
| Financial liabilities at amortised cost | | | | |
| Trade and other payables | 22 | **505,260** | 332,694 | 258,277 |
| Borrowings | 18 | **2,440,536** | 2,020,755 | 1,663,729 |
| Debt securities | 19 | **358,797** | 255,702 | 773,750 |
| Other non-current liabilities[2] | 21 | **31,641** | 29,402 | 30,902 |
| | | **3,336,234** | 2,638,553 | 2,726,658 |
| Derivative financial instruments | | | | |
| Held for trading at FVPL | 24 | **1,139** | 631 | 1,380 |
| | | **3,337,373** | 2,639,184 | 2,728,038 |

[2] Excludes derivative liabilities

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 39 Fair value measurement

Definition of fair value

SFRS(I) 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 hierarchy

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.

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 2018 and 31 December 2017.

| | Note | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Financial assets | | | | | |
| **The Group** | | | | | |
| Equity investments at FVOCI | 10 | **179,111** | **–** | **72,056** | **251,167** |
| Derivative assets | 24 | **–** | **23,337** | **–** | **23,337** |
| | | **179,111** | **23,337** | **72,056** | **274,504** |
| Financial liabilities | | | | | |
| **The Group** | | | | | |
| Derivative liabilities | 24 | **–** | **1,139** | **–** | **1,139** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 39 Fair value measurement (Cont'd)

Fair value hierarchy (Cont'd)

| | Note | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2017** | | | | | |
| Financial assets | | | | | |
| **The Group** | | | | | |
| Available-for-sale financial assets | 10 | 49,522 | – | 47,015 | 96,537 |
| Derivative assets | 24 | – | 7,419 | – | 7,419 |
| | | 49,522 | 7,419 | 47,015 | 103,956 |
| Financial liabilities | | | | | |
| **The Group** | | | | | |
| Derivative liabilities | 24 | – | 631 | – | 631 |

| | Note | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|---|
| **1 January 2017** | | | | | |
| Financial assets | | | | | |
| **The Group** | | | | | |
| Available-for-sale financial assets | 10 | 68,966 | – | 31,431 | 100,397 |
| Derivative assets | 24 | – | 15,827 | – | 15,827 |
| | | 68,966 | 15,827 | 31,431 | 116,224 |
| Financial liabilities | | | | | |
| **The Group** | | | | | |
| Derivative liabilities | 24 | – | 1,380 | – | 1,380 |
| **The Company** | | | | | |
| Derivative liabilities | 24 | – | 260 | – | 260 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**39 Fair value measurement (Cont'd)**

Fair value measurement of financial instruments

(i) Level 1 fair value measurements

The quoted equity instruments or available-for-sale equity investments 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.

(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, adjusted for lack of marketability and related tax effects.

(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 equivalents (Note 14), trade and other payables (Note 22), current borrowings (Note 18) and current debt securities (Note 19) 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 21) and non-current borrowings (Note 18) and non-current debt securities (Note 19) are reasonable approximation of fair values as their interest rate approximate the market lending rate.

Non-financial assets and liabilities not carried at fair value but for which fair value is disclosed

The Group's investment properties and employee benefit liabilities are not measured at fair values but which fair values are disclosed. They are classified under Level 3 of the fair value hierarchy. The details on the fair value of investment properties and employee benefit liabilities are disclosed in note 5 and 20.

The fair value of the investment properties is based on advice from firms of independent professional valuers using the capitalisation method and/or market comparable. The valuations of the investment properties are based on the highest and best use. Current use, unless there are evidence to the contrary, is considered highest and best use.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 Adoption of new accounting standards

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) SFRS(I) which became effective from annual periods beginning on or after 1 January 2018. The application of SFRS(I) has no material effect on the financial statements, except as described below:

(1) Adoption of 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 application of SFRS(I) 15 has no material effect and does not require adjustments to the financial statements for the financial year ended 31 December 2018.

Reclassifications and comparative figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements following the Group and the Company's adoption of the SFRS(I)s that became effective during the year.

As a result, certain line items relating to contract liabilities have been amended in the statements of financial position and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation arising from the adoption of SFRS(I) 15.

(2) Adoption of SFRS(I) 9, Financial Instruments

SFRS(I) 9 is effective for financial years beginning on or after 1 January 2018. The Group has elected to apply the short-term exemption under SFRS(I) 1, which exempt the Group from applying SFRS(I) 9 to comparative information. Accordingly, requirements of FRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017.

SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation.

Classification and measurement

The Group has assessed the business models for managing the financial assets and the contractual cash flow characteristics of the financial assets to determine the appropriate classification for each financial asset under SFRS(I) 9. As a result, certain balance sheet items and reserves were adjusted as at 1 January 2018.

Upon adoption of SFRS(I) 9, the Group's investments in equity instruments that are currently classified as available-for-sale (at cost) and satisfy certain conditions will be classified as at fair value through other comprehensive income ("FVOCI").

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**40 Adoption of new accounting standards (Cont'd)**

(2) Adoption of SFRS(I) 9, Financial Instruments (Cont'd)

The following tables below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

| | | | 1 January 2018 | | |
|---|---|---|---|---|---|
| | **Note** | **Original Classification under FRS 39** | **New Classification under SFRS(I) 9** | **Original carrying amount under FRS 39 S$'000** | **New carrying amount under SFRS(I) 9 S$'000** |
| **Group** | | | | | |
| **Financial assets** | | | | | |
| Quoted and unquoted investment in shares | 10 | Available-for-sale | FVOCI | 96,537 | 149,259 |
| Derivative assets | 10 | Fair value-hedging instrument | FVOCI | 7,419 | 7,419 |
| Other non-current assets | 10 | Loan and receivables | Amortised cost | 45,844 | 45,844 |
| Trade and other receivables | 13 | Loan and receivables | Amortised cost | 544,303 | 544,303 |
| Financing receivables | 8 | Loan and receivables | Amortised cost | 988,928 | 988,382 |
| Cash and cash equivalents | 14 | Loan and receivables | Amortised cost | 258,441 | 258,441 |
| **Total financial assets** | | | | 1,941,472 | 1,993,648 |

Impairment of financial assets

Financial assets are subject to expected credit loss impairment model under SFRS(I) 9. As a result, financing receivables and accumulated losses as at 1 January 2018 were adjusted.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 Adoption of new accounting standards (Cont'd)

(3) Summary of reconciliation of the Group's financial figures reported in accordance with SFRS to SFRS(I)

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

(a) Applying the short term exemption arising from adoption of SFRS(I) 1 and SFRS(I) 9

| The Group<br>Extracts of statement of financial position | **31 Dec 2017 or 1 Jan 2018 as reported $'000** | **Effect of applying SFRS(I) 9 $'000** | | **31 Dec 2017 1 Jan 2018 as restated $'000** |
|---|---|---|---|---|
| **Non-Current Assets** | | | | |
| Financing receivables (Note 8) | 535,644 | – | | 535,644 |
| Other non-current assets (Note 10) | 149,800 | 52,722 | (ii) | 202,522 |
| Extract of Note 10 | | | | |
| Unquoted equity investment | | | | |
| – Available-for-sale financial assets | 47,015 | (47,015) | (i) | – |
| – FVOCI | – | 47,015 | (i) | 99,737 |
| | | 52,722 | (ii) | |
| Quoted equity investment | | | | |
| – Available-for-sale financial assets | 49,522 | (49,522) | (iii) | – |
| – FVOCI | – | 49,522 | (iii) | 49,522 |
| **Current Assets** | | | | |
| Financing receivables (Note 8) | 453,284 | (546) | (v) | 452,738 |
| Extract of Note 8 | | | | |
| Allowance of impairment | (3,988) | (546) | (v) | (4,534) |
| **Non-Current Liabilities** | | | | |
| Deferred tax liabilities (Note 9) | 89,759 | 13,180 | (iv) | 102,939 |
| Extract of Note 9 | | | | |
| Deferred tax liabilities – Equity investments at FVOCI | – | 13,180 | (iv) | 13,180 |
| **Equity** | | | | |
| Accumulated losses | (299,198) | (327) | (vi) | (299,525) |
| Reserves (Note 17) | (204,989) | 28,273 | (vii) | (176,716) |
| Extract of Note 17 | | | | |
| Translation reserve | (84,851) | (276) | (vii) | (85,127) |
| Fair value reserve | (18,838) | 28,549 | (vii) | 9,711 |
| Equity attributable to equity holder of the Company | 1,444,120 | 27,946 | (vii) | 1,472,066 |
| Non-controlling interests | 267,970 | 11,050 | (viii) | 279,020 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**40 Adoption of new accounting standards (Cont'd)**

(3) Summary of reconciliation of the Group's financial figures reported in accordance with SFRS to SFRS(I) (Cont'd)

(a) Applying the short term exemption arising from adoption of SFRS(I) 1 and SFRS(I) 9 (Cont'd)

Adjustments relate to:

(i) Reclassification of unquoted equity investments to FVOCI, previously classified as available-for-sale financial assets

(ii) Fair value gain arising from unquoted equity investments previously carried at cost

(iii) Reclassification of quoted equity investments to FVOCI, previously classified as available-for-sale financial assets

(iv) Recognition of deferred tax liabilities arising from temporary differences attributable to fair value gain from unquoted equity investments

(v) Recognition of additional allowance for impairment in financing receivables using the expected credit losses model

(vi) Share of additional allowance for impairment arising from item (v) attributable to equity holders of the Company

(vii) Share of fair value gain, related deferred tax liabilities and currency translation differences arising from items (ii), (iv) and (v) attributable to equity holders of the Company

(viii) Share of non-controlling interests arising from items (ii), (iv) and (v)

(b) Applying the full retrospective adjustments arising from adoption of SFRS(I) 15

| The Group<br>Extracts of statement of financial position | 31 Dec 2017<br>as reported<br>$'000 | Effect of applying SFRS(I) 15<br>$'000 | | 31 Dec 2017<br>as restated<br>$'000 |
|---|---|---|---|---|
| **Non-Current Liabilities** | | | | |
| Other non-current liabilities (Note 21) | 32,463 | (2,430) | (i) | 30,033 |
| Contract liabilities (Note 25) | – | 2,430 | (i) | 2,430 |
| **Current Liabilities** | | | | |
| Trade and other payables (Note 22) | 346,345 | (13,651) | (i) | 332,694 |
| Contract liabilities (Note 25) | – | 13,651 | (i) | 13,651 |

| The Group<br>Extracts of statement of financial position | 1 Jan 2017<br>as reported<br>$'000 | Effect of applying SFRS(I) 15<br>$'000 | | 1 Jan 2017<br>as restated<br>$'000 |
|---|---|---|---|---|
| **Non-Current Liabilities** | | | | |
| Other non-current liabilities (Note 21) | 33,804 | (1,522) | (i) | 32,282 |
| Contract liabilities (Note 25) | – | 1,522 | (i) | 1,522 |
| **Current Liabilities** | | | | |
| Trade and other payables (Note 22) | 278,622 | (20,345) | (i) | 258,277 |
| Contract liabilities (Note 25) | – | 20,345 | (i) | 20,345 |

Adjustments relate to:

(i) Reclassification of advances from customers and distributors and unearned revenue arising from contract with customers as "contract liabilities"

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 41 Events after end of reporting period

(i) The Group's associated company, PT Shinhan Indo Finance has increased its share capital by Rp100 billion and the Group has subscribed and fully paid in accordance to its percentage of ownership.

(ii) The Group's listed subsidiary, PT Indomobil Multi Jasa Tbk. ("IMJ") in Indonesia Stock Exchange has conducted Limited Public Offering II ("LPO II") to the shareholders for issuance of Preemptive Rights ("PR") for 752,550,000 common shares with a par value of Rp700 per share, amounting to Rp526,785,000,000 which constituted 13.04% of the total shares of IMJ after LPO II. Under the LPO II, 20 existing shares is entitled to 3 PR and 1 PR is entitled to buy 1 new share at Rp700.

The Group as the principal shareholder of IMJ has declared not to exercise its rights in LPO II. However, if the shares offered under LPO II were not fully subscribed, the Group shall purchase all the remaining unsubscribed shares as per the agreement to repurchase the unsubscribed shares as standby subscriber ("Repurchase Agreement").

The LPO II was completed on 18 January 2019 and as a result, the number of shares issued by IMJ was 5,769,550,000 shares and the Group under the Repurchase Agreement subscribed 739,291,104 shares in IMJ. Accordingly, the Group's shareholding in IMJ increased from 91.03% to 91.97%.

(iii) The Group has divested its investment of approximately 19.42% in PT Multistrada Arah Sarana Tbk. to Michelin Group for Rp843 per shares.

(iv) The Group has obtained credit facilities from PT Bank Sumitomo Mitsui Indonesia and term loan facilities with Sumitomo Mitsui Banking Corporation Singapore Branch, PT Bank BTPN Tbk, PT Bank Mandiri (Persero) Tbk, Mizuho Bank Ltd., PT Bank CIMB Niaga Tbk and Oversea-Chinese Banking Corporation Limited as mandated lead arrangers and bookrunners.

# STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

| | | |
|---|---|---|
| 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 2019**

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 – 99 | 33 | 0.89 | 1,015 | 0.00 |
| 100-1,000 | 466 | 12.54 | 218,735 | 0.00 |
| 1,001-10,000 | 1,041 | 28.01 | 7,649,769 | 0.14 |
| 10,001-1,000,000 | 2,141 | 57.62 | 169,080,130 | 3.17 |
| 1,000,001 and above | 35 | 0.94 | 5,161,060,576 | 96.69 |
| Total | 3,716 | 100.00 | 5,338,010,225 | 100.00 |

**Top 20 shareholders as at 20 March 2019**

| No. | Name | No. of Shares | % of Shares |
|---|---|---|---|
| 1 | RAFFLES NOMINEES (PTE) LIMITED | 1,657,679,861 | 31.05 |
| 2 | CITIBANK NOMS SPORE PTE LTD | 1,516,908,651 | 28.42 |
| 3 | SEMBCORP DEVELOPMENT LTD | 549,931,166 | 10.3 |
| 4 | UOB KAY HIAN PTE LTD | 509,559,190 | 9.55 |
| 5 | CGS-CIMB SECURITIES (SINGAPORE) PTE LTD | 436,657,086 | 8.18 |
| 6 | HSBC (SINGAPORE) NOMINEES PTE LTD | 206,556,100 | 3.87 |
| 7 | TERRAFIRMA PROPERTY HOLDINGS LTD | 102,609,023 | 1.92 |
| 8 | DBS NOMINEES PTE LTD | 40,905,200 | 0.77 |
| 9 | MAYBANK KIM ENG SECURITIES PTE.LTD. | 23,437,803 | 0.44 |
| 10 | OCBC SECURITIES PRIVATE LTD | 19,474,129 | 0.36 |
| 11 | CIGA ENTERPRISES PTE LTD | 18,770,000 | 0.35 |
| 12 | PHILLIP SECURITIES PTE LTD | 12,939,110 | 0.24 |
| 13 | RHB SECURITIES SINGAPORE PTE LTD | 11,730,300 | 0.22 |
| 14 | MORGAN STANLEY ASIA (S) SEC PTE LTD | 10,825,800 | 0.20 |
| 15 | UNITED OVERSEAS BANK NOMINEES P L | 6,147,192 | 0.12 |
| 16 | LIM KEE YEK | 3,648,100 | 0.07 |
| 17 | OCBC NOMINEES SINGAPORE PTE LTD | 3,226,300 | 0.06 |
| 18 | PT ELITINDO CITRALESTARI | 3,106,688 | 0.06 |
| 19 | CHNG BENG HUA | 2,300,000 | 0.04 |
| 20 | LEE KAI HENG | 1,968,000 | 0.04 |
| | **Total:** | **5,138,379,699** | **96.26** |

# STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

### Public Float

Based on the information available to the Company as at 20 March 2019, approximately 22.27% 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 (“**Dornier**“) | 189,545,100 | 467,466,638 |
| Parallax Venture Partners XXX Ltd (“**PVP**”) | 2,936,862,151 | 657,011,738 |
| Salim Wanye (Shanghai) Enterprises Co., Ltd (“**Salim Wanye**”)(1) | – | 3,593,873,889 |
| Jaslene Limited (“**Jaslene**”)(1) | – | 3,593,873,889 |
| Success Medal International Limited (“**Success Medal**”)(1) | – | 3,593,873,889 |
| Salim & Van (Shanghai) Investment Ltd (“**Salim & Van**”)(1) | – | 3,593,873,889 |
| Manyip Holdings Limited (“**Manyip**”)(1) | – | 3,593,873,889 |
| Anthoni Salim(2) | – | 3,596,980,577 |
| Sembcorp Development Ltd (“**SDL**”)(3) | 549,931,166 | – |
| Sembcorp Industries Ltd (“**SCI**”)(3) | – | 549,931,166 |
| Temasek Holdings (Private) Limited (“**Temasek**”)(3) | – | 549,931,166 |

**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 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) Anthony 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 Furama Riverfront Singapore, Venus Ballroom, 405 Havelock Road, Singapore 169633 on **Tuesday, 30 April 2019 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 2018 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 2018 (2017: S$405,000/-). **(Resolution 2)**

3. To re-elect Mr Rivaie Rachman who is retiring under Regulation 111 of the Constitution of the Company. **(Resolution 3)** ***(See Explanatory Note 1)***

4. To re-elect Mr Lim Hock San who is retiring under Regulation 111 of the Constitution of the Company. **(Resolution 4)** ***(See Explanatory Note 2)***

5. To re-elect Mr Axton Salim who is retiring under Regulation 111 of the Constitution of the Company. **(Resolution 5)** ***(See Explanatory Note 3)***

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 4)***

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 and Risk Management 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 5)***

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 6)***

**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, 12 April 2019

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Notes:–**

1. Mr Rivaie Rachman will, upon re-election as a Director, remain as a member of the Audit & Risk Management Committee. He is considered to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. He will also, upon re-election as a Director, remain as Chairman of the Nominating Committee and a member of the Remuneration Committee. Detailed information on Mr Rachman can be found under "Board of Directors" on page 22 of the Annual Report 2018.

2. Mr Lim Hock San will, upon re-election as a Director, remain as Chairman of the Audit & Risk Management Committee. He is considered to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. He will also, upon re-election as a Director, remain as a member of the Nominating and Remuneration Committees. Detailed information on Mr Lim can be found under "Board of Directors" on page 20 of the Annual Report 2018.

3. Mr Axton Salim will, upon re-election as a Director, remain as a Non-Executive and Non-Independent Director. Detailed information of Mr Salim can be found under "Board of Directors" on page 21 of the Annual Report 2018.

4. 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.

5. 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.

6. 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 72 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.

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**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 Furama Riverfront Singapore, Venus Ballroom, 405 Havelock Road Singapore 169633 on **Tuesday, 30 April 2019 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 |
| | **Ordinary business** | | |
| 1. | To receive and adopt the Audited Financial Statements, Directors' Statement and Auditors' Report for the financial year ended 31 December 2018. | | |
| 2. | To approve Directors' fee of S$405,000 for the year ended 31 December 2018. | | |
| 3. | To re-elect Mr Rivaie Rachman as a Director. | | |
| 4. | To re-elect Mr Lim Hock San as a Director. | | |
| 5. | To re-elect Mr Axton Salim as a Director. | | |
| 6. | To re-appoint Foo Kon Tan LLP as Auditors and to authorise the Directors to fix their remuneration. | | |
| | **Special business** | | |
| 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 the listing rules of the Singapore Exchange Securities Trading 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 ____________________ 2019

______________________________
Signature(s) or Common Seal of member(s)

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

** Delete accordingly*

**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 72 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.

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