



ACCELERATING
GROWTH
ANNUAL REPORT 2017

OUR VISION

***TO DEVELOP AND ACQUIRE PROFITABLE BUSINESSES
WHICH CAN GENERATE SUSTAINABLE
RETURNS TO THE SHAREHOLDERS.***

CORPORATE PROFILE

PSL Holdings Limited ("PSL") is an investment holding company.

It was incorporated in Singapore as PSL Holdings Pte Ltd on 9 October 1997 and changed its name to PSL Holdings Limited on 5 August 1998. PSL was listed on Stock Exchange of Singapore Dealing and Automated Quotation System (SESDAQ) on 9 October 1998 and on 12 May 2009, its listing was transferred to the Mainboard of Singapore Exchange Securities Trading Limited (SGX-ST).

Through its operating subsidiaries, PSL is engaged in businesses relating to:

- Provision of land logistics and support services;
- Provision of marine logistics through its tugboats and barges; and
- Trade and supply of construction materials and related equipment.

PSL is looking to expand its operations through the acquisition of businesses in the ASEAN region to develop new revenue streams and improve its financial performance so as to generate long term sustainable returns to the shareholders.

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LETTER TO SHAREHOLDERS

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of PSL Holdings Limited (the “**Company**” or “**PSL**”) and together with its subsidiaries (the “**Group**”), I am pleased to present the Group’s annual report for the financial year ended 31 December 2017 (“**FY2017**”).

FINANCIAL REVIEW

The Group deconsolidated PT Momentum Indonesia Investama (“**PTMII**”) from its marine logistics segment and re-classified its investment in PTMII as an “available-for-sale” financial asset with effect from 1 January 2017 (please refer to “Review of Financial Performance” on Page 5 and 6 in this report). As such, the deconsolidation has been reflected in the financial results of FY2017.

The Group recorded revenue of S\$10.2 million and gross profit of S\$1.0 million in FY2017, a decrease from the previous financial year (“**FY2016**”) with revenue at S\$21.1 million and gross profit at S\$3.3 million. Had the revenue of S\$14.5 million and gross profit of S\$3.1 million contributed by PTMII been excluded, the adjusted revenue and gross profit for FY2016 will

be S\$6.6 million and S\$0.2 million respectively. For the period under review, other income decreased by S\$4.2 million mainly due to the revaluation of profit guarantee due from the vendors of PTMII and lapse of renounced dividend in 2016. Other gains decreased to S\$1.2 million in FY2017 due to fluctuations in foreign exchange rates, with FY2017 having an offset from gain arising from deconsolidation of PTMII. General and administrative expenses decreased to S\$7.8 million in FY2017 compared to S\$39.8 million in FY2016 as the Group recognised impairment losses relating to the vessels, goodwill and other intangible assets amounting to S\$35.4 million incurred by PTMII in the previous financial year.

The Group recorded a net loss of S\$5.3 million in FY2017 as opposed to S\$27.9 million in the previous financial year mainly due to the recognition of impairment losses incurred by the Marine Logistics segment in FY2016, partially offset by gain arising from deconsolidation of PTMII in FY2017 and the generation of positive results from the acquisition of PT Indah Perkasa Abadi (“**PT IPA**”).

SEGMENTAL BUSINESS REVIEW

(a) Maintaining steady growth in Construction Logistics

With its total market size of 652 million people, ASEAN presents a tremendous potential for businesses as it becomes increasingly integrated into a market with initiatives like the ASEAN Economic Community. With a population of 250 million, Indonesia’s large population and strong domestic demand contribute to its growth outlook. While the World Bank estimates an infrastructure gap of US\$1.5 trillion in Indonesia, the current administration has pledged to improve infrastructure development through a pipeline of 265 infrastructure projects costing US\$327 billion, in which pledges of close to US\$170 billion¹ have been received and the majority of remaining funds are expected to be committed by private investors. This positive outlook supports the Group’s strategy of growing in this market and thus led to the acquisition of PT IPA on 18 August 2017.

PT IPA was incorporated in April 2016. Under leadership of the existing management, as well as its Indonesian state-owned client, PT. Waskita Karya (Persero) Tbk

¹ Bloomberg, “Indonesia Needs \$157 billion for Infrastructure Plans”, 26 January 2018
<https://www.bloomberg.com/news/articles/2018-01-25/indonesia-seeks-to-plug-157-billion-gap-in-nation-building-plan>

LETTER TO SHAREHOLDERS

("Waskita") which has contract values in the region of US\$11.5 million, PT IPA's growth is tracking well and has contributed positively to the financial performance of the Group in FY2017. As infrastructure development continues to be a major focus in the region, government-backed projects through state-owned companies are expected to be the key drivers for PT IPA in the long term. Leveraging on the current value chain, future plans comprise downstream expansion to venture into construction and raw materials supply to end consumers, complementing the existing operations of PT IPA's construction logistics as part of our strategy to capture better earnings in this business segment.

(b) Reviving Marine Logistics segment

Following a prolonged period of extensive legal proceedings, the Group's current management maintained its steadfast approach and has entered into a binding Term Sheet Agreement on 18 April 2018 for a settlement related to PTMII and its Indonesia counterparties. The dispute has derailed much of the growth plans for the Group in both FY2016 and FY2017, which included the recognition of impairment losses of S\$35.4 million from PTMII in our

marine logistics segment in FY2016 and its subsequent deconsolidation for the full year in FY2017.

With this settlement, the Company expects the return of 7 vessels valuing in the region of S\$17.95 million² ("PSL Vessels") and US\$4.5 million as final settlement relating to its 49% shareholding in PTMII. The completion of the proposed settlement is subject to conditions precedent, including the approval from PSL Shareholders to take ownership of the 7 vessels and transfer of the 49% PTMII shares to Sudirman Kurniawan ("Sudirman") and Angelo Fernandus ("Angelo"). The Company is entitled to the physical possession of 6 of these vessels within 30 days ("PSL Escrow Period Vessels") from the signing of the Term Sheet while the remaining 1 vessel ("PSL Non-Escrow Period Vessel") will be delivered to PSL within 45 days from the date of Shareholders' approval.

With the transfer and physical possession of the PSL Escrow Period Vessels, the Company holds the right to charter and manage the operations of these vessels, where additional revenue can be derived by the Group. Coupled with the US\$4.5 million cash settlement, these developments will improve

the overall financial position of the Group. Following completion of the full and final settlement, all Parties agree that all legal disputes in any jurisdiction will be resolved without any admission of liability.

(c) Diversification into Property Sector

On 26 July 2017, we obtained Shareholders' approval for diversification plans into the property business to provide a new revenue stream for the Group as part of its strategic growth initiatives. We expect the rising prosperity and urbanisation in ASEAN, particularly in Indonesia and Malaysia, to contribute to investment and growth in the real estate industry, and to bolster the expansion progress of the Group.

As investments in real estate are capital intensive by nature, the management remains cognisant of macroeconomic developments in this new business segment. While we have been prudent in exploring strategic opportunities for the property segment, much of the prospects remain in Indonesia and Malaysia, ranging from land banking to property acquisition for development, rental, long-term investment and sale.

LETTER TO SHAREHOLDERS

As we work towards diversifying the Group's businesses, we will concentrate on our operations in Indonesia from 2018, where projects are gaining momentum. We continue to be on the lookout for new prospects to derive financial gains for the Group, and where appropriate, relevant announcements will be made to seek approvals from our Shareholders.

ACKNOWLEDGEMENTS

On behalf of the Group, I would like to express my appreciation to our business partners and associates for their unwavering support. I am also grateful to our Directors and the staff for their commitment and relentless dedication in the collective effort of the PSL transformation as one of the Singapore listed companies to invest in.

Last but not least, we also wish to thank you, our valued Shareholders, for your unwavering support as we journey onward and chart the strategic business direction for the Group to improve its overall financial performance to enhance Shareholder value.

MS NG YOKE CHAN

Non-Executive Chairman

REVIEW OF FINANCIAL PERFORMANCE

REVENUE AND PROFITABILITY

Overall, the Group's financial performance for the 12 months ended 31 December 2017 ("FY2017") was largely impacted by the deconsolidation of PT Momentum Indonesia Investama ("PTMII"). Nonetheless, the Group's key acquisition in FY2017, PT Indah Perkasa Abadi ("PT IPA") in the construction logistics segment has begun to make positive contributions to the Group.

In FY2017, the Group's revenue decreased by S\$10.9 million or 51.7% to S\$10.2 million from S\$21.1 million in FY2016, mainly due to the deconsolidation of PTMII and a decrease in revenue from the Trading and Engineering segments, partially offset by the revenue generated by PT IPA. Consequently, gross profit decreased by S\$2.3 million or 69.7% from S\$3.3 million for FY2016 to S\$1.0 million for FY2017. Had the revenue of S\$14.5 million and gross profit of S\$3.1 million contributed by PTMII been excluded, the adjusted revenue and gross profit for FY2016 will be S\$6.6 million and S\$0.2 million respectively.

Other operating income decreased by S\$4.2 million or 89.3% mainly due to revaluation of profit guarantee due from vendors and lapse of renounced dividend in 2016, and this was offset by a marginal increase in interest income due to deconsolidation of PTMII results. Other gains decreased by S\$0.4 million or 25.0% from S\$1.6 million in FY2016 to S\$1.2 million in FY2017, mainly due to fluctuations in foreign exchange rates in FY2017 having an offset from gain arising from deconsolidation of PTMII.

General and administrative expenses decreased by S\$32.0 million or 80.4% from S\$39.8 million for FY2016 to S\$7.8 million in FY2017 as the Group recognised impairment losses relating to the vessels, goodwill and other intangible assets amounting to S\$35.4 million as well as the depreciation of property, plant and equipment by the Marine Logistics segment being consolidated in FY2016. These were offset by S\$2.8 million of impairment allowance incurred for loan to PTMII arising from deconsolidation of PTMII and expenses incurred by the newly acquired subsidiary, PT IPA.

Based on the above, the Group recorded a loss after tax of S\$5.3 million for FY2017 as compared to S\$27.9 million in FY2016 mainly due to impairment losses incurred by the Marine Logistics segment in FY2016, partially offset by gain arising from deconsolidation of PTMII in FY2017 and positive results contributed by the newly acquired subsidiary, PT IPA.

CASH FLOW

The Group's cash and cash equivalents amounted to S\$11.0 million as at 31 December 2017. Net cash used in operating activities was S\$3.0 million in FY2017 compared to S\$1.3 million in FY2016, mainly due to effect of deconsolidation of PTMII, the decrease in trade payables, other payables and accruals that was offset by an increase in inventories from acquisition of PT IPA.

Net cash used in investing activities increased marginally by S\$1.2 million in FY2017 compared to FY2016 mainly due to the purchase of

property, plant and equipment and net cash outflow due to the effect of deconsolidation of PTMII, partially offset by net cash acquired from the acquisition of PT IPA.

Net cash generated from financing activities stood at S\$4.1 million in FY2017 compared to net cash generated from financing activities of S\$1.4 million in FY2016 mainly due to changes in short-term deposits pledged and proceeds from issuance of share capital, partially offset by repayment of bank borrowings and ending of finance leases within FY2017.

FINANCIAL POSITION

The Group's current assets increased by S\$11.5 million or 44.0% from S\$26.1 million as at 31 December 2016 to S\$37.6 million as at 31 December 2017, mainly due to the (i) changes in cash and cash equivalents as highlighted in the statement of cash flows statement above, (ii) an increase in inventories and receivables from acquisition of PT IPA, which was partially offset by decrease in receivables from the Trading and Engineering segment, and (iii) recognition of a loan to PTMII following its deconsolidation.

Non-current assets decreased by S\$29.8 million or 94.0% from S\$31.7 million as at 31 December 2016 to S\$1.9 million as at 31 December 2017, mainly due to the de-recognition of property, plant and equipment and sundry receivables as a result of the deconsolidation of PTMII.

Current liabilities decreased by S\$10.5 million or 61.8% from S\$17.0

REVIEW OF FINANCIAL PERFORMANCE

million as at 31 December 2016 to S\$6.5 million as at 31 December 2017, due to the deconsolidation of PTMII, which was partially offset by the increase in payables from the acquisition of PT IPA. The deconsolidation of PTMII resulted in the decrease of non-current liabilities by S\$7.2 million or 98.6% from S\$7.3 million as at 31 December 2016 to S\$0.1 million as at 31 December 2017.

NEW DEVELOPMENTS

The Group's construction logistics business will continue to face substantial competition in Singapore. As such, the Group has taken measures to manage its operating costs and profitability, step up its risk management efforts as well as to explore expansion opportunities in growing markets overseas such as Indonesia.

In Indonesia, the pipeline of 265 infrastructure projects costing US\$327 billion have received pledges of close to US\$170 billion¹, with majority of the remaining funds expected to be committed by private investors. With an estimated infrastructure gap of US\$1.5 trillion in Indonesia according to The World Bank, the Group is poised to tap into opportunities for construction logistic services in Indonesia following the acquisition of PT IPA.

The Group will continue to focus on strengthening the construction logistics business in Indonesia following the acquisition of PT IPA despite increased competition and operational challenges, foreign exchange rate volatility as well as rising labour and material costs.

In addition, the Group intends to seek opportunities in the property sector in ASEAN countries, particularly in Indonesia and Malaysia to complement its diversification plans to derive new revenue streams and add to the Group's overall profitability.

¹ "Indonesia Needs \$157 billion for Infrastructure Plans", Bloomberg, 26 January 2018
<https://www.bloomberg.com/news/articles/2018-01-25/indonesia-seeks-to-plug-157-billion-gap-in-nation-building-plan>

REVIEW OF KEY DEVELOPMENTS

For major developments in FY2017, we may refer to the Announcements dated 22 August 2016, 15 September 2016, 7 October 2016, 24 November 2016, 30 November 2016, 18 January 2017, 24 January 2017, 8 June 2017, 1 November 2017, 23 November 2017, 1 March 2018, 23 March 2018 and 19 April 2018 (the “PTMII Announcements”) on the disputes between, among others, Sudirman Kurniawan (“**Sudirman**”), Angelo Fernandes (“**Angelo**”) and PTMII (the “**PTMII Dispute**”) relating to the Conditional Sale and Purchase Agreement dated 17 March 2015, the Supplemental Agreement dated 3 August 2015, Shareholders’ Deed of Agreement dated 25 November 2015 and the Loan Agreement dated 25 November 2015 (collectively, the “**Agreements**”) entered by the Former Management with Sudirman and Angelo for our Group to acquire 49% of the entire issued and paid-up capital of PT Momentum Indonesia Investama (“**PTMII**”) and for it to borrow US\$11.5 million in 2015.

Following the resignations of Mr Mark Zhou and Ms Natalie Koh who were in 2015 nominated as the Group’s directors to PTMII, the High Court of Singapore ruled in favour of the Group to enforce its legal rights to appoint new directors to the Board of PTMII on 16 January 2017. Subsequent to the ruling, the Group appointed Richard Kennedy Melati and Satria Walensa (the “**Nominees**”) to the Board of PTMII in February 2017. However, the Group failed to have the Nominees included as authorised bank signatories for PTMII. The Group also lacked access to the source accounting documents which were kept by PTMII.

On 4 August 2017, the Group announced that the Batam district court had declared on 17 May 2017 that it had no jurisdiction to hear the claim by Sudirman to declare that certain clauses of the Conditional Sale and Purchase Agreement relating to the right of the Group to appoint directors to the Board of

PTMII are null and void. In response to the court’s decision, Sudirman filed an appeal to the Riau High Court on 24 May 2017 in which the Group’s Indonesian counsel received the Memorandum of Appeal from the Riau High Court on 28 July 2017.

Due to resistance from PTMII to allow our Nominees to actively participate in the management and control of PTMII since their appointment on 21 February 2017, the Group was unable to exercise control over the financial and operational affairs of PTMII. Along with the above, the Group has no management and control on the affairs of PTMII which resulted in the need to deconsolidate PTMII from the Group’s marine logistics segment and re-classify the Group’s investment in PTMII as an “available-for-sale” financial asset from 1 January 2017.

In our best efforts to navigate the business and operations on track, the Company entered into a binding Term Sheet with Sudirman, Angelo and related Indonesian counterparties on 18 April 2018 in relation to the PTMII Dispute. Following many months of intense negotiations and efforts from the Group’s current management, the Company expects the return of 7 vessels valuing in the region of S\$17.95 million¹ and US\$4.5 million as final settlement relating to its 49% shareholding in PTMII. The completion of the proposed settlement is subject to conditions precedent, including the approval from PSL Shareholders to take ownership of the 7 vessels and transfer of the 49% PTMII shares to Sudirman and Angelo. 6 of these vessels (“**PSL Escrow Period Vessels**”) will be under the Company’s physical possession within 30 days from the signing of the Term Sheet while the remaining 1 vessel (“**PSL Non-Escrow Period Vessel**”) will be under the physical possession of Sudirman and Angelo until such date where Shareholders’ approval is obtained, in which the vessel will be delivered by Sudirman

and Angelo upon written notice by the Company within 45 days from the date of Shareholders’ approval.

With the transfer and physical possession of the PSL Escrow Period Vessels, the Company holds the right to charter and manage the operations of these vessels and generate additional revenue for the Group, while Shareholders’ approval is being sought. In addition to the US\$4.5 million cash settlement, these developments will improve the overall financial position of the Group. Following completion of the full and final settlement, all Parties agree that all legal disputes in any jurisdiction will be resolved without any admission of liability.

The Group’s construction logistics business continues to be confronted by intense competition amidst an increasingly challenging operational climate in Singapore. Accordingly, the Group focused on its construction logistics business in Indonesia and acquired 75% shares in PT Indah Perkasa Abadi (“**PT IPA**”) on 18 August 2017 through one of the Group’s indirect subsidiaries, PT PSL Commodities Indonesia. PT IPA has ongoing projects with an Indonesian state-owned company, PT. Waskita Karya (Persero) Tbk (“**Waskita**”) within the civil construction industry for the supply of work and materials within Indonesia. With the acquisition, this has allowed the Group to gain access to the Indonesian construction logistics market. Its positive performance in FY2017 encourages the Group to focus on the Indonesian operations which include downstream supply of construction and raw materials to Waskita.

The Group will continue to seek new businesses and M&A opportunities in ASEAN, in particular Indonesia and Malaysia, to diversify the Group’s business growth and income stream to enhance value to Shareholders.

¹ Desktop valuation based on market approach conducted by Ritchie & Bisset (Far East) Pte. Ltd, 30 November 2017

BOARD OF DIRECTORS



MS NG YOKE CHAN **Non-Executive Chairman**

Ms Ng Yoke Chan was appointed on 31 August 2016 as a Non-Executive Director of the Company and was on 27 October 2017 re-designated as the Non-Executive Chairman of the Board.

Ms Ng has experience in management, finance and business development in Southeast Asia. She is currently an Executive Director of Mega Asia Exim Sdn Bhd and Malindo Exim Sdn Bhd. She holds a directorship in Hite Jinro Marketing Sdn Bhd. She was also formerly a Director of Southeast Global (HongKong) Ltd.

Ms Ng holds a Sijil Tinggi Persekolahan Malaysia (STPM) certificate and has attended the course on Listed Company Director Essentials organised by the SID.



MR STEPHEN LEONG, BBM **Vice Chairman and Executive Director**

Mr Stephen Leong was appointed on 21 November 2016 as the Vice-Chairman and an Executive Director of the Company.

Mr Leong is responsible for strategic planning, corporate management, operations and business development of the Group. Prior to that, Mr Leong served as the Director of Singapore Assurance Public Accounting Corporation from 2006 to 2015, Group Managing Director of Stephen McLaren Consultants Pte Ltd from 1985 to 2013 and Chairman of Vistra (SEA) Pte Ltd from 2013 to 2016.

Mr Leong holds a Bachelor degree in Commerce from Lakehead University, and is a fellow of the International Tax Planning Association, UK 2005, the Association of International Accountants, UK 2006, Institute of Public Accountants, Melbourne 2006, Chartered Tax Advisor Australia, 1998, and an Accredited Tax Advisor (Income Tax/Goods and Services Tax), Singapore 2010. Mr Leong is also a member of the Singapore Institute of Directors (MSID) since 1999.

Mr Leong was conferred the Pingat Bakti Masyarakat (Public Service Medal) ("PBM") by the former President of the Republic of Singapore, His Excellency (HE) SR Nathan in 2007 and the Bintang Bakti Masyarakat (Public Service Star) ("BBM") by the President of the Republic of Singapore, HE Dr Tony Tan in 2013.



MR TAN CHEE TONG **Executive Director**

Mr Tan Chee Tong was employed on 9 June 2016 as an Executive Officer of the Company and on 19 September 2016 appointed as an Executive Director of the Company.

Mr Tan is also a Non-Executive Director of Malindo Resources Pte Ltd. Prior to that, he was an Assistant Director in Malindo Exim Sdn Bhd from 2014 to 2015 and an Events Ambassador in IntoE Projects Pte Ltd from 2012 to 2014.

Mr Tan holds a Bachelor of Science degree with Honours in Business Studies from Loughborough University and a Diploma in Logistics Management from Ngee Ann Polytechnic.

Mr Tan is responsible for strategic planning and business development of the Group.



MR WILLIAM TEO CHOON KOW, BBM **Independent Director and Chairman of Audit Committee**

Mr William Teo Choon Kow was appointed on 26 August 2011 as a Non-Executive Independent Director of the Company. He is the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees.

Mr Teo is a consultant providing corporate advisory services and currently serves as an Independent Director of Wee Hur Holdings Ltd. Prior to that, he was the vice-president of Walden International Investment Group from 1997 to 2004 where he was responsible for the Group's investment function. From 1989 to 1997, Mr Teo was a senior manager with Coopers & Lybrand Management Consultants Pte Ltd, involved in corporate finance work.

Mr Teo holds a Masters in Management from Asian Institute of Management, Philippines. He is also a fellow member of the Association of Chartered Certified Accountants ("FCCA") and a member of the Institute of Singapore Chartered Accountants ("ISCA").

Mr Teo was conferred the BBM by the President of the Republic of Singapore, HE Dr Tony Tan in 2012.



MR ERIC CHEW YEE TECK, PBM **Independent Director and Chairman of Remuneration Committee**

Mr Eric Chew was appointed on 27 May 2016 as a Non-Executive Independent Director of the Company. He is the Chairman of the Remuneration Committee

BOARD OF DIRECTORS

and a member of the Audit and Nominating Committees.

Mr Chew is currently a Director of ECYT Law LLC. Prior to that, he was a Director of Archilex Law Corporation from 2002 to 2009 and from 2014 to 2015, a Director of JLim Law Corporation from 2010 to 2013, a Director of Asia Ascent Law Corporation in 2010 and a Director of Archilex Consultants Pte Ltd from 2003 to 2009. Mr Chew was conferred the PBM by the President of the Republic of Singapore, HE Dr Tony Tan in 2014.

Mr Chew is an Advocate and Solicitor of the Supreme Court of Singapore, a Barrister-at-Law, England and Wales, a member of the Law Society of Singapore, a member of the Singapore Academy of Law, a fellow of the Chartered Institute of Arbitrators, a fellow of the Singapore Institute of Arbitrators, a fellow of the Malaysian Institute of Arbitrators, a fellow of the Insolvency Practitioners Association of Singapore, and a Council member of the South East Community Development Council. Mr Chew holds a Bachelor of Laws from the University of Sheffield, a Master of Laws (Maritime Law) and Graduate Certificate in International Arbitration from the National University of Singapore, and a SMU-SID Diploma in Directorship.



MR KEVIN WONG WEI BOON

Independent Director and Chairman of Nominating Committee

Mr Kevin Wong Wei Boon was appointed on 1 June 2017 as a Non-Executive Independent Director of the Company. He is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Mr Wong is the founder of Wisom International Private Limited and serves as its Executive Chairman. He has led the growth and development of Wisom International into a regional private equity firm. He is currently also a Director of Winfill Pte Ltd where he spearheads the overall strategic direction and management of Winfill's global strategic plans.

Prior to that, from 2004 to 2016 he has served as an Associate Director of DBS Bank Ltd, Credit Suisse AG and Vice President of United Overseas Bank advising high net worth families, corporates and institutions in the region. Using various financial instruments such as equities, fixed income, derivatives and structured products, Mr Wong helped these entities create a portfolio that best suits their investment appetite.

Mr Wong has a passion for helping entrepreneurs. He sits in the committee of Singapore Institute of Director (SID) and Singapore Armed Forces Recreation Association (SAFRA) where he helps to connect and organise events for Singapore entrepreneurs. He is also a member of United Nation Association of Singapore. In September 2017, he represented Singapore to attend the China-ASEAN Agricultural Production Industry Summit where he spoke about food security.

Mr Wong holds a Bachelor in Accounting and Finance from the University of London.

KEY MANAGEMENT



MR TAN CHEANG SHIONG Chief Executive Officer (CEO)

Mr Tan Cheang Shiong was appointed in December 2016 as the

Chief Financial Officer ("CFO") and was on 1 June 2017 re-designated as the CEO of the Company. He has more than 15 years of experience in financial management. Mr Tan is responsible for the overall business and general management of the Group.

Prior to that, he was the CFO of Geo Energy Resources Limited from 2011 to 2016, where he played a significant role in leading the successful listing of the Company in 2012. He was also formerly the Assistant Controller of Honeywell from 2007 to 2011.

Mr Tan holds a professional qualification from the ACCA and a Diploma in Accountancy (Merit) from Ngee Ann Polytechnic. He is also a member of ACCA, ISCA and SID.



MS ANGELINE YAP HUI MEI

Group Financial Controller (Group FC)

Ms Angeline Yap was appointed on 4 July 2017 as the Group FC.

Ms Yap is responsible for the Group's financial and management accounting, treasury and taxation.

Prior to that, Ms Yap was a Senior Audit Manager with PricewaterhouseCoopers LLP from 2010 to 2017 where she was involved in the audits of various industries including listed companies, statutory boards, multinational corporations, manufacturing, retail and shipping. From 2007 to 2009, she was a senior associate with Ernst & Young LLP.

Ms Yap holds a Bachelor of Accountancy degree with Honours from Nanyang Technological University. She is also a member of ISCA.

CORPORATE SOCIAL RESPONSIBILITY

PSL's Corporate Social Responsibility (CSR) philosophy is rooted in the belief of building sustainable relationships with our stakeholders and the communities where the Group has a presence. The Group is committed to actively engage in CSR initiatives that improve the community's welfare and positively impact the public at large. As with past years, the Group has continued with its CSR efforts in FY2017 to help the disadvantaged, underprivileged and less fortunate through donations and proactive involvement in local projects and development initiatives.

In September 2017, the management and employees of the Group took part in the Bukit Batok Walkathon. Organised by the Bukit Batok Grassroots Organisations, the event rallied residents and businesses to promote inclusiveness as well as active living. With the charity drive as an outreach platform for the Company to engage its employees for greater involvement in the



Chief Executive Officer, Mr Tan Cheang Shiong with the Prime Minister of Singapore, Mr Lee Hsien Loong and Senior Minister of State for Defence and Foreign Affairs, Dr Maliki Osman at the Siglap Community Club's fundraising dinner.

local community, the Group also donated S\$15,000 in support of underprivileged residents in the area.

The Group also contributed S\$30,000 to the Siglap Community Club Fund in November 2017 for a new facility on Upper East Coast Road. With new amenities like an

indoor futsal court and bowling alley, the donation to the new Community Club will provide opportunities for enrichment programmes, outreach activities and social support, in line with the Group's initiatives to promote cooperation and social bonding for the local community.



PSL management leading the team for its community involvement through the Bukit Batok Walkathon 2017.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ms Ng Yoke Chan

(Non-Executive Chairman)
(Appointed on 31 August 2016 and
re-designated on 27 October 2017)

Mr Stephen Leong, BBM

(Vice-Chairman & Executive
Director)

Mr Tan Chee Tong

(Executive Director)

Mr William Teo Choon Kow, BBM

(Independent Director)

Mr Eric Chew Yee Teck, PBM

(Independent Director)

Mr Kevin Wong Wei Boon

(Independent Director)
(Appointed on 1 June 2017)

AUDIT COMMITTEE

Mr William Teo Choon Kow, BBM

(Chairman)

Mr Eric Chew Yee Teck, PBM

Mr Kevin Wong Wei Boon

(Appointed on 1 June 2017)

REMUNERATION COMMITTEE

Mr Eric Chew Yee Teck, PBM

(Chairman)

Mr William Teo Choon Kow, BBM

Mr Kevin Wong Wei Boon

(Appointed on 1 June 2017)

NOMINATING COMMITTEE

Mr Kevin Wong Wei Boon

(Chairman)
(Appointed on 1 June 2017)

Mr William Teo Choon Kow, BBM

Mr Eric Chew Yee Teck, PBM

REGISTERED OFFICE

37 Jalan Pemimpin
#07-16 Mapex
Singapore 577177
Tel: 6363 7622
Fax: 6363 7522
Co. Reg. No. 199707022K

AUDITORS

Foo Kon Tan LLP Chartered Accountants

24 Raffles Place
#07-03 Clifford Centre
Singapore 048621

Audit Partner:

Chin Sin Beng

(Since financial year ended
31 December 2017)

COMPANY SECRETARY

Ms Gwendolyn Gn Jong Yuh

SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.

9 Raffles Place
#29-01 Republic Plaza Tower 1
Singapore 048619

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PROXY FORM

CORPORATE GOVERNANCE

The Board of Directors (the “Board”) of PSL Holdings Limited (the “Company”) and its subsidiaries (the “Group”) is committed to observing and maintaining good corporate governance in complying with the Code of Corporate Governance 2012 (the “Code”) which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited’s (“SGX-ST”) listing rules. The Group also refers to the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in January 2015 (the “Guide”) and has incorporated answers to the questions set out in the Guide in this report.

This report outlines the corporate governance processes and procedures adopted by the Group.

BOARD MATTERS

Principle 1: Board’s Conduct of its Affairs

The Board provides effective leadership and direction to the Group by setting strategic direction and corporate policies and procedures. Each Director brings his abundant skills, expertise, experience and sound judgment to the Board, and individually and collectively, considers and acts in the best interest of the Group and its shareholders at all times.

As at the date of this report, the Board comprises the following members:

Ng Yoke Chan ⁽¹⁾	Non-Executive Chairman
Stephen Leong, BBM	Vice Chairman and Executive Director
Tan Chee Tong	Executive Director
William Teo Choon Kow, BBM	Independent Non-Executive Director
Chew Yee Teck, Eric, PBM	Independent Non-Executive Director
Wong Wei Boon Kevin ⁽²⁾	Independent Non-Executive Director

Notes:

(1) Ms Ng Yoke Chan was appointed as the Chairman of the Board on 27 October 2017.

(2) Mr Wong Wei Boon Kevin was appointed as an Independent Non-Executive Director of the Company on 1 June 2017.

In addition to its statutory and fiduciary duties and responsibilities, the Board’s roles include, amongst other things, the following:

- (i) setting the policies, strategies and financial objectives of the Group;
- (ii) establishing and overseeing the processes for evaluating the adequacy of internal controls, risk management systems, financial reporting systems and compliance;
- (iii) approving the Group’s annual business plan including the annual budget, capital expenditure and operational plans;
- (iv) approving nomination of the Board as recommended by the Nominating Committee;
- (v) assuming responsibility for corporate governance;
- (vi) monitoring the performance of the Management;

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- (vii) ensuring accurate, adequate and timely reporting to shareholders;
- (viii) reviewing and approving Interested Person Transactions in accordance with guidelines; and
- (ix) considering the sustainability issues, e.g. environmental and social factors.

Relating to (ix) above, the Group presents its first sustainability report for financial year ended 31 December 2017 on Page 37 in this report.

The Board's approval is required on matters such as entering into new business ventures, major acquisitions and disposals, corporate or financial restructuring, shares issuance and dividend recommendations.

The Board has established PSL Enterprise Risk Management Framework and a set of guidelines setting forth matters which require Board's approval. Matters which are specifically reserved to the Board for approval include, but not limited to, the following:

- (a) any proposed material acquisition and disposal of assets;
- (b) any transaction exceeding S\$2 million or capital expenditure commitment exceeding S\$1 million which are not in the ordinary course of the business; and
- (c) banking facilities and operating mandates.

The profile of each Director is presented in the section headed "Board of Directors" of this Annual Report.

The Board has delegated certain functions to three committees namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") to assist in the execution of its responsibilities. Each Committee has its own written Terms of Reference, which clearly sets out the objectives, duties, powers, responsibilities as well as qualifications for the committee membership. The actions taken by the Board Committees are reported to and monitored by the Board.

The Board meets periodically and as when necessary with Management to get updates on new developments and financial performance of the Group to address any specific significant matters that may arise. Ad-hoc meetings are also convened to deliberate on urgent substantive matters.

Conference telephone attendance, audio visual or other means of similar communications equipment at Board and Board Committee meetings are provided under Regulation 97 of the Company's existing Constitution.

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The number of Board meetings and Board Committee meetings held during the financial year ended 31 December 2017 ("FY2017") and the attendance of each Director where relevant is as follows:

	Board ^a		Board Committees					
			Audit ^b		Nominating ^c		Remuneration ^d	
	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended
Board Members								
Ng Yoke Chan	4	4	5	1 [#]	1	0 [#]	1	0 [#]
Stephen Leong, BBM	4	4	5	5 [#]	1	1 [#]	1	1 [#]
Tan Chee Tong	4	4	5	5 [#]	1	1 [#]	1	1 [#]
William Teo Choon Kow, BBM	4	4	5	5	1	1	1	1
Chew Yee Teck, Eric, PBM	4	4	5	5	1	1	1	1
Wong Wei Boon Kevin ⁽¹⁾	2	2	2	2	–	–	–	–
Sucipto ⁽²⁾	3	0	4	0	1	0	1	0
Wee Liang Hiam ⁽³⁾	1	1	2	2	1	1	1	1

Notes:

* Under this column, the number of meetings held as indicated will take into account the period of the directorship of the respective Directors, so as to exclude the meetings held on the dates within the year ended 31 December 2017 whereby the respective Directors have yet to be appointed, or have ceased to be a Director of the Company.

[#] By invitation only

a. There were 4 Board Meetings held within the year ended 31 December 2017 on the dates 27 February 2017, 30 May 2017, 8 August 2017 and 9 November 2017.

b. There were 5 Audit Committee Meetings held within the year ended 31 December 2017 on the dates 19 January 2017, 27 February 2017, 30 May 2017, 8 August 2017 and 9 November 2017.

c. There was 1 Nominating Committee Meeting held within the year ended 31 December 2017 on 27 February 2017.

d. There was 1 Remuneration Committee Meeting held within the year ended 31 December 2017 on 27 February 2017.

(1) Mr Wong Wei Boon Kevin was appointed as an Independent Non-Executive Director of the Company, the Chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee on 1 June 2017.

(2) Mr Sucipto's effective date of cessation as Non-Executive Chairman of the Company was 27 October 2017.

(3) Mr Wee Liang Hiam retired at the annual general meeting of the Company held on 23 May 2017.

Upon appointment, each Director will receive appropriate briefings to familiarise them with the Group's businesses, financial performance, corporate strategic direction, action plans, policies and governance practices. In addition, the Company will provide a formal appointment letter detailing the duties and obligations of the newly appointed Directors. To enable the Directors to remain updated with the law and corporate governance practices, the Company provides a training budget to the Directors for funding of their participation at industry conferences and seminars, and attendance at any training courses where required. The Directors are also encouraged to be members of the Singapore Institute of Directors ("SID") so that they can receive journal updates and training from SID in order to stay abreast with relevant developments in financial, legal and regulatory requirements, and the business environment and outlook.

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On a quarterly basis, the Directors are briefed on recent changes to the accounting standards and regulatory updates. In addition, the Directors were also briefed and updated on any changes to the Companies Act (Chapter 50) of Singapore and Listing Manual.

Briefings, updates and trainings for the Directors in FY2017 included:

- Seminars conducted by the Singapore Institute of Directors were attended by Kevin Wong and Tan Chee Tong of the Company's Directors;
- The external auditors ("EA") had briefed the AC on changes or amendments to accounting standards;
- The Company Secretary had briefed the Board on the amendments of the Companies Act, Chapter 50 of Singapore.

Principle 2: Board Composition and Guidance

As at the date of this report, the Board comprises six Directors, two of whom are Executive Directors and the remaining four are Non-Executive Directors, of which three are Independent.

In accordance with Guideline 2.2(d) of the Code, half of the Board comprises of Independent Directors as the Chairman of the Board, Ms Ng Yoke Chan, is not an Independent Director. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. The decisions of the Board are based on collective decision without any individual or small group of individuals influencing or dominating the decision making process. There is an adequate balance of power as well as safeguards in place against an uneven concentration of authority in a single or few individuals.

The Board considers that the current composition and size of the Board is appropriate for the current scope and nature of the Group's operations and provides sufficient diversity without interfering with efficient decision-making.

Each Director is a professional in their respective field and have diverse competencies in different areas of business, including management, legal, finance and accounting. Together they bring with them a wide range of expertise and relevant experiences and an appropriate balance and diversity of gender to the Group. The independent element on the Board ensures that it is able to exercise objective, impartial and independent judgment on corporate affairs. The Board considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively. The Directors' academic and professional qualifications are presented in the section headed "Board of Directors" of this Annual Report. In identifying director nominees for any new appointments to the Board, the NC and the Board will take into consideration the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. Further details on the process for the selection and appointment of new Board members is included on Page 18 of this Annual Report.

The Non-Executive Directors provide constructive review and assist the Board to facilitate and develop proposals on strategy and monitor the performance of Management in meeting agreed goals and objectives. They have full access to and co-operation from Management and officers and have the full discretion to have separate meetings without the presence of Management and to invite any Directors or officers to the meetings as and when warranted. In FY2017, the Non-Executive Directors have had 1 separate meeting without the presence of Management.

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The NC is tasked to determine on an annual basis and when circumstances require, the independence of a Director, bearing in mind the guidelines set out in the Code and any other salient factor. Each Independent Director is required to declare his independence based on the guidelines set forth in Guideline 2.3 of the Code. Each of the Independent Directors, namely, Mr William Teo Choon Kow, Mr Chew Yee Teck, Eric and Mr Wong Wei Boon Kevin, have confirmed that they do not have a relationship with the Company, its related corporations, its 10% shareholders or its officers which would be reasonably perceived to interfere with the exercise of independent judgment in the best interests of the Company. The NC will review and deliberate the independence of each Director before giving its recommendation to the Board for deliberation. The Board, with the recommendation and concurrence of the NC, has reviewed and determined that the Independent Directors of the Board, namely, Mr William Teo Choon Kow, Mr Chew Yee Teck, Eric and Mr Wong Wei Boon Kevin, are independent.

There is no Independent Director who has served on the Board for more than nine years.

The Board also reviews its composition on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The NC considers the Board's present size adequate for effective decision-making, taking into account the nature and scope of the Group's operations.

Principle 3: Chairman and Chief Executive Officer

There is a clear separation of the roles and responsibilities between the Chairman and the Chief Executive Officer ("CEO") of the Company.

Ms Ng Yoke Chan, the Non-Executive Chairman of the Company, performs the following responsibilities:

- Lead the Board to ensure its effectiveness on all aspects of its role;
- Set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- Promote a culture of openness and debate at the Board;
- Ensure the Directors receives complete accurate, timely and clear information;
- Ensure effective communication with shareholders;
- Encourage constructive relations within the Board and between the Board and the Management;
- Facilitate the effective contribution of non-executive directors in particular; and
- Promote high standards of corporate governance by ensuring the Company's compliance with the Code and other applicable rules and regulations.

Mr Tan Cheang Shiong, the current CEO of the Company (appointed as CEO with effect from 1 June 2017) is responsible for developing and executing corporate strategies, corporate management, implementing policies, operations and business development, and management of day-to-day operations and corporate affairs of the Group.

Guideline 3.3(d) of the Code recommends that a lead independent director should be appointed as Ms Ng Yoke Chan, the Chairman of the Board, is not an Independent Director. The Board has undergone changes in the previous year, with the retirement of Mr Wee Liang Hiam, an Independent Director and the then Chairman of the Nominating Committee, at the annual general meeting of the Company on 23rd May 2017 and the appointment of Mr Wong Wei Boon Kevin as Independent Director and Chairman of the Nominating Committee. The then Chairman of the Board, Mr Sucipto, has also stepped down on 27 October 2017 as Chairman of the Board, due to his other work commitments. Ms Ng Yoke Chan was then appointed to take on the role of Chairman of the Board on 27 October 2017. In light of this transitory period, the Company has yet to appoint a Lead Independent Director, and the existing Independent Directors have committed to and will continue to commit to being individually and collectively available to shareholders as a channel of communication between shareholders and the Board or Management.

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Principle 4: Board Membership

The NC comprises the following three members, all of whom are Independent Non-Executive Directors:

- Mr Wong Wei Boon Kevin (Chairman)
- Mr William Teo Choon Kow, BBM
- Mr Chew Yee Teck, Eric, PBM

The NC, regulated by written Terms of Reference which sets out its authority and duties, is responsible for making recommendations to the Board on all appointments and will use its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge to enable balanced and well-considered decisions to be made.

The key terms of reference of the NC include the following:

- (a) Reviewing and recommending the appointment of Directors;
- (b) Nominating Directors who retire in accordance with the Company's Constitution at each annual general meeting ("AGM") for re-election taking into consideration such Directors' contribution and performance at board meetings, including their attendance, level of preparedness, degree of participation and candour;
- (c) Reviewing the training programs for the Directors;
- (d) Formal assessment of the effectiveness of the Board as a whole and individual Directors;
- (e) Developing a process for evaluating the performance of the Board, its Board Committees and contributions of each Director; and
- (f) Reviewing the Board succession plans for directors, in particular, the Chairman, Vice Chairman and for the CEO.

The process for the selection and appointment of new Board member is as follows:

- The NC evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. In light of such evaluation and in consultation with the Board, the NC prepares a description of the roles and key attributes for the new appointment;
- The NC meets with the short-listed candidate(s) to assess their suitability and to ensure that the candidates are aware of the expectations; and
- The NC recommends the most suitable candidate to the Board for the appointment as Director.

The Company's Constitution requires that a newly appointed Director will submit himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to be re-elected at least once every three years and the one-third rotation rule. A retiring Director is eligible and may be nominated for re-election. In accordance with Regulation 88 of the Company's Constitution, Mr Wong Wei Boon Kevin will be retiring at the forthcoming AGM. Mr Wong Wei Boon Kevin has consented to offer himself for re-election at the forthcoming AGM.

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In addition, the retirement of Directors is governed by Regulation 89 of the Company's Constitution, which requires one-third of the directors for the time being to retire by rotation at each AGM and if eligible, offer themselves for re-election. In accordance with Regulation 89 of the Company's Constitution, Mr William Teo Choon Kow and Mr Chew Yee Teck, Eric will be retiring at the forthcoming AGM. Mr William Teo Choon Kow and Mr Chew Yee Teck, Eric have consented to offer themselves for re-election at the forthcoming AGM.

During the year, the NC evaluated the Board's performance as a whole and contributions made by each Director and the effectiveness of the Board. A formal process has been adopted by the NC to assess the effectiveness of the Board annually.

As at the date of this Report, there was no Independent Director being appointed as a Director of the Company's principal subsidiaries. The Board will assess from time to time the need for renewal of the Board structures of the principal subsidiaries and the appointment of Independent Director into the principal subsidiaries.

There is no alternate director on the Board.

The date of each Director's initial appointment, last re-election and their directorships are set out below:

Name of Director	Date of initial appointment	Date of last re-election	Present directorships in listed companies	Past directorships in Listed companies*
Ng Yoke Chan	31 August 2016	23 May 2017	–	–
Stephen Leong, BBM	21 November 2016	23 May 2017	–	–
Tan Chee Tong	19 September 2016	23 May 2017	–	–
William Teo Choon Kow, BBM	26 August 2011	28 April 2016	Wee Hur Holdings Ltd	1. See Hup Seng Limited 2. Loyz Energy Limited
Chew Yee Teck, Eric, PBM	27 May 2016	23 May 2017	–	–
Wong Wei Boon, Kevin	1 June 2017	–	–	–

* Within the past three years

The NC has adopted the policy addressing competing time commitments that are faced when Directors serve on multiple boards. The policy provides that, as a general rule, each Director should not hold more than seven listed company board representations.

The NC will determine annually whether a Director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out his/her duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of each individual Director, and the respective Directors' actual conduct on the Board, in making this determination.

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The NC is satisfied that each Director's directorship was in line with the Company's policy and that sufficient time and attention have been being given by each Director to the affairs of the Group.

Principle 5: Board Performance

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations made by the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole, effectiveness of its board committees and the contribution by each individual Director to the effectiveness of the Board on an annual basis.

The Directors undertake an annual evaluation of the overall effectiveness of the Board. The performance criteria for the Board evaluation includes the size and composition of the Board, Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with the Management and standards of conduct of the Directors. The performance criteria for the Board evaluation has not changed from year to year.

Each Director also undertakes a self-assessment to evaluate their contribution to the Board. This self-assessment process takes into account, amongst other things, the board commitment, standard of conduct, competency, training & development and interaction with Directors, Management & stakeholders.

The results of the Board evaluation exercise will be considered by the NC, which will then make recommendations to the Board, aimed at assisting the Board to discharge its duties more effectively.

In accordance with the processes as set out above, the NC confirms that it has assessed the performance and effectiveness of the Board as a whole and its Board Committees, as well as the contribution by the Chairman and each individual director to the effectiveness of the Board in the financial year under review, and has accordingly reported its recommendations to the Board. The NC is of the view that the performance and effectiveness of the Board as a whole and its Board Committees, as well as the contribution by the Chairman and each individual director to the effectiveness of the Board, has been satisfactory. No external facilitator was used in the evaluation process.

Each member of the NC shall abstain from voting on any resolutions and making any recommendation and/or participating in any deliberations of the NC in respect of the assessment of his/her own performance or re-nomination as Director.

Principle 6: Access to Information

Management acknowledges the importance of complete, adequate and timely supply of information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. To allow the Directors sufficient time to prepare beforehand for the meetings, the agendas, board papers and related materials, background or explanatory information relating to matters to be discussed are distributed to all Directors prior to each meeting to facilitate the effective discussion. Where necessary, information in the form of disclosure documents, budgets, forecasts and monthly internal financial statements are also provided to the Board. Any additional materials or information requested by the Directors is promptly furnished. The Board is informed of all material events and transactions as and when they occur.

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All Directors have unrestricted access to the Company's records and information. The Directors liaise with Management as required and may consult with other employees to seek additional information on request. Should the Directors, either individually or as a group, in the furtherance of their duties, require independent professional advice, such advice shall be sought at the Company's expense.

The Company Secretary is responsible for, among other things, attending and preparing minutes of all Board and Board Committees meetings, and ensuring Board procedures are observed and that the requirements of the Company's Constitution, Companies Act (Chapter 50) of Singapore, Listing Manual and other relevant rules and regulations are complied with, and ensuring good information flows within the Board and its committees and between senior management and Independent Directors, as well as facilitating orientation and assisting with professional development as required. The Company Secretary works with Management and Directors to ensure that the Company complies with the relevant rules and regulations. The Directors have separate and independent access to the Company Secretary.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

Principle 7: Remuneration Matters

The RC comprises the following three members, all of whom are Independent Non-Executive Directors:

- Chew Yee Teck, Eric, PBM (Chairman)
- William Teo Choon Kow, BBM
- Wong Wei Boon Kevin

The RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration, and reviewing the remuneration packages of individual Directors, key management personnel and employees related to the CEO and Executive Directors and controlling shareholders of the Group.

The key terms of reference of the RC are as follows:

- (a) Recommend to the Board a framework of remuneration for the Directors and Management. The framework covers all aspect of remuneration, including but not limited to Directors' fees, salaries, allowance, bonuses and benefits in kind;
- (b) Review and recommend to the Board the specific remuneration packages for each Executive Director as well as for the key management positions; and
- (c) Review annually the remuneration of employees related to the Directors and Substantial Shareholders, if applicable, to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities.

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The recommendations of the RC will be submitted to the Board for endorsement. Each RC member will abstain from voting on any resolution in respect of his own remuneration.

The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. No remuneration consultants were engaged by the Company during FY2017.

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and Key Management personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with the aim to be fair and not rewarding poor performance.

Principle 8: Level and Mix of Remuneration

Annually, the RC reviews the remuneration of the CEO and Executive Directors and Management to ensure that their remuneration commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group as well as market trends within the industry.

CEO and Executive Directors are remunerated as members of Management under their respective service contracts. Their remuneration package comprises a basic salary component and a variable component, the latter of which is in the form of bonus and/or profit sharing scheme link to the Group's performance as a whole and the performance for each individual. As for the other key management personnel, the key performance indicators ("KPI") which has been set for them to achieve are linked to the performance to each business or project that is handled by them.

The Company currently does not have an employee share option scheme or any long-term incentive scheme in place. In accordance with Guideline 8.2 of the Code, the RC has considered the rationale and benefits of the implementation of a long-term incentive scheme for, inter alia, Executive Directors and key management personnel. The Company proposes to seek shareholders' approval at the extraordinary general meeting following the forthcoming annual general meeting for the adoption of the PSL Performance Share Plan, further details of which may be found in the Circular to Shareholders dated 15 May 2018 in relation to the resolution to adopt the proposed PSL Performance Share Plan.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from its Executive Directors and Key Management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group. The Company's Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against its Executive Directors in the event of such breach of fiduciary duties.

The Directors' fees payable to the non-executive Directors are fixed in accordance with their level of contributions, taking into account factors such as effort and time spent, as well as their responsibilities and obligations. The Directors' fees are subject to the shareholders' approval at the AGM. Each member of the RC abstains from voting on any resolution, participating in any deliberations of the RC, and making any recommendation in respect of their remuneration.

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Principle 9: Disclosure of Remuneration

The Company has fully disclosed the remuneration of its Non-Executive Directors (to the nearest thousand) in FY2017 below.

While the Company notes the need for corporate transparency in the remuneration of its Directors and CEO, the Company notes that the disclosure of details of the remuneration of the Executive Directors and CEO to the nearest thousand may be detrimental to the Company due to concerns in relation to poaching of executives in the industry in which the Group operates.

The following table summarises the remuneration paid or proposed to be paid to the Directors for FY2017, as well as the remuneration paid to the CEO:

Director	Directors' Fee	Salary	Bonus	Other Benefits	Total
	S\$'000	%	%	%	%
<i>Below S\$250,000</i>					
Ng Yoke Chan ⁽¹⁾	38	–	–	–	100
Stephen Leong, BBM	–	85	14	1	100
Tan Chee Tong	–	84	15	1	100
William Teo Choon Kow, BBM	43	–	–	–	100
Chew Yee Teck, Eric, PBM	43	–	–	–	100
Wong Wei Boon Kevin ⁽²⁾	25	–	–	–	100
Sucipto ⁽³⁾	33	–	–	–	100
Wee Liang Hiam ⁽⁴⁾	16	–	–	–	100
Mr Suriamartara Tjahaja ⁽⁵⁾	–	88	–	12	100
CEO					
Tan Cheang Shiong	–	77	22	1	100

Notes:

- (1) Ms Ng Yoke Chan was appointed as the Chairman of the Board effective from 27 October 2017.
- (2) Mr Wong Wei Boon Kevin was appointed as an Independent Non-Executive Director of the Company, the Chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee on 1 June 2017.
- (3) Mr Sucipto's effective date of cessation as Non-Executive Chairman of the Company was 27 October 2017.
- (4) Mr Wee Liang Hiam retired at the annual general meeting of the Company held on 23 May 2017.
- (5) Mr Suriamartara Tjahaja's effective date of cessation as Executive Director of the Company was 31 January 2017.

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The annual aggregate remuneration paid to top five key management personnel of the Company (who are not Directors or the CEO) for FY2017 is S\$365,000.

Key Management Personnel	Salary	Bonus	Other Benefits	Total
<i>Below S\$250,000</i>	%	%	%	%
Tan Cheang Shiong ⁽¹⁾	100	–	–	100
Angeline Yap ⁽²⁾	85	14	1	100
Tan Kam Soon ⁽³⁾	94	–	6	100
Sudirman Kurniawan	100	–	–	100
Koh Yew Ghee ⁽⁴⁾	85	–	15	100

Notes:

- (1) Mr Tan Cheang Shiong was the Chief Financial Officer ("CFO") of the Company up to 31 May 2017.
 (2) Ms Angeline Yap was appointed as Group Financial Controller of the Company on 4 July 2017.
 (3) Mr Tan Kam Soon ceased to be the Financial Controller of the Company on 5 May 2017.
 (4) Mr Koh Yew Ghee ceased to be the Operations Manager of a subsidiary of the Company on 4 August 2017.

There are no employees who are immediate family members of a Director or CEO and whose remuneration exceeds S\$50,000 during the year.

The Company adopts a remuneration policy for employees comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the performance of the individual. The Directors and senior management have met their respective performance conditions for FY2017 relating to their remuneration packages.

There are no termination, retirement and/or post-employment benefits granted to Directors or key management personnel during FY2017.

Principle 10: Accountability

The Board recognises the importance of providing accurate and relevant information on a timely basis. As such, the Management provides the Board with management accounts and such explanation and information on a quarterly basis and as the Board may require from time to time to enable the Board to make a balanced and understandable assessment of the Group's performance, position and prospects to its shareholders, public and regulators. Furthermore, the Management provides all the Executive Directors with detailed monthly consolidated financial reports. The Board is mindful of its obligations to furnish timely information and ensure full disclosures of material corporate developments to its shareholders to comply with the statutory requirements and Listing Manual.

The Board reviews and approves the quarterly and full year financial results and other related material information before such information are disseminated to shareholders via announcements to SGXNET.

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Principle 11: Risk Management and Internal Controls**Principle 13: Internal Audit**

The Board believes in the importance of establishing and maintaining a sound system of internal controls through a risk-based approach to safeguard the interests of shareholders and stakeholders, the Group's assets and resources and resulting in the effectiveness and efficiency of business operations, reliability of financial reporting and compliance with applicable laws and regulations to which the Group is subject. However, the Board recognises that no cost effective internal control system will preclude all errors and irregularities as a system is designed to manage rather than eliminate the risk of failure to achieve business objective and can provide only reasonable and not absolute assurance against the occurrence of material misstatements, errors, losses and/or any other situations not currently within the contemplation or beyond the control of the Board.

In meeting the requirements of SGX Listing Rule 1207 (10) and Guideline 11.3 of the Singapore Code of Corporate Governance, the Group had established and implemented a yearly Control Self-Assessment (CSA) program as a risk management tool that serve to provide the Board and the AC with a sustainable platform to develop an informed opinion about the state of internal control that addressed the key financial, compliance, operational and technology risks relevant to its key business processes in 2017.

On an annual basis, the external auditors carry out, in the course of their statutory audit the review of the effectiveness of the Group's key internal controls including financial, operational, compliance, information technology controls as well as risk management systems to the extent of the scope of their audit plan. Any material weaknesses in internal controls together with recommendations will be reported to the AC.

In 2017, the Company has, with approval from the AC, outsourced its internal audit functions to Mckell Risk Assurance, an independent risk advisory firm. The role of the internal auditor is to support the AC in ensuring that the Group maintains a sound system of internal controls by monitoring and assessing the effectiveness of key controls, policies and procedures, conducting in depth audit of significant risk areas and if necessary, undertaking special audit directed by the AC. Management has granted the Internal Auditor unrestricted access to the documents, records, properties and personnel of the Company and the Group.

The internal audit plan was submitted to the AC for review and approval prior to the commencement of the internal audit work. The internal auditors review the adequacy and effectiveness of the design of key internal controls in accordance with the internal audit plan. The internal auditor report directly to the Chairman of the AC and assist the AC in overseeing and monitoring the implementation and improvements required on internal control weaknesses identified. The internal audit is performed in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. To ensure the adequacy of the internal audit functions, the AC has reviewed the internal auditor's qualifications, experience, activities, resources and standing in the Company, and the AC is satisfied that the internal audit function of the Group is adequate and effective.

All the audit findings and recommendations made by the internal and external auditors are reported to the AC and significant findings are discussed at the AC meetings. The AC will review the findings and recommendations by the auditors and ensure that the Management follows up on the recommendations made by the auditors, if any, during the audit process.

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Pursuant to Rule 1207(10) of the Listing Manual, based on the internal controls established and maintained by the Group and the work performed by the Group's external auditors, internal auditors and Management reviews, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems, are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group in its current business environment. The Board has received assurance from its CEO and its Group Financial Controller that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances and that adequate and effective risk management and internal control systems have been put in place. The Board has also received assurance from its internal auditor that adequate and effective risk management and internal control systems have been put in place.

In 2018, the Group will expand and enhance its risk management system by implementing a robust risk identification and assessment processes based on the COSO ERM Framework, as recommended by the Audit Committee Guidance Committee (ACGC), that comprises the creation of a risk register, risk impact assessment and prioritization, and development of risk strategy, policy and mitigation plans for significant emerging risks areas that are relevant to its long-term business strategies and objectives of its overseas activities.

Principle 12: Audit Committee

The AC comprises the following three members, all of whom are Independent Non-Executive Directors:

- William Teo Choon Kow, BBM (Chairman)
- Chew Yee Teck, Eric, PBM
- Wong Wei Boon Kevin

The members of the AC possess many years of experience in accounting, legal, business and financial management. The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC.

The AC is regulated by its terms of reference which highlights its primarily responsibilities:

- (a) to assist the Board in discharging its responsibilities to safeguard the Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group.
- (b) to provide a channel of communication between the Board, the Management team, and the external auditors on matters relating to audit.
- (c) to monitor Management's commitment to the establishment and maintenance of a satisfactory control environment and an effective system of internal control (including any arrangements for internal audit).
- (d) to monitor and review the scope and results of external audit and its cost effectiveness and the independence and objectivity of the external auditors.

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The main functions of the AC are as follows:

- (a) review the external auditors' audit plans, their evaluation of the system of internal controls, their management letter and Management's response thereto;
- (b) review the internal auditors' internal audit plans and their evaluation of the adequacy of the Group's internal control and accounting system before submission of the results of such review to the Board for approval;
- (c) review the half yearly and, where applicable, quarterly, and annual financial statements and any formal announcements relating to the Group's financial performance before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant and statutory or regulatory requirements;
- (d) review the internal control and procedures and ensure co-ordination between the external auditors and the Management, review the assistance given by the Management, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the external auditors may wish to discuss (in the absence of the Management where necessary);
- (e) review and consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors, and approving the remuneration and terms of engagement of the external auditors;
- (f) review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- (g) review the Groups' hedging policies, procedures and activities (if any) and monitor the implementation of the hedging procedure/policies, including reviewing the instruments, processes and practices in accordance with any hedging policies approved by the Board;
- (h) review potential conflicts of interest, if any, and to set out a framework to resolve or mitigate such potential conflicts of interests;
- (i) 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 and requiring the attention of the AC;
- (j) review and discuss with investigators, any suspected fraud, irregularity, or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response thereto;
- (k) review the findings of internal investigation into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have material impact on the Group's operating results and/or financial position;

CORPORATE GOVERNANCE

- (l) review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up;
- (m) review the effectiveness and adequacy of the administrative, operating, internal accounting and financial control procedures;
- (n) review key financial risk areas, with a view to providing an independent oversight on our Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET; and
- (o) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, including such amendments made thereto from time to time.

The AC has the explicit authority to investigate any matter within its scope of responsibilities, full access to and cooperation of the Management, external auditors and internal auditors. It also has full discretion to invite any Director or Executive Officer to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.

During the year, the Group has engaged Foo Kon Tan LLP ("FKT") as its external auditor, having taking into consideration to the adequacy of the resources and experience of FKT and the audit engagement partner assigned to the audit, FKT's other audit engagements, the size and complexity of the Group being audited, and the number of and experience of supervisory and professional staff assigned to the Group's audit. FKT is registered with the Accounting and Corporate Regulatory Authority. There was no former partner or director of FKT acting as a member of the AC.

Accordingly, the Company complied with Rule 712 and Rule 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The external auditors have unrestricted access to the AC. Both the external auditors and internal auditors report directly to the AC in respect of their findings and recommendation. During FY2017, the AC met with the internal and the external auditors without the presence of the Management. The AC reviews the findings from the auditors and assistance given to the auditors by the Management.

During the financial year, the AC's activities include the following:

- (a) reviewed quarterly, and annual financial statements and any formal announcements relating to the Group's financial performance before submission to the Board for approval;
- (b) reviewed the scope of work of the external auditors;
- (c) reviewed the scope of work of the internal auditors;
- (d) reviewed the audit plans and discussed the results of the findings and evaluation of the Company's system of internal controls;
- (e) reviewed interested party transactions of the Company;

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- (f) met with the Company's internal and external auditors without the presence of Management;
- (g) reviewed the independence of internal auditors;
- (h) reviewed the independence of external auditors;
- (i) reviewed the Company's procedures for detecting fraud and whistle-blowing matters.

The AC also takes measures such as attending seminars to keep abreast of the changes to accounting standards and issues which have a direct impact on the financial statements.

During the year under review, the aggregate amount of fees paid or payable to the external auditors, FKT for the audit services and non-audit services are approximately S\$98,000 and S\$13,000 respectively.

The AC reviews annually the independence of the external auditor. For FY2017, the AC has conducted this annual review, and is satisfied that the independence of the external auditors is not affected by the provision of any non-audit services. The AC recommends to the Board the re-appointment of FKT as the external auditors of the Company at the forthcoming AGM.

The Company has adopted a whistle-blowing policy which provides well-defined and accessible channels in the Group through which employees may raise concerns in the event that they may encounter any improper conduct within the Group. The Company's whistle blowing policy is detailed in its Employee Handbook and accessible to all employees. Various avenues are provided for the employees to raise concerns and define a way to handle these concern. For example, in the situation whereby an employee is unable to report to his/her immediate supervisor due to the any issue involving his or her immediate supervisor, or for any reason the employee would prefer the immediate supervisor not be to informed, the employee may report it to an Executive Director of the Company. Where none of these channels are suitable, the whistle-blower can address his or her concerns to any of the members of the AC. The contact details of the members of the AC are set out in the Employee Handbook. There were no whistle blowing reports received by the AC in FY2017.

Key Audit Matters	How the AC reviewed these matters and what decisions were made
Assessment of ability to exercise control over PT Momentum Indonesia Investama ("PT MII")	The AC considered the triggering events which indicated a change in circumstances that resulted in the Group with neither any participation nor practical ability to exercise its rights in the affairs and operations of PTMII nor any influence on PTMII's management. The AC also reviewed PSL's rights and power over the investment in PTMII and concluded that it lost control over PTMII on 1 January 2017. In accordance with FRS 110, the loss of control represents a significant economic event that requires the parent to stop consolidating the subsidiary at the date when control is lost. The Group has deconsolidated PTMII with effect from 1 January 2017. The ability to exercise control over PT MII was an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report. Please refer to Page 45 of this Annual Report for more details.

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Key Audit Matters	How the AC reviewed these matters and what decisions were made
Recoverability assessment of loans receivable from PTMII and contingent consideration on acquisition of PTMII	The AC considered the competency, capability and objectivity of the professional firm engaged for carrying out the market value assessment of the vessels of PTMII. The AC also reviewed the legal advice on the enforceability of the clauses in the Conditional Sale and Purchase Agreement in relation to the provision of the contingent consideration by the vendors. The recoverability assessment of loans receivable from PTMII and contingent consideration on acquisition of PTMII was an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report. Please refer to Page 46 of this Annual Report for more details.

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Group recognises the importance of maintaining transparency and accountability to its shareholders. As such, the Group has in place an investor relations and communication framework that disseminates on a timely basis relevant financial data, price sensitive information and material developments to shareholders. Quarterly and full year financial results and all other material information are disseminated to the SGX-ST's website via SGXNET. During the course of FY2017, the Group's CEO was available to respond to shareholders' enquiries, if any, during the course of his appointment as CEO of the Company.

The Company encourages active shareholder participation at its general meetings. Notices of general meetings are published in the newspapers and reports or circulars are dispatched to all shareholders by post before the scheduled general meeting date. Shareholders are invited to attend the general meetings to put forth any questions that they may have on the motions to be debated and decided upon. The Board and Management, including the Chairmen of the respective Board Committees, together with the Company Secretary and independent auditor, would be present at the general meetings to address queries from the shareholders. The resolutions are as far as possible, structured separately and voted on independently.

The Company engages a third-party investor relationship consultant, with the objective of advising the Company on how to convey performance insights and share its strategic plans with investors and shareholders through various communication channels, such as additional press releases via SGXNET. With the help of its relationship consultant, moving forward, the Company intends to ramp up on its efforts to communicate with its investors and shareholders and to solicit and understand the views of Shareholders.

Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. A shareholder who is a relevant intermediary may appoint more than two proxies to speak, attend and vote at general meetings. The Company's Constitution, under Regulation 73, provides for the Directors to have the discretion to implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow shareholders to vote in absentia, such as voting by mail, email or fax.

The minutes of general meetings are prepared and made available to shareholders upon their request in accordance with applicable laws.

CORPORATE GOVERNANCE

At the general meetings of the Company, shareholders are informed of the rules, including voting procedures before the Company puts all resolutions to vote by poll and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages are made on the same day. The Board maintains regular dialogue with shareholders e.g. AGM, EGM, to gather views and inputs and address shareholders' concerns. The Directors, including the Independent Directors, are also in attendance at general meetings of the Company to address any queries raised by shareholders, and to engage with the shareholders and understand their views.

The Company has encountered delays in resolving the technical issues in relation to its corporate website, and as such, currently does not have a functional corporate website at this time of this annual report. The Company has been and will continue to update its shareholders' in a timely manner on any material developments of the Group through SGXNET.

Presently, the Company does not have a dividend policy in place. The Board may consider adopting a dividend policy in the future. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

For FY2017, the Company will not be paying dividends to shareholders due to the financial performance of the Group.

Interested Persons Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC to ensure that those transactions are carried out on normal commercial terms and are not prejudicial to the interests of the shareholders.

In order to achieve this objective, the Board and AC meet on a quarterly basis to review whether the Company or any member in the Group is entering or intends to enter into any potential interested persons transactions so as to ensure the Company complies with Chapter 9 of the Listing Manual on interested person transactions. In the absence of the AC, the Group Financial Controller monitors and reviews any interested person transactions of the Company and reports on the same to the Board on a regular basis. There were no interested person transactions with a value of S\$100,000 and above entered into for FY2017. Hence, the information required pursuant to Listing Rules 907 and 1207(17) are as follows:

Name of interested person	Aggregate value of all interested person transactions during the FY2017 under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
None	Nil	Nil

Internal Code of Dealing in Securities

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST on best practices in respect of dealing in securities, the Group has in place an internal code of conduct which prohibits the Directors, key management personnel of the Group and their connected persons from dealing in the Company's shares during the "black-out" period. The black-out period is two weeks and one month immediately preceding the announcement of the Company's quarterly

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and full year financial results respectively, or if they are in possession of unpublished price-sensitive information of the Group. In addition, Directors, key management personnel and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

Material Contracts

There is no material contract of the Company and its subsidiaries involving the interests of any CEO, Director or controlling shareholder for FY2017.

Use of Proceeds

2016 Subscription

The Company had completed the allotment and issue of an aggregate of 7,734,000 new ordinary shares at S\$0.3825 for each subscription share in the capital of the Company (the "2016 Subscription Shares") on 31 October 2016 (the "2016 Subscription"). It had been stated in the Company's announcement dated 22 September 2016 (the "2016 Subscription Announcement") that 80% of the net proceeds of the 2016 Subscription will be used by the Company for funding growth and expansion (as and when opportunities arise) and 20% of the net proceeds of the 2016 Subscription will be used by the Company for working capital purposes.

The table below summarises the cumulative utilisation of the net proceeds of the 2016 Subscription as at the date of this annual report:

Intended use of net proceeds	Amount Allocated (S\$'million)/with percentage allocation (%)	Amount utilised (S\$'million)	Balance (S\$'million)
Funding growth and expansion (as and when opportunities arise)	2.32 (80%)	2.32	—
Working capital purposes	0.58 (20%)	0.58 ⁽¹⁾	—
Total (approximately)	2.90 (100%)	2.90	—

(1) Out of the S\$0.58 million used for working capital purposes, approximately S\$0.47 million was used for employees' salaries and related costs and remainder was for repayment of creditors including professional fees.

2017 Subscription

The Company had completed the allotment and issue of an aggregate of 9,281,166 new ordinary shares at S\$0.348 for each subscription share in the capital of the Company (the "2017 Subscription Shares") on 20 December 2017 (the "2017 Subscription"). It had been stated in the Company's announcement dated 20 June 2017 (the "2017 Subscription Announcement") that 80% of the net proceeds of the 2017 Subscription will be used by the Company for funding growth and expansion (as and when opportunities arise) and 20% of the net proceeds of the 2017 Subscription will be used by the Company for working capital purposes.

The table below summarises the cumulative utilisation of the net proceeds of the 2017 Subscription as at the date of this annual report:

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Intended use of net proceeds	Amount Allocated (S\$'million)/with percentage allocation (%)	Amount utilised (S\$'million)	Balance (S\$'million)
Funding growth and expansion (as and when opportunities arise)	2.56 (80%)	0.10	2.46
Working capital purposes	0.64 (20%)	0.64 ⁽²⁾	–
Total (approximately)	3.20 (100%)	0.74	2.46

(2) Out of the \$0.64 million used for working capital purposes, S\$0.64 million was used for employees' salaries and related costs.

Summary of Disclosures

The following is a summary of disclosures made in response to the express disclosure requirements in the Corporate Governance Disclosure Guide issued by the Singapore Exchange on 29 January 2015:

Guideline	Questions	Compliance	Page reference to responses in the Annual Report
Guideline 1.5	What are the types of material transactions which require approval from the Board?	✓	Page 14
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up to date?	✓	Page 15 – 16
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	✓	Page 16 – 17
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	✓	Page 17

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Guideline	Questions	Compliance	Page reference to responses in the Annual Report
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	✓	Page 17
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	✓	Page 16
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	✓	Page 18
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	✓	Page 19 – 20
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	✓	Page 18 – 19
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	✓	Page 20
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	✓	Page 19 – 20

CORPORATE GOVERNANCE

Guideline	Questions	Compliance	Page reference to responses in the Annual Report
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	✓	Page 23
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	✓	Page 24
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	✓	Page 24
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	✓	Page 22 and 24
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	✓	Page 25 – 26

CORPORATE GOVERNANCE

Guideline	Questions	Compliance	Page reference to responses in the Annual Report
	b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	✓	Page 26
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	✓	Page 29
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	✓	Page 30 – 31
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	✓	Page 31

SUSTAINABILITY REPORT

A Sustainability Steering Work Group (“the Work Group”) was established in 2017 to assist the Board in ensuring the continued progress and improvement of the Group in its management, monitoring and reporting of the material environment and social risks factors that are relevant to its business operations. This sustainability report seeks to disclose and communicate to the stakeholders on its sustainability development, actions and performance for the ESG factors in relation to their impacts on the organization’s long term strategy and goals. Key governance issues of the Group are addressed in the Corporate Governance Report section on Page 13 to 36 in this Annual Report.

The Work Group had applied the Global Reporting Initiative (GRI) framework and selected GRI Standards (“GRI-referenced claim basis”) to guide its sustainability reporting and disclosure. It had also used the GRI’s Reporting Principles to define its report contents, and GRI 103: Management Approach for the material assessment of the sustainability topics. In addition, it had adopted applicable portions from topics specific standards such as Disclosure 305-1 from GRI 305: Emissions 2016, Disclosure 306-2 (c) from GRI 306: Effluents and Waste 2016, and Disclosure 403-1 (a), 403-2 from GRI 403: Occupational Health and Safety 2016.

SCOPE

The sustainability effort in policies development and performance in relation to the first-year reporting was centered only on Transport & Engineering Pte. Ltd. (“TSL”) as it was the only Singapore– based subsidiary within the Group that was fully operational for the entire FY 2017. Please refer to Note 5 – ‘Investments in subsidiaries’ on Page 78 for details in relation to the subsidiaries’ business activities and ownership interests under the Group.

As per SGX Guides, the Work Group has undertaken a 3-year report development journey (“Phased Implementation Approach”) and targeted to work toward full implementation to include sustainability issues of overseas business operations by year 2019.

MATERIALITY

The Work Group has identified the National Environment Agency (“NEA”) and the Ministry of Manpower (“MOM”) as the key external stakeholders for the material ESG topics relevant to the business operations of TSL.

To work towards the air quality targets by 2020, NEA has put together a roadmap with a set of measures to achieve sustainable growth and development while maintaining public health and economic competitiveness. Based on the latest published resources in NEA’s website, the authority considers air emissions from motor vehicles as the major sources of air pollution that causes the biggest environmental health risk particularly for heart diseases and stroke in Singapore. Currently NEA regulates the type and quality of fuel that can be used and also sets minimum exhaust emission standards for all vehicles on the road.

According to NEA’s latest statistics, the amount of disposed waste in Singapore had increased by 21,400 tons from 2015 to 2016. In addition to land pollution, disposed wastes may contain toxic substance and contaminants that can also cause environmental health risk. Construction wastes should be tested to determine its toxic level and treated according to the leachate test standard before they should be disposed at the landfill site or dumping ground.

SUSTAINABILITY REPORT

The MOM also takes a serious view of companies that fail to take reasonable and practical measures to ensure the safety and health of their employees at work. All companies are required under the Workplace Safety and Health Act to put in place safety measures to prevent occurrence of workplace related incidents or accidents that put their employees' lives at risks. According to the Traffic Police, there were more fatal accidents involving heavy vehicles in the first half of 2017, with 19 cases recorded from January to June 2017, up from the 16 cases reported in the same period in 2016.

The Work Group has prioritized the sustainability efforts toward the abovementioned material factors for the development of corporate policies to guide the actions of Transport & Engineering Pte. Ltd. ("TSL") in managing these environmental and social issues.

The Board has considered these sustainability issues as part of its strategic formulation, determined the material ESG factors and ensures they would be managed and monitored against the performance targets in the forthcoming year.

ENVIRONMENTAL EMISSIONS

TSL has developed and put in place a Diesel Emission Policy that manages and controls the quality of diesel fuel used by the fleet of dump trucks, including their smoke emission opacity limit. As far as possible, the aforesaid policy is drawn up to comply with the Environmental Protection and Management (Vehicular Emissions) Regulations ("the Regulations") administered by NEA. It also seeks to ensure that every dump truck is to be sent for diesel emission servicing and testing regularly and that they should use diesel or petrol that conforms to the standards specified in the Eight Schedule of the Regulations. In addition, the dump trucks are to be sent for the Chassis Dynamometer Smoke Test (CDST) at least once a year to ensure that their smoke emission always stay within the allowable opacity limit.

TSL management shall continue to stay abreast of latest national policies, new legislations and emission standards developed by the government to minimize vehicular diesel and smoke emission.

WASTES DISPOSAL

TSL has developed a Wastes Disposal Policy that ensures all transported wastes carried by its dump trucks meet the leachate test standards, wastes treatment procedures and disposal requirements prescribed by NEA to minimize wastes toxicity at approved landfill sites.

OCCUPATIONAL SAFETY AND HEALTH

The Group is committed to uphold the occupational health and safety of its employees. A Workplace Safety and Health Policy is well in place that ensures compliance with the Workplace Safety and Health Act to create a safe working environment with zero accidents and fatality rate. It also requires every on-site worker to adhere to the prescribed safety road measures and safe work procedures which specifically address risks of physical injuries, permanent disability and loss of lives that could be resulted from road accidents and vehicle tipping incidents during the wastes dumping operations.

The Group will take necessary steps to seek continual improvements in these safety procedures by closely monitoring its WSH performance from year 2018 onward.

SUSTAINABILITY REPORT

KEY PERFORMANCE INDICATORS

The Work Group is committed to develop and maintain an internal system and process for the collection of key performance data and information, including the review and measurement of these data against performance targets for each material ESG factors:

(i) Environmental Emission:

2017:	Zero incidents of dump trucks emitting smokes while plying on the roads.
2018:	Zero incidents of "Smoky Vehicles" and 100% of dump trucks to be scheduled for the CDST test (Chassis Dynamometer Smoke Test) with zero rate of test failure at least once a year.

(ii) Wastes Disposal:

2017:	Zero cases of non-conformance with NEA's directives in relation to leachate test procedures and standards.
2018:	Zero non-conformance rate for leachate test procedures and standards.

2017:	Zero cases of wastes disposed at non-approved landfill site.
2018:	Zero incidents rate of wastes disposal at non-approved landfill site.

(iii) Occupational Safety and Health:

2017:	On average, 73% of truck drivers had attended road safety and dump truck operations training course at least once during the year.
2018:	100% truck drivers to be scheduled for road safety and dump truck operations training course.

2017:	Zero cases of on-site related accidents involving trucks tipping and back up reported during the year.
2018:	Zero cases of on-site accidents, fatality, permanent disability and injuries.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors submit this statement to the members together with the audited consolidated financial statements of PSL Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2017.

In the opinion of the directors,

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

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 in office at the date of this statement are:

Ng Yoke Chan (appointed on 31 August 2016 and re-designated on 27 October 2017)

Stephen Leong, BBM

Tan Chee Tong

William Teo Choon Kow, BBM

Eric Chew Yee Teck, PBM

Kevin Wong Wei Boon (appointed on 1 June 2017)

Arrangements to enable directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object 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' interest 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			
	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2017	As at 31.12.2017	As at 1.1.2017	As at 31.12.2017
The Company – PSL Holdings Limited				
Ng Yoke Chan	–	–	1,353,700	1,353,700
Tan Chee Tong	–	–	68,000	68,000

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Directors' interest in shares or debentures (Continued)

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2018.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company or its related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Share options

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

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Warrants

In 2012, the Company undertook a renounceable and non-underwritten rights issue of up to 77,343,707 new ordinary shares in the capital of the Company at an issue price of S\$0.10 for each rights share with up to 77,343,707 free detachable warrants, each warrant carrying the right to subscribe for 1 new ordinary share in the capital of the Company at an exercise price of S\$0.34 for each new share, on the basis of 1 rights share with 1 warrant for every 4 existing ordinary shares held in the capital of the Company. The rights shares were listed for quotation on the Official List of SGX-ST and commenced trading on 24 April 2012. The warrants were listed for quotation on the Official List of SGX-ST and commenced trading on 25 April 2012.

On 27 November 2015, a share consolidation exercise was completed such that every ten (10) warrants were consolidated into one (1) adjusted warrant at an exercise price of S\$3.40 for each new consolidated share.

No shares were issued during the financial year by virtue of the exercise of warrants to take up unissued shares of the Company.

The number of warrants of the Company outstanding at the end of the financial year was Nil (2016 – 7,733,986). These warrants have already expired as at the date of this statement.

Audit Committee

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

William Teo Choon Kow, BBM (Chairman)
Chew Yee Teck Eric, PBM
Kevin Wong Wei Boon (appointed on 1 June 2017)

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Audit Committee (Continued)

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

- (a) review the external auditors' audit plans, their evaluation of the system of internal controls, their management letter and management's response thereto;
- (b) review the internal auditors' internal audit plans and their evaluation of the adequacy of the Group's internal control and accounting system before submission of the results of such review to the Board for approval;
- (c) review the half yearly and, where applicable, quarterly, and annual financial statements and any formal announcements relating to the Group's financial performance before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;
- (d) review the internal control and procedures and ensure co-ordination between the external auditors and the management, review the assistance given by the management, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the external auditors may wish to discuss (in the absence of the management where necessary);
- (e) review and consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- (f) review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- (g) review the Groups' hedging policies, procedures and activities (if any) and monitor the implementation of the hedging procedure/policies, including reviewing the instruments, processes and practices in accordance with any hedging policies approved by the Board;
- (h) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate such potential conflicts of interests;
- (i) 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 and requiring the attention of the Audit Committee;
- (j) review and discuss with investigators, any suspected fraud, irregularity, or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results and/or financial position, and the management's response thereto;
- (k) review the findings of internal investigation into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any laws, rules or regulations which has or is likely to have material impact on the Group's operating results and/or financial position;
- (l) review arrangements by which the Group's staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Audit Committee (Continued)

- (m) review the effectiveness and adequacy of the Group's administrative, operating, internal accounting and financial control procedures; and
- (n) review the key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

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

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

Independent auditor

Foo Kon Tan LLP was appointed as auditor of the Company until the conclusion of the Annual General Meeting of the Company through an extraordinary general meeting held on 24 October 2017.

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the directors

.....
STEPHEN LEONG

.....
TAN CHEE TONG

Dated: 11 May 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PSL Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the 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 Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the 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.

Other matter

The financial statements for the year ended 31 December 2016 were audited by another firm of auditors whose report dated 28 April 2017 expressed an unmodified opinion on those financial statements.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matter
Assessment of ability to exercise control over PT Momentum Indonesia Investama ("PTMII") Following the events that occurred during the year, as described in Note 2(a) to the financial statements, management had reassessed whether the Group has control over PTMII in 2017. Management reviewed its rights and power over the investment in PTMII and concluded that it lost control over PTMII on 1 January 2017. In accordance with FRS 110 <i>Consolidated Financial Statements</i>, the loss of control represented a significant economic event that required the parent to stop consolidating the subsidiary at the date when control was lost. The Group had deconsolidated PTMII with effect from 1 January 2017. The assessment of the management's judgement in determining whether the Group has control over PTMII is a key focus area of our audit because this judgement has significant effect on the amounts recognised in the consolidated financial statements.	We reviewed and evaluated management's assessment on whether the Group has the practical ability and substantive right to direct the relevant activities of PTMII in accordance with FRS 110 <i>Consolidated Financial Statements</i>. We corroborated the management's assessment with the review of the following: a. Conditional Sale and Purchase Agreement to identify the rights of the respective shareholders; b. Court rulings; c. Confirmation from the nominee director that he does not have the practical ability to exercise his rights over the financial and operating affairs of PTMII; d. PTMII's board resolutions which show that all the financial and operating decisions were approved only by a Director who is not a nominee of the Company; e. Legal advice on whether the Group has control over PTMII; and f. The binding Term Sheet entered into on 18 April 2018 which demonstrates the Group's intention to divest the entire equity interest in PTMII. We further evaluated the accuracy of the computation of the gain on deconsolidation. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements. The Group's disclosures on the deconsolidation of the subsidiary is included in Note 5 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matter
Recoverability assessment of loans receivable from PTMII and contingent consideration on the previous acquisition of PTMII As at 31 December 2017, the carrying values of the loans receivable from PTMII (Note 11) and contingent consideration (Note 8) amounted to S\$13.2 million (Note 11) and S\$6.0 million (Note 8) respectively. The settlement of the loans receivable from PTMII and the contingent consideration had been negotiated through a binding Term Sheet dated 18 April 2018 entered into among the Company, PTMII and the Indonesian shareholders of PTMII. As part of the settlement arrangement, the Indonesian shareholders of PTMII agreed to transfer 7 tug-and-barge vessels in PTMII's books to the Company as repayment for the outstanding loans receivable from PTMII. The Indonesian shareholders of PTMII have agreed to pay US\$4.5 million as full settlement of the contingent consideration within 21 days after obtaining approval from the shareholders of the Company as indicated in the binding Term Sheet. We consider the recoverability of the loan receivables from PTMII and contingent consideration as a key audit matter because of the application of significant judgement by management and the significance of their carrying values to the total assets of the Group as at 31 December 2017.	We have assessed the appropriateness of management's judgement used in the recoverability assessment on the loan receivables from PTMII and the contingent consideration. We corroborated the management's assessment with the review of the following: - Conditional Sale and Purchase Agreement to understand the terms of the loans made to PTMII and the contingent consideration guaranteed by the vendors of PTMII; - Legal advice and confirmation on the validity and legal enforceability of the clauses in the Conditional Sale and Purchase Agreement and the binding Term Sheet; - Desktop valuation on the fair values of the vessels to be transferred to the Group as part of the settlement arrangement performed independently by an external valuer; and - The binding Term Sheet entered into on 18 April 2018 on the settlement of both the loans receivable due from PTMII and the contingent consideration. We have assessed the appropriateness of the valuation report provided by the management by evaluating the valuation method applied and considered recent sales from comparable vessels. We have also assessed the competency, capability and objectivity of the external valuer. We also assessed the disclosures relating to loans receivable due from PTMII and contingent consideration in the financial statements and found them to be appropriate. The Group's disclosures on the contingent consideration and the loans due from PTMII are included in Notes 8 and 11 to the financial statements respectively.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's or the Company'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 the Company 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 or Company'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 or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chin Sin Beng.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 11 May 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		The Group		The Company	
		2017	2016	2017	2016
			(restated)		
	Note	\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	1,785	31,056	395	–
Intangible assets	4	101	–	–	–
Investments in subsidiaries	5	–	–	4,869	3,891
Available-for-sale financial assets	6	5	10	–	–
Amounts due from subsidiaries	7	–	–	–	9,537
Trade and other receivables	8	–	614	–	–
Deferred tax asset	15	13	–	–	–
Club membership		6	–	6	–
		1,910	31,680	5,270	13,428
Current Assets					
Inventories	9	1,158	314	–	–
Trade and other receivables	8	12,228	11,655	6,077	5,915
Amounts due from subsidiaries	7	–	–	5,635	6,612
Cash and cash equivalents	10	10,978	14,163	7,659	11,437
Loans due from an investee	11	13,187	–	13,187	–
		37,551	26,132	32,558	23,964
Total assets		39,461	57,812	37,828	37,392
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	12	35,763	32,533	35,763	32,533
Currency translation reserve	12	(125)	594	–	–
Retained profits/(accumulated losses)		(3,462)	1,789	(4,834)	(1,994)
Capital reserve	12	507	182	–	–
Attributable to equity holders of the Company		32,683	35,098	30,929	30,539
Non-controlling interests	5	170	(1,567)	–	–
Total equity		32,853	33,531	30,929	30,539
Non-Current Liabilities					
Trade and other payables	13	–	7,027	–	–
Finance lease liabilities	14	88	183	–	–
Deferred tax liabilities	15	–	48	–	46
		88	7,258	–	46
Current Liabilities					
Trade and other payables	13	6,349	14,845	1,083	555
Amounts due to subsidiaries	7	–	–	5,816	6,252
Finance lease liabilities	14	158	291	–	–
Bank borrowings	16	–	1,881	–	–
Current income tax liabilities		13	6	–	–
		6,520	17,023	6,899	6,807
Total liabilities		6,608	24,281	6,899	6,853
Total equity and liabilities		39,461	57,812	37,828	37,392

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000 (restated)
Revenue	17	10,246	21,087
Cost of sales	18	(9,271)	(17,826)
Gross profit		975	3,261
Other operating income	19	490	4,686
Other gains – net	20	1,230	1,638
Selling and distribution expenses		(9)	–
General and administrative expenses	18	(7,756)	(39,779)
Finance costs	21	(24)	(751)
Loss before income tax		(5,094)	(30,945)
Income tax (expense)/credit	22	(200)	3,081
Loss for the year, net of tax		(5,294)	(27,864)
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		19	1,203
Total comprehensive loss for the year		(5,275)	(26,661)
Loss attributable to:			
Equity holders of the Company		(5,251)	(13,714)
Non-controlling interests		(43)	(14,150)
		(5,294)	(27,864)
Total comprehensive loss attributable to:			
Equity holders of the Company		(5,236)	(13,015)
Non-controlling interests		(39)	(13,646)
		(5,275)	(26,661)
Loss per share attributable to equity holders of the Company (Cents)			
– Basic and diluted loss per share	23	(11.24)	(34.30)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital \$'000	Retained earnings/ (losses) \$'000	Currency translation reserve \$'000	Capital reserve \$'000	Total attributable to equity holders of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 January 2016	29,575	15,513	(105)	182	45,165	12,129	57,294
Loss for the year, as previously stated	-	(11,969)	-	-	(11,969)	(15,895)	(27,864)
Prior year adjustment (see note below)	-	(1,745)	-	-	(1,745)	1,745	-
Other comprehensive loss for the year	-	-	-	-	-	-	-
– Currency translation differences	-	-	699	-	699	504	1,203
Total comprehensive loss for the year, as restated	-	(13,714)	699	-	(13,015)	(13,646)	(26,661)
Transactions with owner, recognised directly in equity							
Dividends paid to non-controlling interest by a subsidiary	-	-	-	-	-	(50)	(50)
Issuance of shares (Note 12)	2,958	-	-	-	2,958	-	2,958
Others	-	(10)	-	-	(10)	-	(10)
Balance at 31 December 2016, as restated	32,533	1,789	594	182	35,098	(1,567)	33,531
Balance at 1 January 2017, as restated	32,533	1,789	594	182	35,098	(1,567)	33,531
Loss for the year	-	(5,251)	-	-	(5,251)	(43)	(5,294)
Other comprehensive loss for the year	-	-	-	-	-	-	-
– Currency translation differences	-	-	15	-	15	4	19
Total comprehensive loss for the year	-	(5,251)	15	-	(5,236)	(39)	(5,275)
Transactions with owner, recognised directly in equity							
Dividends paid to non-controlling interest by a subsidiary	-	-	-	-	-	(50)	(50)
Issuance of shares (Note 12)	3,230	-	-	-	3,230	-	3,230
Effect of deconsolidation of a subsidiary	-	-	(734)	-	(734)	2,056	1,322
Acquisition of additional ownership in a subsidiary	-	-	-	325	325	(325)	-
Acquisition of a subsidiary (Note 5)	-	-	-	-	-	95	95
Balance at 31 December 2017	35,763	(3,462)	(125)	507	32,683	170	32,853
Prior year adjustment							

The prior year adjustment arose from the over allocation of impairment loss on goodwill amounting to \$1.75 million (51% - \$3,423,000) to non-controlling interest in 2016, resulting in an understatement of losses attributable to the Group in 2016 and a corresponding effect to the non-controlling interest in the consolidated statement of financial position as at 31 December 2016. There is no impact to the financial statements prior to 31 December 2016.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
	Note		
Cash Flows from Operating Activities			
Loss after taxation		(5,294)	(27,864)
Adjustments for:			
Depreciation of property, plant and equipment	3	567	3,347
Loss/(gain) from disposal of property, plant and equipment		1	(121)
Impairment loss on property, plant and equipment	3	293	30,629
Impairment loss on goodwill	4	–	3,423
Impairment loss on intangible assets	4	–	1,360
Impairment loss on investment in available-for-sale financial assets	6	5	9
Impairment loss on receivables	18	2,861	521
Amortisation expense on intangible asset	4	–	331
Currency translation losses/(gains)		1,399	(1,618)
Gain of deconsolidation of a subsidiary	5	(2,564)	–
Income tax expense/(credit)		200	(3,081)
Profit guarantee	19	(122)	(3,646)
Renounced dividends	19	–	(826)
Interest income	19	(308)	(68)
Interest expense	21	24	751
Operating (loss)/profit before working capital changes		(2,938)	3,147
Changes in inventories		(358)	(137)
Changes in trade and other receivables		(1,127)	(3,200)
Changes in other assets		(6)	–
Changes in trade payables, other payables and accruals		1,666	(921)
Cash used in operations		(2,763)	(1,111)
Income tax paid		(246)	(209)
Net cash used in operating activities		(3,009)	(1,320)
Cash Flows from Investing Activities			
Interest received		300	68
Acquisition of property, plant and equipment	3	(943)	(549)
Proceeds from disposal of property, plant and equipment		5	223
Acquisition of a subsidiary, net of cash acquired	5	124	–
Net cash outflow on deconsolidation of a subsidiary	5	(950)	–
Purchase of available-for-sale financial assets		–	(4)
Net cash used in investing activities		(1,464)	(262)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Cash Flows from Financing Activities			
Proceeds from bank borrowings		–	3,864
Repayment of bank borrowings		(1,238)	(1,983)
Repayment of finance lease liabilities		(252)	(436)
Decrease/(increase) in short-term deposits pledged		2,396	(2,247)
Proceeds from issuance of share capital		3,230	2,958
Interest paid		(24)	(751)
Dividends paid to non-controlling interest by a subsidiary		(50)	(50)
Net cash generated from financing activities		4,062	1,355
Net decrease in cash and cash equivalents		(411)	(227)
Cash and cash equivalents at beginning of year		10,748	11,217
Effects of currency translation on cash and cash equivalents		(378)	(242)
Cash and cash equivalents at end of year	10	9,959	10,748

Reconciliation of liabilities arising from financing activities:

	1 January 2017	Principal payments	Deconsolidation of a subsidiary	Acquisition of a subsidiary	31 December 2017
Bank borrowings	1,881	(1,238)	(643)	–	–
Finance lease	474	(252)	–	24	246

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1 General information

The financial statements of PSL Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on the date of the Directors’ Statement.

The Company is incorporated as a limited liability company and domiciled in Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office of the Company is located at 37 Jalan Pemimpin #07-16, Mapex, Singapore 577177.

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (“FRS”) including related Interpretations 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 to the nearest thousand (S\$’000) in Singapore dollar which is the Company’s functional currency. All financial information is presented in Singapore dollar, unless otherwise stated.

Significant accounting estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(a) Basis of preparation (Continued)

Critical judgements in applying accounting policies

Assessment of ability to exercise control over PTMII

Previously, a minority shareholder of PTMII in Batam had brought a legal claim against the Group on the validity of certain clauses in the Conditional Sales and Purchase Agreement (“CSPA”) signed between the Company and the said minority shareholder relating to the Company’s ability to appoint directors to the Board of PTMII. On 16 January 2017, the High Court of Singapore ruled in favour of the Company to enforce its legal rights to appoint new directors to the Board of directors of PTMII. Based on this order, the Company successfully appointed two directors to the Board of PTMII in February 2017. Even after the appointment of two nominee directors into the Board of PTMII, the Group was still unable to participate in any decision making of PTMII as the nominee directors were passive in the Board of PTMII and they had not participated in any of the Board and business meetings of PTMII since their appointment. Furthermore, one of the nominee directors of the Company was not contactable which resulted in the Group not participating in any of the board decision making in the operations, financial management and affairs of PTMII during the year and the Group did not have any practical ability to exercise their rights towards the financial and operating affairs of PTMII. As a result of the above, the Group was left effectively with only one nominee director to the Board of PTMII to obtain any documents and accounting records for the Group to prepare and maintain its consolidated financial statements which the Group did not have any access to. In addition, the Group’s repeated requests to PTMII for the nominees to be added as bank signatories of PTMII had not been acceded to.

On 4 August 2017, the Company had announced that the Batam district court had declared on 17 May 2017 that, inter alia, it had no jurisdiction to hear the claim by the said minority shareholder to declare that certain clauses of the CSPA relating to the right of the Company to appoint directors to the Board of PTMII are null and void. In response to the court’s decision, the minority shareholder filed an appeal to the Riau High Court on 24 May 2017. The Company’s Indonesian counsel received the memorandum of appeal from the Riau High Court on 28 July 2017. The appeal is still pending to date.

To avoid the need for the Company to continue in lengthy litigations and court actions against the said minority shareholder and PTMII on the compliance of the CSPA as well as engaging in unproductive legal issues, the Company has entered into a binding Term Sheet on 18 April 2018 to resolve the disputes arising out of and/or in connection with all the agreements and the legal proceedings. This Term Sheet demonstrates the Group’s intention to divest the entire equity interest in PTMII so that it can continue to place focus on growing its core business segments in trading and engineering & construction logistics. The 2 nominee directors shall resign from their position as directors of the Board of directors of PTMII and the said minority shareholder shall also resign as an employee of the Company within 14 days after the receipt of US\$4.5 million from the said minority shareholder.

Management had taken into consideration of the above triggering events which indicated a change in circumstances that resulted in the Group with neither any participation and practical ability to exercise its rights in the affairs and operations of PTMII nor any influence on PTMII’s management. In accordance with FRS 110, the loss of control represents a significant economic event that requires the parent to stop consolidating the subsidiary at the date when control is lost. Accordingly, management had deconsolidated PTMII from the Group with effect from 1 January 2017 and reclassified its investment in PTMII as available-for-sale financial assets from that date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(a) Basis of preparation (Continued)

Critical judgements in applying accounting policies (Continued)

Impairment of loans and receivables

The Group and the Company assess at the end of each reporting period to ascertain whether there is any objective evidence that a financial asset is impaired. To determine whether there is any objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and the Company's loans and receivables at the end of the reporting period are disclosed in Note 8 and 11 of the financial statements.

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

On 1 January 2017, the Group adopted the amended FRSs that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. This includes the following FRS which is relevant to the Group.

Reference

Description

Amendments to FRS 7

Statement of Cash Flows

The adoption of this new or amended FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

2(c) SFRS(I) not yet effective

Convergence with International Financial Reporting Standards (IFRS)

In December 2017, the Accounting Standards Council Singapore issued Singapore Financial Reporting Standards (International) (SFRS(I)). 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 SFRS(I) for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary assessment of the impact of SFRS(I) for the transition to the new reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

Convergence with International Financial Reporting Standards (IFRS) (Continued)

The following are the new or amended SFRS(I) issued that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on)
SFRS(I) 9	Financial Instruments	1 January 2018
SFRS(I) 15	Revenue from Contracts with Customers	1 January 2018
SFRS(I) 16	Leases	1 January 2019

SFRS(I) 9 Financial Instruments

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

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

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018.

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

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model or a significant increase in the impairment loss allowance.

The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a comprehensive framework for determining whether how much and when revenue is recognised. It also establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. In addition, it also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

Convergence with International Financial Reporting Standards (IFRS) (Continued)

SFRS(I) 15 Revenue from Contracts with Customers (Continued)

When effective, SFRS(I) 15 replaces existing revenue recognition guidance, including FRS 18 Revenue, FRS 11 Construction Contracts, INT FRS 113 Customer Loyalty Programmes, INT FRS 115 Agreements for the Construction of Real Estate, INT FRS 118 Transfers of Assets from Customers and INT FRS 31 Revenue – Barter Transactions Involving Advertising Services.

SFRS(I) 15 Revenue Contracts with Customers also includes clarification how to:

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

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

The Group does not expect significant changes to the basis of revenue recognition for its revenue from the provision of construction logistics services since these are recognised upon completion of work and the services are rendered in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

There is unlikely to be any significant financing component arising from the rendering of the construction logistics services. Credit terms are only extended to the customers and such credit terms are generally in line with the industry norm.

SFRS(I) 16 Leases

SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. 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 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 more extensive disclosures to be provided by a lessor.

When effective, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

Convergence with International Financial Reporting Standards (IFRS) (Continued)

SFRS(I) 16 Leases (Continued)

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019.

The Group has operating leases relating to office premises.

The Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. This would increase the gearing ratio of the Group.

2(d) Summary of significant accounting policies

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

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 transactions and events in similar circumstances.

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

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

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

Subsidiary

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:

- (i) Power over the investee;
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

Consolidation (Continued)

Subsidiary (Continued)

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 the voting rights relative to the size and dispersion of holdings of 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 authorities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Non-controlling interest

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

Changes in ownership interests in subsidiaries without change of control

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

Changes in ownership interests in subsidiaries resulting in loss of control

When the Group loses control of a subsidiary, it:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

Consolidation (Continued)

Changes in ownership interests in subsidiaries resulting in loss of control (Continued)

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 amounts of the assets and liabilities of the subsidiary and any non-controlling interest.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRS).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

Consolidation (Continued)

Bargain purchase

If the total consideration transferred, non-controlling interest recognised and previously-held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Property, plant and equipment

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

Leasehold improvement	2 to 10 years (depreciated over shorter of the period of the lease terms or useful lives)
Furniture and fittings	3 to 10 years
Plant and machinery	3 to 10 years
Office and other equipment	3 to 10 years
Motor vehicles	1 to 10 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.

Subsequent expenditure relating to property, plant and equipment that has 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 month of acquisition and to the month before disposal respectively. 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 the end of each reporting period as a change in estimates.

Assets under construction are not depreciated until the assets are completed and ready for use.

Subsidiaries

Subsidiaries are entities controlled by the Company. In the Company's separate statement of financial position, subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

Financial assets

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

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

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

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

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

The Group and the Company do not hold any financial assets at fair value through profit or loss and held-to-maturity investments.

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 trade and other receivables (excluding advance payments to suppliers and prepayments), cash and bank balances and fixed deposits and loans due from an investee. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

Financial assets (Continued)

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 equity, net of any effects arising from income taxes, until the financial assets is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity is included in the profit or loss for the period.

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

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

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

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

Determination of fair value

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and includes all costs in bringing the inventories to their present location and condition. The cost of work-in-progress comprises raw materials, direct labour, other direct costs and related overheads, but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits with financial institutions which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents exclude cash restricted in use, and are presented net of bank overdraft which is repayable on demand and which forms an integral part of cash management.

Share capital

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

Financial liabilities

The Group's financial liabilities include trade and other payables and finance lease liabilities.

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 profit or loss. Financial liabilities are derecognised if the Group's obligation specified in the contract expires or is discharged or cancelled.

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

Financial liabilities 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).

Provisions

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

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 have 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.

Operating leases

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

Rentals on operating leases are charged to 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, and contingent rents are recognised in profit or loss when incurred.

Income taxes

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

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, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

Income taxes (Continued)

Deferred income tax is measured:

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, provided they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund in Singapore on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

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 Group and the Company 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 Group or the Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company 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); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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 management executives are considered key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

Impairment of non-financial assets

The carrying amounts of the Group's and the Company's non-financial assets subject to impairment are reviewed at 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 asset belongs will be identified.

For the purpose 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. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

An impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case, it is charged to equity.

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 is recognised as income in profit or loss. For revalued asset, a reversal is recognised as income in profit or loss to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss. Subsequent reversal of an impairment on a revalued asset is credited directly to equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

Revenue recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of business, net of goods and services tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Rendering of services – construction logistics services

Service income from construction logistics services is recognised upon completion of work in accordance with the substance of the relevant agreements.

Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income

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

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss on a straight-line basis over the estimated useful life of the relevant asset.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of constitution of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

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 Group and the Company are presented in Singapore dollar, which is also the functional currency of the Company.

Conversion of foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at that date.

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 exchange rates at the balance sheet date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2(d) Summary of significant accounting policies (Continued)

Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 27 of the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial period to acquire property, plant and equipment.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effect of all dilutive potential ordinary shares, which comprise any convertible bonds and warrants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 Property, plant and equipment

The Group	Leasehold land and building \$'000	Leasehold improvement \$'000	Vessels \$'000	Vessel equipment \$'000	Furniture and fitting \$'000	Plant and equipment \$'000	Office and other equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
Cost										
At 1 January 2016	250	17	59,568	76	-	327	319	3,197	-	63,754
Additions	-	3	468	30	-	21	27	-	-	549
Disposals	-	-	-	-	-	-	(9)	(470)	-	(479)
Currency translation differences – net	13	-	2,851	4	-	1	3	1	-	2,873
At 31 December 2016	263	20	62,887	110	-	349	340	2,728	-	66,687
Acquisition of a subsidiary (note 5)	-	-	-	-	-	-	33	55	1	89
De-consolidation of a subsidiary (note 5)	(263)	-	(62,887)	(110)	-	(45)	(21)	(26)	-	(63,352)
Additions	-	347	-	-	13	-	119	334	130	943
Disposals	-	(19)	-	-	-	-	(9)	(76)	-	(104)
Currency translation differences – net	-	-	-	-	-	-	(4)	(7)	(4)	(15)
At 31 December 2017	-	348	-	-	13	304	458	3,008	127	4,258
Accumulated depreciation/impairment losses										
At 1 January 2016	1	6	331	2	-	52	286	1,364	-	2,042
Depreciation for the year	11	10	2,903	29	-	41	26	327	-	3,347
Impairment losses	-	-	30,629	-	-	-	-	-	-	30,629
Disposals	-	-	-	-	-	-	(6)	(371)	-	(377)
At 31 December 2016	12	16	33,863	31	-	93	306	1,320	-	35,641
De-consolidation of a subsidiary (note 5)	(12)	-	(33,863)	(31)	-	(4)	(14)	(6)	-	(33,930)
Depreciation for the year	-	169	-	-	6	36	33	323	-	567
Impairment losses	-	-	-	-	-	-	-	293	-	293
Disposals	-	(15)	-	-	-	-	(8)	(75)	-	(98)
At 31 December 2017	-	170	-	-	6	125	317	1,855	-	2,473
Net book value										
At 31 December 2017	-	178	-	-	7	179	141	1,153	127	1,785
At 31 December 2016	251	4	29,024	79	-	256	34	1,408	-	31,056

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 Property, plant and equipment (Continued)

The Company	Leasehold improvement \$'000	Office and other equipment \$'000	Motor vehicles \$'000	Total \$'000
<u>Cost</u>				
At 1 January 2016	–	–	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
At 31 December 2016	–	–	–	–
Additions	347	43	198	588
At 31 December 2017	347	43	198	588
<u>Accumulated depreciation</u>				
At 1 January 2016	–	–	–	–
Depreciation for the year	–	–	–	–
Disposals	–	–	–	–
At 31 December 2016	–	–	–	–
Depreciation for the year	169	14	10	193
At 31 December 2017	169	14	10	193
<u>Net book value</u>				
At 31 December 2017	178	29	188	395
At 31 December 2016	–	–	–	–

In accordance with FRS 36, the management of the Group tested property, plant and equipment for impairment whenever there is any indication that the assets may be impaired.

Management had identified the following significant cash generating unit ("CGU") i.e. TSL Transport & Engineering Pte Ltd to have indications of possible impairment issues at year end as it was in a loss-making position for the year and with net cash outflow from operations.

Management had assessed the recoverable amounts for the CGU based on fair value less cost to sell. The CGU comprises mainly current assets and current liabilities which approximate their fair values at year end. Other non-current assets include mainly motor vehicles where external suppliers' quote had been obtained to determine its fair value less cost to sell at year end. Comparing the carrying value of the motor vehicles with its recoverable amount, management had determined an impairment loss of \$293,000 to be recognised in the current year's profit or loss under "other operating expense".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 Property, plant and equipment (Continued)

In the last financial year ended 31 December 2016, the management of the Group had considered that there were indicators of impairment over the vessels, goodwill and other intangible assets due to the following considerations and accordingly, carried out impairment testing of its vessels, goodwill and other intangible assets relating to PTMII:

- (a) The business performance of PTMII had been below expectations;
- (b) PTMII had a material customer contract which did not materialise during the financial year ended 31 December 2016 and significantly impacted the performance of PTMII;
- (c) Future profitability and short-term business outlook of PTMII, including factors such as the deterioration in the economic environment for shipping industry; and
- (d) Significant decline in the market value of PTMII's vessels.

In arriving at the recoverable amounts of the assets, the management engaged an independent third party valuer to determine the fair value of the vessels. Based on the recoverable amounts determined based on the fair value less cost to sell, the Group recorded the following impairment in value of the respective assets in profit or loss for the financial year ended 31 December 2016:

- S\$30.6 million for vessels (Note 3)
- S\$3.4 million for goodwill (Note 4)
- S\$1.36 million for other intangible assets (Note 4)

The carrying amounts of the Group's property, plant and equipment included under finance lease agreement are as follows:

	2017 \$'000	2016 \$'000
The Group		
Plant and equipment	–	173
Motor vehicles	613	1,383
	613	1,556

Leased assets are pledged as security for the related finance lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4 Intangible assets

The Group

Goodwill arising on consolidation
Customer contract and related customer relationship

2017 \$'000	2016 \$'000
101	–
–	–
101	–

(a) Goodwill arising on consolidation

The Group

Cost

Beginning of financial year
Additions arising from acquisition of PT IPA (Note 5)
Currency translation difference
Deconsolidation of a subsidiary (Note 5)
End of financial year

2017 \$'000	2016 \$'000
3,423	3,324
101	–
–	99
(3,423)	–
101	3,423

Accumulated impairment

Beginning of financial year
Impairment loss (Note 18)
Deconsolidation of a subsidiary (Note 5)
End of financial year

(3,423)	–
–	(3,423)
3,423	–
–	(3,423)

Net book value

101	–
-----	---

(b) Customer contract and related customer relationship

The Group

Cost

Beginning of financial year
Currency translation difference
Deconsolidation of a subsidiary (Note 5)
End of financial year

2017 \$'000	2016 \$'000
1,719	1,686
–	33
(1,719)	–
–	1,719

Accumulated amortisation and impairment

Beginning of financial year
Amortisation charge (Note 18)
Impairment loss on intangible assets (Note 18)
Deconsolidation of a subsidiary (Note 5)

(1,719)	(28)
–	(331)
–	(1,360)
1,719	–

End of financial year

–	(1,719)
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Net book value

–	–
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5 Investments in subsidiaries

	2017 \$'000	2016 \$'000
The Company		
<u>Unquoted equity investments, at cost</u>		
At beginning and end of year	18,958	18,958
Reclassification [^] (see Note 2(a))	(14,855)	–
Additions during the year	978	–
	5,081	18,958
<u>Allowance for impairment losses</u>		
At beginning of year	(15,067)	(212)
Reclassification [^] (see Note 2(a))	14,855	–
Impairment loss [*]	–	(14,855)
At end of year	(212)	(15,067)
Carrying amount	4,869	3,891

[^] Following management's evaluation and conclusion to deconsolidate PTMII with effect from 1 January 2017 as described in Note 2(a), the investment in PTMII was reclassified as available-for-sale financial asset with a net carrying value of Nil at year end.

^{*} For the financial year ended 31 December 2017, management of the Group had carried out an impairment assessment over the investments in subsidiaries and identified the following significant cash generating units ("CGUs") to have indications of possible impairment issues at year end as it was in a loss-making position for the year and with net cash outflow from operations:

- (i) TSL Transport & Engineering Pte Ltd
- (ii) PSL Metal Pte Ltd

The recoverable amount of the cost of investment in subsidiaries was based on the higher of fair value less costs to sell and value in use. The fair value less cost to sell is determined based on the fair values of each of the identified assets and liabilities of each subsidiaries. The financials of the identified subsidiaries comprised mainly current assets and current liabilities which approximated their fair values at year end. Other non-current assets include mainly motor vehicles where external suppliers' quote had been obtained to determine its fair value at year end and the non-current assets had been written down to their fair values accordingly. The carrying amount of the revalued net assets, which approximated the fair value of the net assets, would be deemed as the recoverable amount of the subsidiaries. Based on management's evaluation, no impairment is required since the recoverable amount of each of identified subsidiaries was still higher than their carrying amounts at year end.

For the last financial year ended 31 December 2016, the management had considered that there was objective evidence that its investment in PTMII may be impaired at 31 December 2016 (see Note 3). Based on the impairment testing, an impairment loss of S\$14,855,000 was recorded in statement of comprehensive income of the Company for the financial year ended 31 December 2016, being the shortfall between the carrying amount and the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5 Investments in subsidiaries (Continued)

Details of investments in subsidiaries as at 31 December 2017 and 2016 are as follows:

Name	Country of incorporation/ principal place of business	Attributable to equity interest of the Group		Principal activities
		2017	2016	
<u>Held by the Company</u>				
PSL Metal Pte. Ltd. ^(a)	Singapore	100	100	Installation of industrial machinery and equipment; mechanical engineering works and building construction
TSL Transport & Engineering Pte. Ltd. ^(a)	Singapore	99.17 [#]	75	Excavation and earth moving works and general engineering activities
KCL Logistics Pte Ltd (formally known as PSL Energy Resources Pte. Ltd.) ^(a)	Singapore	100	100	Investment holding
PSL Maritime Strategic Pte. Ltd. ^(a)	Singapore	100	100	Investment holding
PSL Maritime Logistics Holdings Pte. Ltd. ^(a)	Singapore	100 [^]	–	Logistics provider
PSL Construction Logistics Holdings Pte. Ltd. ^(a)	Singapore	100 [^]	–	Excavation and earth moving works
PSL Properties Pte Ltd ^(a)	Singapore	100 [^]	–	Real estate activities with own or leased properties

(a) Audited by Foo Kon Tan LLP, principal member firm of HLB International in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5 Investments in subsidiaries (Continued)

Name	Country of incorporation/ principal place of business	Attributable to equity interest of the Group		Principal activities
		2017	2016	
<u>Held by KCL Logistics Pte Ltd</u>				
PT PSL Commodities Indonesia ^(b)	Indonesia	99	99	Investment holding
<u>Held by PT PSL Commodities Indonesia</u>				
PT Indah Perkasa (“PT IPA”) ^(c)	Indonesia	74.3	–	Construction and infrastructure activities
<u>Held by PSL Maritime Strategic Pte. Ltd.</u>				
PT Jaya Sukses Investasi ^(b)	Indonesia	99.9	99.9	Investment holding
<u>Held by PT Jaya Sukses Investasi</u>				
PT Selaras Sukses Selalu ^(b)	Indonesia	99.99	99.99	Investment holding
<u>Held by PT Selaras Sukses Selalu</u>				
PT Momentum Indonesia Investama (“PTMII”) ^(d)	Indonesia	–	49	Engaged in shipping including transport and shipping cargo and rental of vessels

(b) Not required to be audited under the laws of the country of incorporation.

(c) Audited by HLB Hadori Sugiarto Adi & Rekan. PT IPA was acquired by the Group under business combination during the year.

(d) Following management's evaluation and conclusion to deconsolidate PTMII with effect from 1 January 2017 as described in Note 2(a), the investment in PTMII was reclassified as available-for-sale financial asset.

During the financial year, the Company acquired the entire 290,000 new ordinary shares issued by TSL Transport & Engineering Pte Ltd and increased its equity ownership in the subsidiary from 75% to 99.17%.

^ These subsidiaries are newly incorporated and wholly owned by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5 Investments in subsidiaries (Continued)

Carrying value of non-controlling interests

The Group	2017 \$'000	2016 \$'000 (Restated)
PT Momentum Indonesia Investama	–	(2,056)
TSL Transport & Engineering Pte. Ltd.	8	488
PT Jaya Sukses Investasi	1	1
PT IPA	161	–
	170	(1,567)

Interest in a subsidiary with material non-controlling interest

Summarised financial information of a subsidiary that has a material non-controlling interest (NCI) is set out below. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests for the financial year ended 31 December 2017 and 2016 apart from those disclosed in Note 24.

Summarised balance sheet

	PT IPA 2017 \$'000	PTMII (Restated) 2016 \$'000
Current		
Assets	8,999	4,297
Liabilities	(8,721)	(31,177)
Total net current assets/(liabilities)	278	(26,880)
Non-current		
Assets	403	30,036
Liabilities	(36)	(7,042)
Total net non-current assets	367	22,994
Net assets/(liabilities)	645	(3,886)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5 Investments in subsidiaries (Continued)Summarised statement of comprehensive income

	PT IPA	PTMII (Restated)
	2017 \$'000	2016 \$'000
Revenue	7,772	14,519
Profit/(loss) before income tax	532	(30,872)
Income tax (expense)/credit	(246)	3,126
Profit/(loss) after tax	286	(27,746)
Other comprehensive income	–	1,024
Total comprehensive income/(loss)	286	(26,722)
Total comprehensive income/(loss) allocated to non-controlling interest	72	(13,628)

Summarised cash flow statement

	PT IPA	PTMII (Restated)
	2017 \$'000	2016 \$'000
Cash flows (used in)/generated from operations	(881)	909
Interest income	–	4
Interest paid	(106)	(474)
Income tax paid	(224)	(17)
Net cash (used in)/generated from operating activities	(1,211)	422
Net cash used in investing activities	(327)	(523)
Net cash generated from financing activities	3,603	642
Net increase in cash and cash equivalents	2,065	541
Cash and cash equivalents at beginning of year	511	409
Cash and cash equivalents at end of year	2,576	950

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5 Investments in subsidiaries (Continued)**Acquisition of a subsidiary**

An indirect subsidiary of PSL Holdings Limited, PT PSL Commodities Indonesia ("PT PSLCI"), has on 10 August 2017 entered into a subscription agreement ("Agreement") with PT Indah Perkasa Abadi ("PT IPA"). Pursuant to the Agreement, PT PSLCI will subscribe for new shares in the capital of PT IPA (the "Subscription") such that PT PSLCI will hold 75% shareholding in PT IPA upon completion of the Subscription. The Subscription was completed on 18 August 2017.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(i) Effect on cash flows of the Group

	\$'000
Cash paid	(387)
Less: Cash and cash equivalents in subsidiary acquired	511
Cash inflow on acquisition	124

(ii) Identifiable assets acquired and liabilities assumed

	At fair value \$'000
Property, plant and equipment (b)	89
Inventories	799
Trade receivables (c)	1,166
Other receivables (c)	2,457
Cash and cash equivalents	511
Trade and other payables	(4,611)
Finance lease liabilities	(24)
Provision for taxation	(6)
Total identifiable net assets	381
Less: Non-controlling interest at fair value (d)	(95)
Add: Goodwill (e) (Note 4)	101
Consideration transferred for the business	387

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5 Investments in subsidiaries (Continued)

(a) Acquisition-related costs

The Group incurred acquisition-related costs of \$2,700 on legal advice sought for the acquisition of PT IPA. These costs have been included in 'professional fees' in the consolidated profit or loss.

(b) Property, plant and equipment

The fair value of the property, plant and equipment acquired of S\$89,000 has been determined based on external quotations received from car dealers.

(c) Trade and other receivables

Trade and other receivables acquired comprise gross trade and other receivables amounting to S\$3,623,000 which approximated their fair value. It was expected that full contractual amount of the receivables could be collected.

(d) Non-controlling interest

PT PSL Commodities Indonesia recognised the 25% non-controlling interest based on PT IPA's identifiable net assets at its fair value of S\$381,000 as at the acquisition date.

(e) Goodwill

The goodwill of S\$101,000 arising from the acquisition represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired.

Revenue and profit contribution

The acquired business contributed revenue of S\$7,772,000 and net profit of S\$286,000 to the Group for the period from 18 August 2017 to 31 December 2017.

Had PT IPA been consolidated from 1 January 2017, consolidated revenue and consolidated profit for the year ended 31 December 2017 would have been S\$11,223,000 and S\$184,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5 Investments in subsidiaries (Continued)**Deconsolidation of a subsidiary**

Consequent to the triggering events described in Note 2(a) which indicated a change in circumstances that resulted in the Group with neither any participation and practical ability to exercise its rights in the affairs and operations of PTMII nor any influence on PTMII's management, management had deconsolidated PTMII from the Group with effect from 1 January 2017 and reclassified its investment in PTMII as available-for-sale financial assets from that date.

The cash flow and the net assets of the subsidiary company deconsolidated during the year ended 31 December 2017 are provided below:

	Recognised values on deconsolidation \$'000
Property, plant and equipment	29,422
Intangible assets	–
Cash and cash equivalents	950
Inventories	314
Trade and other receivables	3,034
Other non-current assets	615
Deferred tax liabilities	(15)
Trade and other payables	(30,506)
Borrowings	(643)
Current tax payables	(30)
Other non-current liabilities	(7,027)
Net liabilities	(3,886)
Net assets attributable to:	
Owners of the Company	(1,830)
Non-controlling interests	(2,056)

Gain on deconsolidation of the subsidiary company recognised as follows:

	\$'000
Consideration	–
Less: Share of net liabilities deconsolidated	1,830
Realisation of foreign currency translation reserve	734
Gain on deconsolidation of the subsidiary company	2,564
Consideration	–
Net cash and cash equivalents disposed of	(950)
Net cash outflow from deconsolidation of the subsidiary company	(950)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6 Available-for-sale financial assets**The Group**Cost

Balance at beginning of year

Additions

Balance at end of year

2017
\$'000**2016**
\$'000**1,385**

1,381

–

4

1,385

1,385

2017
\$'000**2016**
\$'000Accumulated impairment

Balance at beginning of year

Impairment loss (Note 20)

Balance at end of year

1,375

1,366

5

9

1,380

1,375

5

10

Available-for-sale financial assets are analysed as follows:

Quoted equities

Unquoted equity

5

10

–

–

Balance at end of year**5**

10

Following management's evaluation and conclusion to deconsolidate PTMII with effect from 1 January 2017 as described in Note 2(a), the investment in PTMII was reclassified as available-for-sale financial asset with a net carrying value of Nil. At year end, management had performed an impairment assessment and considered that a full impairment allowance made previously on the investment in PTMII to be appropriate since objective evidence of impairment continued to exist with the uncertainty in the shipping industry and the business outlook for PTMII.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7 Amounts due from/(to) subsidiaries

	2017	2016
	\$'000	\$'000
The Company		
Current		
Amount due from subsidiaries:		
– trade	–	102
– non-trade	1,353	2,170
Loan due from PTMII	–	4,340
Loan due from a subsidiary	4,282	–
	5,635	6,612
Amount due to subsidiaries:		
– non-trade	(5,816)	(6,252)
Non-current		
Loan due from PTMII	–	12,298
Impairment loss*	–	(2,761)
	–	9,537

Trade balances with subsidiaries relate to management fee receivables. Non-trade balances with subsidiaries and loan due from a subsidiary are unsecured, interest-free and repayable on demand.

In the last financial year, the loan due from PTMII is unsecured, bears interest at 0.25% above the six-month Singapore Interbank Offered Rate and is not repayable within the next twelve months except for \$4,340,000 which is repayable on demand. The carrying value of the non-current portion of loan due from PTMII approximates its fair value.

In the current financial year, following management's evaluation to de-consolidate PTMII with effect from 1 January 2017, the investment in PTMII was reclassified as available-for-sale financial asset. The loan due from PTMII was thus reclassified as loans due from an investee in 2017.

* In 2016, the management had considered that there was objective evidence that its investment in PTMII may be impaired at 31 December 2016 due to the following considerations and accordingly, carried out an impairment testing of its investment in PTMII:

- (a) The business performance of PTMII had been below expectations.
- (b) PTMII had a material customer contract which did not materialise during the financial year and significantly impacted the performance of PTMII.
- (c) Future profitability and short-term business outlook of PTMII, including factors such as the deterioration in the economic environment for shipping industry.
- (d) Significant decline in the market value of PTMII's vessels.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7 Amounts due from/(to) subsidiaries (Continued)

In arriving at the recoverable amounts of the assets, the management engaged an independent third party valuer to determine the fair value of the vessels. Based on the recoverable amounts determined using fair value less cost to sell, an impairment loss of \$2.76 million was recorded in profit or loss for the financial year ended 31 December 2016.

	2017 \$'000	2016 \$'000
The Company		
Allowance for impairment		
Balance at beginning of year	(2,761)	–
Allowance made	–	(2,761)
Effect of translation	211	–
Balance at end of year	(2,550)	(2,761)

8 Trade and other receivables

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current				
Trade receivables				
– Non-related parties (a)	3,078	4,357	–	–
– Accrued service revenue (b)	2,712	195	–	–
Allowance for impairment losses (see Note 28.5)	(680)	(628)	–	–
	5,110	3,924	–	–
Advance payments to suppliers	269	1,356	–	–
Contingent consideration on acquisition of PTMII (c)	6,012	5,890	6,012	5,890
GST recoverable	64	40	13	7
Sundry receivables	462	326	–	8
Allowance for impairment losses	(212)	(212)	–	–
	250	114	–	8
Deposits	274	232	4	5
Prepayments	249	99	48	5
	12,228	11,655	6,077	5,915
Non-current				
Sundry receivables	–	614	–	–
Total	12,228	12,269	6,077	5,915

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8 Trade and other receivables (Continued)

- (a) Trade receivables are non-interest bearing and are generally granted 30 to 90 days (2016 – 30 to 90 days) credit term.
- (b) Accrued service revenue relates to services rendered but not billed to customers. They will be billed upon completion of the project.
- (c) As at 31 December 2017, contingent considerations of \$6,012,000 (2016 – \$5,890,000) comprise net profit guarantee from the vendors of PTMII. The vendors of PTMII had provided a guarantee to the Group that PTMII will achieve an aggregate of approximately S\$17,300,000 (US\$12,245,000) Net Profit after Tax (“NPAT”) over a 24-month period following completion date in November 2015. The actual NPAT achieved will be compared against the targeted NPAT. In the event that the targeted NPAT is not achieved, the vendors of PTMII are obliged to compensate the shortfall amount in cash based on its 49% ownership interest in PTMII.

Following management’s decision to deconsolidate PTMII with effect from 1 January 2017, management has signed a binding Term Sheet on 18 April 2018 with the Indonesian shareholders of PTMII to resolve all disputes arising out of or in connection with all the agreements and legal proceedings between the Company and PTMII. One of the terms of the Term Sheet includes the payment of US\$4,500,000 (S\$6,012,000) from the vendors of PTMII. Consequent to the settlement of the contingent consideration, the fair value of the profit guarantee approximated to S\$6,012,000 and an additional amount of S\$122,000 was recognised in profit or loss for the financial year ended 31 December 2017.

For the financial year ended 31 December 2016, management had carried out a review of the fair value of the profit guarantee (Note 19). The Group agreed to renounce its dividend entitlement to the vendors of PTMII when PTMII generates a cumulative NPAT of at least US\$3,000,000 and up to US\$6,000,000 in respect of the financial year ended 2016. The maximum possible payout for its 49% ownership interest is US\$3,000,000 in dividends declared. In the event PTMII generates a cumulative NPAT of more than US\$6,000,000 in respect of the financial year ended 2016 and the total declared dividend are more than US\$3,000,000, the Company shall receive its dividend entitlement in excess of US\$3,000,000. The fair value of renounced dividends was estimated to be S\$826,000 as at valuation date after applying the bank prime lending rates as discount rate to the expected earn-out payment based on the financial forecast provided by PTMII. For the financial year ended 31 December 2016, PTMII did not generate a NPAT of US\$3,000,000. Accordingly, the agreement to renounce the Group’s dividend entitlement had lapsed and the Group recognised additional consideration of S\$826,000 in other operating income (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8 Trade and other receivables (Continued)

Movement in contingent considerations on previous acquisition of a subsidiary are as follows:

	2017 \$'000	2016 \$'000
The Group and The Company		
Balance at beginning of year	5,890	1,418
Additional fair value recognised for profit guarantee due from Vendors (Note 19)	122	3,646
Lapse of renounced dividends (Note 19)	–	826
Balance at end of year	6,012	5,890

The movement in allowance for impairment losses of sundry receivables is as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At beginning and at end of year	212	212	–	–

In the last financial year, the fair value of the non-current portion of sundry receivables approximates its carrying amount.

9 Inventories

	2017 \$'000	2016 \$'000
The Group		
Fuel and spare parts	55	314
Work-in-progress	1,103	–
	1,158	314

The costs of inventories recognised as an expense and included in “cost of sales” amounted to \$824,000 (2016 – \$1,863,000) for the financial year ended 31 December 2017.

10 Cash and cash equivalents

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash at banks and on hand	6,992	8,326	3,939	5,865
Fixed deposits with financial institutions	3,986	5,837	3,720	5,572
	10,978	14,163	7,659	11,437

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10 Cash and cash equivalents (Continued)

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

	2017 \$'000	2016 \$'000
The Group		
Cash and bank balances as above	10,978	14,163
Fixed deposits pledged with financial institutions	(1,019)	(3,415)
Cash and cash equivalents per consolidated statement of cash flows	9,959	10,748

As at 31 December 2017, fixed deposits with financial institutions are pledged in relation to the banking facilities granted to PTMII. In 2016, fixed deposits with financial institutions are pledged in relation to the banking facilities granted to its subsidiaries.

The interest rates of fixed deposits with financial institutions of the Group and of the Company ranges from 0.05% to 1.55% per annum and 0.65% to 1.55% per annum (2016 – 0.65% to 1.55% per annum and 0.65% to 1.55% per annum), respectively.

The maturity periods for the fixed deposits with financial institutions of the Group and of the Company ranges from 90 to 365 days and 90 days (2016 – 90 to 365 days and 90 days), respectively from the date of placement.

11 Loans due from an investee

Loans due from an investee relate to loans due from PTMII. The loans due from an investee is unsecured and bears interest at 0.25% above the six-month Singapore Interbank Offered Rate. Following management's decision to de-consolidate PTMII with effect from 1 January 2017, the Group had re-designated the loans as current. In 2017, since the loans due from PTMII are no longer eliminated upon consolidation, an impairment allowance of \$2.76 million which was previously provided for at Company level would be recorded at Group level. The impairment loss of \$2,761,000 was thus recorded under other operating expense during the year.

	2017 \$'000	2016 \$'000
The Group and The Company		
Loans receivable	15,737	–
Allowance for impairment	(2,550)	–
Balance at end of year	13,187	–
The Group		
Allowance for impairment		
Balance at beginning of year	–	–
Impairment	2,761	–
Effect of translation	(211)	–
Balance at end of year	2,550	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11 Loans due from an investee (Continued)

Management has carried out a year end impairment assessment on the loans due from PTMII. As part of the settlement arrangement negotiated in the binding Term Sheet with the Indonesian shareholders of PTMII, 7 tug-and-barge vessels shall be transferred from PTMII to the Company as repayment of the outstanding loans receivable from PTMII. Based on management's evaluation, the fair values of the vessels are higher than the carrying amount of the loans due from PTMII at year end. Accordingly, no further impairment loss is provided for the financial year ended 31 December 2017.

12 Share capital

	2017	2016	2017	2016
The Group and Company	Number of ordinary shares		\$'000	\$'000
Issued and fully paid with no par value				
At beginning of year	46,405,830	38,671,830	32,533	29,575
Issuance of new shares	9,281,166	7,734,000	3,230	2,958
At end of year	55,686,996	46,405,830	35,763	32,533

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time and are entitled to one vote per share at the meetings of the Company. All shares rank equally with regard to the Company's residual assets.

On 20 December 2017 and 31 October 2016, the Company completed the allotment and issue of an aggregate of 9,281,166 (2016 – 7,734,000) new ordinary shares at \$0.348 (2016 – \$0.3825) for each subscription share in the capital of the Company ("Subscription Shares") for cash to provide funds for the expansion of the Group's operations.

Currency translation reserve

Currency translation reserve arises from the translation of financial statements of foreign entities whose functional currencies are different from the Group's presentation currency.

Capital reserve

Capital reserve arose from bonus issue of ordinary shares in prior years and are not available for dividend distribution to shareholders. Capital reserve also represented the difference between consideration paid and the adjustment to non-controlling interest arising from changes in Group's interest in a subsidiary that do not result in a loss of control which are accounted for as transaction with owners.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13 Trade and other payables

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current				
Trade payables – non-related parties	2,023	542	–	–
Other payables				
– non-related parties	296	6,880	213	5
– related parties (i)	11	4	–	–
Shareholders' loans (ii)	2,494	5,965	–	–
Accrued staff cost	191	143	89	–
Accrued expenses	1,234	1,105	729	418
Accruals for directors' fee	45	125	45	125
Goods and services tax payable	55	79	7	7
Others	–	2	–	–
	6,349	14,845	1,083	555
Non-current				
Shareholders' loans (iii)	–	6,962	–	–
Post-employment benefit obligation	–	65	–	–
	–	7,027	–	–
Total	6,349	21,872	1,083	555

Trade payables to non-related parties are non-interest bearing and are normally settled within 30 to 90 days (2016 – 30 to 90 days).

Notes:

- (i) Other payables to related parties mainly pertains to advances payable to non-controlling interests of subsidiaries which are unsecured, interest-free and repayable on demand.
- (ii) In 2016, the current shareholders' loans are unsecured, bore interest at rates ranging from 1.25% to 2% per annum and were repayable within 3 months to non-controlling shareholders of PTMII. In 2017, the shareholder's loan pertains to an interest free loan from the non-controlling shareholder of PT IPA. The loan is unsecured and repayable on demand.
- (iii) In 2016, the non-current shareholders' loans pertain to loan payable to non-controlling interests of PTMII which is repayable after one year at the end of reporting period and approximates its fair value, and subject to terms and conditions summarised as follows:
 - (a) the loan amounts are to be utilised by PTMII to pay down its existing bank loans;
 - (b) interest is payable on the loans at (i) 0.25% above the six-month Singapore Interbank Offered Rate; or (ii) 2.0%, whichever is lower, per annum;
 - (c) the loan amounts are expected to be repaid in full by PTMII by 2019;
 - (d) the interest on the loans shall be repaid by PTMII to the respective lenders in arrears on or before each interest payment date, being the last day of each 12 months' period commencing on the date of the disbursement of the loan amounts to PTMII and each subsequent 12 months' period up to and including the date of full repayment of the loan amounts; and
 - (e) Following management's decision to deconsolidate PTMII with effect from 1 January 2017, the above shareholders' loans from the non-controlling shareholders of PTMII cease to be consolidated as liabilities of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14 Obligations under finance leases

The Group	2017 \$'000	2016 \$'000
Minimum lease payments payable:		
No later than one year	166	301
Later than one year and not later than five years	91	187
	257	488
Less: Finance charges allocated to future years	(11)	(14)
Present value of minimum lease payments	246	474
Present value of minimum lease payments:		
No later than one year (current)	158	291
Later than one year and not later than five years (non-current)	88	183
	246	474

The effective interest rate ranges from 2.91% to 15.49% (2016 – 2.91% to 7.38%) per annum.

The Group leases certain plant and equipment, and motor vehicles from non-related parties under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. Lease terms range from 1 year to 5 years and do not contain restrictions concerning dividends, additional debt or further leasing.

The fair value of non-current finance lease liabilities determined from cash flow analysis, discounted at market borrowing rate of an equivalent instrument of 4.5% per annum as at end of the financial year is \$81,000 (2016 – \$179,000).

15 Deferred income tax (asset)/liabilities

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deferred tax liabilities	–	48	–	46
Deferred tax asset	(13)	–	–	–

Movement in deferred income tax (asset)/liabilities is as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At beginning of year	48	3,272	46	–
Tax (credited)/charged to profit or loss (Note 22)	(46)	(3,223)	(46)	46
Effect on deconsolidation of a subsidiary	(15)	–	–	–
Currency translation differences	–	(1)	–	–
At end of year	(13)	48	–	46

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15 Deferred income tax (asset)/liabilities (Continued)

The movement in deferred income tax asset and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

	Accelerated tax depreciation	Fair value gains	Total
	\$'000	\$'000	\$'000
The Group			
At 1 January 2016	79	3,193	3,272
Tax credited to profit or loss (Note 22)	(79)	(3,144)	(3,223)
Effect of currency translation difference	–	(1)	(1)
At 31 December 2016	–	48	48
Tax credited to profit or loss (Note 22)	(13)	(33)	(46)
Effect of deconsolidation of a subsidiary (Note 5)	–	(15)	(15)
At 31 December 2017	(13)	–	(13)
		Unremitted foreign income	Total
		\$'000	\$'000
The Company			
At 1 January 2016		–	–
Tax charged to profit or loss		46	46
At 31 December 2016		46	46
Tax credited to profit or loss upon remittance		(46)	(46)
At 31 December 2017		–	–

Deferred taxation is mainly attributable to the tax effect of the temporary differences between the carrying amount and tax written down values of qualifying property, plant and equipment.

16 Bank borrowings

	2017 \$'000	2016 \$'000
The Group		
Current		
Bank borrowings		
– unsecured	–	1,238
– secured	–	643
	–	1,881

Unsecured bank borrowings bear interest at rates ranging from 1.00% to 1.55% per annum as at 31 December 2016 and has been fully repaid on 25 January 2017. Secured bank borrowings are borrowings in Indonesia and bear interest at 11.5% per annum as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16 Bank borrowings (Continued)

Following management's decision to deconsolidate PTMII with effect from 1 January 2017, the secured bank borrowings of \$643,000 was excluded from the Group's financial statements in 2017.

The Company has secured the bank borrowings of PTMII as at 31 December 2017 through fixed deposits pledged with financial institutions (Note 10). In 2016, these bank borrowings were also secured by a corporate guarantee provided by the Company.

In 2016, the Group's bank borrowings are subject to covenant clauses, both financial and non-financial. The Group are in compliance with externally imposed capital requirements for the financial year ended 31 December 2016.

17 Revenue

Revenue for the Group represents net invoiced trading sales excluding inter-company transactions and applicable goods and services tax.

	2017 \$'000	2016 \$'000
The Group		
Sales of goods – construction hardware and accessories	–	1,880
Rendering of services:		
– construction logistics services	10,246	4,688
– marine logistics services	–	14,519
	10,246	21,087

18 Other operating expenses

	2017 \$'000	2016 \$'000
The Group		
Cost of sales	9,271	17,826
General and administrative expenses	7,756	39,779
	17,027	57,605

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18 Other operating expenses (Continued)

The Group	2017 \$'000	2016 \$'000
Changes in inventories	(358)	(137)
Purchase of inventories	1,182	2,000
Charter expenses	–	2,609
Port disbursement	–	480
Certificates and shipping documents	–	466
Loading fees	–	399
Trading – direct cost	14	–
Impairment loss on property, plant and equipment (Note 3)	293	30,629
Impairment loss on goodwill (Note 4)	–	3,423
Impairment loss on intangible assets (Note 4)	–	1,360
Depreciation of property, plant and equipment (Note 3)	567	3,347
Amortisation on intangible assets (Note 4)	–	331
Subcontractors costs	5,618	1,569
Insurance and road tax	58	337
Diesel and oil lubricants	402	3,215
Repair and maintenance	190	530
Utilities and telecommunication	37	23
Other expenses	321	99
Transportation expenses	97	167
General office expenses	764	74
Directors' remuneration and fees (Note 24.2)		
– fees	198	155
– wages and salaries	374	580
– employer's contributions to defined contribution plan	31	46
Employee compensation (excluding directors)		
– wages and salaries	2,461	3,902
– employer's contributions to defined contribution plan	210	154
Entertainment and gifts	27	64
Professional fees	623	655
Motor vehicle related expenses	429	–
Rental on operating leases	328	281
Auditor's remuneration paid/payable to:		
– Auditors of the Company	98	100
– Other auditors	13	99
– Non-audit	13	–
Allowance for impairment of trade receivables (Note 28.5)	100	521
Allowance for impairment of amount due from PTMII (Note 11)	2,761	–
Listing expenses	176	127
	17,027	57,605

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

19 Other operating income

	2017 \$'000	2016 \$'000
The Group		
Interest income from banks	70	68
Interest income from investee	238	–
Government grants	33	146
Sundry income	27	–
Profit guarantee due from Vendors* (Note 8)	122	3,646
Lapse of renounced dividends** (Note 8)	–	826
	490	4,686

* In accordance with the Conditional Sale and Purchase Agreement dated 17 March 2015 and the Supplemental Sale and Purchase Agreement dated 3 August 2015 entered into between Sudirman Kurniawan and Angelo Fernandus (hereinafter referred to as "Vendors") and the Company for the acquisition by the Company of approximately 49% of the entire issued and paid-up capital of PTMII, the Vendors had provided personal guarantee to the Company that PTMII will achieve an aggregate of approximately \$17,300,000 (US\$12,245,000) net profit after tax ("NPAT") over a 24-month period, commencing from November 2015 following the completion of the acquisition.

Based on the actual NPAT achieved during the guaranteed periods, financial forecasts and targeted NPAT of PTMII for the remaining periods within the guaranteed periods, the management carried out a review of the fair value of the profit guarantee and recognised an additional amount of \$3,646,000 in profit or loss for the financial year ended 31 December 2016. The total amount of profit guarantee due from Vendors at 31 December 2016 amounted to \$5,890,000 (Note 8).

** As at 31 December 2016, PTMII did not generate a NPAT of US\$3,000,000. Accordingly, the agreement to renounce the Group's dividend entitlement had lapsed.

20 Other gains – net

	2017 \$'000	2016 \$'000
The Group		
Impairment loss on investment in available-for-sale financial assets (Note 6)	(5)	(9)
Currency exchange (losses)/gains	(1,333)	1,517
(Loss)/gain from disposal of property, plant and equipment	(1)	121
Gain from deconsolidation of subsidiary (Note 5)	2,564	–
Bad debt reversed	5	9
	1,230	1,638

21 Finance expenses

	2017 \$'000	2016 \$'000
The Group		
Interest expense		
– shareholders' loans granted to PTMII	–	240
– bank borrowings	13	14
– finance leases	11	28
– amortisation cost on loans	–	469
	24	751

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

22 Income tax expense/(credit)**The Group**

Current taxation

– foreign

– overprovision in respect of prior years

Deferred taxation (Note 15)

Total taxation

2017 \$'000	2016 \$'000
246	174
–	(32)
246	142
(46)	(3,223)
200	(3,081)

Reconciliation of effective tax rate**The Group**

Loss before taxation

Tax at statutory rate of 17% (2016 – 17%)

Effect of different tax rate of foreign subsidiaries

Tax effect on non-deductible expenses

Tax effect on non-taxable income

Deferred tax assets on temporary differences not recognised

Utilisation of previously unrecognised capital allowance

Overprovision of current taxation in respect of prior years

2017 \$'000	2016 \$'000
(5,094)	(30,945)
(866)	(5,261)
(71)	174
1,227	6,188
(511)	(4,151)
421	555
–	(554)
–	(32)
200	(3,081)

As at the end of reporting period, the Group has unabsorbed tax losses and capital allowances amounting to approximately \$5,557,000 (2016 – \$3,078,000) that are available for offset against future taxable profits of those companies. The unutilised tax losses have no expiry dates. The use of these unutilised tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation.

23 Loss per share**The Group**

Loss attributable to equity holders of the Company (\$'000)

Weighted average number of ordinary shares in issue
for basic earnings per share

Basic and diluted loss per share (cents)

2017	2016 (restated)
(5,251)	(13,714)
46,710,964	39,985,551
(11.24)	(34.30)

The basic and diluted loss per share is the same as the Group does not have any potentially dilutive shares as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24 Significant related party transactions

24.1 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant transactions with related parties:

	2017 \$'000	2016 \$'000
The Group		
Interest expense for shareholders' loan granted to PTMII	-	240

24.2 Key management personnel compensations

The fees and remuneration of the directors of the Company, who are the key management personnel of the Group, are as follows:

	2017 \$'000	2016 \$'000
The Group		
Key management:		
<u>Directors</u>		
– fees	198	155
– wages and salaries	374	580
– employer's contributions to defined contribution plan	31	46
<u>Other key management</u>		
– wages and salaries	448	328
– employer's contributions to defined contribution plan	43	44

25 Commitments

Operating lease commitments

Where the Group is a lessee

The Group and the Company lease office premise under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The office leases have remaining terms of 1 to 2 years. Future minimum lease payments for all leases are as follows:

	2017 \$'000	2016 \$'000
The Group		
Within one year	96	187
After one year but not more than five years	19	203

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26 Financial guarantees

As at 31 December 2017, the Company has provided corporate guarantees up to S\$1,019,000 to certain banks and financial institutions in respect of loans and borrowings granted to PTMII. As at 31 December 2016, the Company has provided corporate guarantees up to S\$3,086,000 to certain banks and financial institutions in respect of loans and borrowings granted to its subsidiaries.

At the end of the financial year, the maximum amount the Company could become liable is as shown below:

	2017 \$'000	2016 \$'000
The Company		
Corporate guarantees	363	1,881

As at the end of the financial year, the Company was not required to fulfil any guarantee on the basis of non-default by the investee.

27 Segment information

Management has determined the operating segments based on the reports reviewed by management that are used to make strategic decisions. Management considers the business from business segment perspective and manages and monitors the business in three main business segments. These are trading & engineering, construction logistics and marine logistics. Management assesses the performance of the business segments based on sales, segment results, segment assets and segment liabilities.

- i. Inter-segment transactions are determined on terms agreed between the parties. The sales from external parties reported to management are measured in a manner consistent with that in the statement of comprehensive income.
- ii. Management assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("EBITDA").
- iii. The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than the Group's cash and bank balances.
- iv. The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segments. All liabilities are allocated to the reportable segments.
- v. Corporate comprises the costs of the Group functions not allocated to the three business segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27 Segment information (Continued)

(a) Business segments

- (i) The following table presents revenue and results information regarding the Group's business segments for the years ended 31 December 2017 and 2016:

	Trading and engineering		Construction logistics		Marine logistics		Corporate		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Segment by Operations</u>										
Sales to external parties	-	1,880	10,246	4,688	-	14,519	-	-	10,246	21,087
EBITDA	(1,245)	(339)	(5)	211	-	5,413	(3,268)	3,543	(4,518)	8,828
Other information:										
Impairment loss on property, plant and equipment	-	-	(293)	-	-	(30,629)	-	-	(293)	(30,629)
Impairment loss on goodwill	-	-	-	-	-	(3,423)	-	-	-	(3,423)
Impairment loss on intangible assets	-	-	-	-	-	(1,360)	-	-	-	(1,360)
Depreciation of property, plant and equipment	(10)	(19)	(364)	(363)	-	(2,965)	(193)	-	(567)	(3,347)
Amortisation of intangible assets	-	-	-	-	-	(331)	-	-	-	(331)
EBITDA includes the following										
material expenses:										
- Subcontractors costs	-	-	(5,618)	(1,569)	-	-	-	-	(5,618)	(1,569)
- Employee compensation (excluding directors)	(714)	(296)	(1,412)	(1,538)	-	(2,025)	(545)	(197)	(2,671)	(4,056)

The revenue from external parties reported to management is measured in a manner consistent with that in the statement of comprehensive income.

Management assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("EBITDA") for continuing operations. This measurement basis excludes the effects of expenditure from the operating segments such as impairment loss that are not expected to recur regularly in every period which are separately analysed. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27 Segments information (Continued)

(a) Business segments (Continued)

- (ii) The following table presents assets, liabilities and other segment information regarding the Group's business segments for the years ended 31 December 2017 and 2016:

	Trading and engineering		Construction logistics		Marine logistics		Corporate		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets and liabilities:										
Segment assets	50	1,426	8,664	2,918	-	34,808	19,769	4,497	28,483	43,649
Unallocated assets										
- Short-term deposits and bank balances									10,978	14,163
Total assets									39,461	57,812
Segment assets includes:										
Additions of property, plant and equipment	3	12	352	14	-	523	588	-	943	549
Segment liabilities	56	1,374	5,427	885	-	21,661	1,125	361	6,608	24,281

Reconciliation of segment losses

A reconciliation of EBITDA to loss before tax is as follows:

The Group	2017 \$'000	2016 \$'000
EBITDA	(4,518)	8,828
Depreciation	(567)	(3,347)
Amortisation	-	(331)
Impairment	(293)	(35,412)
Interest income	308	68
Finance expense	(24)	(751)
Loss before tax	(5,094)	(30,945)

(b) Geographical segments

The following table presents revenue and certain non-current assets information regarding the Group's geographical segments for the years ended 31 December 2017 and 2016:

	Singapore		Indonesia		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	2,474	6,568	7,772	14,519	10,246	21,087
Non-current assets	1,507	1,645	403	30,035	1,910	31,680

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28 Financial risk management objectives and policies

The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance. The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

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.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

The carrying amounts of financial assets and financial liabilities at the reporting date by categories of FRS 39 are as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Available-for-sale financial assets	5	10	–	–
Loans and receivables*	35,875	24,977	32,510	33,496
Financial liabilities at amortised cost	6,595	24,227	6,899	6,807

* Excludes advance payments to suppliers and prepayments.

28.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

At the reporting date, the Group and the Company are not exposed to significant interest rate risk since it does not hold any variable rate financial liabilities.

28.2 Price risk

The Group has investment in quoted equity shares. The market value of these investments will fluctuate with market conditions. Management is of opinion that the exposure to market risk associated with these investments is not expected to be significant.

28.3 Currency 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 is exposed to currency risk on financial assets and financial liabilities that are denominated in a currency other than the respective functional currencies of Group entities. The currencies are primarily the Singapore dollar ("SGD"), United States dollar ("USD") and Indonesia Rupiah ("IDR").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28 Financial risk management objectives and policies (Continued)**28.3 Currency risk (Continued)**

The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

The Group	SGD \$'000	USD \$'000	IDR \$'000	Total \$'000
At 31 December 2017				
Financial assets				
Cash and cash equivalents	6,624	1,845	2,509	10,978
Available-for-sale financial assets	5	–	–	5
Loan due from an investee	112	13,075	–	13,187
Trade and other receivables	866	6,012	4,832	11,710
	7,607	20,932	7,341	35,880
Financial liabilities				
Trade and other payables	(1,918)	–	(4,431)	(6,349)
Obligations under finance leases	(184)	–	(62)	(246)
	(2,102)	–	(4,493)	(6,595)
Net financial assets	5,505	20,932	2,848	29,285
Net financial assets denominated in the respective entities' functional currencies	(5,493)	–	(2,830)	(8,323)
Currency exposure on financial assets	12	20,932	18	20,962
At 31 December 2016				
Financial assets				
Cash and cash equivalents	9,699	3,520	944	14,163
Available-for-sale financial assets	10	–	–	10
Trade and other receivables	2,677	4,472	3,665	10,814
	12,386	7,992	4,609	24,987
Financial liabilities				
Trade and other payables	(1,079)	(17,126)	(3,667)	(21,872)
Obligations under finance leases	(474)	–	–	(474)
Bank borrowings	–	(1,238)	(643)	(1,881)
	(1,553)	(18,364)	(4,310)	(24,227)
Net financial assets/(liabilities)	10,833	(10,372)	299	760
Net financial assets denominated in the respective entities' functional currencies	(10,833)	–	(248)	(11,081)
Currency exposure on financial (liabilities)/assets	–	(10,372)	51	(10,321)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28 Financial risk management objectives and policies (Continued)**28.3 Currency risk (Continued)**

The Company	SGD \$'000	USD \$'000	IDR \$'000	Total \$'000
At 31 December 2017				
Financial assets				
Cash and cash equivalents	5,883	1,776	–	7,659
Amount due from subsidiaries	3,849	1,717	69	5,635
Loan due from an investee	112	13,075	–	13,187
Trade and other receivables	17	6,012	–	6,029
	9,861	22,580	69	32,510
Financial liabilities				
Trade and other payables	(1,065)	–	(18)	(1,083)
Payables to subsidiaries	(5,816)	–	–	(5,816)
	(6,881)	–	(18)	(6,899)
Net financial assets	2,980	22,580	51	25,611
Net financial assets denominated in the respective entities' functional currencies	(2,980)	–	–	(2,980)
Currency exposure on financial assets	–	22,580	51	22,631
At 31 December 2016				
Financial assets				
Cash and cash equivalents	7,922	3,515	–	11,437
Receivables from subsidiaries	7,956	8,193	–	16,149
Trade and other receivables	20	5,890	–	5,910
	15,898	17,598	–	33,496
Financial liabilities				
Trade and other payables	(505)	–	(50)	(555)
Payables to subsidiaries	(6,252)	–	–	(6,252)
	(6,757)	–	(50)	(6,807)
Net financial assets/(liabilities)	9,141	17,598	(50)	26,689
Net financial assets denominated in the respective entities' functional currencies	(9,141)	–	–	(9,141)
Currency exposure on financial assets/(liabilities)	–	17,598	(50)	17,548

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28 Financial risk management objectives and policies (Continued)

28.3 Currency risk (Continued)

Sensitivity analysis for foreign currency risk

A 5% strengthening/(weakening) of the above currencies against the respective functional currencies of the operating entities at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular interest rates, remain constant.

The Group	2017		2016	
	Profit	Equity	Profit	Equity
	before tax		before tax	
	\$'000	\$'000	\$'000	\$'000
	Increase/(Decrease)		Increase/(Decrease)	
USD against SGD				
– strengthened 5% (2016 – 5%)	1,046	1,046	(519)	(519)
– weakened 5% (2016 – 5%)	(1,046)	(1,046)	519	519
IDR against SGD				
– strengthened 5% (2016 – 5%)	1	1	3	3
– weakened 5% (2016 – 5%)	(1)	(1)	(3)	(3)

The Company	2017		2016	
	Profit	Equity	Profit	Equity
	before tax		before tax	
	\$'000	\$'000	\$'000	\$'000
	Increase/(Decrease)		Increase/(Decrease)	
USD against SGD				
– strengthened 5% (2016 – 5%)	1,129	1,129	880	880
– weakened 5% (2016 – 5%)	(1,129)	(1,129)	(880)	(880)
IDR against SGD				
– strengthened 5% (2016 – 5%)	3	3	(3)	(3)
– weakened 5% (2016 – 5%)	(3)	(3)	3	3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28 Financial risk management objectives and policies (Continued)**28.4 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash to meet its working capital requirement.

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			
	Carrying amount \$'000	Total \$'000	Less than 1 year \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
The Group					
As at 31 December 2017					
Trade and other payables	6,349	6,349	6,349	–	–
Obligations under finance leases	246	257	166	91	–
	6,595	6,606	6,515	91	–
As at 31 December 2016					
Trade and other payables	21,872	21,872	14,845	7,027	–
Bank borrowings	1,881	1,889	1,889	–	–
Obligations under finance leases	474	488	301	187	–
	24,227	24,249	17,035	7,214	–
The Company					
As at 31 December 2017					
Trade and other payables	1,083	1,083	1,083	–	–
Amount due to subsidiaries	5,816	5,816	5,816	–	–
	6,899	6,899	6,899	–	–
As at 31 December 2016					
Trade and other payables	555	555	555	–	–
Amount due to subsidiaries	6,252	6,252	6,252	–	–
	6,807	6,807	6,807	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28 Financial risk management objectives and policies (Continued)

28.5 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group adopts the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by customers which do not meet the Group's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through on-going credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivable balances, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of their creditworthiness and in accordance with the Group's policy.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the end of the reporting period.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28 Financial risk management objectives and policies (Continued)**28.5 Credit risk** (Continued)Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

Financial assets that are neither past due nor impaired

Cash and bank balances are mainly deposits placed with reputable banks. Trade and other receivables and deposits that are neither past due nor impaired are with customers with a good collection track records with the Group.

Financial assets that are past due and/or impaired

The ageing of trade receivables that were not impaired at the reporting date was:

	2017	2016
	\$'000	\$'000
The Group		
Not past due	153	498
Past due 0 – 3 months	4,768	3,402
Past due 3 – 6 months	189	24
	5,110	3,924

Carrying amount of trade receivables – non-related parties individually determined to be impaired and the movement in the related allowance for impairment is as follows:

	2017	2016
	\$'000	\$'000
The Group		
Gross amount	680	628
Allowance for impairment		
Balance at beginning of year	(628)	(116)
Effect of de-consolidation of a subsidiary	43	–
Allowance made (Note 18)	(100)	(521)
Write back of allowance	5	9
Balance at end of year	(680)	(628)
	–	–

Trade receivables that are individually determined to be impaired as at 31 December 2017 relates to receivables that were outstanding in excess of one year or when collection is known to be at risk and/or have defaulted in payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29 Capital management

The Group's capital management policy is to ensure that it maintains capital ratios with a view to optimise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payout to shareholders, return capital to shareholders or issue new shares.

Management monitors capital with reference to net debt to total capital ratio including the maintenance of the net worth of the Company and certain subsidiaries according to the financial covenants of the Group's borrowings (Note 16). The Group's strategies are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that is possible with greater leverage.

The net debt to total capital ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances. Total equity is calculated as share capital plus reserves and non-controlling interest. Total capital is calculated as total equity plus net debt.

The net debt to total capital ratio is calculated as follows:

	2017 \$'000	2016 \$'000
The Group		
Net debt	— [#]	10,064
Total equity	32,853	33,531
Total capital	32,853	43,595
Net debt to total capital ratio	—	23%

The Group and the Company are in compliance with loan covenants attached to the loans during the financial years ended 31 December 2017 and 2016. Except as disclosed, the Group and the Company are not subject to any externally imposed capital requirement. There were also no changes in the Group's approach to capital management during the financial years ended 31 December 2017 and 2016.

[#] There is no net debt as at 31 December 2017 since the cash and bank balance is greater than the total loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30 Financial instruments

Fair value measurement

Definition of fair value

FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3 – Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Fair value measurement of financial assets and financial liabilities

The following summarises the significant methods and assumption used in estimating fair values of financial instruments of the Group.

Non-current financial assets and financial liabilities

The fair values of non-current obligations under finance leases are estimated by discounted cash flow analysis, using market borrowing rates for similar instruments as at the reporting date (see Note 14).

Other financial assets and financial liabilities

The carrying amounts of other financial assets and financial liabilities (trade and other receivables, trade and other payables, loans due from an investee, and cash and cash equivalents) which have a maturity of less than one year approximate their fair value because of the short-term period of maturity.

Available-for-sale financial assets (Level 1)

The fair values of the available-for-sale financial assets are based on quoted market prices at balance sheet date. The quoted market price used for these financial assets held by the Group is the current bid price.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30 Financial instruments (Continued)**Fair value measurement** (Continued)Available-for-sale financial assets (Level 1) (Continued)

The following table shows the Levels within the hierarchy of financial assets measured at fair value on a recurring basis:

The Group	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2017				
Available-for-sale financial assets (quoted)	5	–	–	5
31 December 2016				
Available-for-sale financial assets (quoted)	10	–	–	10

Fair value measurement of non-financial assets

Motor vehicles (Level 2)

In 2017, the fair value of the motor vehicles in respect of the CGU i.e. TSL Transport & Engineering Pte. Ltd. which is identified with indicators of impairment, is determined by management using market approach. Motor vehicles are fair valued by independent car dealers, based on the model, engine capacity, maximum laden weight and certificate of entitlement's expiry date.

Vessels (Level 2)

In 2016, the fair value of the Group's vessels was estimated based on appraisal performed by an independent, professionally-qualified vessel valuer as a result of existence of impairment indicators. The appraisal was carried out using market approach that reflected observed prices for recent market transactions of similar vessels. Vessels were fair valued based on recent sales from comparable vessels after adjusting for the age of the vessels and vessel specification, mainly deck strength.

The following table shows the levels within the hierarchy of non-financial assets that were measured to its recoverable amount using fair value less cost to sell on a recurring basis:

The Group	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2017				
Motor vehicles	–	792	–	792
31 December 2016				
Vessels	–	29,024	–	29,024

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31 Prior year adjustment

The Group had allocated the impairment loss of \$1,745,000 to the non-controlling interest of PTMII when the entire impairment loss on goodwill of \$3,423,000 should be attributable to the equity holders of the Company. This resulted in an understatement of losses attributable to the Group in 2016 and a corresponding effect to the non-controlling interest in the consolidated statement of financial position as at 31 December 2016. The correction of error has been accounted for retrospectively in accordance with FRS 8. The effects of the correction of the above error are disclosed below:

	As previously stated 2016 \$'000	Prior year adjustment 2016 \$'000	As restated 2016 \$'000
The Group			
Net loss attributable to equity holders of the Company	(11,969)	(1,745)	(13,714)
Number of shares			
Weighted average number of shares used to compute basic loss per share	39,985,551		39,985,551
Loss per share			
Basic and diluted loss per share (cents)	<u>(29.93)</u>		<u>(34.30)</u>

The correction of the above error has no impact on the statements of the financial position as at 1 January 2016. Accordingly, opening balance of assets, liabilities and equity for the earliest prior period is not presented.

32 Subsequent event

The Company has on 18 April 2018 entered into a binding Term Sheet, which is subject to, amongst others, the approval of the Company's shareholders for the agreement as set out in the Term Sheet, with the Indonesian shareholders of PTMII and PTMII for the proposed settlement of the disputes amongst these parties.

As part of this global settlement, PTMII will transfer some vessels to the Company and pay US\$4.5 million to the Company as final settlement.

STATISTICS OF SHAREHOLDINGS

AS AT 18 APRIL 2018

Class of shares	:	Ordinary Shares
Voting rights	:	One vote per Ordinary Share
No. of issued shares	:	55,686,996
No. of treasury shares	:	Nil
No. of subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	331	16.69	3,720	0.01
100 – 1,000	428	21.58	249,735	0.45
1,001 – 10,000	960	48.41	3,839,565	6.89
10,001 – 1,000,000	254	12.81	15,985,376	28.71
1,000,001 AND ABOVE	10	0.51	35,608,600	63.94
TOTAL	1,983	100.00	55,686,996	100.00

SUBSTANTIAL SHAREHOLDER

(As recorded in the Register of Substantial Shareholders as at 18 April 2018)

SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST		DEEMED INTEREST	
	NUMBER OF SHARES	% ⁽¹⁾	NUMBER OF SHARES	% ⁽¹⁾
SUMAN HADI NEGORO ⁽¹⁾	6,371,599	11.44	1,750,000	3.14
MELDA VERONICA	5,002,500	8.98	–	–
EDISON ⁽²⁾	3,867,292	6.94	124,900	0.22
ATAN	5,021,650	9.02	–	–
A GUAT	4,176,524	7.50	–	–

Notes:

(1) Mr Suman Hadi Negoro's deemed interest arises from Shares held in a nominee account.

(2) Mr Edison's deemed interest arises from Shares held in a nominee account.

STATISTICS OF SHAREHOLDINGS

AS AT 18 APRIL 2018

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SUMAN HADI NEGORO	6,371,599	11.44
2	ATAN	5,021,650	9.02
3	MELDA VERONICA	5,002,500	8.98
4	A GUAT	4,176,524	7.50
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,894,369	6.99
6	EDISON	3,867,292	6.94
7	MAYBANK KIM ENG SECURITIES PTE LTD	2,149,729	3.86
8	TAN CHEE MENG OR SZE LAY PHENG	1,995,400	3.58
9	UOB KAY HIAN PRIVATE LIMITED	1,793,204	3.22
10	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	1,336,333	2.40
11	OCBC SECURITIES PRIVATE LIMITED	797,823	1.43
12	SEOW EE FUN YVONNE (XIAO YIFAN YVONNE)	773,500	1.39
13	NEO CHENG SOON	628,767	1.13
14	CITIBANK NOMINEES SINGAPORE PTE LTD	613,100	1.10
15	KHOO KIM SOON ALICE	529,200	0.95
16	CHIANG CURRIE	500,000	0.90
17	DBS NOMINEES (PRIVATE) LIMITED	381,229	0.68
18	SURI	370,700	0.67
19	ANG BAN TECK	340,000	0.61
20	GOH KIAN TAT (WU JIANDA)	308,500	0.55
TOTAL		40,851,419	73.34

Percentage of shareholdings in public hands

Based on Shareholders' Statistics and Distribution as at 18 April 2018, approximately 50.19% of the Company's shares are held in the hands of the public and therefore, Rule 723 of the Listing Manual of SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **PSL HOLDINGS LIMITED** (the “**Company**”) will be held at 37 Jalan Pemimpin #07-16, Mapex, Singapore 577177 on Wednesday, 30 May 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the year ended 31 December 2017 together with the Directors’ Statement and Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Regulation 88 and 89 of the Company’s Constitution:

Mr Teo Choon Kow @ William Teo	(Retiring under Regulation 89)	(Resolution 2)
Mr Chew Yee Teck, Eric	(Retiring under Regulation 89)	(Resolution 3)
Mr Wong Wei Boon Kevin	(Retiring under Regulation 88)	(Resolution 4)

[See Explanatory Note (i)]
3. To approve the payment of Directors’ fees of S\$162,000 for the financial year ending 31 December 2018. **(Resolution 5)**
4. To re-appoint Foo Kon Tan LLP, Public Accountants and Chartered Accountants as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

6. **Authority to allot and issue shares in the capital of the Company (“Shares”) – Share Issue Mandate**

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

 - (A) (i) allot and issue shares in the capital of the Company (the “**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 new Shares to be allotted and issued, including but not limited to the creation, allotment and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue new Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as at the time of passing of this Resolution);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of convertible securities;
 - (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares.
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Constitution; and
- (4) unless revoked or varied by the Company in a general meeting, such authority 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 is required by law to be held, whichever is the earlier."

[See Explanatory Note (ii)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

7. To transact any other business that may be transacted at an Annual General Meeting of which due notice shall have been given.

BY ORDER OF THE BOARD

Gn Jong Yuh Gwendolyn
Company Secretary
Singapore, 15 May 2018

Explanatory Notes:-

- (i) Mr Teo Choon Kow @ William Teo, BBM ("**Mr Teo**") will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Audit Committee, a member of the Nominating Committee and the Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

Mr Teo does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Teo can be found under the sections entitled "Board of Directors" and the "Corporate Governance Report" in the Annual Report 2017.

Mr Chew Yee Teck, Eric, PBM ("**Mr Chew**") will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Remuneration Committee, a member of the Audit Committee and the Nominating Committee and will be considered independent for the purposes of Rule 704(8) of the SGX-ST.

Mr Chew does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Chew can be found under the sections entitled "Board of Directors" and the "Corporate Governance Report" in the Annual Report 2017.

Mr Wong Wei Boon Kevin ("**Mr Wong**") will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Nominating Committee, a member of the Audit Committee and the Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the SGX-ST.

Mr Wong does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Wong can be found under the sections entitled "Board of Directors" and the "Corporate Governance Report" in the Annual Report 2017.

- (ii) The Ordinary Resolution 7 proposed in item 6 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.
2. Pursuant to Section 181(1C) of the Act, 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 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 proxy form.
3. The instrument appointing a proxy or proxies must be deposited at registered office of the Company at **37 Jalan Pemimpin #07-16 Mapex Singapore 577177** not less than **72 hours** before the time set for the AGM.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
5. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

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) for the purpose of the processing and administration by the Company (or its agents) 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) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), 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) 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.

PSL HOLDINGS LIMITED

Company Registration No. 199707022K

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

- Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
- For investors who have used their CPF monies to buy shares in the Company ("CPF Investors"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

PERSONAL DATA PROTECTION ACT CONSENT

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms and set out in the Notice of Annual General Meeting dated 15 May 2018.

I/We, _____ (name)
of _____ (address)
being a member/members* of PSL Holdings Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

and/or*

Name	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting of the Company ("**AGM**") as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the AGM to be held at 37 Jalan Pemimpin #07-16, Mapex, Singapore 577177 on Wednesday, 30 May 2018 at 10.00 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion. The Resolutions proposed at the AGM as indicated hereunder will be put to vote at the AGM by way of poll.

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

No.	Ordinary Resolutions relating to:	For	Against
1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017		
2.	Re-election of Mr Teo Choon Kow @ William Teo as Director of the Company		
3.	Re-election of Mr Chew Yee Teck, Eric as Director of the Company		
4.	Re-election of Mr Wong Wei Boon Kevin as Director of the Company		
5.	Approval of Directors' fees amounting to S\$162,000 for the financial year ending 31 December 2018		
6.	Re-appointment of Foo Kon Tan LLP, Public Accountants and Chartered Accountants as Auditors of the Company and to authorise the Directors to fix their remuneration		
7.	Authority to allot and issue new shares		

Dated this _____ day of _____ 2018

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
2. Pursuant to Section 181(1C) of the Act, 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 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 proxy form.
3. A proxy need not be a member of the Company.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 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 that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at registered office of the Company at **37 Jalan Pemimpin #07-16 Mapex Singapore 577177**, not less than **72 hours** before the time set for the AGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

GENERAL:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any AGM laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), 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) 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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PSL HOLDINGS LIMITED

37 Jalan Pemimpin #07-16 | Mapex | Singapore 577177

T +65 6363 7622 | F +65 6363 7522

www.pslgroup.com.sg