



ADVANCING TO THE NEXT LEVEL

ANNUAL REPORT 2018



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 to you our annual report for the financial year ended 31 December 2018 (“**FY2018**”).

FINANCIAL REVIEW

The Group’s revenue decreased from \$10.2 million in FY2017 to \$7.7 million in FY2018 mainly due to the scaling down of the operations of TSL Transport & Engineering Pte Ltd (“**TSL**”) and lower revenue contribution to the Construction Logistics segment by PT Indah Perkasa (“**PT IPA**”).

Cost overruns incurred by the Construction Logistics segment as a result of wet weather conditions in Indonesia, which impeded the progress of the work, resulted in a gross loss of \$0.35 million for FY2018 compared to a gross profit of \$0.98 million for FY2017.

Other (losses)/gains decreased by \$1.3 million from a gain of \$1.2 million in FY2017 to a loss of \$65,000 in FY2018 mainly due to a reduction in gain on deconsolidation of PT Momentum Indonesia Investama (“**PTMII**”). The said gain was previously recorded in FY2017.

On a positive note, the Group’s general and administrative expenses and other operating expenses decreased by \$3.0 million from \$7.8 million in FY2017 to \$4.8 million in FY2018 due to a decrease in impairment loss on the loan to PTMII arising from deconsolidation of PTMII and impairment of plant and equipment from the Construction Logistics segment recorded in FY2017.

With the lower general and administrative expenses and other operating expenses, the Group recorded a slightly lower loss of \$5.1 million after tax for FY2018 as compared to \$5.3 million for FY2017.

SEGMENTAL BUSINESS REVIEW

(a) Settling Disputes and Developing Marine Logistics

In relation to the disputes between, among others, Mr Sudirman Kurniawan, Mr Angelo Fernandus (collectively, the “**Vendors**”), PTMII and the Company arising out of the Conditional Sale and Purchase Agreement (“**CSPA**”) dated 17 March 2015 and the Supplemental Sale and Purchase Agreement (“**SPA**”) dated 3 August 2015 concluded by the Company’s Former Management, the Company has fully deconsolidated PTMII from its Marine Logistics segment and re-classified its investment in PTMII as an “available-for-sale” asset.

The acquisition of a 49% stake in PTMII from the Vendors in December 2015 did not generate the revenues and earnings projected for the Group’s marine logistics business. Apart from this, the profit guarantee of US\$6 million was disputed by the Vendors resulting in the need for the Group to take the conservative decision of incurring impairment losses for FY2016. To avoid protracted legal proceedings, the Group considered it appropriate to enter into a Binding Term Sheet for the litigation issues to be settled by the Vendors’ acceptance to pay US\$4.5 million and PT MII transferring ownership of 7 barges/tug boats (the “**Vessels**”) to the Company as a Global Settlement subject to eventual approval by the Company’s Shareholders to enable the Company to focus on its business developments.

On 19 April 2018, the Company announced that it had entered into a Binding Term Sheet as part of the Global Settlement to resolve all outstanding disputes with the Vendors (the “**Proposed Settlement**”) to secure repayment of US\$4.5 million against the US\$6 million profit guarantee stated in the CSPA and SPA. On 10 December 2018, the Company announced that it had entered into a Global Settlement Agreement with the Vendors in relation to the Proposed Settlement. The Group consulted Professional Advisors on the available remedies following the sinking of Momentum 3007 on 3 August 2018, one of the PSL Vessels, held in escrow by the Company. With shareholders’ eventual approval of the proposed Global Settlement to end the aforesaid disputes, the Company can better focus on development of its Marine Logistics businesses with acquisition of additional vessels as an integral effort to secure profitable businesses and strategies to enhance shareholder value.

(b) Expanding in Construction Logistics

On 4 July 2018, the Group entered into a settlement agreement with the former minority shareholder of TSL, pursuant to which, amongst others, TSL has become a wholly-owned subsidiary of the Group following a share acquisition, discontinuation and withdrawal of legal proceedings commenced by the former minority shareholder of TSL. TSL was primarily in the business of excavation and earthmoving works in Singapore. Following the completion of the said settlement and taking into consideration the limited financial means along with the exceedingly competitive business environment, the Group considered it expedient to dispose all its trucks and equipment in Singapore to fully focus on similar construction logistics operations in Indonesia.

LETTER TO SHAREHOLDERS

Contributions in the Construction Logistics segment in Indonesia were from our Group's 75%-owned subsidiary PT IPA which was acquired on 18 August 2017 through the Group's indirect subsidiary, PT PSL Commodities Indonesia. Construction Logistics segment projects in Indonesia tend to remain bullish but can be dampened by price competitions and regulatory changes. The Group will remain prudent in cost saving measures to mitigate operational risks and diversify into other business activities including scalable property development in Indonesia and seeking merger and acquisition opportunities.

(c) Seizing Opportunities in Indonesia's Growth

The Indonesia economy grew 5.1% in 2018 with the International Monetary Fund ("IMF") projecting similar growth through 2020¹. Being one of the largest commodities exporters in Asia, the country's demand for marine logistics services is expected to continue.

Indonesia's infrastructure needs will continue to support the country's construction logistics activities. That sector, however, remains challenging due to intense competition in negotiating for available contracts, rendering it essential for the Group to be cautious and selective in the type of contracts to be pursued.

¹ <https://en.portal.santandertrade.com/analyse-markets/indonesia/economic-political-outline>



LETTER TO SHAREHOLDERS

Global sentiments and economic uncertainties have triggered currency fluctuations in the Indonesian Rupiah. Despite the external influences, Indonesia's economic fundamentals remain steadfast. The Company continues to focus its operations in Indonesia and will exercise financial prudence and management to minimise the impact of currency exposures.

On 19 December 2018, the Group announced that a mutual agreement was reached not to proceed with the proposed acquisition of PT. Buana Perkasa Sukses, an Indonesian company involved in coal trading and related businesses, and to terminate the relevant non-binding MOU. The termination follows extensive due diligence in line with the Group's commitment to prudent management.

The Group continues to explore other business opportunities and potential to acquire earning accretive assets and for long-term investment to increase the revenue sources on a sustainable basis and increase shareholder value.

ACKNOWLEDGEMENTS

It pains me to announce the demise of one of our Independent Directors, Mr Eric Chew Yee Teck, who passed on in January 2019. Mr Chew joined the Board in May 2016 and provided guidance and valued advice during his tenor for which the Board will always be grateful.

The Company's CEO, Mr Tan Cheang Shiong resigned on 31 December 2018 to pursue other career opportunities. I thank him for his contributions since his appointment in June 2017 and wish him all the best in his future endeavours.

On the Group's behalf, may I express my acknowledgement and thanks to our customers, business associates and outsourced professional service providers for their continuous support since our team assumed management of the Company in 2016. I would also like to extend my appreciation to our Directors and management team for their relentless dedication and commitment to PSL during the transitional period.

Last but not least, I also thank our valued shareholders for their continuous trust in our management. I look forward to sharing future growths of our Company through expansion into profitable businesses and merger and acquisition activities that will enhance returns to you, our Shareholders.

NG YOKE CHAN

Non-Executive Chairman

REVIEW OF FINANCIAL PERFORMANCE

REVENUE AND PROFITABILITY

For financial year ended 31 December 2018 (“**FY2018**”), the Group’s financial performance was largely affected by the deconsolidation of PT Momentum Indonesia Investama (“**PTMII**”) in FY2017, the scaling down of the operations of TSL Transport & Engineering Pte Ltd (“**TSL**”) and lower revenue contribution to the Construction Logistics segment by PT Indah Perkasa (“**PT IPA**”).

The Group’s revenue decreased from \$10.2 million in FY2017 to \$7.7 million in FY2018 mainly due to scaling down of the operations of TSL and lower revenue contribution to the Construction Logistics segment by PT IPA. The resultant gross loss is mainly attributable to cost overruns incurred by the Construction Logistics segment as a result of wet weather conditions in Indonesia, which impeded the progress of the work.

Other operating income increased by \$0.1 million or 20% from \$0.5 million in FY2017 to \$0.6 million in FY2018 mainly due to an increase in interest income from the loan to PTMII.

Other (losses)/gains decreased by \$1.3 million or 105% from a gain of \$1.2 million in FY2017 to a loss of \$65,000 in FY2018 mainly due to a reduction in gain on deconsolidation of PTMII. The said gain was previously recorded in FY2017.

Selling and distribution expenses recorded marginal difference in FY2018 and FY2017. General and administrative expenses and other operating expenses decreased by \$3.0 million or 38%

from \$7.8 million in FY2017 to \$4.8 million in FY2018 due a decrease in impairment loss on the loan to PTMII arising from deconsolidation of PTMII and impairment of plant and equipment from the Construction Logistics segment recorded in FY2017.

Finance costs recorded marginal difference in FY2018 and FY2017.

As a result of the above changes, the Group recorded a slightly lower loss of \$5.1 million after tax for FY2018 as compared to \$5.3 million for FY2017.

CASH FLOW

Net cash used in operating activities was \$4.0 million in FY2018 compared to \$3.0 million in FY2017 mainly due to (i) decrease in trade and other payables from the Construction Logistics segment, partially offset by (ii) reduction in gain on deconsolidation following the deconsolidation of PTMII in FY2017 and (iii) decrease in inventories from the Construction Logistics segment.

Net cash generated from investing activities was \$0.5 million in FY2018 compared to net cash used in investing activities of \$1.5 million in FY2017 mainly due to (i) proceeds from disposal of trucks and equipment following the scaling down of the operations of TSL, (ii) purchase of property, plant and equipment in FY2017 pertaining to the cost of renovation and office equipment for the new corporate office in Singapore and the newly acquired subsidiary, PT IPA, (iii) absence of net cash outflow from deconsolidation of subsidiary PTMII previously recorded in FY2017, partially offset by (iv) payment

of \$0.4 million to purchase the remaining non-controlling interest in TSL as part of the settlement to resolve all outstanding disputes.

Net cash used in financing activities was \$1.8 million in FY2018 compared to net cash generated from financing activities of \$4.1 million in FY2017 mainly due to (i) an increase in short-term deposits pledged to secure bank facilities in FY2018, (ii) absence of proceeds from issuance of share capital previously recorded in FY2017, partially offset by (iii) repayment of bank borrowings in FY2017.

As a result of the above, the Group’s cash and cash equivalents declined from \$11.0 million as at 31 December 2017 to \$7.2 million as at 31 December 2018.



REVIEW OF FINANCIAL DEVELOPMENTS

FINANCIAL POSITION

The Group's current assets decreased by \$7.0 million or 19% from \$37.6 million as at 31 December 2017 to \$30.6 million as at 31 December 2018 mainly due to a decrease in cash and cash equivalents as highlighted in the cash flow statement above, a decrease in trade and other receivables as well as inventories from the Construction Logistics segment. The decrease is partially offset by a foreign exchange gain arising from the currency translation of the USD loans extended to PTMII.

Non-current assets decreased by \$1.3 million or 68% from \$1.9 million as at 31 December 2017 to \$0.6 million as at 31 December 2018 mainly due to the disposal of trucks and equipment following the scaling down of the operations of TSL as well as depreciation charges recorded for the year.

Current liabilities decreased by \$2.8 million or 43% from \$6.5 million as at 31 December 2017 to \$3.7 million as at 31 December 2018 mainly due to a decrease in trade and other payables from the Construction Logistics segment and currency translation of the loan due from non-controlling shareholder of a subsidiary.

Non-current liabilities decreased by \$63,000 or 72% from \$88,000 as at 31 December 2017 to \$25,000 as at 31 December 2018 due to lower finance lease liabilities.

As a result of the above, the Group's net assets decreased by \$5.4 million or 16% from \$32.9 million as at 31 December 2017 to \$27.5 million as at 31 December 2018.

THE FUTURE

The business environment of the Group's construction logistics business remains challenging, facing stiff competition and rising cost. The Group will continue to take measures to reduce cost in FY2019, which has brought positive impact for FY2018.

The Group believes that Indonesia's position as one of the largest commodity exporters in Asia is expected to accelerate the country's demand for marine logistics services. Also, Indonesia's infrastructure needs will continue to support the country's construction logistics sector over the long term. The sector remains highly competitive due to intense competition in negotiating for new contracts, the Group continues to be cautious and selective in the type of contracts that it pursues.

In tandem with Indonesia's strong economic growth and fundamentals, the Indonesian Currency, Rupiah, has recovered in parity to other currencies. Indonesia's growth also remains strong compared to other emerging markets¹. PSL shall continue to focus its business operations in Indonesia but will exercise prudence in financial management for profitability enhancement.

The Group continues to explore other business opportunities and potential to acquire assets for profits to be generated and long-term investment to increase the revenue sources on long term sustainable basis and values for the Shareholders.

¹ <https://www.bloomberg.com/news/articles/2019-02-18/-76-billion-fund-gives-contrarian-call-for-indonesia-rate-cut>
Bloomberg, 19 February 2019, \$76 Billion fund gives contrarian call for Indonesia rate cut

REVIEW OF KEY DEVELOPMENTS

The Group's Key Developments in FY2018 were the following main issues: the Global Settlement of Disputes with Indonesian Counterparties, the settlement agreement with regards to TSL Transport & Engineering Pte Ltd ("**TSL**") and the proposed acquisition of PT. Buana Perkasa Sukses ("**PT BPS**").

GLOBAL SETTLEMENT OF DISPUTES WITH INDONESIAN COUNTERPARTIES

On 19 April 2018, the Company announced that it had entered into a Binding Term Sheet with Mr Sudirman Kurniawan, Mr Angelo Fernandus (collectively, the "**Vendors**") and PTMII for the proposed settlement of all the outstanding disputes (the "**Proposed Settlement**"). These disputes arose out of the Conditional Sale and Purchase Agreement ("**CSPA**") dated 17 March 2015 and the Supplemental Sale and Purchase Agreement ("**SPA**") dated 3 August 2015 concluded by the Company's Former Management. The Company has since fully deconsolidated PTMII from its Marine Logistics segment and re-classified its investment in PTMII as an "available-for-sale" asset.

On 10 December 2018, the Company announced that it had entered into a Global Settlement Agreement with the Vendors in relation to the Proposed Settlement.

To avoid protracted legal proceedings, the Group considered it appropriate to enter into a Binding Term Sheet for the litigation issues to be settled by the Vendors' acceptance to pay US\$4.5 million and PT MII transferring ownership of 7 barges/tug boats (the "**Vessels**") to the Company as a Global Settlement subject to eventual approval by the Company's Shareholders to enable the Company to focus on its business developments.

The Binding Term Sheet dated 19 April 2018 is part of the Global Settlement in relation to the Proposed Settlement to secure repayment of US\$4.5 million against the US\$6 million profit guarantee stated in the CSPA and SPA. The Company continues to work towards a Global Settlement to put an end to these disputes so as to move forward to develop its Marine Logistics business.

SETTLEMENT AGREEMENT WITH REGARDS TO TSL

On 4 July 2018, the Group entered into a settlement agreement with the former minority shareholder of TSL, pursuant to which, amongst others, TSL has become a wholly-owned subsidiary of the Group following a share acquisition, discontinuation and withdrawal of legal proceedings commenced by the former minority shareholder of TSL. TSL was primarily in the business of excavation and earthmoving works in Singapore.

The Group views that an ongoing suit is undesirable and the settlement agreement will put an end to the suit so that it does not need to expend costly resources and unproductive time on this issue.

Following the completion of the said settlement and taking into consideration the limited financial means along with the exceedingly competitive business environment, the Group considered it expedient to dispose all its trucks and equipment in Singapore to fully focus on similar construction logistics operations in Indonesia.

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 member 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 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 Into E 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 and Kitchen Culture 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.

KEY MANAGEMENT

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 was the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

Mr Chew was 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 was 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 member of the Chartered Institute of Arbitrators, a fellow member of the Singapore Institute of Arbitrators, a fellow member of the Malaysian Institute of Arbitrators, a fellow member 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 Chew was a Director until his demise on 17 January 2019.

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.

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.

Mr Tan's effective date of cessation as CEO of the Company was 31 December 2018.

KEY MANAGEMENT

MR SJONANTO WIDJAJA Chief Financial Officer (CFO)

Mr Sjonanto previously held the position of Country Chief Executive Officer of PT Indah Perkasa Abadi ("PT IPA"), a subsidiary of the Company, and has taken on the role of CFO of the Company with effect from 17 December 2018. He will be primarily responsible for the Group's financial functions, including accounting, financial reporting, taxation and treasury management, mergers and acquisition, internal controls and risk management. He will continue to be involved in the general management, operations and business of PT IPA.

Mr Sjonanto graduated with a Bachelor of Science in Accounting from the Trisakti University Faculty of Economics in 1978 and started his career as a Senior Auditor with Kantor Akuntan SGV – Utomo (Ernst and Young) from 1978 to 1980. He then joined PT Astra Graphia Tbk as a Finance Manager from 1982 to 1986 and moved on to PT Astra International Tbk, an Indonesian conglomerate as the General Manager Finance Division Head from 1986 to 1989. From 1989 to 1992, Mr Sjonanto Widjaja was a Director of PT Summa Astra Finance. He then joined ASTRA Tour and Travel as the Managing Director in 1992 and subsequently FBM Export Center as the Managing Director in 1996. From 2001 to 2005, Mr Sjonanto Widjaja was the CFO of Guna Group.

Subsequently, he took on the roles of President Director of PT Cisadane Oleo Chemical from 2005 to 2006; President of President University from 2007 to 2011; Vice President Director of PT Tang Mas from 2011 to 2013; President Director of PT L&M Systems Indonesia from 2013 to 2016; and Director of PT Syonan Cahaya Eden from 2016 to 2017.

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 accounts reporting, 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 INFORMATION

BOARD OF DIRECTORS

Ms Ng Yoke Chan
(Non-Executive Chairman)

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⁽¹⁾
(Independent Director)

Mr Kevin Wong Wei Boon
(Independent Director)

AUDIT COMMITTEE

Mr William Teo Choon Kow, BBM
(Chairman)

Mr Eric Chew Yee Teck, PBM⁽¹⁾

Mr Kevin Wong Wei Boon

REMUNERATION COMMITTEE

Mr Eric Chew Yee Teck, PBM⁽¹⁾
(Chairman)

Mr William Teo Choon Kow, BBM

Mr Kevin Wong Wei Boon

NOMINATING COMMITTEE

Mr Kevin Wong Wei Boon
(Chairman)

Mr William Teo Choon Kow, BBM

Mr Eric Chew Yee Teck, PBM⁽¹⁾

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Foo Kon Tan LLP
Chartered Accountants
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Singapore 048621
Audit Partner:
Ang Soh Mui
(Since financial year ended
31 December 2018)

COMPANY SECRETARY

Mr Chua Kern

SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place
#29-01 Republic Plaza Tower 1
Singapore 048619

Note:

(1) Mr Eric Chew Yee Teck was a Director until his demise on 17 January 2019.

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CORPORATE GOVERNANCE

The Board of Directors (the “**Board**” or “**Directors**”) 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 SGX-ST in January 2015 (the “**Guide**”) and has incorporated answers to the questions set out in the Guide in this report.

The new code of Code of Corporate Governance 2018 was issued on 6 August 2018 (“**Revised Code**”), and will only take effect for annual reports covering financial years commencing from 1 January 2019. As such, the Revised Code will not affect the Company’s latest financial year ended 31 December 2018, and accordingly, the Group will only make reference to the Code in reviewing and implementing its corporate governance structures and practices.

This report outlines the corporate governance processes and procedures adopted by the Group. The Board confirms that, for the financial year ended 31 December 2018 (“**FY2018**”), the Company has generally complied in all material aspects with the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations have been provided.

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.

In respect of FY2018, the Board comprised the following members:

Ng Yoke Chan	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 ⁽¹⁾	Independent Non-Executive Director
Wong Wei Boon, Kevin	Independent Non-Executive Director

Note:

(1) Mr Chew Yee Teck, Eric, PBM was a Director until his demise on 17 January 2019.

In addition to its statutory and fiduciary duties and responsibilities, the Board’s roles include, amongst others, 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;

CORPORATE GOVERNANCE

- (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;
- (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, governance and social factors.

In relation to (ix) above, the Group presents its second year sustainability report for financial year ended 31 December 2018 on Page 46 in this report.

The Board's approval is required on matters including entering into new business ventures, major acquisitions and disposals, corporate or financial restructure, shares issuance and dividend appropriation.

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 \$2 million or capital expenditure commitment exceeding \$1 million which are not in the ordinary course of the business; and
- (c) bank facilities and 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 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 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 obtain 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 substantive matters.

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

CORPORATE GOVERNANCE

The number of Board meetings and Board Committee meetings held in FY2018 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	5	5	4	4 [#]	1	1 [#]	1	1 [#]
Stephen Leong, BBM	5	5	4	4 [#]	1	1 [#]	1	1 [#]
Tan Chee Tong	5	5	4	4 [#]	1	1 [#]	1	1 [#]
William Teo Choon Kow, BBM	5	5	4	4	1	1	1	1
Chew Yee Teck, Eric, PBM ⁽¹⁾	5	3	4	2	1	0	1	0
Wong Wei Boon Kevin	5	5	4	4	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 2018 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 five Board Meetings held within the year ended 31 December 2018 on the dates 27 February 2018, 14 May 2018, 7 August 2018, 7 November 2018 and 29 November 2018.

b. There were four Audit Committee Meetings held within the year ended 31 December 2018 on the dates 27 February 2018, 14 May 2018, 7 August 2018 and 7 November 2018.

c. There was one Nominating Committee Meeting held within the year ended 31 December 2018 on 27 February 2018.

d. There was one Remuneration Committee Meeting held within the year ended 31 December 2018 on 27 February 2018.

(1) Mr Chew Yee Teck, Eric, PBM, was a Director until his demise on 17 January 2019.

Upon appointment, each Director will receive appropriate briefings to be familiarised 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 to fund their participation at industry conferences, seminars, and attendance at any training courses where appropriate. 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, along with the business environment and outlook.

On a quarterly basis, the Directors are briefed on changes to the accounting standards and regulatory updates. They were accordingly briefed and updated on such changes to the Companies Act (Chapter 50) of Singapore and SGX-ST Listing Manual.

CORPORATE GOVERNANCE

Briefings, updates and trainings for the Directors in FY2018 included:

- Seminars conducted by the SID were attended by Stephen Leong and Willian Teo of the Company's Directors;
- The external auditors ("EA") had briefed the AC on changes or amendments to accounting standards; and
- The Company Secretary had briefed the Board on the amendments of the Code and the new 2018 Code.

Principle 2: Board Composition and Guidance

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

Ng Yoke Chan	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
Wong Wei Boon, Kevin	Independent Non-Executive Director

Following the demise of Mr Chew Yee Teck, Eric, PBM, the Board is currently identifying suitable candidate(s) for appointment to the Board to fill the vacancy and to ensure that the board composition is in compliance with the 2018 Code.

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 to a single or few individuals.

The Board considers that the current composition and size of the Board (with a vacancy by the late Mr Chew Yee Teck, Eric, PBM) is appropriate for the current scope and nature of the Group's operations and provides sufficient diversity without interfering efficient decision-making.

Each Director is a professional in their respective fields and in possess of diverse competencies in different areas of businesses, including management, legal, tax, 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 nominated for any new appointment 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 are included on Page 19 of this Annual Report.

CORPORATE GOVERNANCE

The Non-Executive Directors provide constructive review and assist the Board to facilitate and develop proposals on strategies, along with monitoring the performance of Management in securing agreed goals and objectives. They have full access to and co-operation from the Management and have the full discretion to have separate meetings without the presence of Management and to invite any Directors to the meetings as and when warranted. In FY2018, the Non-Executive Directors had one meeting without the presence of the Management.

The NC is tasked to determine on an annual basis and when circumstances require, the independence of a Director, bearing in mind the guidelines stated in the Code, along with 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 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 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. In respect of FY2018, the NC considers the Board's size (with a vacancy by the late Mr Chew Yee Teck, Eric, PBM) adequate for effective decision-making, taking into account the nature and scope of the Group's operations.

Principle 3: Chairman and Chief Executive Officer

In respect of FY2018, 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.

CORPORATE GOVERNANCE

Mr Tan Cheang Shiong, the CEO of the Company in FY2018 was 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. Mr Tan Cheang Shiong resigned as the CEO of the Company on 31 December 2018.

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 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.

Principle 4: Board Membership

In respect of FY2018, the NC comprised 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

Following the demise of Mr Chew Yee Teck, Eric, PBM, the Board will appoint a Director to fill the NC member vacated by the late Mr Chew Yee Teck, Eric, PBM.

In respect of FY2018, one NC meeting was held. The purpose of the meeting was to review the performance of the Board and to confirm matters regarding the re-election and appointment of Directors at the forthcoming Annual General Meeting. 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:

- (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) Assessing effectiveness of an individual Director and the Board as a whole;
- (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 the CEO.

CORPORATE GOVERNANCE

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

- 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 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 Stephen Leong, BBM and Mr Tan Chee Tong will be retiring at the forthcoming AGM. Mr Stephen Leong, BBM and Mr Tan Chee Tong 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 periodically the need for renewal of the Board structure of the principal subsidiaries and the appointment of Independent Director to 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:

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	30 May 2018	1. Wee Hur Holdings Ltd 2. Kitchen Culture Holdings Ltd	1. See Hup Seng Limited 2. Loyz Energy Limited
Wong Wei Boon, Kevin	1 June 2017	30 May 2018	–	–

* Within the past three years

CORPORATE GOVERNANCE

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.

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.

In FY2018, the NC and the Board, after having reviewed and considered the qualifications, experience and suitability of Mr Sjonanto Widjaja, is satisfied that Mr Sjonanto Widjaja possesses the requisite experience to carry out his duties as the Chief Financial Officer ("**CFO**"). On the recommendation of the NC, the Board approved the appointment of Mr Sjonanto Widjaja as CFO 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.

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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.

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, SGX-ST 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.

In FY2018, there was a change of Company Secretary. After having reviewed and considered the qualifications and experience of Mr Chua Kern, the Board approved his appointment as Company Secretary effective from 2 July 2018.

Principle 7: Remuneration Matters

In respect of FY2018, the RC comprised 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

Following the demise of Mr Chew Yee Teck, Eric, PBM, the Board will appoint a Director to fill the RC Chairman vacancy left by the late Mr Chew Yee Teck, Eric, PBM.

In respect of FY2018, one RC meeting was held. The purpose of the meeting was to review the Directors' fees payable for the financial year in review and to consider matters regarding the remuneration policies of the Company. 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.

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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.

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 FY2018.

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.

In FY2018, the RC had reviewed the Directors' fees and determined that there was no change to Directors' fees. In FY2018, there was no change to the remuneration of the key management personnel.

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 and a variable component, the latter of which is in the form of bonus 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 they handle.

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. At the extraordinary general meeting of the Company held on 30 May 2018, Shareholders approved the adoption of the PSL Performance Share Plan. Further details regarding the PSL Performance Share Plan may be found in the circular to shareholders dated 15 May 2018 in relation to the resolution to adopt the PSL Performance Share Plan.

CORPORATE GOVERNANCE

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.

Principle 9: Disclosure of Remuneration

The Company has fully disclosed the remuneration of its Non-Executive Directors (to the nearest thousand) in FY2018 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 such details may be detrimental to the Company due to concerns on potential 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 FY2018, 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	36	–	–	–	100
Stephen Leong, BBM	–	99	–	1	100
Tan Chee Tong	–	94	–	6	100
William Teo Choon Kow, BBM	42	–	–	–	100
Chew Yee Teck, Eric, PBM ⁽¹⁾	42	–	–	–	100
Wong Wei Boon Kevin	42	–	–	–	100
CEO					
Tan Cheang Shiong ⁽²⁾	–	99	–	1	100

Notes:

(1) Mr Chew Yee Teck, Eric was a Director until his demise on 17 January 2019.

(2) Mr Tan Cheang Shiong's effective date of cessation as Chief Executive Officer of the Company was 31 December 2018.

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For FY2018, the Company only identified three key management personnel of the Company (who are not Directors or the CEO) and the annual aggregate remuneration paid to the key management personnel is S\$256,000.

Key Management Personnel	Salary	Bonus	Other Benefits	Total
	%	%	%	%
<i>Below S\$250,000</i>				
Sjonanto Widjaja ⁽¹⁾	100	–	–	100
Angeline Yap	99	–	1	100
Sudirman Kurniawan	100	–	–	100

Note:

(1) Mr Sjonanto Widjaja was appointed as CFO of the Company effective from 17 December 2018.

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 FY2018 relating to their remuneration packages.

There are no termination, retirement and/or post-employment benefits granted to Directors or key management personnel during FY2018.

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 SGX-ST 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.

As the Company has been placed on the watch-list since 5 June 2017, the Board also reviews and approves quarterly updates pursuant to Rule 1311(2) of the SGX-ST Listing Manual before such information are disseminated to shareholders via announcements to SGXNET.

CORPORATE GOVERNANCE

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 the 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 can preclude 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.

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.

Since 2017, the Company has, with approval from the AC, outsourced its internal audit function to Mckell Risk Management Pte. Ltd. (formerly known as Lee Sun Yen and Associates Pte. Ltd. that owned the business division Mckell Risk Assurance), an independent risk assurance and 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 during 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.

Pursuant to Rule 1207(10) of the SGX-ST 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

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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 Board had approved an Enterprise Risk Management ("ERM") policy that seeks to commit the Group to readily establish and implement a COSO-based ERM process at the appropriate time when it would be necessitated in accordance to the status of the Group's business operations and risk profile. The ERM policy is centered on the development and implementation of the COSO ERM framework for managing business risks and seizing opportunities related to the achievement of the Group's business objectives.

Principle 12: Audit Committee

In respect of FY2018, the AC comprised 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

Following the demise of Mr Chew Yee Teck, Eric, PBM, the Board will appoint a Director to fill the AC member vacated by the late Mr Chew Yee Teck, Eric, PBM.

In respect of FY2018, four AC meetings were held. 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); and
- (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:

- (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 SGX-ST 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 SGX-ST 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;
- (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;

CORPORATE GOVERNANCE

- (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 SGX-ST 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.

Since 2017, the Group has engaged Foo Kon Tan LLP ("**FKT**") as its external auditor, having taken into consideration 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 SGX-ST Listing Manual.

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 FY2018, 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:

- (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;
- (f) met with the Company's internal and external auditors without the presence of Management;
- (g) reviewed the independence of internal auditors;

CORPORATE GOVERNANCE

- (h) reviewed the independence of external auditors; and
- (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 \$137,000 and \$6,000 respectively.

The AC reviews annually the independence of the external auditor. For FY2018, 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 concerns. 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 FY2018.

Key Audit Matters	How the AC reviewed these matters and what decisions were made
Recoverability assessment of loans receivable from PTMII and contingent consideration receivable on the previous acquisition of PTMII	The AC considered the competency, capability and objectivity of the external valuer engaged for carrying out the market value assessment of the vessels of PTMII. The AC also reviewed the legal advice on the validity and legal enforceability of the clauses in the definitive agreements entered into on 10 December 2018 in relation to the global settlement of all outstanding disputes in relation to PTMII. The recoverability assessment of loans receivable from PTMII and contingent consideration receivable 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 55 of this Annual Report for more details.

CORPORATE GOVERNANCE

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 FY2018, 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.

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.

CORPORATE GOVERNANCE

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 FY2018, 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 SGX-ST 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 FY2018. 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 FY2018 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 SGX-ST Listing Manual 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 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.

CORPORATE GOVERNANCE

Material Contracts

There is no material contract of the Company and its subsidiaries involving the interests of any CEO, Director or controlling shareholder for FY2018.

Use of Proceeds

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 summaries the cumulative utilisation of the net proceeds of the 2017 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)	2.56 (80%)	1.45	1.11
Working capital purposes	0.64 (20%)	0.64 ⁽¹⁾	–
Total (approximately)	3.20 (100%)	2.09	1.11

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

CORPORATE GOVERNANCE

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
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
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

CORPORATE GOVERNANCE

Guideline	Questions	Compliance	Page reference to responses in the Annual Report
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	✓	Page 16
	(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.		
	(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?	✓	Page 19-20
	(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?		
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?	✓	Page 20
	(b) Has the Board met its performance objectives?		

CORPORATE GOVERNANCE

Guideline	Questions	Compliance	Page reference to responses in the Annual Report
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
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

CORPORATE GOVERNANCE

Guideline	Questions	Compliance	Page reference to responses in the Annual Report
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 22-23 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. (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 25-26 Page 25-26
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

CORPORATE GOVERNANCE

Guideline	Questions	Compliance	Page reference to responses in the Annual Report
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
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	✓	Page 31

CORPORATE GOVERNANCE

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7.4.1 TO THE MAINBOARD LISTING RULES

Pursuant to Rule 720(6) of the Mainboard Listing Rules, the information as set out in Appendix 7.4.1 to the Mainboard Listing Rules relating to Mr Stephen Leong, BBM and Mr Tan Chee Tong, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Directors	Mr Stephen Leong, BBM ("Mr Leong")	Mr Tan Chee Tong ("Mr Tan")
Date of appointment	21 November 2016	19 September 2016
Date of last re-appointment (if applicable)	23 May 2017	23 May 2017
Age	77	30
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Leong as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Leong's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Tan as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Tan's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Yes	Yes
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Vice Chairman and Executive Director	Executive Director
Professional qualifications	Accredited Tax Advisor (Income Tax/ Goods and Services Tax) Fellow member of the International Tax Planning Association, UK 2005 Fellow member of the Association of International Accountants, UK 2006 Fellow member of Institute of Public Accountants, Melbourne 2006 Chartered Tax Advisor Australia, 1998	Nil

CORPORATE GOVERNANCE

Name of Directors	Mr Stephen Leong, BBM ("Mr Leong")	Mr Tan Chee Tong ("Mr Tan")
Working experience and occupation(s) during the past 10 years	2013 – 2016 Vistra (SEA) Pte Ltd Chairman 1985 – 2013 Stephen McLaren Consultants Pte Ltd and subsidiaries Group Managing Director	September 2016 – Present PSL Holdings Limited Executive Director June 2016 – September 2016 PSL Holdings Limited Executive Officer 2015 – Present Malindo Resources Pte Ltd Director 2014 – 2015 Malindo Exim Sdn Bhd Assistant Director 2012 – 2014 IntoE Projects Events Ambassador 2009 – 2010 Robert Bosch Pte Ltd Intern
Shareholding interest in the listed issuer and its subsidiaries	No	Yes 68,000 ordinary shares with Maybank Kim Eng Securities Pte Ltd
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

CORPORATE GOVERNANCE

Name of Directors	Mr Stephen Leong, BBM ("Mr Leong")	Mr Tan Chee Tong ("Mr Tan")
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)		
Past (for the last 5 years)	Past Directorships: <u>Other Companies</u> April 2018 – December 2018 Nine Ventures Pte. Ltd. May 2014 – November 2018 Edisi Perkhidmatan Sdn Bhd May 2012 – November 2018 Edisi Sentosa Sdn Bhd April 2016 – July 2018 Recura Pte. Ltd. January 1992 – September 2017 Ideal Elite Associates Pte. Ltd. (formerly known as Birla Associates Pte Ltd) September 2005 – November 2016 Advisory Pte. Ltd. October 2010 – November 2016 Cambodia Trade Pte. Ltd. November 2010 – November 2016 SMC Office Centre Pte. Ltd. July 2012 – November 2016 Myanmar Advisory Pte. Ltd. December 2009 – September 2016 E Energy Pte. Ltd. July 2010 – June 2016 Cambodia Advisory Pte. Ltd. September 2006 – June 2015 Singapore Assurance PAC March 1992 – March 2015 Stephen McLaren Consultants Pte Ltd	Nil

CORPORATE GOVERNANCE

Name of Directors	Mr Stephen Leong, BBM ("Mr Leong")	Mr Tan Chee Tong ("Mr Tan")
Present	Present Directorships: <u>Other Companies</u> December 2018 – Present South British Capital Holdings Pte. Ltd. December 2018 – Present South British MGA Pte. Ltd. December 2018 – Present South British Capital SEA Pte. Ltd. December 2017 – Present Sincom Holdings Pte. Ltd. December 2017 – Present PSL Properties Pte. Ltd. June 2017 – Present KCL Logistics Pte. Ltd. June 2017 – Present PSL Construction Logistics Holdings Pte. Ltd. June 2017 – Present PSL Maritime Logistics Holdings Pte. Ltd. June 2017 – Present PSL Maritime Strategic Pte. Ltd. June 2017 – Present PSL Metal Pte. Ltd. June 2017 – Present TSL Transport & Engineering Pte. Ltd. November 2016 – Present Global Equity Partners Pte. Ltd. September 2016 – Present Gmmco Singapore Pte. Ltd. January 2012 – Present Eastpace Pte. Ltd. December 2005 – Present SMC Nominees Pte Ltd	Present Directorships: <u>Other Companies</u> December 2017 – Present PSL Properties Pte. Ltd. June 2017 – Present PSL Construction Logistics Holdings Pte. Ltd. June 2017 – Present PSL Maritime Logistics Holdings Pte. Ltd. August 2016 – Present KCL Logistics Pte. Ltd. August 2016 – Present PSL Maritime Strategic Pte. Ltd. August 2016 – Present PSL Metal Pte. Ltd. August 2016 – Present TSL Transport & Engineering Pte. Ltd. 2015 – Present Malindo Resources Pte Ltd

CORPORATE GOVERNANCE

Name of Directors	Mr Stephen Leong, BBM ("Mr Leong")	Mr Tan Chee Tong ("Mr Tan")
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

CORPORATE GOVERNANCE

Name of Directors	Mr Stephen Leong, BBM ("Mr Leong")	Mr Tan Chee Tong ("Mr Tan")
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

CORPORATE GOVERNANCE

Name of Directors	Mr Stephen Leong, BBM ("Mr Leong")	Mr Tan Chee Tong ("Mr Tan")
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

CORPORATE GOVERNANCE

Name of Directors	Mr Stephen Leong, BBM ("Mr Leong")	Mr Tan Chee Tong ("Mr Tan")
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	No Not applicable.	No Not applicable.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.

SUSTAINABILITY REPORT

PSL is pleased to present its second-year Sustainability Report which has been prepared in accordance with SGX Listing Rules 711A & 711B with the continued application of the GRI-Referenced Claim basis and the adoption of the Phased Implementation Approach as permitted by the Sustainability Reporting Guide (the “**SGX Guide**”).

This report commences with the Sustainability Steering Work Group (the “**Work Group**”) making an assessment of the sustainability performance of Transport & Engineering Pte. Ltd. (“**TSL**”), a wholly owned subsidiary of PSL in the construction logistic and general engineering activities, for the year ended 31 December 2018.

It may be noted that as part of the long term strategic plan for the Group to focus its construction logistics business entirely in Indonesia, TSL had ceased its commercial operations in Singapore with effect on 15 September 2018.

We analyzed and collected the performance data of TSL for period from January 2018 to September 2018 and they were measured against the 2018 targets as follows:

(i) Environmental Emission:

Jan 2018 – Sep 2018:	Zero incident.
2018 target:	Zero incident 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:

Jan 2018 – Sep 2018:	Zero non-conformance rate.
2018 target:	Zero non-conformance rate for leachate test procedures and standards.

Jan 2018 – Sep 2018:	Zero incident.
2018 target:	Zero incident rate of wastes disposal at non-approved landfill site.

(iii) Occupational Safety and Health:

Jan 2018 – Sep 2018:	0% due to closure plan for TSL that had commenced during Q12018.
2018 target:	100% truck drivers to be scheduled for road safety and dump trucks’ operations training course.

Jan 2018 – Sep 2018:	Zero incident.
2018 target:	Zero cases of on-site accidents, fatality, permanent disability and injuries.

SUSTAINABILITY REPORT

Scope

During 2018, the Group undertook the toll road construction project through its 75%-owned indirect subsidiary, PT Indah Perkasa Abadi ("**PT IPA**") that is in the construction logistics and infrastructure business in Indonesia.

The toll road construction project started in March 2017 and ended since 15 October 2018. It was a government project undertaken for PT Waskita Karya Tbk, an Indonesian state-controlled company and consisted of seven tranches that were carried out in the regions of Indonesia: Pematang Panggang, Kayu Agung, Palembang, Betung, South Sumatra, Kendal, Central Jawa.

In this year's reporting, all the dormant entities of the Group as listed in Appendix A are excluded.

Materiality

As the toll road construction project was completed in 2018, the Work Group assessed and considered Occupational Safety and Health ("**OSH**") as the most significant and relevant sustainability topic in relation to principal activity of PT IPA. It is also expected to have the most direct impact on PSL in the form of reputational and financial risk.

In accordance with the GRI-Referenced Claim basis, the Work Group adopted specific topic standards 403-1 (a) and 403-2 from GRI 403: Occupational Health and Safety 2016 for the disclosure of the material OSH factor in the report.

Sustainability Practices

Stakeholders and Materiality Considerations

The Local Initiative for OSH Network ("**LION Indonesia**"), a non-profit organization that focuses on increasing workplace health and safety awareness in Indonesia, has reported in its official website that 98,700 workers were injured and 1,965 employees had met with fatalities at work in the year 2010 based on statistics released by the Indonesian Manpower Ministry.

Though the Indonesia government has already passed the Occupational Health and Safety Legislation under the Work Safety Act No. 1 of 1970, many companies had failed to comply fully with the legislative requirements. In 2011, the Indonesian Manpower Ministry issued 3,848 violations against the Work Safety Act, 7,468 verbal warnings and 1,472 strong warning letters.

In the Nikkei Asian Review dated 20 February 2018, it was reported that President Joko Widodo had personally ordered the public works minister to ensure regular and tight supervision to address negligence for all construction and infrastructure projects.

SUSTAINABILITY REPORT

Sustainability Actions

Clearly aware of the significant risks concerning workplace injuries and fatalities in Indonesia, we are committed to advocate for PT IPA to increase the company's awareness about the importance of occupational health, well-being and safety for all of its employees and contractors at the construction sites.

Presently PT IPA has a Site Safety Regulation for New Project in place that seeks to safeguard its staff and employees against fire, injury, fatalities and accidents at construction sites. In summary, the entire set of site regulation and safety rules notably covers and ensures the followings: safety induction and orientation program for new employees, issuance of personal protective equipment to site workers, housekeeping at workplace, operational vehicles procedure and requirements, safety talk, fire and accident prevention procedures, emergency preparedness plan and the establishment of HSSE procedures in the field.

In February 2018, the company obtained the Certificate of Approval by DAS Certification for its Quality Management System (QMS) that was assessed to have met the requirements of ISO 9001:2015 covering scope of operations in the provision of General Construction and Maintenance Services for Civil Engineering, Architecture, Landscape and Mechanical and Electrical Works. The Certificate is set for expiry on 15 February 2019 and it shall be subject to annual surveillance audits for recertification.

PT IPA furnished to us the following key performance data for the toll road construction project:

No	Occupational Safety and Health	1 Jan 2018 – 15 Oct 2018
1	No. of accident occurrences	Nil
2	No. of injuries	Nil
3	No. of fatalities	Nil
4	No. of occupational diseases incidence	Nil

As the toll road construction was completed in 2018, specific and quantitative ESG-targets relating to FY2019 would not be required for this year reporting. Nonetheless, it is always the policy of Group to achieve zero accidents and fatality rate for all construction and infrastructure activities that are undertaken outside of Singapore.

The Work Group started to assist the Board in working with PT IPA for the continual development of a comprehensive sustainability management and reporting program to identify, monitor and manage all key sustainability topics that are relevant to the principal activities of PT IPA and the specific projects that it may undertake in the future. Building upon these fundamental actions plan for PT IPA, the Board will consider these key sustainability issues as part of its strategic formulation and gradually strengthen the total sustainability efforts of PSL for all of its overseas business operations in the subsequent years.

SUSTAINABILITY REPORT

APPENDIX A

Dormant entities of the Group during FY2018:

- 1) PSL Metal Pte. Ltd.
- 2) KCL Logistics Pte. Ltd.
- 3) PT PSL Commodities Indonesia
- 4) PSL Properties Pte. Ltd.
- 5) PSL Construction Logistics Holdings Pte. Ltd.
- 6) PSL Maritime Logistics Holding Pte. Ltd.
- 7) PSL Maritime Strategic Pte. Ltd.
- 8) PT Jaya Sukses Investasi
- 9) PT Selaras Sukses Selalu

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018.

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 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended 31 December 2018 in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); 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
Stephen Leong, BBM
Tan Chee Tong
William Teo Choon Kow, BBM
Kevin Wong Wei Boon

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 1.1.2018	As at 31.12.2018	As at 1.1.2018	As at 31.12.2018
The Company – PSL Holdings Limited				
Ng Yoke Chan ⁽¹⁾	–	–	1,353,700	1,353,700
Tan Chee Tong ⁽¹⁾	–	–	68,000	68,000

Note:

- (1) Ng Yoke Chan and Tan Chee Tong are deemed to have an interest in the shareholding of PSL Holdings Limited by virtue of the shares held under Maybank Kim Eng Securities Pte Ltd.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2019.

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 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.

Audit Committee

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

William Teo Choon Kow, BBM (Chairman)

Eric Chew Yee Teck⁽¹⁾

Kevin Wong Wei Boon

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

- (a) the external auditors' audit plans, their evaluation of the system of internal controls, their management letter and management's response thereto;
- (b) 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) 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) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors;

Note:

(1) Mr Eric Chew Yee Teck was a Director until his demise on 17 January 2019.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Audit Committee (Continued)

- (e) 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);
- (f) review and consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- (g) interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- (h) 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) 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) 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;
- (m) the effectiveness and adequacy of the Group's administrative, operating, internal accounting and financial control procedures; and
- (n) 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.



DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Independent auditor

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: 3 April 2019



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 2018, 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 Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and 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.

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
Recoverability assessment of loans receivable from PT Momentum Indonesia Investama ("PTMII") and contingent consideration on the previous acquisition of PTMII As at 31 December 2018, the carrying values of the loans receivable from PTMII (Note 11) and contingent consideration (Note 10) amounted to \$13.9 million (2017 – \$13.2 million; 1 January 2017 – \$13.8 million) (Note 11) and \$6.1 million (2017 – \$6.0 million; 1 January 2017 – \$5.9 million) (Note 10) respectively. The Company, PTMII and the Indonesian shareholders have entered into definitive agreements on 10 December 2018 to settle amongst other matters, the loans and the contingent consideration. As part of the definitive agreements, PTMII will transfer 6.5 sets of tug-and-barge vessels as repayment of the outstanding loans and the Indonesian shareholders will pay US\$4.5 million as repayment of the contingent consideration within 21 days after the obtaining of approval from shareholders of the Company. We consider the recoverability of the loans receivable 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 2018.	We have assessed the appropriateness of management's judgement used in the recoverability assessment on the loans receivable from PTMII and the contingent consideration. We reviewed the terms of the definitive agreements entered into on 10 December 2018 as well as obtained legal confirmation on the validity and legal enforceability of the clauses in these agreements. 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 corroborated the management's assessment with the review of the desktop valuation on the fair values of the vessels to be transferred to the Company as part of the settlement arrangement performed independently by an external valuer. We have also assessed the competency, capability and objectivity of the external valuer. We have concurred with management's assessment on the use of the general approach on impairment assessment on recoverability of loans receivables and contingent consideration where management determined them as 12-month ECL and lifetime ECL. 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 10 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Ang Soh Mui.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 3 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

			The Group		The Company	
	Note	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000
ASSETS						
Non-Current Assets						
Property, plant and equipment	3	602	1,785	31,056	196	395
Intangible assets	4	–	101	–	–	–
Investments in subsidiaries	5	–	–	–	4,852	4,869
Available-for-sale financial assets	6	–	5	10	–	–
Financial assets, at FVOCI	7	2	–	–	–	–
Amounts due from subsidiaries	9	–	–	–	–	9,537
Trade and other receivables	10	–	–	614	–	–
Deferred tax asset	16	–	13	–	–	–
Club membership		6	6	–	6	–
		610	1,910	31,680	5,054	5,270
Current Assets						
Inventories	8	42	1,158	314	–	–
Amounts due from subsidiaries	9	–	–	–	4,735	5,635
Trade and other receivables	10	9,542	12,228	11,655	6,443	6,077
Loans due from PTMII	11	13,871	13,187	–	13,871	13,187
Cash and cash equivalents	12	7,186	10,978	14,163	2,245	7,659
		30,641	37,551	26,132	27,294	32,558
Total assets		31,251	39,461	57,812	32,348	37,828
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	13	35,763	35,763	32,533	35,763	35,763
Currency translation reserve	13	24	(125)	594	–	–
(Accumulated losses)/retained profits		(8,082)	(3,462)	1,789	(9,384)	(4,834)
Fair value reserve	13	(3)	–	–	–	–
Capital reserve	13	146	507	182	–	–
Attributable to equity holders of the Company		27,848	32,683	35,098	26,379	30,929
Non-controlling interests	5	(359)	170	(1,567)	–	–
Total equity		27,489	32,853	33,531	26,379	30,929
Non-Current Liabilities						
Trade and other payables	14	–	–	7,027	–	–
Finance lease liabilities	15	25	88	183	–	–
Deferred tax liabilities	16	–	–	48	–	–
		25	88	7,258	–	–
Current Liabilities						
Trade and other payables	14	3,686	6,349	14,845	493	1,083
Amounts due to subsidiaries	9	–	–	–	5,476	5,816
Finance lease liabilities	15	36	158	291	–	–
Bank borrowings	17	–	–	1,881	–	–
Current tax liabilities		15	13	6	–	–
		3,737	6,520	17,023	5,969	6,899
Total liabilities		3,762	6,608	24,281	5,969	6,899
Total equity and liabilities		31,251	39,461	57,812	32,348	37,828

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018 \$'000	Year ended 31 December 2017 \$'000
Revenue	18	7,679	10,246
Cost of sales		(8,026)	(9,271)
Gross (loss)/profit		(347)	975
Other operating income	20	554	490
Other (losses)/gains – net	21	(65)	1,230
Selling and distribution expenses		(4)	(9)
General and administrative expenses	19(a)	(4,500)	(4,602)
Other operating expenses	19(b)	(280)	(3,154)
Finance costs	22	(9)	(24)
Loss before income tax		(4,651)	(5,094)
Income tax expense	23	(486)	(200)
Loss for the year, net of tax		(5,137)	(5,294)
Other comprehensive (loss)/income, net of tax			
Items that will not be reclassified to profit or loss:			
Equity investments at FVOCI – net change in fair value		(3)	–
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		146	19
		143	19
Total comprehensive loss for the year		(4,994)	(5,275)
Loss attributable to:			
Equity holders of the Company		(4,620)	(5,251)
Non-controlling interests		(517)	(43)
		(5,137)	(5,294)
Total comprehensive loss attributable to:			
Equity holders of the Company		(4,474)	(5,236)
Non-controlling interests		(520)	(39)
		(4,994)	(5,275)
Loss per share attributable to equity holders of the Company (Cents)			
– Basic and diluted loss per share	24	(8.30)	(11.24)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Share capital \$'000	Retained earnings/ (accumulated losses) \$'000	Currency translation reserve \$'000	Fair value reserve \$'000	Capital reserve \$'000	Company \$'000	Non-controlling interests \$'000	Total attributable to equity holders of the company \$'000	Total equity \$'000
At 1 January 2017	32,533	1,789	594	-	182	35,098	(1,567)	33,531	33,531
Loss for the year	-	(5,251)	-	-	-	(5,251)	(43)	(5,294)	(5,294)
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
- Currency translation differences	-	-	15	-	-	15	4	19	19
Total comprehensive (loss)/income for the year	-	(5,251)	15	-	-	(5,236)	(39)	(5,275)	(5,275)
Transactions with owner, recognised directly in equity									
Dividends paid to non-controlling interest by a subsidiary	-	-	-	-	-	-	(50)	(50)	(50)
Issuance of shares (Note 13)	3,230	-	-	-	-	3,230	-	3,230	3,230
Effect of deconsolidation of a subsidiary	-	-	(734)	-	-	(734)	2,056	1,322	1,322
Acquisition of additional ownership in a subsidiary (Note 5)	-	-	-	-	325	325	(325)	-	-
Acquisition of a subsidiary (Note 5)	-	-	-	-	-	-	95	95	95
At 31 December 2017	35,763	(3,462)	(125)	-	507	32,683	170	32,853	32,853
At 1 January 2018	35,763	(3,462)	(125)	-	507	32,683	170	32,853	32,853
Loss for the year	-	(4,620)	-	-	-	(4,620)	(517)	(5,137)	(5,137)
Other comprehensive (loss)/income for the year	-	-	-	-	-	-	-	-	-
- Net change in fair value - equity investments at FVOCI	-	-	-	(3)	-	(3)	-	(3)	(3)
- Currency translation differences	-	-	149	-	-	149	(3)	146	146
Total comprehensive (loss)/income for the year	-	(4,620)	149	(3)	-	(4,474)	(520)	(4,994)	(4,994)
Transactions with owner, recognised directly in equity									
Acquisition of remaining non-controlling interest in TSL without a change in control (Note 5)	-	-	-	-	(361)	(361)	(9)	(370)	(370)
At 31 December 2018	35,763	(8,082)	24	(3)	146	27,848	(359)	27,489	27,489

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018 \$'000	Year ended 31 December 2017 \$'000
Note			
Cash Flows from Operating Activities			
	Loss before taxation	(4,651)	(5,094)
	Adjustments for:		
	Depreciation of property, plant and equipment	3 421	567
	(Gain)/loss from disposal of property, plant and equipment	21 (51)	1
	Impairment loss on property, plant and equipment	3 –	293
	Impairment loss on intangible assets	4 101	–
	Impairment loss on investment in available-for-sale financial assets	6 –	5
	Gain of deconsolidation of a subsidiary	5 –	(2,564)
	Fair value changes on profit guarantee due from vendors	20 (122)	(122)
	Interest income	20 (379)	(308)
	Interest expense	22 9	24
	Operating loss before working capital changes	(4,672)	(7,198)
	Changes in inventories	1,116	(358)
	Changes in trade and other receivables	2,730	3,133
	Changes in other assets	–	(6)
	Changes in trade payables, other payables and accruals	(2,663)	1,666
	Cash used in operations	(3,489)	(2,763)
	Income tax paid	(474)	(246)
	Net cash used in operating activities	(3,963)	(3,009)
Cash Flows from Investing Activities			
	Interest received	78	300
	Acquisition of property, plant and equipment	3 (152)	(943)
	Proceeds from disposal of property, plant and equipment	950	5
	Acquisition of a subsidiary, net of cash acquired	5 –	124
	Net cash outflow on deconsolidation of a subsidiary	5 –	(950)
	Purchase of remaining non-controlling interest	5 (370)	–
	Net cash generated from/(used in) investing activities	506	(1,464)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 \$'000	Year ended 31 December 2017 \$'000
Cash Flows from Financing Activities			
Repayment of bank borrowings		–	(1,238)
Repayment of finance lease liabilities		(185)	(252)
(Increase)/decrease in short-term deposits pledged		(1,621)	2,396
Proceeds from issuance of share capital		–	3,230
Interest paid		(9)	(24)
Dividends paid to non-controlling interest by a subsidiary		–	(50)
Net cash (used in)/generated from financing activities		(1,815)	4,062
Net decrease in cash and cash equivalents		(5,272)	(411)
Cash and cash equivalents at beginning of year		9,959	10,748
Effects of currency translation on cash and cash equivalents		(141)	(378)
Cash and cash equivalents at end of year	12	4,546	9,959

Reconciliation of liabilities arising from financing activities:

	At beginning of the year \$'000	Principal payments \$'000	Deconsolidation of a subsidiary \$'000	Acquisition of a subsidiary \$'000	At the end of the year \$'000
<u>2018</u>					
Finance lease liabilities	246	(185)	–	–	61
<u>2017</u>					
Finance lease liabilities	474	(252)	–	24	246
Borrowings	1,881	(1,238)	(643)	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1 General information

The financial statements of PSL Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company 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.

Going concern

The Group is placed under SGX's watchlist financial criteria. The Group has incurred loss for the year of \$5,137,000 (2017: \$5,294,000) and total comprehensive loss of \$4,994,000 (2017: \$5,275,000). In addition, the Group has incurred net cash used in operating activities of \$3,963,000 (2017: \$3,009,000).

However, the Group has cash balances of \$7.2 million which is sufficient to settle any debts or expenditure within the next 12 months. The Group is also undergoing to its cost-cutting plans to reduce expenditure. The Group will take active steps to meet the requirements of Rule 1314(2) of the SGX-ST Listing Manual within 36 months from 5 June 2017 to exit the financial criteria watch list.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) 1, First-time Adoption of International Financial Reporting Standard, has been applied in preparing these financial statements promulgated by the Accounting Standards Council ("ASC"). These consolidated financial statements are the first set of financial statements prepared in accordance with SFRS(I).

The Group's consolidated financial statements until 31 December 2017 had been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). FRS differs in certain respects from SFRS(I). The Group's financial statements for the financial year ended 31 December 2018 are prepared in accordance with SFRS(I) and IFRS issued by the International Accounting Standard Board. As a result, this is the first set of financial statements prepared under SFRS(I).

These consolidated financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

The preparation of financial statements in conformity with SFRS(I) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2(c).

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information is presented in Singapore dollars to the nearest thousand (\$'000), unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. 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, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017). Additional disclosures are made for specific transition adjustments if applicable.

The financial statements for the year ended 31 December 2016 (where the additional opening statement of financial position as at the date of transition i.e. 1 January 2017 is presented) are audited by another firm of auditors whose report dated 28 April 2017 expressed an unmodified opinion on those financial statements.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of International Financial Reporting Standards. In addition to the adoption of the new framework, the following new SFRS(I)s, amendments to and interpretations of SFRS(I) are effective from the same date and relevant to the Group:

- SFRS(I) 15 Revenue from Contracts with Customers and Amendments to SFRS(I) 15;
- Clarifications to SFRS(I) 15;
- SFRS(I) 9 Financial Instruments;
- Classification and Measurement of Share-based Payment Transactions (Amendments to SFRS(I) 2); and
- Deletion of short-term exemptions for first-time adopters (Amendments to SFRS(I) 1).

The application of the above standards and interpretations do not have a material effect on Group's and the Company's financial statements.

Management did not elect any of the optional exemptions available under SFRS(I) 1. Therefore, the adoption of SFRS(I) does not have a material effect on the financial statements.

The accounting policies set out in Note 2(d) have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions under SFRS(I) 1.

The effects of transition to SFRS(I) and initial application of SFRS(I) 15 are presented and explained below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Continued)**(I) Reconciliation of the Group's equity****Impact on the consolidated statements of financial position as at 1 January 2017 (date of transition to SFRS(I))**

	Note	FRS Framework \$'000	SFRS(I) 1 \$'000	SFRS(I) 15 \$'000	SFRS(I) 9 \$'000	SFRS(I) Framework \$'000
ASSETS						
Non-Current Assets						
Property, plant and equipment	3	31,056	–	–	–	31,056
Available-for-sale financial assets	6	10	–	–	(10)	–
Financial assets, at FVOCI	7	–	–	–	10	10
Trade and other receivables	10	614	–	–	–	614
		31,680	–	–	–	31,680
Current Assets						
Inventories	8	314	–	–	–	314
Trade and other receivables	10	11,655	–	–	–	11,655
Cash and cash equivalents	12	14,163	–	–	–	14,163
		26,132	–	–	–	26,132
Total Assets		57,812	–	–	–	57,812
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	13	32,533	–	–	–	32,533
Currency translation reserve	13	594	–	–	–	594
Retained profits		1,789	–	–	–	1,789
Capital reserve	13	182	–	–	–	182
Attributable to equity holders of the Company		35,098	–	–	–	35,098
Non-controlling interests	5	(1,567)	–	–	–	(1,567)
Total Equity		33,531	–	–	–	33,531
Non-Current Liabilities						
Trade and other payables	14	7,027	–	–	–	7,027
Finance lease liabilities	15	183	–	–	–	183
Deferred tax liabilities	16	48	–	–	–	48
		7,258	–	–	–	7,258
Current Liabilities						
Trade and other payables	14	14,845	–	–	–	14,845
Finance lease liabilities	15	291	–	–	–	291
Bank borrowings	17	1,881	–	–	–	1,881
Current tax liabilities		6	–	–	–	6
		17,023	–	–	–	17,023
Total Liabilities		24,281	–	–	–	24,281
Total Equity and Liabilities		57,812	–	–	–	57,812

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Continued)

(I) Reconciliation of the Group's equity (Continued)

Impact on the consolidated statements of financial position as at 31 December 2017 (end of last period reported under FRS)

	Note	FRS Framework \$'000	SFRS(I) 1 \$'000	SFRS(I) 15 \$'000	SFRS(I) 9 \$'000	SFRS(I) Framework \$'000
ASSETS						
Non-Current Assets						
Property, plant and equipment	3	1,785	–	–	–	1,785
Intangible assets	4	101	–	–	–	101
Available-for-sale financial assets	6	5	–	–	(5)	–
Financial assets, at FVOCI	7	–	–	–	5	5
Deferred tax asset	16	13	–	–	–	13
Club membership		6	–	–	–	6
		1,910	–	–	–	1,910
Current Assets						
Inventories	8	1,158	–	–	–	1,158
Trade and other receivables	10	12,228	–	–	–	12,228
Loans due from PT MII	11	13,187	–	–	–	13,187
Cash and cash equivalents	12	10,978	–	–	–	10,978
		37,551	–	–	–	37,551
Total Assets		39,461	–	–	–	39,461
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	13	35,763	–	–	–	35,763
Currency translation reserve	13	(125)	–	–	–	(125)
Accumulated losses		(3,462)	–	–	–	(3,462)
Capital reserve	13	507	–	–	–	507
Attributable to equity holders of the Company		32,683	–	–	–	32,683
Non-controlling interests	5	170	–	–	–	170
Total Equity		32,853	–	–	–	32,853
Non-Current Liabilities						
Finance lease liabilities	15	88	–	–	–	88
		88	–	–	–	88
Current Liabilities						
Trade and other payables	14	6,349	–	–	–	6,349
Finance lease liabilities	15	158	–	–	–	158
Current tax liabilities		13	–	–	–	13
		6,520	–	–	–	6,520
Total Liabilities		6,608	–	–	–	6,608
Total Equity and Liabilities		39,461	–	–	–	39,461

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Continued)

(a) SFRS(I) 1

The Group adopted SFRS(I) in 2018 and applied SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The application of the mandatory exceptions in SFRS(I) 1 does not have quantitative impact on the Group's and the Company's financial statements. The Group has not elected any optional exceptions upon transition to SFRS(I) 1.

(b) SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. 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.

The Group has adopted SFRS(I) 15 in its financial statements for the year ended 31 December 2018. There are no significant changes to the basis of revenue recognition for its revenue from construction logistics services since these are recognised when 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 no significant financing component arising from the rendering of construction logistics services. Credit terms are only extended to the customers and such credit terms are generally in line with the industry norm.

(c) SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

The following assessments have been made on the basis of facts and circumstances that existed at 1 January 2018.

- The determination of the business model within which a financial asset is held.
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income ("FVOCI").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Continued)**(c) SFRS(I) 9 (Continued)**

SFRS(I) 9 replaces the provision of FRS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets. The adoption of SFRS(I) 9 Financial Instruments from 1 January 2018 resulted in changes of accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2(d) below. In accordance with the transition in SFRS(I) 9, comparative figures have not been restated.

The Group has assessed the impact to the consolidated financial statements. Loans and receivables accounted for at amortised cost under FRS 39 will continue to be accounted for using amortised cost model under SFRS(I) 9. For financial assets currently held at fair value, the Group continue to perform fair value measurement of these assets at the end of each reporting period under SFRS(I) 9.

The following table below explains the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for the Group's financial assets related to equity investment as at 1 January 2018.

			31 December 2017		1 January 2017	
	Original	New	Original	New	Original	New
	classification	classification	carrying	carrying	carrying	carrying
	under FRS 39	under SFRS(I) 9	amount	amount	amount	amount
			under FRS 39	under SFRS(I) 9	under FRS 39	under SFRS(I) 9
			\$'000	\$'000	\$'000	\$'000
The Group						
Equity investment	Available-for sale	FVOCI	5	5	10	10

The Group elected to present in OCI changes in the fair value of its equity investment previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium-term. As a result, assets with a fair value of \$5,000 were reclassified from available-for-sale to financial assets at FVOCI on 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Continued)

(II) Issued but not yet effective

The following are the new or amended SFRS(I) and INT SFRS(I) issued in 2018 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) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 3	Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020

SFRS(I) 16 Leases

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases – Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group plans to apply SFRS(I) 16 initially on 1 January 2019. The Group expects to measure lease liabilities by applying a single discount rate to their portfolio of office premise and equipment leases. The Group is likely to apply the practical expedient to recognise amounts of right-of-use (“ROU”) assets equal to their lease liabilities at 1 January 2019.

Upon the adoption of SFRS(I) 16, the Group expects an increase in ROU assets and lease liabilities of \$0.1 million. The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Continued)

(II) Issued but not yet effective (Continued)

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

On 11 March 2019, ASC issued the narrow-scope amendments to SFRS(I) 3 Business Combinations to improve the definition of a business. The amendments narrowed and clarified the definition of a business.

They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets.

The amendments to SFRS(I) 3 should apply for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 January 2020, with earlier application permitted.

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

The amendments clarify that the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in SFRS(I) Standards. Materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary user.

The amendments to SFRS(I) 1-1 and SFRS(I) 1-8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(c) Significant accounting estimates and judgements

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(c) Significant accounting estimates and judgements (Continued)

Critical judgements in applying accounting policies (Continued)

Assessment of ability to exercise control over PTMII (Continued)

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.

Income tax

Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issue based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such a determination is made.

The carrying amounts of the Group's and the Company's deferred tax assets and liabilities and current tax liabilities are disclosed in Notes 16 and 23 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(c) Significant accounting estimates and judgements (Continued)

Critical judgements in applying accounting policies (Continued)

Determination of operating segments

Management identifies the Chief Operating Decision Maker ("CODM") as well as their business activities (which may not necessarily earn revenue or incur expenses). Management has further determined whether discrete financial information is available for the business activities and whether that information is regularly reviewed by the CODM. Judgement is applied by management in the allocation of resources to the operating segments.

Critical accounting estimates and assumptions used in applying accounting policies

Impairment tests for cash-generating units containing goodwill (Note 4)

Goodwill is allocated to the Group's cash-generating units ("CGU") according to the individual subsidiary as follows:

	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
PT IPA	–	101	–
	–	101	–

The recoverable amount of a CGU is determined based on the higher of fair value less cost to sell ("FVLCTS") and value-in-use ("VIU") calculations.

Based on the impairment assessment, an impairment loss of \$0.1 million was recognised on goodwill allocated to PT IPA for the financial year ended 31 December 2018 ("FY 2018") (2017 and 1 January 2017: \$3.4 million). Following the impairment loss recognised in the PT IPA, the recoverable amount was equal to the carrying amount.

The carrying amount of goodwill as at 31 December 2018 amounted to \$Nil (2017: \$101,000; 1 January 2017: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(c) Significant accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions used in applying accounting policies (Continued)

Impairment tests for plant and equipment

Plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and, where applicable, cash-generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit (or group of cash-generating units) and also to use many estimates and assumptions such as future market growth, forecast revenue and costs, useful lives of utilisation of the assets, discount rates and other factors.

A decrease of 5% (2017 and 1 January 2017: 5%) in the value-in-use of the Group's plant and equipment would have decreased the Group's profit by \$30,100 (2017: \$89,250; 1 January 2017: \$1,552,800). The carrying amounts of the Group's and the Company's plant and equipment are disclosed in Note 3 to the financial statements.

Depreciation of plant and equipment

The costs of plant and equipment are depreciated on a straight-line basis over the estimated economic useful lives of the assets. The Group estimates the useful lives of the assets based on commercial factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. Changes to the expected level of usage, maintenance programmes and technical developments could impact the economic useful lives of the assets; therefore, future depreciation charges could be revised. The carrying amounts of the Group's and the Company's plant and equipment at the reporting date are disclosed in Note 3 to the financial statements. If depreciation on the Group's plant and equipment increases/decreases by 10% (2017: 10%) from management's estimate, the Group's profit for the year will decrease/increase by approximately \$42,100 (2017: \$56,700).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(c) Significant accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions used in applying accounting policies (Continued)

Impairment of investments in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the value-in-use of the investments. The value-in-use calculation requires the Company to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows.

At the reporting date, the carrying amounts of investments in subsidiaries are \$4,852,000 (2017: \$4,869,000; 1 January 2017: \$3,891,000). Management has evaluated the recoverability of the investment based on such estimates. If the present value of estimated future cash flows decreases by 10% (2017 and 1 January 2017: 10%) from management's estimates, the Company's allowance for impairment of investments in subsidiaries will increase by \$485,200 (2017: \$486,900; 1 January 2017: \$389,100).

Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

If the net realisable values of the inventory decrease/increase by 10% (2017 and 1 January 2017: 10%) from management's estimates, the Group's profit will decrease/increase by \$4,200 (2017: \$115,800; 1 January 2017: \$31,400). The carrying amounts of the Group's and the Company's inventories are disclosed in Note 8 to the financial statements.

Impairment of trade receivables

As at 31 December 2018, the Group's trade receivables amounted to \$1,279,000 (2017: \$5,110,000; 1 January 2017: \$3,924,000) (Note 10), arising from the Group's different revenue segments – trading and engineering, and construction logistics. Based on the Group's historical credit loss experience, trade receivables exhibited significantly different loss patterns for each revenue segment. A loss allowance of \$819,000 (2017: \$680,000; 1 January 2017: \$628,000) for the Group's trade receivables was recognised as at 31 December 2018.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately.

There is no customer in financial difficulties during the financial year. The Group's credit risk exposure for trade receivables by different revenue segment is set out in Note 29.5.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(c) Significant accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions used in applying accounting policies (Continued)

Recoverability of loans due from PTMII and contingent consideration

As at 31 December 2018, the Group's loans due from PTMII and contingent consideration amounted to \$13.9 million (2017: \$13.2 million; 1 January 2017: \$13.8 million) (Note 11) and \$6.1 million (2017: \$6.0 million; 1 January 2017: \$5.9 million) (Note 10) respectively. Based on the clauses in the definitive agreements entered into by the Group, the Group and the Company evaluate the expected credit loss to be negligible.

2(d) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Consolidation (Continued)

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

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

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

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

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

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

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Consolidation (Continued)

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group. The consideration for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration given, 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 (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Goodwill" for the accounting policy on goodwill.

Disposal

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Intangible assets

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

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

Goodwill

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

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

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

Investment in 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the depreciable amount 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Financial instruments

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

(a) Financial assets

Measurement

Initial recognition and measurement

Financial assets are recognised when, only when the entity becomes party to the contractual provisions of the instruments.

The classification of financial assets, at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition. Refer to the accounting policies in this section Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchase or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Subsequent measurement of debt instruments depends on the Group's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal and interest on the principal amount outstanding on the asset.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

The financial assets at amortised cost include trade and other receivables, loans due from PTMII, amounts due from subsidiaries, excluding prepayments.

Fair value through other comprehensive income (debt instruments)

Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised. The Group does not have financial assets at FVOCI (debt instruments).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Financial instruments (Continued)

(a) Financial assets (Continued)

Financial assets designated at fair value through OCI (equity instruments)

The Group subsequently measures all equity instruments at fair value. On initial recognition of an equity instruments that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The classification is determined on an instrument-by-instrument basis. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Changes in fair value of financial assets at FVOCI are recognised in OCI are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit and loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

Financial assets at fair value through profit and loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in the finance income.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Dividends on listed equity instruments are also recognised as other income in the statement of comprehensive income when the right of payment has been established. The Group does not have financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Financial instruments (Continued)

(a) Financial assets (Continued)

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets (Continued)

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

The Group considers a financial asset in default when contractual payments are 90 days due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised initially at fair value less directly attributable transaction costs.

The financial liabilities include trade and other payables, amounts due to subsidiaries and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SFRS(I) 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SFRS(I) 9 are satisfied. The Group has not designated any financial liability at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Financial instruments (Continued)

(b) Financial liabilities (Continued)

Financial liabilities that not carried at fair value through profit or loss

After initial recognition, financial liabilities that are not carried at fair value through profit or loss such as interest – bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well through the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) 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 and are used by the Group in the management of its short-term commitments.

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.

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.

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Impairment of non-financial assets (Continued)

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

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

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

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

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

With the exception of goodwill,

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

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. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

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.

Revenue

Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Revenue (Continued)

Revenue is recognised at a point in time.

Rental income

Rental income from equipment is recognised as 'revenue' on a straight-line basis over the term of the lease.

Finance income

Finance income relates to interest income from bank deposits that is recognised as it accrues, using the effective interest method.

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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Related parties (Continued)

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.

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.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting policies (Continued)

Foreign currency (Continued)

Group entities

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:

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

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

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.

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.

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 SGD, which is also the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	Heavy equipment \$'000	Construction in-progress \$'000	Total \$'000
Cost											
At 1 January 2017	263	20	62,887	110	-	349	340	2,728	-	-	66,697
Acquisition of a subsidiary (Note 5)	-	-	-	-	-	-	33	55	-	1	89
Deconsolidation 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
Additions	-	15	-	-	-	5	12	47	-	73	152
Disposals	-	-	-	-	-	(309)	(62)	(2,625)	-	-	(2,996)
Write off	-	(11)	-	-	-	-	-	-	-	-	(11)
Reclassification	-	-	-	-	-	-	-	15	180	(195)	-
Currency translation differences – net	-	-	-	-	-	-	(4)	(6)	-	(5)	(15)
At 31 December 2018	-	352	-	-	13	-	404	439	180	-	1,388
Accumulated depreciation/ impairment losses											
At 1 January 2017	12	16	33,863	31	-	93	306	1,320	-	-	35,641
Deconsolidation 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
Depreciation for the year	-	178	-	-	7	16	50	161	9	-	421
Disposals	-	-	-	-	-	(141)	(28)	(1,928)	-	-	(2,097)
Write off	-	(11)	-	-	-	-	-	-	-	-	(11)
At 31 December 2018	-	337	-	-	13	-	339	88	9	-	786
Net book value											
At 31 December 2018	-	15	-	-	-	-	65	351	171	-	602
At 31 December 2017	-	178	-	-	7	179	141	1,153	-	127	1,785
At 1 January 2017	251	4	29,024	79	-	256	34	1,408	-	-	31,056

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2017	–	–	–	–
Additions	347	43	198	588
At 31 December 2017	347	43	198	588
Additions	15	–	–	15
Write off	(11)	–	–	(11)
At 31 December 2018	351	43	198	592
<u>Accumulated depreciation</u>				
At 1 January 2017	–	–	–	–
Depreciation for the year	169	14	10	193
At 31 December 2017	169	14	10	193
Depreciation for the year	178	16	20	214
Write off	(11)	–	–	(11)
At 31 December 2018	336	30	30	396
<u>Net book value</u>				
At 31 December 2018	15	13	168	196
At 31 December 2017	178	29	188	395
At 1 January 2017	–	–	–	–

Impairment testing

In accordance with SFRS(I) 1-36, the management of the Group tested property, plant and equipment for impairment whenever there is any indication that the assets may be impaired. Please refer to Note 5 for the impairment assessment on property, plant and equipment.

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

The Group	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Plant and equipment	–	–	173
Motor vehicles	100	613	1,383
	100	613	1,556

Leased assets are pledged as security for the related finance lease liabilities. Refer to Note 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4 Intangible assets

The Group

Goodwill arising on consolidation
Customer contract and related customer relationship

31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'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

Accumulated impairment

Beginning of financial year
Impairment loss (Note 19(b))
Deconsolidation of a subsidiary (Note 5)
End of financial year
Net book value

31 December 2018 \$'000	31 December 2017 \$'000
101	3,423
–	101
–	–
–	(3,423)
101	101
–	(3,423)
(101)	–
–	3,423
(101)	–
–	101

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4 Intangible assets (Continued)

(b) Customer contract and related customer relationship

	31 December 2018 \$'000	31 December 2017 \$'000
The Group		
<u>Cost</u>		
Beginning of financial year	–	1,719
Currency translation difference	–	–
Deconsolidation of a subsidiary (Note 5)	–	(1,719)
End of financial year	–	–
<u>Accumulated amortisation and impairment</u>		
Beginning of financial year	–	(1,719)
Amortisation charge	–	–
Impairment loss on intangible assets	–	–
Deconsolidation of a subsidiary (Note 5)	–	1,719
End of financial year	–	–
Net book value	–	–

Please refer to Note 5 for the impairment assessment of goodwill for the Group.

5 Investments in subsidiaries

	31 December 2018 \$'000	31 December 2017 \$'000
The Company		
<u>Unquoted equity investments, at cost</u>		
At beginning of year	5,081	18,958
Reclassification [^]	–	(14,855)
Additions during the year	370	978
At end of year	5,451	5,081
<u>Allowance for impairment losses</u>		
At beginning of year	(212)	(15,067)
Reclassification [^]	–	14,855
Impairment loss	(387)	–
At end of year	(599)	(212)
Carrying amount	4,852	4,869

[^] Following management's evaluation and conclusion to deconsolidate PTMII with effect from 1 January 2017, the investment in PTMII was reclassified as available-for-sale financial asset with a net carrying value of Nil at 31 December 2017 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Investments in subsidiaries (Continued)

Impairment tests for investments in TSL, PSL Metal, PT IPA, property, plant and equipment and goodwill

For the financial year ended 31 December 2018, management of the Group had carried out an impairment assessment over the investments in subsidiaries, property, plant and equipment and goodwill and identified the following significant cash generating units ("CGUs") to have indications of possible impairment issues at 31 December 2018 as it was in a loss-making position for the past few year and with net cash outflow from operations:

- (i) TSL Transport & Engineering Pte Ltd ("TSL")
- (ii) PSL Metal Pte Ltd ("PSL Metal")
- (iii) PT Indah Perkasa Abadi ("PT IPA")

Impairment of property, plant and equipment

As at 31 December 2018, the carrying amount of the property, plant and equipment amounted to \$602,000 (2017 – \$1,785,000).

Management has assessed the recoverable amounts of property, plant and equipment based on external suppliers' quote. In the financial year ended 31 December 2018, the recoverable amount is assessed to be higher than the carrying amount and management has concluded that there is no impairment.

In the financial year ended 31 December 2017, management had compared the carrying value of the motor vehicles with its recoverable amount and had determined an impairment loss of \$293,000 to be recognised in the profit or loss for the financial year ended 31 December 2017.

Impairment of cost of investment in subsidiaries

As at 31 December 2018, the carrying amount of the investment in subsidiaries amounted to \$4,852,000 (2017 – \$4,869,000; 1 January 2017 – \$3,891,000).

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 subsidiary. The financials of the identified subsidiaries comprised mainly current assets and current liabilities with short term to maturity and approximated their fair values at year end. The non-current assets approximated to their fair values based on market quotes for the equipment and vehicles from reliable sources in Indonesia. 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 for PSL Metal and TSL since the recoverable amounts of these entities are still higher than the carrying values at year end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Investments in subsidiaries (Continued)

Impairment tests for investments in TSL, PSL Metal, PT IPA, property, plant and equipment and goodwill (Continued)

Impairment of cost of investment in subsidiaries (Continued)

The recoverable amount of PT IPA was also estimated by management based on the higher of fair value less cost to sell and value-in-use. Similar to PSL Metal and TSL, the fair value less cost to sell was determined based on the financials of PT IPA which comprised mainly of cash balances, trade and other receivables and trade and other payables which were current and approximated fair value at year end. Based on the impairment testing, an impairment loss of S\$387,000 relating to the cost of investment in PT IPA is recognised under general and administrative expenses in profit or loss of the Company for the financial year ended 31 December 2018, being the shortfall between the carrying amount and the recoverable amount. The fair value is based on Level 3 of the fair value hierarchy.

For the last 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 CGUs to have indications of possible impairment issues at the reporting date as they were in a loss-making position for the year and with net cash outflow from operations:

- (i) TSL
- (ii) PSL Metal

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 subsidiary. 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.

Impairment of goodwill

As at 31 December 2018, the carrying amount of goodwill amounted to \$Nil (2017 – \$101,000).

For the year ended 31 December 2018, management has estimated the recoverable amount of PT IPA based on the higher of fair value less cost to sell and value-in-use. The fair value less cost to sell was determined based on the financials of PT IPA which comprised mainly of cash balances, trade and other receivables and trade and other payables which were current and approximated fair value at year end. Based on the impairment testing, an impairment loss of \$101,000 in respect of goodwill is recognised under other operating expenses in profit or loss of the Group for the financial year ended 31 December 2018, being the shortfall between the carrying amount and the recoverable amount. The fair value is based on Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Investments in subsidiaries (Continued)

Details of investments in subsidiaries as at 31 December 2018 and 2017 are as follows:

Name	Country of incorporation/ principal place of business	Attributable to equity interest of the Group			Principal activities
		31 December 2018	31 December 2017	1 January 2017	
		%	%	%	
<u>Held by the Company</u>					
PSL Metal Pte. Ltd. ^(a)	Singapore	100	100	100	Installation of industrial machinery and equipment; mechanical engineering works and building construction
TSL Transport & Engineering Pte. Ltd. ^(a)	Singapore	100 [#]	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	100	Investment holding
PSL Maritime Strategic Pte. Ltd. ^(a)	Singapore	100	100	100	Investment holding
PSL Maritime Logistics Holdings Pte. Ltd. ^(a)	Singapore	100	100 [^]	—	Logistics provider
PSL Construction Logistics Holdings Pte. Ltd. ^(a)	Singapore	100	100 [^]	—	Excavation and earth moving works
PSL Properties Pte Ltd ^(a)	Singapore	100	100 [^]	—	Real estate activities with own or leased properties

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Investments in subsidiaries (Continued)

Name	Country of incorporation/ principal place of business	Attributable to equity interest of the Group			Principal activities
		31 December 2018	31 December 2017	1 January 2017	
		%	%	%	
<u>Held by KCL Logistics Pte Ltd</u>					
PT PSL Commodities Indonesia ^(b)	Indonesia	99	99	99	Investment holding
<u>Held by PT PSL Commodities Indonesia</u>					
PT Indah Perkasa Abadi ("PT IPA") ^(c)	Indonesia	74.3	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	99.9	Investment holding
<u>Held by PT Jaya Sukses Investasi</u>					
PT Selaras Sukses Selalu ^(b)	Indonesia	99.99	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

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

(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 last financial year ended 31 December 2017.

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

During the financial year ended 31 December 2018, the Company acquired an additional 2,500 ordinary shares (2017 – 290,000 new ordinary shares issued) in TSL Transport & Engineering Pte Ltd and increased its equity ownership in the subsidiary from 99.17% to 100% (2017 – 75% to 99.17%).

^ These subsidiaries are newly incorporated and wholly owned by the Company in the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Investments in subsidiaries (Continued)

Carrying value of non-controlling interests

	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
The Group			
PT Momentum Indonesia Investama	–	–	(2,056)
TSL Transport & Engineering Pte. Ltd.	–	8	488
PT Jaya Sukses Investasi	1	1	1
PT Indah Perkasa Abadi ("PT IPA")	(360)	161	–
	(359)	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 2018 and 2017 apart from those disclosed in Note 25.

Summarised balance sheet

31 December 2018

	PT IPA \$'000	PT Jaya \$'000	Total \$'000
Current			
Assets	6,889	6,228	13,117
Liabilities	(8,706)	(5,289)	(13,995)
Total net current (liabilities)/assets	(1,817)	939	(878)
Non-current			
Assets	402	204	606
Liabilities	(25)	–	(25)
Total net non-current assets	377	204	581
Net (liabilities)/assets	(1,440)	1,143	(297)
Net (liabilities)/assets attributable to NCI	(360)	1	(359)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Investments in subsidiaries (Continued)

Summarised balance sheet (Continued)

31 December 2017

	TSL \$'000	PT IPA \$'000	PT Jaya \$'000	Total \$'000
Current				
Assets	1,213	8,999	6,496	16,708
Liabilities	(1,276)	(8,721)	(5,516)	(15,513)
Total net current (liabilities)/assets	(63)	278	980	1,195
Non-current				
Assets	992	403	204	1,599
Liabilities	(52)	(36)	–	(88)
Total net non-current assets	940	367	204	1,511
Net assets	877	645	1,184	2,706
Net assets attributable to NCI	8	161	1	170

1 January 2017

	TSL \$'000	PT MII \$'000	PT Jaya \$'000	Total \$'000
Current				
Assets	2,070	4,297	7,078	13,445
Liabilities	(1,530)	(31,177)	(6,008)	(38,715)
Total net current assets/(liabilities)	540	(26,880)	1,070	(25,270)
Non-current				
Assets	1,588	30,036	204	31,828
Liabilities	(170)	(7,042)	–	(7,212)
Total net non-current assets	1,418	22,994	204	24,616
Net assets/(liabilities)	1,958	(3,886)	1,274	(654)
Net assets/(liabilities) attributable to NCI	488	(2,056)	1	(1,567)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Investments in subsidiaries (Continued)

Summarised statement of comprehensive income

31 December 2018

Revenue	
(Loss)/profit before income tax	
Income tax expense	
(Loss)/profit after tax	
Other comprehensive loss	
Total comprehensive (loss)/income	
Total comprehensive (loss)/income allocated to non-controlling interest	

PT IPA \$'000	TSL \$'000	Total \$'000
7,067	690	7,757
(1,602)	212	(1,390)
(473)	–	(473)
(2,075)	212	(1,863)
(14)	–	(14)
(2,089)	212	(1,877)
(522)	2	(520)

31 December 2017

Revenue	
Profit/(loss) before income tax	
Income tax expense	
Profit/(loss) after tax	
Other comprehensive loss	
Total comprehensive income/(loss)	
Total comprehensive income/(loss) allocated to non-controlling interest	

PT IPA \$'000	TSL \$'000	Total \$'000
7,772	2,474	10,246
532	(1,200)	(668)
(246)	–	(246)
286	(1,200)	(914)
–	–	–
286	(1,200)	(914)
72	(111)	(39)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Investments in subsidiaries (Continued)

Summarised cash flow statement

31 December 2018

	PT IPA \$'000	Total \$'000
Cash flows used in operations	(706)	(706)
Interest paid	(9)	(9)
Income tax paid	(105)	(105)
Net cash used in operating activities	(820)	(820)
Net cash used in investing activities	(32)	(32)
Net cash generated from financing activities	2,067	2,067
Net increase in cash and cash equivalents	1,215	1,215

31 December 2017

	PT IPA \$'000	TSL \$'000	Total \$'000
Cash flows (used in)/generated from operations	(881)	231	(650)
Interest income	–	(7)	(7)
Interest paid	(106)	–	(106)
Income tax paid	(224)	–	(224)
Net cash (used in)/generated from operating activities	(1,211)	224	(987)
Net cash (used in)/generated from investing activities	(327)	5	(322)
Net cash generated from/(used in) financing activities	3,603	(598)	3,005
Net increase/(decrease) in cash and cash equivalents	2,065	(369)	1,696

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Investments in subsidiaries (Continued)

Acquisition of a subsidiary (2017)

An indirect subsidiary of PSL Holdings Limited, PT PSL Commodities Indonesia ("PT PSLCI"), had on 10 August 2017 entered into a subscription agreement ("Agreement") with PT Indah Perkasa Abadi ("PT IPA"). Pursuant to the Agreement, PT PSLCI subscribed 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

(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 were included in 'professional fees' in the consolidated profit or loss for 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Investments in subsidiaries (Continued)

Acquisition of a subsidiary (2017) (Continued)

(b) Property, plant and equipment

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

(c) Trade and other receivables

Trade and other receivables acquired comprised gross trade and other receivables amounting to \$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 \$381,000 as at the acquisition date.

(e) Goodwill

The goodwill of \$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 \$7,772,000 and net profit of \$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 \$11,223,000 and \$184,000 respectively.

B. Acquisition of non-controlling interests

The following schedule shows the effects of changes in the Group's ownership interest in a subsidiary; TSL that did not result in change of control, on the equity attributable to owners of the parent.

	2018 \$'000
Amount paid on changes in ownership interest in a subsidiary	370
Non-controlling interest acquired	(9)
Difference recognised in capital reserves	361

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Investments in subsidiaries (Continued)

B. Acquisition of non-controlling interests (Continued)

In the financial year ended 31 December 2017, the Company acquired an additional 290,000 new ordinary shares issued by TSL and increased its equity ownership in the subsidiary from 75% to 99.17%. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. The decrease in the NCI share of \$361,000 is charged to capital reserve.

C. Deconsolidation of a subsidiary

For the last financial year ended 31 December 2017, the management had taken into consideration of the 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. 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.

The cash flow and the net assets of the subsidiary 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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Investments in subsidiaries (Continued)

C. Deconsolidation of a subsidiary (Continued)

Gain on deconsolidation of the subsidiary 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	<u>2,564</u>
Consideration	–
Net cash and cash equivalents disposed of	<u>(950)</u>
Net cash outflow from deconsolidation of the subsidiary	<u>(950)</u>

6 Available-for-sale financial assets

The amounts recognised in the statement of financial positions comprise the following category of financial asset:

	2018 \$'000	2017 \$'000
The Group		
Available-for-sale financial assets		
At 1 January	5	1,385
Reclassification to fair value through OCI at 1 January 2018	(5)	–
Impairment loss	–	(1,380)
At 31 December	–	5
Available-for-sale financial assets	<u>–</u>	<u>5</u>

Presented as:

	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Non-Current Assets			
Available-for-sale financial assets	–	5	10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7 Financial assets, at FVOCI

The Group

Equity instrument designated at fair value through OCI

At 1 January

Reclassification from available-for-sale financial assets at 1 January 2018

Changes in fair value recognised in OCI

At 31 December

Fair value of FVOCI

2018 \$'000	2017 \$'000
–	–
5	–
(3)	–
2	–
2	–

Presented as:

Non-Current Assets

Financial assets, at FVOCI

31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
2	–	–

Equity instrument designated at fair value through OCI

At 1 January 2018, the Group designated the investments shown below as equity investments as at FVOCI because these equity investments represent investments that the Group intends to hold for long-term investments. In 2017, these investments were classified as financial assets available-for-sale.

8 Inventories

The Group

Fuel and spare parts

Work-in-progress

31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
42	55	314
–	1,103	–
42	1,158	314

The costs of inventories recognised as an expense and included in "cost of sales" amounted to \$2,790,000 (2017: \$824,000; 1 January 2017: \$1,863,000) for the financial year ended 31 December 2018. Inventories have been reduced by \$39,000 (2017 and 1 January 2017: \$Nil) due to obsolete inventories. The write-down is included in 'other operating expenses'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9 Amounts due from/(to) subsidiaries

The Company	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Current			
Amounts due from subsidiaries:			
– trade	54	102	102
– non-trade	1,361	2,596	3,515
Loan due from PTMII	–	–	4,340
Loan due from a subsidiary	6,501	4,282	–
Allowance for impairment loss (Note 29.5)	(3,181)	(1,345)	(1,345)
	4,735	5,635	6,612
Amounts due to subsidiaries:			
– non-trade	(5,476)	(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.

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.

For the financial year ended 31 December 2018, the management had considered that there was objective evidence that its investment in PT IPA may be impaired at 31 December 2018 due to the following considerations and accordingly, carried out an impairment testing of its investment in PT IPA:

- Incurred losses of \$2.1 million and has a deficit in net asset and deficit in working capital of \$1.5 million and \$1.8 million respectively;
- Mutual termination of the toll development service contract with a key customer and PT IPA does not have any contract for its toll development services.

Management had determined that a probability of default and loss given default of 100% since PT IPA did not have sufficient highly liquid assets and there is no collateral pledged or other security over the loan. Thus, the expected credit loss on the remaining amounts not recovered, based on the consideration of the highly liquid assets as well as the expected realisation of the borrower's less liquid assets, of \$1.8 million is warranted.

In the last financial year ended 31 December 2017, following management's evaluation to deconsolidate 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 PTMII in 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10 Trade and other receivables

	The Group			The Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Current						
Trade receivables						
Non-related parties ^(a)	1,542	3,078	4,357	–	–	–
– Accrued service revenue ^(b)	556	2,712	195	–	–	–
Allowance for impairment losses (Note 29.5)	(819)	(680)	(628)	–	–	–
	1,279	5,110	3,924	–	–	–
Advance payments to suppliers	430	269	1,356	–	–	–
Contingent consideration on acquisition of PTMII ^(c)	6,134	6,012	5,890	6,134	6,012	5,890
GST recoverable	321	64	40	14	13	7
Sundry receivables	1,221	462	326	–	–	8
Allowance for impairment losses	(212)	(212)	(212)	–	–	–
	1,009	250	114	–	–	8
Deposits	287	274	232	249	4	5
Prepayments	82	249	99	46	48	5
Total	9,542	12,228	11,655	6,443	6,077	5,915
Non-Current						
Sundry receivables	–	–	614	–	–	–
Total	9,542	12,228	12,269	6,443	6,077	5,915

(a) Trade receivables are non-interest bearing and are generally granted 30 to 90 days (2017 – 30 to 90 days; 1 January 2017 – 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 2018, contingent considerations of \$6,134,000 (2017 – \$6,012,000; 1 January 2017 – \$5,890,000) comprised 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 \$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 the 49% Group's 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 and has subsequently signed Definitive Agreements on 10 December 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 & PTMII. One of the terms of the Term Sheet includes the payment of US\$4,500,000 (\$6,134,000) from the vendors of PTMII. Consequent to the settlement of the contingent consideration, the fair value of the profit guarantee approximated to \$6,134,000 (2017 – \$6,012,000; 1 January 2017 – \$5,890,000) and an additional amount of \$122,000 (2017 – \$122,000; 1 January 2017 – \$3,646,000) was recognised in profit or loss for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10 Trade and other receivables (Continued)

For the financial year ended 31 December 2016, management had carried out a review of the fair value of the profit guarantee (Note 20). 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 \$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 \$826,000 in other operating income.

Movement in contingent considerations on previous acquisition of PT MII are as follows:

	31 December 2018 \$'000	31 December 2017 \$'000
The Group and The Company		
Balance at beginning of year	6,012	5,890
Additional fair value recognised for profit guarantee due from Vendors (Note 20)	122	122
Lapse of renounced dividend	—	—
Balance at end of year	6,134	6,012

In respect of the contingent consideration receivable from the Indonesian shareholders of PTMII, we have obtained legal confirmation from the legal counsel of the Company. Based on the legal advice, the legal counsel has confirmed on the validity and legal enforceability of the definitive agreements.

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

	The Group			The Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
At beginning and at end of year	212	212	212	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11 Loans due from PTMII

The loans due from PTMII are unsecured and bears interest at 0.25% above the six-month Singapore Interbank Offered Rate. Following management's decision to deconsolidate 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 financial year ended 31 December 2017.

The Group and The Company

Loans receivable
Allowance for impairment
Balance at end of year

31 December 2018 \$'000	31 December 2017 \$'000
16,473	15,737
(2,602)	(2,550)
13,871	13,187

The Group

Allowance for impairment
Balance at beginning of year
Impairment (Note 19(b))
Effect of translation
Balance at end of year

31 December 2018 \$'000	31 December 2017 \$'000
2,550	–
–	2,761
52	(211)
2,602	2,550

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 as well as in the Definitive Agreements with the Indonesian shareholders of PTMII, 6.5 sets of 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 the reporting date. Accordingly, no further impairment loss is provided for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12 Cash and cash equivalents

	The Group			The Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Cash at banks and on hand	4,546	6,992	8,326	2,245	3,939	5,865
Fixed deposits with financial institutions	2,640	3,986	5,837	–	3,720	5,572
	7,186	10,978	14,163	2,245	7,659	11,437

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

The Group	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Cash and bank balances as above	7,186	10,978	14,163
Fixed deposits pledged with financial institutions	(2,640)	(1,019)	(3,415)
Cash and cash equivalents per consolidated statement of cash flows	4,546	9,959	10,748

As at 31 December 2018, fixed deposits with financial institutions are pledged in relation to the banking facilities granted to a subsidiary. In 2017, fixed deposits with financial institutions are pledged in relation to the banking facilities granted to PTMII. In financial year ended 31 December 2016, fixed deposits with financial institutions are pledged in relation to the banking facilities granted to a subsidiary.

The interest rate of fixed deposits with financial institutions of the Group and of the Company is 7.40% per annum and Nil per annum respectively (2017: ranges from 0.05% to 1.55% per annum and 0.65% to 1.55% per annum respectively; 1 January 2017: ranges from 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 is 90 days and Nil days from the date of placement respectively (2017 and 1 January 2017: 90 to 365 days and 90 days respectively).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13 Share capital

	Number of ordinary shares		\$'000	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
The Group and The Company				
Issued and fully paid with no par value				
At beginning of year	55,686,996	46,405,830	35,763	32,533
Issuance of new shares	–	9,281,166	–	3,230
	55,686,996	55,686,996	35,763	35,763

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, the Company completed the allotment and issue of an aggregate of 9,281,166 new ordinary shares at \$0.348 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.

Fair value reserve

The fair value reserve comprises of the net change in the fair value of equity investments designated at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14 Trade and other payables

	The Group			The Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Current						
Trade payables – non-related parties	165	2,023	542	–	–	–
Other payables						
– non-related parties	967	296	6,880	53	213	5
– related parties ⁽ⁱ⁾	–	11	4	–	–	–
Loan due from non-controlling interest of a subsidiary ⁽ⁱⁱ⁾	2,061	2,494	5,965	–	–	–
Accrued staff cost	50	191	143	50	89	–
Accrued expenses	402	1,234	1,105	349	729	418
Accruals for directors' fee	41	45	125	41	45	125
Goods and services tax payable	–	55	79	–	7	7
Others	–	–	2	–	–	–
	3,686	6,349	14,845	493	1,083	555
Non-current						
Shareholders' loans	–	–	6,962	–	–	–
Post-employment benefit obligation	–	–	65	–	–	–
	–	–	7,027	–	–	–
Total	3,686	6,349	21,872	493	1,083	555

Trade payables to non-related parties are non-interest bearing and are normally settled within 30 to 90 days (2017 and 1 January 2017 – 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 2017 and 2018, these pertains to an interest free loan from the non-controlling shareholder of PT IPA. The loan is unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15 Obligations under finance leases

The Group	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Minimum lease payments payable:			
No later than one year	40	166	301
Later than one year and not later than five years	26	91	187
	66	257	488
Less: Finance charges allocated to future years	(5)	(11)	(14)
Present value of minimum lease payments	61	246	474
Present value of minimum lease payments:			
No later than one year (current)	36	158	291
Later than one year and not later than five years (non-current)	25	88	183
	61	246	474

The effective interest rate ranges from 7.19% to 10.5% (2017: 2.91% to 15.49%; 1 January 2017: 2.91% to 7.38%) per annum.

The Group leases certain motor vehicles (2017 and 1 January 2017: 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 obligations under finance lease at the reporting date is as follows:

The Group	Carrying amount			Fair value		
	2018 \$'000	2017 \$'000	2016 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Obligations under finance lease	25	88	183	23	81	179

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.

16 Deferred income tax (asset)/liabilities

	The Group			The Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Deferred tax liabilities	–	–	48	–	–	46
Deferred tax asset	–	(13)	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

	The Group			The Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
At beginning of year	(13)	48	3,272	–	46	–
Tax charged/(credited) to profit or loss (Note 23)	13	(46)	(3,223)	–	(46)	46
Effect on deconsolidation of a subsidiary (Note 5)	–	(15)	–	–	–	–
Currency translation difference	–	–	(1)	–	–	–
At end of year	–	(13)	48	–	–	46

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 \$'000	Fair value gains \$'000	Total \$'000
The Group			
At 1 January 2017	–	48	48
Tax credited to profit or loss (Note 23)	(13)	(33)	(46)
Effect of deconsolidation of a subsidiary (Note 5)	–	(15)	(15)
At 31 December 2017	(13)	–	(13)
Tax charged to profit or loss (Note 23)	13	–	13
At 31 December 2018	–	–	–

	Unremitted foreign income \$'000	Total \$'000
The Company		
At 1 January 2017	46	46
Tax credited to profit or loss upon remittance	(46)	(46)
At 31 December 2017 and 31 December 2018	–	–

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17 Bank borrowings

The Group

Current

Bank borrowings

– unsecured

– secured

31 December 2017 and 2018 \$'000	1 January 2017 \$'000
–	1,238
–	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.

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 12). In 2016, these bank borrowings were also secured by a corporate guarantee provided by the Company.

18 Revenue

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

The Group

Rendering of services:

construction logistics services

2018 \$'000	2017 \$'000
7,679	10,246

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18 Revenue (Continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Construction logistics segment

Nature of goods or services	The construction logistics segment of the Group principally generates revenue from provision of dumping and transportation services in Singapore as well as provision of toll road development services i.e. laying & surfacing of soil to toll road development projects and supply and sale of stone to government related bodies in Indonesia.
When revenue is recognised	Revenue is recognised at a point in time when the performance obligation have been fulfilled upon the completion of services to the customers for acceptance.
Significant payment terms	<u>Singapore</u> Materials are collected from the work site of the customer and brought to the dumping ground for disposal. Transportation services are also provided for customers to their designated locations. These services are completed within the day of service itself. The transaction price is determined based on the number of dumping trips/transportation trips provided. Payment is due upon completion of dumping and transportation services. <u>Indonesia</u> The transaction price for the toll road development services is determined based on the area (cubic meter) of the work performed x price per cubic meter. The transaction price for the supply of stone is based on the volume supplied x unit price. Invoices are payable within 45 working days for toll road development services. For the sale of stones, payment is due when the stones are delivered to the customer.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 28).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18 Revenue (Continued)

Primary geographical markets

Singapore

Indonesia

Timing of revenue recognition

Services/goods transferred at a point in time

Construction Logistics Services

2018 \$'000	2017 \$'000
612	2,474
7,067	7,772
7,679	10,246
7,679	10,246

19(a) General and administrative expenses

The Group

Depreciation of property, plant and equipment

Repair and maintenance

Utilities and telecommunication

Other expenses

Transportation expenses

General office expenses

Directors' remuneration and fees (Note 25.2)

– fees

– wages and salaries

– employer's contributions to defined contribution plan

Employee compensation (excluding directors)

– wages and salaries

– employer's contributions to defined contribution plan

Entertainment and gifts

Professional fees

Motor vehicle related expenses

Rental on operating leases

Auditor's remuneration paid/payable to:

– Auditors of the Company

– Other auditors

– Non-audit

Listing expenses

2018 \$'000	2017 \$'000
267	231
–	3
36	28
327	342
118	97
169	477
162	198
217	374
18	31
1,688	1,527
98	123
12	27
855	623
45	24
238	197
137	98
13	13
6	13
94	176
4,500	4,602

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19(b) Other operating expenses

The Group

Impairment loss on property, plant and equipment (Note 3)
Impairment loss on intangible assets (Note 4)
Impairment loss on inventories
Allowance for impairment of trade receivables (Note 29.5)
Allowance for impairment of amount due from PTMII (Note 11)

2018 \$'000	2017 \$'000
–	293
101	–
39	–
140	100
–	2,761
280	3,154

20 Other operating income

The Group

Interest income from banks
Interest income from PTMII
Government grants
Sundry income
Profit guarantee due from Vendors (Note 10)

2018 \$'000	2017 \$'000
78	70
301	238
40	33
13	27
122	122
554	490

21 Other (losses)/gains – net

The Group

Impairment loss on investment in financial assets
Currency exchange gains/(losses)
Gain/(loss) from disposal of property, plant and equipment
Gain from deconsolidation of subsidiary (Note 5)
Bad debt reversed (Note 29.5)

2018 \$'000	2017 \$'000
–	(5)
(117)	(1,333)
51	(1)
–	2,564
1	5
(65)	1,230

22 Finance expenses

The Group

Interest expense
– bank borrowings
– finance leases

2018 \$'000	2017 \$'000
–	13
9	11
9	24

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23 Income tax expense

The Group

Current taxation

- foreign
- overprovision in respect of prior years

Deferred taxation (Note 16)

Total taxation

2018 \$'000	2017 \$'000
473	246
–	–
473	246
13	(46)
486	200

Reconciliation of effective tax rate

The Group

Loss before taxation

Tax at applicable tax rate

Tax effect on non-deductible expenses

Tax effect on non-taxable income

Deferred tax assets on temporary differences not recognised

2018 \$'000	2017 \$'000
(4,651)	(5,094)
(581)	(937)
1,053	1,227
(54)	(511)
68	421
486	200

As at the end of reporting period, the Group has unabsorbed tax losses and capital allowances amounting to approximately \$4,206,000 (2017 – \$3,809,000) 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. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

24 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)

2018	2017
(4,620)	(5,251)
55,686,996	46,710,964
(8.30)	(11.24)

The basic and diluted loss per share is the same as the Group does not have any potentially dilutive shares as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25 Significant related party transactions

25.1 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, there are no other significant transactions with related parties.

25.2 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:

	2018 \$'000	2017 \$'000
The Group		
Key management:		
<u>Directors</u>		
– fees	162	198
– wages and salaries	217	374
– employer's contributions to defined contribution plan	18	31
<u>Other key management</u>		
– wages and salaries	485	448
– employer's contributions to defined contribution plan	35	43

26 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:

	2018 \$'000	2017 \$'000	1 January 2017 \$'000
The Group			
Within one year	59	96	187
After one year but not more than five years	67	19	203
	126	115	390

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27 Financial guarantees

As at 31 December 2017, the Company has provided corporate guarantees up to \$1,019,000 to certain banks and financial institutions in respect of loans and borrowings granted to PTMII. The corporate guarantee was withdrawn in December 2018 following the signing of the definitive agreements.

As at 31 December 2017, the maximum amount the Company could become liable is \$363,000.

As at 31 December 2017, the Company was not required to fulfil any guarantee on the basis of non-default by PTMII.

28 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 two main business segments. These are trading & engineering and construction 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 two business segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28 **Segments information** (Continued)[illegible]

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28 Segments information (Continued)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities:

	2018 \$'000	2017 \$'000
<u>Revenue</u>		
Total revenue for reportable segments	7,679	10,246
Consolidated revenue	7,679	10,246
<u>Profit or loss</u>		
Total loss for reportable segments from operations	(4,541)	(5,070)
Impairment of goodwill	(101)	–
Finance expense	(9)	(24)
Consolidated loss before tax	(4,651)	(5,094)
<u>Segment assets</u>		
Total assets for reportable segments	57,611	68,084
Deferred tax assets	–	13
Elimination	(26,360)	(28,636)
Consolidated total assets	31,251	39,461
<u>Segment liabilities</u>		
Total liabilities for reportable segments	26,692	30,220
Deferred tax liabilities	–	–
Current tax liabilities	15	13
Elimination	(22,945)	(23,625)
Consolidated total liabilities	3,762	6,608

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 2018 and 2017:

	Singapore		Indonesia		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Revenue	612	2,474	7,067	7,772	7,679	10,246
Non-current assets	206	1,489	402	403	608	1,892

Major customer

Revenues from one customer of the Group's Construction Logistics segment represents approximately \$7.1 million (2017: \$7.8 million) of the Group's total revenues.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 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 interest rate risk, price risk, currency risk, liquidity risk and credit 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 are as follows:

	The Group			The Company		
	2018 \$'000	2017 \$'000	1 Jan 2017 \$'000	2018 \$'000	2017 \$'000	1 Jan 2017 \$'000
Financial assets designated at fair value through OCI/ available-for-sale financial assets at fair value	2	5	10	–	–	–
Financial assets at amortised cost						
Trade and other receivables*	8,709	11,646	10,774	6,383	6,016	5,903
Loans due from PTMII	13,871	13,187	–	13,871	13,187	–
Cash and cash equivalents	7,186	10,978	14,163	2,245	7,659	11,437
Amounts due from subsidiaries	–	–	–	4,735	5,635	16,149
	29,766	35,811	24,937	27,234	32,497	33,489
	29,768	35,816	24,947	27,234	32,497	33,489
Financial liabilities at amortised cost						
Finance lease liabilities	61	246	474	–	–	–
Trade and other payables	3,686	6,349	21,872	493	1,083	555
Amounts due to subsidiaries	–	–	–	5,476	5,816	6,252
Bank borrowings	–	–	1,881	–	–	–
	3,747	6,595	24,227	5,969	6,899	6,807

* Excludes GST recoverable, advance payments to suppliers and prepayments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)

29.1 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.

29.2 Market risk

Equity price risk arises from equity investments at FVOCI (2017: available-for-sale) held for long-term investment. 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.

29.3 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").

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)

29.3 Currency risk (Continued)

The Group	SGD \$'000	USD \$'000	IDR \$'000	Total \$'000
At 31 December 2018				
Financial assets				
Cash and cash equivalents	1,341	1,118	4,727	7,186
Financial assets at FVOCI	2	–	–	2
Loan due from PTMII	232	13,639	–	13,871
Trade and other receivables	300	6,134	2,596	9,030
	1,875	20,891	7,323	30,089
Financial liabilities				
Trade and other payables	(573)	–	(3,113)	(3,686)
Obligations under finance leases	–	–	(61)	(61)
	(573)	–	(3,174)	(3,747)
Net financial assets	1,302	20,891	4,149	26,342
Net financial assets denominated in the respective entities' functional currencies	(1,310)	–	(4,083)	(5,393)
Currency exposure on financial assets	(8)	20,891	66	20,949
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 PTMII	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)

29.3 Currency risk (Continued)

The Group	SGD \$'000	USD \$'000	IDR \$'000	Total \$'000
At 1 January 2017				
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 2018

29 Financial risk management objectives and policies (Continued)**29.3 Currency risk (Continued)**

The Company	SGD \$'000	USD \$'000	IDR \$'000	Total \$'000
At 31 December 2018				
Financial assets				
Cash and cash equivalents	1,139	1,106	–	2,245
Amount due from subsidiaries	71	–	4,664	4,735
Loan due from PTMII	232	13,639	–	13,871
Trade and other receivables	263	6,134	–	6,397
	1,705	20,879	4,664	27,248
Financial liabilities				
Trade and other payables	(493)	–	–	(493)
Payables to subsidiaries	(5,476)	–	–	(5,476)
	(5,969)	–	–	(5,969)
Net financial (liabilities)/assets	(4,264)	20,879	4,664	21,279
Net financial liabilities denominated in the entity's functional currency	4,264	–	–	4,264
Currency exposure on financial assets	–	20,879	4,664	25,543
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 PTMII	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 entity's functional currency	(2,980)	–	–	(2,980)
Currency exposure on financial assets	–	22,580	51	22,631

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)**29.3 Currency risk** (Continued)

The Company	SGD \$'000	USD \$'000	IDR \$'000	Total \$'000
At 1 January 2017				
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 entity's functional currency	(9,141)	–	–	(9,141)
Currency exposure on financial assets/(liabilities)	–	17,598	(50)	17,548

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)

29.3 Currency risk (Continued)

Sensitivity analysis for foreign currency risk (Continued)

The Group	2018		2017		1 January 2017	
	Profit before tax \$'000 Increase/(Decrease)	Equity \$'000	Profit before tax \$'000 Increase/(Decrease)	Equity \$'000	Profit before tax \$'000 Increase/(Decrease)	Equity \$'000
USD against SGD						
– strengthened 5% (2017 – 5%; 1 January 2017 – 5%)	1,045	1,045	1,046	1,046	(519)	(519)
– weakened 5% (2017 – 5%; 1 January 2017 – 5%)	(1,045)	(1,045)	(1,046)	(1,046)	519	519
IDR against SGD						
– strengthened 5% (2017 – 5%; 1 January 2017 – 5%)	3	3	1	1	3	3
– weakened 5% (2017 – 5%; 1 January 2017 – 5%)	(3)	(3)	(1)	(1)	(3)	(3)
The Company						
USD against SGD						
– strengthened 5% (2017 – 5%; 1 January 2017 – 5%)	1,044	1,044	1,129	1,129	880	880
– weakened 5% (2017 – 5%; 1 January 2017 – 5%)	(1,044)	(1,044)	(1,129)	(1,129)	(880)	(880)
IDR against SGD						
– strengthened 5% (2017 – 5%; 1 January 2017 – 5%)	233	233	3	3	(3)	(3)
– weakened 5% (2017 – 5%; 1 January 2017 – 5%)	(233)	(233)	(3)	(3)	3	3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)

29.4 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 2018					
Trade and other payables	3,686	3,686	3,686	–	–
Obligations under finance leases	61	66	40	26	–
	3,747	3,752	3,726	26	–
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 1 January 2017					
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	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)**29.4 Liquidity risk (Continued)**

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

	Carrying amount \$'000	Contractual undiscounted cash flows			
		Total \$'000	Less than 1 year \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
The Company					
As at 31 December 2018					
Trade and other payables	493	493	493	—	—
Amount due to subsidiaries	5,476	5,476	5,476	—	—
	5,969	5,969	5,969	—	—
As at 31 December 2017					
Financial guarantee contracts	363	363	363	—	—
Trade and other payables	1,083	1,083	1,083	—	—
Amount due to subsidiaries	5,816	5,816	5,816	—	—
	7,262	7,262	7,262	—	—
As at 1 January 2017					
Financial guarantee contracts	1,881	1,881	1,881	—	—
Trade and other payables	555	555	555	—	—
Amount due to subsidiaries	6,252	6,252	6,252	—	—
	8,688	8,688	8,688	—	—

29.5 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 policy of dealing only with customers of appropriate credit history. 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.

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 statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)

29.5 Credit risk (Continued)

Exposure to credit risk (Continued)

On that basis, below is the information about the credit risk exposure on the Group's trade receivables and the Company's amounts due from subsidiaries using a provision matrix:

The Group	Average expected loss rate %	Total gross carrying amount		Expected credit loss \$000	Net trade receivables \$000
		Non credit- impaired \$000	Credit- impaired \$000		
At 31 December 2018					
Current (not past due)	–	–	–	–	–
1-30 days past due	–	560	–	–	560
31-60 days past due	–	203	–	–	203
More than 60 days past due	61.3	516	819	(819)	516
		1,279	819	(819)	1,279

The Company	Average expected loss rate %	Total gross carrying amount		Expected credit loss \$000	Net trade receivables \$000
		Non credit- impaired \$000	Credit- impaired \$000		
At 31 December 2018					
Current (not past due)	40.1	4,735	3,181	(3,181)	4,735
1-30 days past due	–	–	–	–	–
31-60 days past due	–	–	–	–	–
More than 60 days past due	–	–	–	–	–
		4,735	3,181	(3,181)	4,735

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)

29.5 Credit risk (Continued)

(1) Trade and other receivables

The Company and the Group applies the SFRS(I) 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade and other receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical credit loss experiences. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company and the Group have identified the Gross Domestic Product of Singapore, the country in which it operates to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within other operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item. The closing loss allowances for trade receivables and amounts due from subsidiaries as at the reporting date reconcile to the opening loss allowances are as follows:

	2018 \$'000	2017 \$'000
The Group		
As at 31 December (calculated under FRS 39)	(680)	(628)
Amounts restated through opening retained earnings	–	–
Opening loss allowance as at 1 January 2018 (calculated under SFRS(I) 9)	(680)	(628)
Increase in loss allowance recognised in profit or loss during the year	(140)	(100)
Effect of deconsolidation of a subsidiary	–	43
Write back of allowance	1	5
As at 31 December	(819)	(680)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)

29.5 Credit risk (Continued)

(1) Trade and other receivables (Continued)

	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
The Company			
Movements in impairment of amount due from subsidiaries:			
At beginning	(1,345)	(4,106)	(1,345)
Impairment loss recognised	(1,836)	–	(2,761)
Deconsolidation of a subsidiary	–	2,761	–
At end	(3,181)	(1,345)	(4,106)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy companies or individuals with a good payment record with the Group and the Company. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings and no history of default.

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for trade and other receivables.

Cash and cash equivalents

Cash is placed with financial institutions which are regulated and have good credit ratings. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Financial guarantees to PTMII

The maximum exposure of the Company in respect of the intra-group financial guarantee (see Note 27) at the reporting date is if the facility is drawn down by PTMII in the amount of \$Nil (2017: \$363,000). The Company has issued financial guarantees to banks for borrowings of PTMII. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that PTMII has strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)

29.5 Credit risk (Continued)

(1) Trade and other receivables (Continued)

Previous accounting policy for impairment of trade and other receivables

In the prior year, the impairment of trade and other receivables were assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- Significant financial difficulties of the debtor
- Probability that the debtor will enter bankruptcy or financial reorganisation and
- Default or late payments

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)

29.5 Credit risk (Continued)

(1) Trade and other receivables (Continued)

Previous accounting policy for impairment of trade and other receivables (Continued)

An ageing analysis of trade receivables as at 31 December 2017 and 1 January 2017 are as follow:

The Group	Gross amount \$000	Allowance for Impairment losses \$000	Net trade receivables \$000
At 31 December 2017			
Neither past due nor impaired	2,866	—	2,866
1-30 days past due	1,588	—	1,588
31-60 days past due	215	—	215
More than 60 days past due	1,121	(680)	441
	5,790	(680)	5,110

The Group	Gross amount \$000	Allowance for Impairment losses \$000	Net trade receivables \$000
At 1 January 2017			
Neither past due nor impaired	1,561	—	1,561
1-30 days past due	642	—	642
31-60 days past due	99	—	99
More than 60 days past due	2,250	(628)	1,622
	4,552	(628)	3,924

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial risk management objectives and policies (Continued)

29.5 Credit risk (Continued)

(1) Trade and other receivables (Continued)

Previous accounting policy for impairment of trade and other receivables (Continued)

An ageing analysis of amounts due from subsidiaries as at 31 December 2017 and 1 January 2017 are as follow:

The Company	Gross amount \$000	Allowance for Impairment losses \$000	Net trade receivables \$000
At 31 December 2017			
Neither past due nor impaired	6,980	(1,345)	5,635
1-30 days past due	–	–	–
31-60 days past due	–	–	–
More than 60 days past due	–	–	–
	6,980	(1,345)	5,635

The Company	Gross amount \$000	Allowance for Impairment losses \$000	Net trade receivables \$000
At 1 January 2017			
Neither past due nor impaired	20,255	(4,106)	16,149
1-30 days past due	–	–	–
31-60 days past due	–	–	–
More than 60 days past due	–	–	–
	20,255	(4,106)	16,149

Contingent consideration and loans due from PTMII

As disclosed in Note 10 and Note 11, management has assessed that, the Group and the Company are not exposed to significant credit loss in respect of the contingent consideration and loans due from PTMII.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 Capital management

The Group's objectives when managing capital are:

- (a) To safeguard the Group's abilities to continue as a going concern;
- (b) To support the Group's stabilities and growth;
- (c) To provide capital for the purpose of strengthening the Group's risk management capabilities; and
- (d) To provide an adequate return to shareholders.

The Group actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently do not adapt any formal dividend policy.

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:

	2018 \$'000	2017 \$'000	1 January 2017 \$'000
The Group			
Net debt	— [#]	— [#]	10,064
Total equity	27,848	32,683	35,098
Total capital	27,848	32,683	45,162
Net debt to total capital ratio	—	—	22%

The Group is not subject to any externally imposed capital requirement as at 31 December 2018 and 2017. There were also no changes in the Group's approach to capital management during the financial years ended 31 December 2018 and 2017.

[#] There is no net debt as at 31 December 2018 and 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 2018

31 Financial instruments

Fair value measurement

Definition of fair value

SFRS(I)s 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 15).

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 PTMII 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31 Financial instruments (Continued)

Fair value measurement (Continued)

Financial assets (Level 1)

The fair values of the 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.

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
The Group				
31 December 2018				
Financial assets at FVOCI	2	–	–	2
31 December 2017				
Available-for-sale financial assets (quoted)	5	–	–	5
1 January 2017				
Available-for-sale financial assets (quoted)	10	–	–	10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31 Financial instruments (Continued)

Fair value measurement (Continued)

Fair value measurement of non-financial assets

Motor vehicles (Level 2)

In 2018, the fair value of the motor vehicles in respect of the CGU i.e. PT IPA which is identified with indicators of impairment, is determined by management using market approach. Motor vehicles are fair valued using market quotes from reliable sources in Indonesia, based on the model, engine capacity and year of make.

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 2018				
Motor vehicles	–	353	–	353
31 December 2017				
Motor vehicles	–	792	–	792
1 January 2017				
Vessels	–	29,024	–	29,024

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31 Financial instruments (Continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements

Set-off of balances with subsidiaries (the Company)

The parties have arrangements to settle intercompany balances due to or due from each other on a net basis. The amounts of due to and due from subsidiaries that are set-off are as follows:

The Company

31 December 2018

Amounts due from subsidiaries – trade
Amounts due from subsidiaries – non-trade
Loan due from a subsidiary
Amounts due to subsidiaries

Gross carrying amounts \$'000	Gross amounts offset in the statement of financial position \$'000	Net amounts in the statement of financial position \$'000
54	–	54
984	(967)	17
4,664	–	4,664
(6,443)	967	(5,476)
(741)	–	(741)

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

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	330	17.02	3,807	0.01
100 – 1,000	421	21.71	244,473	0.44
1,001 – 10,000	928	47.86	3,699,458	6.64
10,001 – 1,000,000	249	12.84	14,412,435	25.88
1,000,001 AND ABOVE	11	0.57	37,326,823	67.03
TOTAL	1,939	100.00	55,686,996	100.00

SUBSTANTIAL SHAREHOLDER

(As recorded in the Register of Substantial Shareholders as at 20 March 2019)

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
ATAN	5,021,650	9.02	–	–
MELDA VERONICA	5,002,500	8.98	–	–
A GUAT	4,176,524	7.50	–	–
EDISON ⁽²⁾	3,867,292	6.94	124,900	0.22

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 20 MARCH 2019

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	3,886,869	6.98
6	EDISON	3,867,292	6.94
7	TAN CHEE MENG OR SZE LAY PHENG	2,723,000	4.89
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,167,205	3.89
9	UOB KAY HIAN PRIVATE LIMITED	1,693,304	3.04
10	NEO CHENG SOON	1,319,880	2.37
11	CITIBANK NOMINEES SINGAPORE PTE LTD	1,097,000	1.97
12	SEOW EE FUN YVONNE (XIAO YIFAN YVONNE)	773,500	1.39
13	OCBC SECURITIES PRIVATE LIMITED	715,823	1.29
14	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	642,220	1.15
15	CHIANG CURRIE	450,000	0.81
16	SURI	370,700	0.67
17	DBS NOMINEES (PRIVATE) LIMITED	366,129	0.66
18	ANG BAN TECK	340,000	0.61
19	GOH KIAN TAT (WU JIANDA)	308,500	0.55
20	CHENG CHUO FEI ALFRED	277,100	0.50
TOTAL		41,570,795	74.65

Percentage of shareholdings in public hands

Based on Shareholders' Statistics and Distribution as at 20 March 2019, 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 (the “**AGM**”) of PSL Holdings Limited (the “Company”) will be held at 37 Jalan Pemimpin #07-16, Mapex, Singapore 577177 on Monday, 29 April 2019 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 2018 together with the Directors’ Statement and Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Regulation 89 of the Company’s Constitution:

Mr Stephen Leong, BBM (Article 89) **(Resolution 2)**

[See Explanatory Note (i)]

Mr Tan Chee Tong (Article 89) **(Resolution 3)**

[See Explanatory Note (ii)]
3. To approve the payment of Directors’ fees of S\$87,500 for the financial year ending 31 December 2019 (FY2018: S\$162,000.00). **(Resolution 4)**
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 5)**

AS SPECIAL BUSINESS

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

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

“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 Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Company's Constitution for the time being in force; 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 (iii)]

NOTICE OF ANNUAL GENERAL MEETING

6. Authority to grant awards and to allot and issue Shares under the PSL Share Plan. **(Resolution 7)**

"That pursuant to Section 161 of the Companies Act, the Directors of the Company be and are hereby authorised and empowered to grant awards in accordance with the provisions of the PSL PSP and to allot and issue from time to time such number of fully paid-up Shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of awards under the PSL PSP, provided that the aggregate number of Shares available under the PSL PSP, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed 15% of the total number of issued share capital (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time; and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier."

[See Explanatory Note (iv)]

7. To transact any other business that may be transacted at an Annual General Meeting of the Company.

By Order of the Board of Directors PSL Holdings Limited

Chua Kern
Company Secretary
Singapore, 12 April 2019

Explanatory Notes:

- (i) Mr Stephen Leong will, upon re-election as a Director of the Company, remain as a Vice Chairman and Executive Director. There are no relationships (including immediate family relationship) between Mr Stephen Leong, BBM and the other Directors of the Company or its shareholders. Detailed information on Mr Stephen Leong is found in the Company's annual report 2018.
- (ii) Mr Tan Chee Tong will, upon re-election as a Director of the Company, remain as an Executive Director. There are no relationships (including immediate family relationship) between Mr Tan Chee Tong and the other Directors of the Company or its shareholders. Detailed information on Mr Tan Chee Tong is found in the Company's annual report 2018.
- (iii) The ordinary resolution 6 proposed in item 5 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.
- (iv) The ordinary resolution 7 proposed in item 6 above, if passed, will empower the Directors to grant awards and allot and issue Shares pursuant to the grant of such awards in accordance with the provisions of the PSP provided that the aggregate number of shares to be issued does not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

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

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 and/or SRS monies to buy shares in the Company ("CPF and SRS 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 and SRS 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 12 April 2019.

PROXY FORM

(Please see notes overleaf before completing this Form)

* I/We _____ (Name) _____ (NRIC/Passport No.)
of _____ (Address)
being a *member/members of PSL Holdings Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		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 Monday, 29 April 2019 at 10.00 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions 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.	Resolutions relating to:	By way of poll	
		For	Against
1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2.	Re-election of Mr Stephen Leong, BBM as Director of the Company		
3.	Re-election of Mr Tan Chee Tong as Director of the Company		
4.	Approval of Directors' fees amounting to S\$87,500 for the financial year ending 31 December 2019		
5.	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		
6.	Authority to allot and issue new shares		
7.	Authority to grant awards, allot and issue shares under the PSL Performance Share Plan		

Dated this _____ day of _____ 2019

Total Number of Shares Held

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

* Delete as appropriate

IMPORTANT: PLEASE READ NOTES ON THE REVERSE CAREFULLY BEFORE COMPLETING THIS PROXY FORM

NOTES TO PROXY FORM:

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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