

PSL Holdings Limited

Company Registration No.: 199797022K
(Incorporated in the Republic of Singapore)

**ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL IN RELATION TO THE
DISCLAIMER AUDIT OPINION ISSUED ON FINANCIAL STATEMENTS FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019**

Pursuant to Rule 704(5) of the Listing Manual of the SGX-ST, the Board of Directors of PSL Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s Independent Auditors, Messrs Foo Kon Tan LLP, have issued a disclaimer of opinion in their Independent Auditor’s Report dated 15 April 2020 (“**Auditors’ Report**”) for the financial statements of the Company and the Group for the financial year ended 31 December 2019 (“**Financial Statements**”).

Please refer to the disclaimer of opinion contained in the Auditors’ Report (Appendix 1) annexed to this announcement, together with an extract of the relevant notes to the Financial Statements (Appendix 2) for further information.

**BY ORDER OF THE BOARD
PSL HOLDINGS LIMITED**

**Stephen Leong, BBM
Vice Chairman and Executive Director
16 April 2020**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit 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 2019, 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.

We do not express an opinion on the accompanying consolidated financial statements of the Group, and the statement of financial position of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Recoverability of loans due from PT Momentum Indonesia Investama ("PTMII") and contingent consideration receivable by the Company

As at 31 December 2019, the carrying values of the loans due from PTMII and contingent consideration receivable by the Company from the Indonesian Shareholders of PTMII are S\$14.0 million (Note 12) and S\$6.1 million (Note 8), respectively. Since 2016, the Company, PTMII and the Indonesian shareholders had been engaged in legal proceedings to settle various disputes.

The Company, PTMII and the Indonesian shareholders have entered into a Settlement Agreement ("Settlement Agreement") subsequent to the year end on 19 February 2020 to settle amongst other matters, the loans due from PTMII and the contingent consideration receivable by the Company.

Based on the Settlement Agreement, PTMII will repay US\$11.5 million (S\$15.4 million) in respect of the outstanding loans due from PTMII of which US\$3 million (S\$4.0 million) has been received before the date of the audit report. The balance of US\$8.5 million (S\$11.4 million) of the loans due from PTMII will be recovered essentially through the sale of PTMII Vessels. Further, on 20 March 2020, the Company, PTMII and the Indonesian shareholders have agreed to an extension of time to 20 April 2020 for the sale of the PTMII Vessels and the payment to the Company of the balance US\$8.5 million (S\$11.4 million) of the loans due from PTMII.

The Shareholder Vessels have been pledged in favour of the Company for the settlement of the contingent consideration receivable by the Company. Subsequent to the balance sheet date, US\$320,000 (S\$431,000) has been received by the Company.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Cont'd)

Recoverability of loans due from PT Momentum Indonesia Investama ("PTMII") and contingent consideration receivable by the Company (Cont'd)

The following factors have been considered in ascertaining the recoverability of loans due from PTMII and contingent consideration receivable by the Company:

- there is no collateral on the loans due from PTMII;
- there is no fixed repayment term for the loans due from PTMII;
- the financial ability of PTMII to repay cannot be ascertained because we do not have access to the financial information, audited financial statements and credit rating of PTMII;
- the financial ability of the Indonesian shareholders cannot be ascertained and thus, we are not able to ascertain the ability of the Indonesian shareholders to repay the contingent consideration over the agreed three-year repayment period; and
- the future realisable value of all the vessels cannot be determined with a reasonable accuracy.

We are unable to obtain sufficient appropriate audit evidence to ascertain the recoverability of the loans due from PTMII and contingent consideration receivable by the Company.

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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) (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 and 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 and the Company or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the Company's statement of financial position in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements of the Group and the Company's statement of financial position.

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.

Report on Other Legal and Regulatory Requirements

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

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

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 15 April 2020

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1 General information

The financial statements of PSL Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2019 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 6 to the financial statements.

2(a) Basis of preparation

Going concern

The Group is placed under SGX’s watchlist financial criteria. The Group has incurred a loss for the year of S\$1,280,000 (2018 - S\$5,137,000) and a total comprehensive loss of S\$1,430,000 (2018 - S\$4,994,000). The Group’s and the Company’s accumulated losses amounted to S\$9,414,000 (2018 - S\$8,082,000) and S\$10,181,000 (2018 - S\$9,384,000), respectively. In addition, the Group has incurred net cash used in operating activities of S\$2,463,000 (2018 - S\$4,396,000). Revenue of the Group is derived from one customer.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group’s and the Company’s ability to continue as going concern. Management had assessed the assumptions of the use of going concern by performing a cash flow projection for the next 12 months based on the sales and related forecast.

The cash flow projection for the next 12 months from the reporting date prepared by management resulted in a net cash inflow. In addition, the Group and the Company have current liabilities of S\$4.3 million and S\$0.5 million, respectively as at 31 December 2019, which can be repaid by the following:

- cash balances of S\$2.6 million and S\$1.0 million of the Group and the Company, respectively, plus to-date and in accordance with the Settlement Agreement announced on 21 February 2020, the Company received the following:
- sum of S\$4.0 million and S\$0.47 million, constituting partial receipt of the PTMII loan receivable and PTMII loan interest, respectively (Note 12);
- a sum of S\$0.42 million relating to the 50% of the proceeds from the sale of vessel; and
- a sum of S\$0.4 million relating to the first two monthly instalments for the contingent consideration (Note 8).

The total amount of S\$7.9 million as mentioned above is adequate to cover the current liabilities exposure of the Group and the Company.

The Group is also undergoing 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

The financial statements are drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)") including related interpretations promulgated by the Accounting Standards Council.

These consolidated financial statements are drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(1)"), and have been prepared on the historical cost basis except as described in the notes below.

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.

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 below.

2(b) Adoption of new and revised SFRS(I) effective for the current financial year

On 1 January 2019, the Group and the Company have adopted all the new and revised SFRS(I), SFRS(I) interpretations ("SFRS(I) INT") and amendments to SFRS(I), effective for the current financial year that are relevant to them. The adoption of these new and revised SFRS(I) pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods, except as discussed below:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019

SFRS(I) 16 Leases

SFRS(I) 16 Leases supersedes 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, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, SFRS(I) 16 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's financial statements are discussed below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019. The Group has elected to transition to SFRS(I) 16 using the cumulative catch-up approach which requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application, without restatement of comparatives under SFRS(I) 1-17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

SFRS(I) 16 Leases (Cont'd)

(a) Definition of a lease

The new definition of a lease under SFRS(I) 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under SFRS(I) 1-17.

The Group has elected to apply the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under SFRS(I) 1-17 continues to be applied to those leases entered into, or modified, before 1 January 2019, and the Group applies the new definition of a lease and related guidance set out in SFRS(I) 16 only to those lease contracts entered into, or modified, on or after 1 January 2019. After the transition to SFRS(I) 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The new requirements for identifying a lease under SFRS(I) 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group.

(b) Lessee accounting

(i) Former operating leases

Before the adoption of SFRS(I) 16, the Group's non-cancellable operating lease payments in future reporting periods for the office premise and certain plant and equipment, were not recognised as liabilities in the statement of financial position but were disclosed as commitments in the notes to the financial statements, and these lease payments were reported as rental expenses in profit or loss over the lease term on a straight-line basis and presented under operating activities in the statement of cash flows. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities in the statement of financial position for these outstanding lease payments, reports depreciation of right-of-use assets and interest expense on lease liabilities in profit or loss, and presents these lease payments as principal repayment and interest paid separately under financing activities in the statement of cash flows.

Under SFRS(I) 16, lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17, they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

The Group has elected, as a practical expedient of SFRS(I) 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component, except if the non-lease component is an embedded derivative according to SFRS(I) 9.

For short-term leases and leases of low-value assets, the Group has elected for exemption under SFRS(I) 16 from recognising their right-of-use assets and lease liabilities, and to report their lease expenses in profit or loss on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

SFRS(I) 16 Leases (Cont'd)

(b) Lessee accounting (Cont'd)

(i) Former operating leases (Cont'd)

On 1 January 2019, the Group has applied the following SFRS(I) 16 transition provisions under the cumulative catch-up approach for each lease, formerly classified as operating lease under SFRS(I) 1-17:

- recognises a lease liability at the present value of the remaining lease payments using the lessee's incremental borrowing rate for the underlying lease asset;
- recognises a right-of-use asset, on a lease-by-lease basis at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.
- applies SFRS(I) 1-36 Impairment of Assets to perform an impairment review of the right-of-use asset; and
- adjusts any difference between the carrying amounts of the right-of-use asset and the lease liability to the opening balance of retained earnings.

The Group has adopted the following SFRS(I) 16 practical expedients when applying the cumulative catch-up transition approach to leases formerly classified as operating lease under SFRS(I) 1-17:

- applies a single discount rate to a portfolio of leases with reasonably similar characteristics;
- adjusts the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets in the statement of financial position immediately before the date of initial application, as an alternative to performing an impairment review under SFRS(I) 1-36;
- elects not to recognise the right-of-use asset and lease liability for a lease with lease term ending within twelve months from the date of initial application;
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- uses hindsight for determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

On 1 January 2019, with regards to the Group's leases of motor vehicles that were formerly classified as finance lease under SFRS(I) 1-17, the carrying amounts of the leased assets (in property, plant and equipment) and obligations under finance lease immediately before the date of initial application were not reclassified to right-of-use assets and lease liabilities under SFRS(I) 16 as the lease term of these leased assets ended within twelve months from the date of initial application.

(c) Deferred tax effects on adoption of SFRS(I) 16

In certain jurisdictions that the Group operates in, tax deductions are available only for the lease payments as they are paid, and no tax deduction is allowed for the leased asset depreciation or finance cost. On 1 January 2019, these tax circumstances give rise to temporary differences on initial recognition of both the right-of-use asset and lease liability. However, the deferred tax effects for these temporary differences, either initially or over the lease term, are not recognised due to application of the initial recognition exemption in SFRS(I) 1-12 Income Taxes, that explicitly excludes recognising the deferred tax effects arising from initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit or taxable profit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

SFRS(I) 16 Leases (Cont'd)

(c) Deferred tax effects on adoption of SFRS(I) 16 (Cont'd)

In July 2019, the International Accounting Standards Board ("IASB") decided to propose amendments to International Accounting Standard ("IAS") 12 Income Taxes which would narrow the scope of the initial recognition exemption in IAS 12 such that it would no longer apply when an entity recognises equal amount of deferred tax asset and deferred tax liability arising from the initial recognition of a right-of-use asset and a lease liability under IFRS 16 Leases. In November 2019, the public comment window had closed for the Exposure Draft on Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12) issued by IASB. If implemented, an entity shall apply these amendments retrospectively. At the date of these financial statements, IASB has not issued these amendments to IAS 12 or any related IFRS pronouncements. Accordingly, no adjustment has been made by the Group in these financial statements in respect of this matter.

(d) Financial impact of initial application of SFRS(I) 16

The Group's weighted average incremental borrowing rate applied to measure the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 is 4.52%.

A reconciliation of the differences between the Group's operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 is as follows:

	\$'000
Operating lease commitments disclosed at 31 December 2018	126
Lease period not previously included that is under extension option reasonably certain to be exercised	19
Discounting based on the weighted average incremental borrowing rate	(8)
Lease liabilities recognised on 1 January 2019	137

The effects of adoption of SFRS (I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	Increase/(Decrease) \$'000
Assets	
Right-of-use assets	137
Liabilities	
Lease liabilities	137

There is no impact to the opening retained earnings as of 1 January 2019.

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Group has adopted SFRS(I) INT 23 for the first time in the current year. SFRS(I) INT 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings, as follows:
 - if yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; or
 - if no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method

There is no material impact to the Group's and the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(c) New and revised SFRS(I) in issue but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the new and revised SFRS(I), SFRS(I) INT and amendments to SFRS(I) that have been issued but are not yet effective to them. Management anticipates that the adoption of these new and revised SFRS(I) pronouncements in future periods will not have a material impact on the Group's and the Company's financial statements in the period of their initial application, except as discussed below:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to References to the Conceptual Framework in SFRS(I)		1 January 2020
Amendments to SFRS(I) 3	Definition of a Business	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8	Definition of Material	1 January 2020

Amendments to References to the Conceptual Framework in SFRS(I)

The Conceptual Framework for Financial Reporting is the foundation on which new accounting standards are developed. The revised Conceptual Framework became effective immediately upon its publication in March 2018. The main changes to principles in the Conceptual Framework have implications for how and when assets and liabilities are recognised and derecognised in the financial statements. Some entities may use the Conceptual Framework as a reference for selecting their accounting policies in the absence of specific SFRS(I) requirements. In these cases, the entities should review those policies and apply the new guidance retrospectively.

The Amendments to References to the Conceptual Framework in SFRS(I) are issued together with the revised Conceptual Framework. Some SFRS(I), their accompanying documents and SFRS(I) practice statements contain references to, or quotations from the Conceptual Framework. The Amendments to References to the Conceptual Framework in SFRS(I) Standards sets out amendments to SFRS(I), their accompanying documents and SFRS(I) practice statements to reflect the issue of the revised Conceptual Framework. These amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

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

On 11 March 2019, Accounting Standards Council ("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 on or after 1 January 2020, with earlier application permitted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(c) New and revised SFRS(I) in issue but not yet effective (Cont'd)

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

The amendments are intended to make the definition of 'material' in SFRS(I) 1-1 easier to understand and are not intended to alter the underlying concept of materiality in SFRS(I). The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of 'material' in SFRS(I) 1-8 has been replaced by a reference to the definition of 'material' in SFRS(I) 1-1. In addition, the other SFRS(I) and the Conceptual Framework, which contain a definition of 'material' or refer to the term 'material', have been updated to ensure consistency.

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.

In respect of the above amendments to SFRS(I), the Group is currently assessing the impact to its consolidated financial statements.

2(d) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised and in any future reporting periods affected. The areas involving significant judgement and critical accounting estimates and assumptions used are described below.

i) Significant judgements used in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

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

Assessment of ability to exercise control over PTMII (Cont'd)

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.

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 nor practical ability to exercise its rights in the affairs and operations of PTMII nor any influence on PTMII's management. In accordance with SFRS(I) 10, 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 financial assets at FVOCI 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

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

Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee. For leases of the office premise and plant and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Impairment tests for cash-generating units containing goodwill (Note 5)

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

	31 December 2019 \$'000	31 December 2018 \$'000
PT IPA		
Cost	101	101
Less: impairment loss	(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 S\$0.1 million was recognised on goodwill allocated to PT IPA in the financial year ended 31 December 2018. 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 2019 amounted to S\$Nil (2018 - S\$Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

(ii) Key sources of estimation uncertainty (Cont'd)

Impairment tests for property, plant and equipment and right-of-use assets (Notes 3 and 4)

These assets 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% (2018 - 5%) in the value-in-use of the Group's property, plant and equipment and right-of-use assets would have decreased the Group's profit by S\$31,000 (2018 - S\$30,000) and S\$365,000 (2018 - S\$Nil), respectively. The carrying amounts of the Group's and the Company's property, plant and equipment and right-of-use assets are disclosed in Notes 3 and 4 to the financial statements.

Allowance for expected credit losses ("ECL") on trade and other receivables (Note 8)

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

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

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

The carrying amount of the Group's and the Company's trade and other receivables are disclosed in Note 8. A decrease of 10% in the estimated future cash inflows will not lead to further allowance for impairment on the Group's and the Company's trade and other receivables.

Estimation of the incremental borrowing rate ("IBR")

For the purpose of calculating the right-of-use asset and lease liability, an entity applies the interest rate implicit in the lease ("IRIL") and, if the IRIL is not readily determinable, the entity uses its IBR applicable to the lease asset. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available, and then making certain lessee specific adjustments (such as a group entity's credit rating). The carrying amount of the Group's right-of-use assets and lease liabilities are disclosed in Notes 4 and 16 respectively. An increase/decrease of 50 basis points in the estimated IBR will not have a significant impact on the Group's right-of-use assets and lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

(ii) Key sources of estimation uncertainty (Cont'd)

Depreciation of property, plant and equipment and right-of-use assets (Notes 3 and 4)

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over their estimated useful lives. The Group's management estimates the useful lives of these assets to be within 1 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If depreciation on the Group's property, plant and equipment and right-of-use assets changes by 10% (2018 - 10%) from management's estimates, the Group's loss for the year will increase/decrease by approximately S\$58,000 (2018 - S\$42,000). The carrying amounts of the Group's and the Company's property, plant and equipment and right-of-use assets are disclosed in Note 3 and Note 4 to the financial statements respectively.

Impairment of amounts due from subsidiaries (Note 11)

The Company held non-trade receivables from its subsidiaries of S\$4,369,000 (2018 - S\$4,735,000) as at the end of the reporting period. The impairment of the amounts due from its subsidiaries are based on the expected credit loss model using general approach which considers the availability of highly accessible liquid assets of the subsidiaries to repay these amounts if demanded repayment at the end of the reporting period. As a result of management's assessment, the Company is not exposed to significant credit loss arising from amounts due from subsidiaries.

Impairment of investments in subsidiaries (Note 6)

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 S\$200,000 (2018 - S\$4,852,000). Management has evaluated the recoverability of the investment based on such estimates. If the present value of estimated future cash flows decreases by 10% (2018 - 10%) from management's estimates, the Company's allowance for impairment of investments in subsidiaries will increase by S\$20,000 (2018 - S\$485,200).

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 values 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% (2018 - 10%) from management's estimates, the Group's loss for the year will increase/decrease by S\$2,000 (2018 - S\$4,000). The carrying amounts of the Group's inventories are disclosed in Note 10 to the financial statements.

Recoverability of loans due from PTMII and contingent consideration (Notes 12 and 8)

As at 31 December 2019, the Group's loans due from PTMII and contingent consideration amounted to S\$14.0 million (2018 - S\$13.9 million) (Note 12) and S\$6.1 million (2018 - S\$6.1 million (Note 8) respectively. Management has evaluated the expected credit loss to be insignificant based on considerations as detailed in Note 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(e) Significant accounting policies

Consolidation

(i) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and investees (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company or its subsidiary:

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

The Company or its subsidiary 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 Company or its subsidiary 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 Company or its subsidiary considers all relevant facts and circumstances in assessing whether or not the Company's or its subsidiary's voting rights in an investee are sufficient to give it power, including:

- size of the Company's or its subsidiary's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company or its subsidiary, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances which indicate that the Company or its subsidiary 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.

Consolidation of a subsidiary begins when the Company or its subsidiary obtains control over the subsidiary or investee and ceases when the Company or its subsidiary loses control of the subsidiary or investee. Specifically, income and expenses of a subsidiary or an investee acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company or its subsidiary gains control until the date when the Company or its subsidiary ceases to control the subsidiary or investee.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries and investees are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries or investees to bring their accounting policies in line with the Group's accounting policies.

(ii) Changes in the Group's ownership interests in existing subsidiaries

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 the owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Consolidation (Cont'd)

(ii) Changes in the Group's ownership interests in existing subsidiaries (Cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date on which the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 Income Taxes and SFRS(I) 1-19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 Share-based Payment at the acquisition date; and
- disposal groups that are classified as held for sale in accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Business combinations (Cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

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 and joint ventures 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 2019

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

Property, plant and equipment (Cont'd)

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.

Impairment of non-financial assets

As at each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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.

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 Group's and the Company's financial assets at amortised cost include trade and other receivables, loans due from PTMII, amounts due from subsidiaries, excluding prepayments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(a) Financial assets (Cont'd)

Fair value through other comprehensive income (debt instruments)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. 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).

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 2019

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

(a) Financial assets (Cont'd)

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 (ECLs) associated with its debt instrument assets carried at amortised cost. ECLs 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-month 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).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(a) Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

Credit-impaired financial assets

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

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

Write-off policy

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

(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, obligations under finance lease and lease liabilities.

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 2019

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

(b) Financial liabilities (Cont'd)

Financial liabilities that are 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 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.

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.

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 weighted average 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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 from contracts with customers

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.

Revenue is recognised at a point in time.

Rental income from leasing of equipment

The Group leases out its equipment under operating lease and recognises rental income proportionately over the lease term. Rental income from equipment is recognised as 'revenue' on a straight-line basis over the term of the lease.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Leases (from 1 January 2019)

(i) The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease (including extension option) unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(a) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that trigger those lease payments.

For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component.

The lease liabilities are presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Leases (from 1 January 2019) (Cont'd)

(i) The Group as lessee (Cont'd)

(b) Right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Office premise	: 2 years
Office and other equipment	: 3 to 5 years
Heavy equipment	: 8 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

(ii) The Group as lessor

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16, except for the classification of the sublease entered into that resulted in a finance lease classification

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received from sublease of heavy equipment under operating leases as income on a straight-line basis over the lease term within "revenue" in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Leases (from 1 January 2019) (Cont'd)

(ii) The Group as lessor (Cont'd)

Intermediate lessor in sublease

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the recognition exemption or when the sublease does not transfer substantially all of the risks and rewards incidental to the ownership of the assets, then it classifies the sublease as an operating lease.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "finance lease receivables" in the statement of financial position. Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the statement of financial position, which represents the lease payments owed to the head lessor.

Leases (before 1 January 2019)

(i) The Group as lessee

(a) Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

(b) Finance lease

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as property, plant and equipment and obligations under finance lease, respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the interest expense and the reduction of the outstanding lease liability. The interest expense is recognised within "finance costs" in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Income taxes (Cont'd)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed as at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Related parties (Cont'd)

- (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 Company or to the parent of the Company.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain 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 transactions and translation

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. As at each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on transactions entered into in order to hedge certain foreign currency risks are described in the hedge accounting policies.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Foreign currency transactions and translation (Cont'd)

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

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Segment reporting

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.

Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. If an inflow of economic benefits has become probable, an entity discloses the contingent asset. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. The amount recognised as a contingent consideration receivable at initial recognition shall be the best estimate of the inflow of economic benefits. Contingent consideration receivable is subsequently accounted for as financial asset at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Property, plant and equipment

The Group	Leasehold improvement \$'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 2018	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	-	-	-	(5)	(7)	-	(5)	(17)
At 31 December 2018	352	13	-	403	438	180	-	1,386
Additions	-	-	-	37	298	-	-	335
Disposals	(3)	-	-	(63)	(247)	-	-	(313)
Currency translation differences	-	-	-	2	6	5	-	13
At 31 December 2019	349	13	-	379	495	185	-	1,421
Accumulated depreciation								
At 1 January 2018	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)
Currency translation differences	-	-	-	(1)	(1)	-	-	(2)
At 31 December 2018	337	13	-	338	87	9	-	784
Depreciation for the year	8	-	-	32	69	23	-	132
Disposals	(2)	-	-	(45)	(76)	-	-	(123)
Impairment losses	-	-	-	-	-	8	-	8
Currency translation differences	-	-	-	1	1	1	-	3
At 31 December 2019	343	13	-	326	81	41	-	804
Net book value								
At 31 December 2019	6	-	-	53	414	144	-	617
At 31 December 2018	15	-	-	65	351	171	-	602

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Property, plant and equipment (Cont'd)

The Company	<u>Leasehold improvement</u> \$'000	<u>Office and other equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Total</u> \$'000
<u>Cost</u>				
At 1 January 2018	347	43	198	588
Additions	15	-	-	15
Write off	(11)	-	-	(11)
At 31 December 2018	351	43	198	592
Additions	-	2	230	232
Disposals	(1)	(4)	-	(5)
Transfer upon strike off of a subsidiary	-	64	-	64
At 31 December 2019	350	105	428	883

Accumulated depreciation

At 1 January 2018	169	14	10	193
Depreciation for the year	178	16	20	214
Write off	(11)	-	-	(11)
At 31 December 2018	336	30	30	396
Depreciation for the year	7	10	58	75
Disposals	-	(3)	-	(3)
Transfer upon strike off of a subsidiary	-	63	-	63
At 31 December 2019	343	100	88	531

Net book value

At 31 December 2019	7	5	340	352
At 31 December 2018	15	13	168	196

(1) During the financial year, plant and equipment transferred at net book value to the Company from its subsidiary amounted to S\$1,000 (2018: S\$Nil).

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

The Group	31 December 2019 \$'000	31 December 2018 \$'000
Motor vehicles	-	100

(3) There were impairment indicators for the Group's and the Company's property, plant and equipment. Refer to Note 6 for the impairment assessment on property, plant and equipment.

(4) The Group's depreciation of the property, plant and equipment is allocated as follows:

The Group	2019 \$'000	2018 \$'000
Cost of sales	-	154
General and administrative expenses	132	267
	132	421

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 Right-of-use assets

The Group

	<u>Office premise</u> \$'000	<u>Office and other equipment</u> \$'000	<u>Heavy equipment</u> \$'000	<u>Total</u> \$'000
<u>Cost</u>				
<u>Adoption of SFRS(I) 16:</u>				
- Initial recognition	91	46	-	137
At 1 January 2019	91	46	-	137
Additions	-	-	7,561	7,561
Currency translation differences	-	-	50	50
At 31 December 2019	91	46	7,611	7,748
<u>Accumulated depreciation</u>				
At 1 January 2019	-	-	-	-
Depreciation for the year	45	7	395	447
Currency translation differences	-	-	2	2
At 31 December 2019	45	7	397	449
<u>Net book value</u>				
At 31 December 2019	46	39	7,214	7,299
At 1 January 2019	91	46	-	137

The Company

	<u>Office premise</u> \$'000	<u>Office and other equipment</u> \$'000	<u>Total</u> \$'000
<u>Cost</u>			
<u>Adoption of SFRS(I) 16:</u>			
- Initial recognition	91	46	137
At 1 January 2019	91	46	137
Additions	-	-	-
At 31 December 2019	91	46	137
<u>Accumulated depreciation</u>			
At 1 January 2019	-	-	-
Depreciation for the year	45	7	52
At 31 December 2019	45	7	52
<u>Net book value</u>			
At 31 December 2019	46	39	85
At 1 January 2019	91	46	137

Information about the Group's leasing activities are disclosed in Note 25.

There were impairment indicators for the Group's and the Company's right-of-use assets. Refer to Note 6 for the impairment assessment on right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5 Intangible assets

	31 December 2019 \$'000	31 December 2018 \$'000
The Group		
Goodwill arising on consolidation	-	-
(a) Goodwill arising on consolidation		
The Group	31 December 2019 \$'000	31 December 2018 \$'000
<u>Cost</u>		
Beginning and end of financial year	101	101
<u>Accumulated impairment</u>		
Beginning of financial year	(101)	-
Impairment loss (Note 21(b))	-	(101)
End of financial year	(101)	(101)
Net book value	-	-

Please refer to Note 6 for the impairment assessment of goodwill for the Group.

6 Investments in subsidiaries

	31 December 2019 \$'000	31 December 2018 \$'000
The Company		
<u>Unquoted equity investments, at cost</u>		
At beginning of year	5,451	5,081
Additions during the year	-	370
Strike off (Note B)	(4,652)	-
At end of year	799	5,451
<u>Allowance for impairment losses</u>		
At beginning of year	(599)	(212)
Impairment loss	-	(387)
At end of year	(599)	(599)
Carrying amount	200	4,852

Impairment tests for investments in subsidiaries, property, plant and equipment, right-of-use assets and goodwill

For the financial year ended 31 December 2019, management of the Group had carried out an impairment assessment over the investments in subsidiaries, property, plant and equipment, right-of-use assets and goodwill and identified certain significant cash generating units ("CGUs") to have indications of possible impairment issues at 31 December 2019 as they were loss-making for the past few years and with net cash outflow from operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6 Investments in subsidiaries (Cont'd)

Impairment tests for investments in subsidiaries, property, plant and equipment, right-of-use assets and goodwill (Cont'd)

Impairment of property, plant and equipment and right-of-use assets

As at 31 December 2019, the carrying amount of the Group's and the Company's property, plant and equipment amounted to S\$617,000 (2018 - S\$602,000) and S\$352,000 (2018 - S\$196,000), respectively. As at 31 December 2019, the carrying amount of the Group's and the Company's right-of-use assets amounted to S\$7,299,000 (2018 - S\$Nil) and S\$85,000 (2018 - S\$Nil), respectively.

For the financial year ended 31 December 2019 and 2018, the Group has identified that there are triggers of impairment for:

- The Indonesia subsidiary as it was in a net deficit position and with net cash outflow from operations.
- The Company as it was having accumulated losses and incurred losses for the year.

The recoverable amount of the property, plant and equipment and right-of-use assets was based on the higher of fair value less costs to sell and value-in-use.

In the financial year ended 31 December 2019, management had assessed the recoverable amounts of property, plant and equipment and right-of-use assets based on external suppliers' quote, representing the fair value less cost to sell, which is the higher of fair value less costs to sell and value-in-use. Management had compared the carrying value of the property, plant and equipment and right-of-use assets with the recoverable amounts and had determined an impairment loss of S\$8,000 (2018 - S\$Nil) to be recognised in the profit or loss for the financial year ended 31 December 2019.

Impairment of cost of investment in subsidiaries

As at 31 December 2019, the carrying amount of the investment in subsidiaries amounted to S\$200,000 (2018 - S\$4,852,000).

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. Recoverable amount is determined based on the fair value less cost to sell, which is the higher of fair value less costs to sell and value-in-use. Based on management's evaluation, no impairment is required for the financial year ended 31 December 2019 since the recoverable amount of these subsidiaries are still higher than the carrying values at year end. In the financial year ended 31 December 2018, the impairment loss amounted S\$387,000 was recognised in profit or loss of the Company, being the shortfall between the carrying amount and the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6 Investments in subsidiaries (Cont'd)

Impairment tests for investments in subsidiaries, property, plant and equipment, right-of-use assets and goodwill (Cont'd)

Impairment of goodwill

In the last financial year ended 31 December 2018, management had 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 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\$101,000 in respect of goodwill was 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.

Details of investments in subsidiaries as at 31 December 2019 and 2018 are as follows:

Details of investments in subsidiaries as at 31 December 2019 and 2018 are as follows:				
Name	Country of incorporation/ place of business	Attributable to equity interest of the Group		Principal activities
		2019 %	2018 %	
<u>Held by the Company</u>				
PSL Metal Pte. Ltd. ^(e)	Singapore	-	100	Installation of industrial machinery and equipment; mechanical engineering works and building construction
TSL Transport & Engineering Pte. Ltd. ("TSL") ^(e)	Singapore	-	100	Excavation and earth moving works and general engineering activities
KCL Logistics Pte Ltd ^(a)	Singapore	100	100	Investment holding
PSL Maritime Strategic Pte. Ltd. ^(a)	Singapore	100	100	Investment holding
PSL Maritime Logistics Holdings Pte. Ltd. ^(a)	Singapore	100	100	Logistics provider
PSL Construction Logistics Holdings Pte. Ltd. ^(e)	Singapore	-	100	Excavation and earth moving works
PSL Properties Pte Ltd ^(a)	Singapore	100	100	Real estate activities with own or leased properties
<u>Held by KCL Logistics Pte Ltd</u>				
PT PSL Commodities Indonesia ^(b)	Indonesia	99	99	Investment holding
<u>Held by PT PSL Commodities Indonesia</u>				
PT Indah Perkasa 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	Investment holding
<u>Held by PT Jaya Sukses Investasi</u>				
PT Selaras Sukses Selalu ^(b)	Indonesia	99.99	99.99	Investment holding
<u>Held by PT Selaras Sukses Selalu</u>				
PT Momentum Indonesia Investama ("PTMII") ^(d)	Indonesia	-	-	Engaged in shipping including transport and shipping cargo and rental of vessels

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6 Investments in subsidiaries (Cont'd)

- (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.
 (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 assets which was then reclassified as financial assets, at FVOCI on 1 January 2018.
 (e) These subsidiaries are in the process of being struck-off.

Carrying value of non-controlling interests ("NCI")

	31 December 2019 \$'000	31 December 2018 \$'000
The Group		
Non-material NCI	1	1
PT Indah Perkasa Abadi ("PT IPA")	(321)	(360)
	(320)	(359)

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 2019 and 2018 apart from those disclosed in Note 26.

Summarised balance sheet

31 December 2019

	PT IPA \$'000	Non-material NCI \$'000	Total \$'000
Current			
Assets	5,779	6,403	12,182
Liabilities	(9,800)	(5,437)	(15,237)
Total net current (liabilities)/assets	(4,021)	966	(3,055)
Non-current			
Assets	7,495	204	7,699
Liabilities	(4,769)	-	(4,769)
Total net non-current assets	2,726	204	2,930
Net (liabilities)/assets	(1,295)	1,170	(125)
Net (liabilities)/assets attributable to NCI	(321)	1	(320)

31 December 2018

	PT IPA \$'000	Non-material NCI \$'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 2019

6 Investments in subsidiaries (Cont'd)

Summarised statement of comprehensive income

31 December 2019

	PT IPA \$'000
Revenue	1,665
Profit before income tax	222
Income tax expense	(25)
Profit after tax	197
Other comprehensive loss	(40)
Total comprehensive income	157
Total comprehensive income allocated to non-controlling interest	39

31 December 2018

	PT IPA \$'000	TSL \$'000	Total \$'000
Revenue	7,067	690	7,757
(Loss)/profit before income tax	(1,602)	212	(1,390)
Income tax expense	(473)	-	(473)
(Loss)/profit after tax	(2,075)	212	(1,863)
Other comprehensive loss	(14)	-	(14)
Total comprehensive (loss)/income	(2,089)	212	(1,877)
Total comprehensive (loss)/income allocated to non-controlling interest	(522)	2	(520)

Summarised cash flow statement

31 December 2019

	PT IPA \$'000
Cash flows from operations	1,704
Interest paid	(322)
Income tax paid	(619)
Net cash generated from operating activities	763
Net cash used in investing activities	(2,353)
Net cash used in financing activities	(963)
Net decrease in cash and cash equivalents	(2,553)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6 Investments in subsidiaries (Cont'd)

Summarised cash flow statement (Cont'd)

31 December 2018	PT IPA \$'000
Cash flows used in from operations	(706)
Interest paid	(9)
Income tax paid	(105)
Net cash used in operating activities	(820)
Net cash used in investing activities	(32)
Net cash generated from financing activities	2,067
Net increase in cash and cash equivalents	1,215

A. 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.

	2019 \$'000	2018 \$'000
Amount paid on changes in ownership interest in a subsidiary	-	370
Non-controlling interest acquired	-	(9)
Difference recognised in capital reserves	-	361

In the financial year ended 31 December 2018, the Company acquired an additional 2,500 ordinary shares in TSL Transport & Engineering Pte Ltd and increased its equity ownership in the subsidiary from 99.17% to 100%.

Changes in the Group's interest in a subsidiary that do not result in a loss of control were accounted for as transactions with owners in their capacity as owners. The decrease in the NCI share of S\$361,000 was charged to capital reserve.

B. Strike-off of entities

For the financial year ended 31 December 2019, the Company has struck-off 3 subsidiaries. These subsidiaries are consolidated until the date they are struck off and ceased to be subsidiaries of the Company. The gain on disposal of the subsidiaries amounted to S\$763,000 at the Company level.

	Gain/(Loss) on strike-off at Company level 2019 \$'000
PSL Metal Pte. Ltd.	713
TSL Transport & Engineering Pte. Ltd.	66
PSL Construction Logistics Holdings Pte. Ltd.	(16)
	763

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7 Financial assets, at FVOCI

The Group	2019 \$'000	2018 \$'000
Equity instrument designated at fair value through other comprehensive income ("FVOCI")		
At 1 January	2	-
Reclassification from available-for-sale financial assets at 1 January 2018	-	5
Changes in fair value recognised in OCI	-	(3)
De-recognition of equity instruments at FVOCI upon liquidation of entity	(2)	-
At 31 December	-	2
Fair value of FVOCI	-	2

Presented as:

Non-Current Assets

Financial assets, at FVOCI	-	2
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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.

These equity investments are de-recognised upon liquidation of the invested entity, any related balance within the FVOCI reserve is reclassified to retained earnings.

8 Trade and other receivables

	The Group		The Company	
	31 December 2019 \$'000	31 December 2018 \$'000	31 December 2019 \$'000	31 December 2018 \$'000
Current				
Trade receivables				
- Non-related parties (a)	735	1,542	-	-
- Accrued service revenue (b)	-	556	-	-
Allowance for impairment losses	(1)	(819)	-	-
	734	1,279	-	-
Contingent consideration on acquisition of PTMII (c)	2,357	6,134	2,357	6,134
GST recoverable	889	321	1	14
Sundry receivables	1,640	1,221	-	-
Allowance for impairment losses	(184)	(212)	-	-
	1,456	1,009	-	-
Deposits	19	287	14	249
	5,455	9,030	2,372	6,397
Advance payments to suppliers	1,304	430	-	-
Prepayments	155	82	19	46
	6,914	9,542	2,391	6,443
Non-Current				
Contingent consideration on acquisition of PTMII (c)	3,699	-	3,699	-
	10,613	9,542	6,090	6,443

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8 Trade and other receivables (Cont'd)

- (a) Trade receivables are non-interest bearing and are generally granted 30 to 90 days (2018 - 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 2019, contingent considerations of S\$6,056,000 (2018 - S\$6,134,000) 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 S\$17,300,000 (US\$12,245,000). Net Profit after Tax ("NPAT") over a 24-month period following completion date in November 2015. The actual NPAT achieved will be compared against the targeted NPAT. In the event that the targeted NPAT is not achieved, the vendors of PTMII are obliged to compensate the shortfall amount in cash based on the 49% Group's ownership interest in PTMII. Refer to Note 12 for details of the settlement agreement and term sheet entered into in 2019 and 2018.

Following management's decision to deconsolidate PTMII with effect from 1 January 2017, management had signed a binding Term Sheet on 18 April 2018 and had 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 included the payment of US\$4,500,000 (S\$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 S\$6,134,000 and an additional amount of \$122,000 was recognised in profit or loss for the financial year ended 31 December 2018.

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

	31 December 2019 \$'000	31 December 2018 \$'000
The Group and The Company		
Balance at beginning of year	6,134	6,012
Fair value changes on profit guarantee due from Vendors (Note 19)	(78)	122
Balance at end of year	6,056	6,134
	2019 \$'000	2018 \$'000
The Group – Allowance for impairment losses of trade receivables		
As at 1 January	(819)	(680)
Increase in loss allowance recognised in profit or loss during the year (Note 21(b))	(1)	(140)
Impairment reversed (Note 20)	20	1
De-recognition upon liquidation of entities	799	-
As at 31 December	(1)	(819)

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

	The Group		The Company	
	31 December 2019 \$'000	31 December 2018 \$'000	31 December 2019 \$'000	31 December 2018 \$'000
Beginning of financial year	212	212	-	-
De-recognition upon liquidation of entities	(28)	-	-	-
End of financial year	184	212	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9 Deferred tax asset

	The Group		The Company	
	31 December 2019 \$'000	31 December 2018 \$'000	31 December 2019 \$'000	31 December 2018 \$'000
Deferred tax asset	16	-	-	-

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

	The Group		The Company	
	31 December 2019 \$'000	31 December 2018 \$'000	31 December 2019 \$'000	31 December 2018 \$'000
At beginning of year	-	13	-	-
Tax credited/(charged) to profit or loss (Note 23)	16	(13)	-	-
At end of year	16	-	-	-

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

	Accelerated tax depreciation \$'000	Unutilised capital allowance \$'000	Total \$'000
The Group			
At 1 January 2018	13	-	13
Tax charged to profit or loss (Note 23)	(13)	-	(13)
At 31 December 2018	-	-	-
Tax credited to profit or loss (Note 23)	-	16	16
At 31 December 2019	-	16	16

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.

10 Inventories

	2019 \$'000	2018 \$'000
The Group		
Fuel and spare parts	21	42

The costs of inventories recognised as an expense and included in "cost of sales" amounted to S\$64,700 (2018 - S\$2,790,000) for the financial year ended 31 December 2019. Inventories have been reduced by S\$2,000 (2018 - S\$39,000) 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 2019

11 Amounts due from/(to) subsidiaries

The Company	31 December 2019 \$'000	31 December 2018 \$'000
Current		
Amounts due from subsidiaries:		
- trade	-	54
- non-trade	1,367	1,361
Loan due from a subsidiary	6,183	6,501
Allowance for impairment loss	(3,181)	(3,181)
	4,369	4,735
Amounts due to subsidiaries:		
- non-trade (Note A)	(150)	(5,476)

Note A: The amounts due to subsidiaries of S\$5.4 million as at 31 December 2018 was partially set-off against the carrying value of the cost of investment of the 3 subsidiaries that were struck-off during the current financial year ended 31 December 2019.

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.

Impairment of amounts due from PT IPA

For the financial year ended 31 December 2019, based on management's assessment, PT IPA did not have sufficient liquid assets to repay the loan and there is no collateral pledged or other security over the loan. Management has adopted a 'repay over time' strategy. Management has prepared an estimation of the future cash flows in respect of the repayment of the amounts due from PT IPA for the purpose of assessing the level of expected credit losses required at year end. Based on the cash flow forecast, the expected credit loss is assessed to be minimum.

In the financial year ended 31 December 2018, management had determined that a probability of default and loss given default of 100% since PT IPA did not have highly sufficient 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 insufficient liquid assets as well as the expected realisation of the borrower's less liquid assets, of S\$1.8 million was recorded in the financial statements for the year ended 31 December 2018.

The Company	2019 \$'000	2018 \$'000
Movements in impairment of amount due from subsidiaries:		
At beginning	(3,181)	(1,345)
Impairment loss recognised	-	(1,836)
At end	(3,181)	(3,181)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 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.

The Group and The Company	31 December 2019 \$'000	31 December 2018 \$'000
Loans receivable	16,582	16,473
Allowance for impairment	(2,569)	(2,602)
Balance at end of year	14,013	13,871

The Group and the Company	31 December 2019 \$'000	31 December 2018 \$'000
Allowance for impairment		
Balance at beginning of year	2,602	2,550
Effect of translation	(33)	52
Balance at end of year	2,569	2,602

The Company has signed a settlement agreement on 19 February 2020 with the Indonesian shareholders of PTMII to resolve all disputes arising out of or in connection with all the agreements and legal proceedings between the Company and PTMII. The key details of the settlement agreement are as follows:

Loans receivable (PTMII Vessels)

Based on the settlement agreement, PTMII will repay US\$11.5 million (S\$15.4 million). This will be settled via the following:

- US\$3 million (S\$4.0 million) which has been received before the date of the audit report, and
- US\$8.5 million (S\$11.4 million) will be settled via sales proceeds from the proposed sale of PTMII Vessels.

Contingent consideration (Shareholder Vessels)

- US\$4.5 million (S\$6.1 million) has been recognised in the financial statements as at 31 December 2019. The contingent consideration is at accrued interest of 3% p.a. This agreed amount will be repaid over a three-year period and in 36 monthly instalments. The contingent consideration is secured by a pledge in favour of the Company, over the title deeds of Shareholder Vessels. In the event of default on timely payment of any of the instalments of the contingent consideration, the Company is entitled to sell Shareholder Vessels to set-off against the outstanding contingent consideration. Before the date of the audit report, the first two instalments of US\$320,000 (S\$431,000) were received.

Management has carried out a year end impairment assessment on the loans due from PTMII and contingent consideration. The proceeds shall be considered as a repayment of the balance of the loans due from PTMII. Based on management's evaluation, the fair values of the PTMII and Shareholder Vessels are higher than the carrying amount of the loans due from PTMII and contingent consideration at the reporting date. Accordingly, no further impairment loss is provided for the financial year ended 31 December 2019.

In the financial year ended 31 December 2018, management had 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 were higher than the carrying amount of the loans due from PTMII at the reporting date. Accordingly, no further impairment loss was provided for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 Loans due from PTMII (Cont'd)

In the financial year ended 31 December 2018, in respect of the contingent consideration receivable from the Indonesian shareholders of PTMII, we had obtained legal confirmation from the legal counsel of the Company. Based on the legal advice, the legal counsel had confirmed on the validity and legal enforceability of the definitive agreements.

13 Cash and cash equivalents

	The Group		The Company	
	31 December 2019 \$'000	31 December 2018 \$'000	31 December 2019 \$'000	31 December 2018 \$'000
Cash at banks and on hand	1,930	4,546	1,019	2,245
Fixed deposits with financial institutions	622	2,640	-	-
	2,552	7,186	1,019	2,245

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

The Group	31 December 2019 \$'000	31 December 2018 \$'000
Cash and bank balances as above	2,552	7,186
Fixed deposits pledged with financial institutions	-	(2,640)
Cash and cash equivalents per consolidated statement of cash flows	2,552	4,546

As at 31 December 2018, fixed deposits with financial institutions were pledged in relation to the banking facilities granted to a subsidiary.

The interest rate of fixed deposits with financial institutions of the Group is 6.36% per annum (2018 - 7.40% per annum).

The maturity periods for the fixed deposits with financial institutions of the Group is 90 days (2018 - 90 days) from the date of placement.

14 Share capital

The Group and The Company	31 December 2019 No. of ordinary shares	31 December 2018 No. of ordinary shares	31 December 2019 \$'000	31 December 2018 \$'000
Issued and fully paid with no par value				
Balance at beginning of year and at end of year	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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14 Share capital (Cont'd)

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.

15 Obligations under finance lease

The Group	31 December 2019 \$'000	31 December 2018 \$'000
Minimum lease payments payable:		
No later than one year	-	40
Later than one year and not later than five years	-	26
	-	66
Less: Finance charges allocated to future years	-	(5)
Present value of minimum lease payments	-	61
Present value of minimum lease payments:		
No later than one year (current)	-	36
Later than one year and not later than five years (non-current)	-	25
	-	61

As at 31 December 2018, the Group leased certain motor vehicles from non-related parties under finance leases. The effective interest rate for ranged from 7.19% to 10.5% per annum. All leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance lease were secured by the leased assets.

Obligations under finance lease were fully settled during the year ended 31 December 2019.

16 Lease liabilities

	The Group		The Company	
	31 December 2019 \$'000	31 December 2018 \$'000	31 December 2019 \$'000	31 December 2018 \$'000
Undiscounted lease payments due:				
- Year 1	2,219	-	59	-
- Year 2	2,171	-	11	-
- Year 3	2,169	-	9	-
- Year 4	1,447	-	7	-
- Year 5	3	-	3	-
	8,009	-	89	-
Less: Unearned interest cost	(1,837)	-	(3)	-
Lease liabilities	6,172	-	86	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16 Lease liabilities (Cont'd)

	The Group		The Company	
	31 December 2019 \$'000	31 December 2018 \$'000	31 December 2019 \$'000	31 December 2018 \$'000
Presented as:				
- Non-current	4,798	-	29	-
- Current	1,374	-	57	-
	6,172	-	86	-

Interest expense on lease liabilities of S\$318,000 is recognised within "finance expenses" in profit or loss.

Rental expenses not capitalised in lease liabilities but recognised within "general and administrative expenses" in profit or loss are set out below:

	2019 \$'000
The Group	
Rental on operating leases	<u>7</u>

Total cash outflows for all leases in the year amount to S\$1,892,000.

The Group's lease liabilities are secured by the lessors' title to the leased assets.

Information about the Group's leases are disclosed in Note 25.

Further information about the financial risk management as disclosed in Note 29.

17 Trade and other payables

	The Group		The Company	
	31 December 2019 \$'000	31 December 2018 \$'000	31 December 2019 \$'000	31 December 2018 \$'000
Current				
Trade payables - non-related parties	122	165	-	-
Other payables				
- non-related parties	257	967	9	53
Loan owing to third party (former non-controlling shareholder of a subsidiary ⁽ⁱ⁾)	2,119	2,061	-	-
Accrued staff cost	34	50	34	50
Accrued expenses	332	402	243	349
Accruals for directors' fee	30	41	30	41
Total	2,894	3,686	316	493

Trade payables to non-related parties are non-interest bearing and are normally settled within 30 to 90 days (2018 - 30 to 90 days).

Note:

- (i) These pertain to an interest-free loan from the former non-controlling shareholder of PT IPA. As at 31 December 2019, he does not hold any shares in PT IPA. The loan is unsecured and repayable on demand.

18 Revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product or service lines. The Group leases out its equipment under operating lease and recognises rental income proportionately over the lease term.

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18 Revenue (Cont'd)

	2019 \$'000	2018 \$'000
The Group		
Construction logistics:		
- Construction logistics services	-	7,679
- Rental income from leasing of heavy equipment	1,620	-
- Trading	45	-
	1,665	7,679

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).

	2019 \$'000	2018 \$'000
The Group and The Company		
Primary geographical markets		
Singapore	-	612
Indonesia	1,665	7,067
	1,665	7,679
Timing of revenue recognition		
At a point in time	45	7,679
#	45	7,679

This excludes revenue from heavy equipment rentals, which does not fall within the scope of SFRS(I) 15.

Construction logistics segment for 2018

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.

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19 Other operating income

	2019 \$'000	2018 \$'000
The Group		
Interest income from banks	166	78
Interest income from PTMII	316	301
Government grants	8	40
Sundry income	17	13
Fair value changes on profit guarantee due from Vendors (Note 8)	(78)	122
	429	554

20 Other gains/(losses) – net

	2019 \$'000	2018 \$'000
The Group		
Currency exchange gains/(losses)	105	(117)
(Loss)/gain from disposal of property, plant and equipment	(9)	51
Bad debt reversed (Note 8)	20	1
	116	(65)

21(a) General and administrative expenses

	2019 \$'000	2018 \$'000
The Group		
Depreciation of property, plant and equipment (Note 3)	132	267
Depreciation of right-of-use assets (Note 4)	447	-
Repair and maintenance	2	-
Utilities and telecommunication	14	36
Other expenses	42	327
Transportation expenses	33	118
General office expenses	109	169
Directors' remuneration and fees (Note 26.2)		
- fees	109	162
- wages and salaries	226	217
- employer's contributions to defined contribution plan	19	18
Employee compensation (excluding directors)		
- wages and salaries	901	1,688
- employer's contributions to defined contribution plan	63	98
	1,318	2,183
Commission	4	-
Entertainment and gifts	16	12
Professional fees	308	855
Motor vehicle related expenses	41	45
Rental on operating leases	7	238
Auditor's remuneration paid/payable to:		
- Auditors of the Company	103	137
- Other auditors	10	13
- Non-audit	-	6
Listing expenses	21	94
	2,607	4,500

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21(b) Other operating expenses

The Group	2019 \$'000	2018 \$'000
Impairment loss on property, plant and equipment (Note 3)	8	-
Impairment loss on intangible assets (Note 5)	-	101
Write-down of inventories (Note 10)	2	39
Impairment of trade receivables (Note 8)	1	140
	11	280

22 Finance expenses

The Group	2019 \$'000	2018 \$'000
Bank charges	87	-
Interest expense on lease liabilities	318	-
Interest expense on obligations under finance lease	-	9
	405	9

23 Income tax expense

The Group	2019 \$'000	2018 \$'000
Current taxation		
- foreign	41	473
	41	473
Deferred taxation (Note 9)	(16)	13
Total taxation	25	486

Reconciliation of effective tax rate

The Group	2019 \$'000	2018 \$'000
Loss before taxation	(1,255)	(4,651)
Tax at applicable tax rate	(196)	(581)
Tax effect on non-deductible expenses	264	1,053
Tax effect on non-taxable income	(33)	(54)
Exempt income	(8)	-
Tax rebate	(1)	-
Deferred tax assets on temporary differences not recognised	-	68
Utilisation of previously unrecognised tax losses and capital allowance	(1)	-
	25	486

As at the end of the reporting period, the Group has unabsorbed tax losses and capital allowances amounting to approximately S\$Nil (2018 - S\$4,206,000) that are available for offset against future taxable profits of those companies. The unutilised tax losses have no expiry dates. The unutilised tax losses and capital allowances carry-forward from last year relate to strike-off entities, and thus were forfeited upon strike-off of these subsidiaries. The use of 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.

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24 Loss per share

	2019	2018
The Group		
Loss attributable to equity holders of the Company (\$'000)	(1,329)	(4,620)
Weighted average number of ordinary shares in issue for basic earnings per share	55,686,996	55,686,996
Basic and diluted loss per share (cents)	(2.39)	(8.30)

The basic and diluted loss per share is the same as the Group does not have any potentially dilutive shares as at 31 December 2019 and 2018.

25 Leases

(i) The Group as lessee

(a) Office premise

The Group leases office for operation purposes.

This office is recognised within the Group's right-of-use assets (Note 4).

The Group makes monthly lease payments for the use of office.

There are no externally imposed covenants on this office lease arrangement.

(b) Plant and equipment

The Group makes monthly lease payments for the rental of photocopier for office use.

The Group also rents heavy equipment to generate revenue.

These plant and equipment are recognised as the Group's right-of-use assets (Note 4).

The agreements for heavy equipment allow the Group for subleasing them to third parties.

(c) Future cash outflows capitalised in lease liabilities - Extension options

The lease for certain office, and plant and equipment provide for optional extension periods, for which the related lease payments have been included in lease liabilities because the Group is reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The extension options are exercisable only by the Group and not by the lessor. The undiscounted potential future cash outflows for the lease payments during the extension periods amount to \$2,560.

Information regarding the Group's right-of-use assets and lease liabilities are disclosed in Note 4 and 16 respectively.

(ii) The Group as intermediate lessor of sublease

The Group acts as an intermediate lessor under arrangements whereby it subleases out certain heavy equipment to third parties for monthly lease payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25 Leases (Cont'd)

(ii) The Group as intermediate lessor of sublease(Cont'd)

For the sublet heavy equipment, their sublease periods do not form a major part of the remaining head lease terms and accordingly, their subleases are classified as operating lease.

Subleases - classified as operating lease

Rental income of S\$1,620,000 from subleasing the plant and equipment during the year are included within "revenue" in profit or loss.

Undiscounted lease payments from the sublease of the plant and equipment to be received after the reporting date are as follows:

The Group	2019 \$'000
Less than one year	3,075
Within two to five years	4,613
	<u>7,688</u>

26 Significant related party transactions

26.1 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.

26.2 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:

The Group	2019 \$'000	2018 \$'000
Key management:		
<u>Directors</u>		
- fees	109	162
- wages and salaries	226	217
- employer's contributions to defined contribution plan	19	18
<u>Other key management</u>		
- wages and salaries	326	485
- employer's contributions to defined contribution plan	28	35
	<u>708</u>	<u>917</u>

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27 Commitments

Operating lease commitments

Where the Group is a lessee

The Group and the Company leases office premise and office and other equipment under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The office lease has a remaining term of 1 year. As at 31 December 2018, the future minimum lease payments for all operating leases contracted for but not recognised as liabilities, are as follows:

The Group	2018 \$'000
Within one year	59
After one year but not more than five years	67
	<u>126</u>

As disclosed in Note 2(b), the Group has adopted SFSR(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 1 January 2019, except for short-term and low value leases.

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 a 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

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28	Segments information (Cont'd)	Trading and engineering	Construction logistics	Corporate	Elimination	Total
		2019	2018	2019	2018	2019
		\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
External	-	1,665	7,679	-	-	1,665
Total revenue	-	1,665	7,679	-	-	1,665
Segment Results						
Segment (loss)/profit from operations						
Impairment of property, plant and equipment	(16)	(239)	(1,620)	(1,468)	-	(842)
Impairment of goodwill	-	(8)	-	-	-	(8)
Finance expense						-
Loss before income tax						(405)
Income tax expense						(1,255)
Loss for the year						(25)
						(486)
						(1,280)
						(5,137)
Other information						
Segment assets						35,121
Unallocated assets	-	4,666	8,045	38,638	(16,775)	31,251
Consolidated total assets						16
						35,137
Segment liabilities						9,066
Unallocated liabilities	-	49	8,773	12,630	(18,122)	12
Consolidated total liabilities						9,078
						3,762
Impairment of goodwill	-	-	101	-	-	101
Additions of plant and equipment	-	-	137	232	15	335
Depreciation of property, plant and equipment	2	5	213	75	203	421
Depreciation of right-of-use assets	-	-	-	52	-	132
Impairment loss on property, plant and equipment	-	-	-	-	-	447
Impairment loss on inventories	-	-	39	-	-	8
Impairment loss on trade receivables	-	-	140	-	-	2
Finance expense	-	-	-	-	-	39
						1
						140
						9
						405

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28 Segments information (Cont'd)

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

	2019 \$'000	2018 \$'000
<u>Revenue</u>		
Total revenue for reportable segments	1,665	7,679
Consolidated revenue	1,665	7,679
<u>Profit or loss</u>		
Total loss for reportable segments from operations	(842)	(4,541)
Impairment loss on property, plant and equipment	(8)	-
Impairment of goodwill	-	(101)
Finance expense	(405)	(9)
Consolidated loss before tax	(1,255)	(4,651)
<u>Segment assets</u>		
Total assets for reportable segments	51,896	57,611
Deferred tax assets	16	-
Elimination	(16,775)	(26,360)
Consolidated total assets	35,137	31,251
<u>Segment liabilities</u>		
Total liabilities for reportable segments	27,188	26,692
Current tax liabilities	12	15
Elimination	(18,122)	(22,945)
Consolidated total liabilities	9,078	3,762

Geographical segments

The following table presents revenue and total assets information regarding the Group's geographical segments for the years ended 31 December 2019 and 2018:

	Singapore		Indonesia		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue	-	612	1,665	7,067	1,665	7,679
Total assets	21,877	23,846	13,260	7,405	35,137	31,251

Major customer

Revenues from one customer of the Group's Construction Logistics segment represents approximately S\$1.6 million (2018 - S\$7.1 million) of the Group's total revenues.

NOTES TO THE FINANCIAL STATEMENTS

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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 (by categories) at the reporting date are as follows:

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Financial assets designated at fair value through OCI	-	2	-	-
Financial assets at amortised cost				
Trade and other receivables*	8,265	8,709	6,070	6,383
Loans due from PTMII	14,013	13,871	14,013	13,871
Cash and cash equivalents	2,552	7,186	1,019	2,245
Amounts due from subsidiaries	-	-	4,369	4,735
	24,830	29,766	25,471	27,234
Total financial assets	24,830	29,768	25,471	27,234
Financial liabilities at amortised cost				
Obligations under finance lease	-	61	-	-
Lease liabilities	6,172	-	86	-
Trade and other payables	2,894	3,686	316	493
Amounts due to subsidiaries	-	-	150	5,476
Total financial liabilities	9,066	3,747	552	5,969

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

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 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.

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29 Financial risk management objectives and policies (Cont'd)

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.

The Group	SGD \$'000	USD \$'000	IDR \$'000	Total \$'000
At 31 December 2019				
Financial assets				
Cash and cash equivalents	232	837	1,483	2,552
Loan due from PTMII	237	13,776	-	14,013
Trade and other receivables*	15	6,056	2,194	8,265
	484	20,669	3,677	24,830
Financial liabilities				
Trade and other payables	(349)	-	(2,545)	(2,894)
Lease liabilities	(86)	-	(6,086)	(6,172)
	(435)	-	(8,631)	(9,066)
Net financial assets/(liabilities)	49	20,669	(4,954)	15,764
Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(58)	-	5,022	4,964
Currency exposure on financial (liabilities)/ assets	(9)	20,669	68	20,728
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	2,275	8,709
	1,875	20,891	7,002	29,768
Financial liabilities				
Trade and other payables	(573)	-	(3,113)	(3,686)
Obligations under finance lease	-	-	(61)	(61)
	(573)	-	(3,174)	(3,747)
Net financial assets	1,302	20,891	3,828	26,021
Net financial assets denominated in the respective entities' functional currencies	(1,310)	-	(3,762)	(5,072)
Currency exposure on financial (liabilities)/ assets	(8)	20,891	66	20,949

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

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29 Financial risk management objectives and policies (Cont'd)

29.3 Currency risk (Cont'd)

The Company	SGD \$'000	USD \$'000	IDR \$'000	Total \$'000
At 31 December 2019				
Financial assets				
Cash and cash equivalents	182	837	-	1,019
Amount due from subsidiaries	22	-	4,347	4,369
Loan due from PTMII	237	13,776	-	14,013
Trade and other receivables*	15	6,055	-	6,070
	456	20,668	4,347	25,471
Financial liabilities				
Trade and other payables	(316)	-	-	(316)
Amount due to subsidiaries	(150)	-	-	(150)
Lease liabilities	(86)	-	-	(86)
	(552)	-	-	(552)
Net financial (liabilities)/assets	(96)	20,668	4,347	24,919
Net financial liabilities denominated in the entity's functional currency	96	-	-	96
Currency exposure on financial assets	-	20,668	4,347	25,015
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*	249	6,134	-	6,383
	1,691	20,879	4,664	27,234
Financial liabilities				
Trade and other payables	(493)	-	-	(493)
Amount due to subsidiaries	(5,476)	-	-	(5,476)
	(5,969)	-	-	(5,969)
Net financial (liabilities)/assets	(4,278)	20,879	4,664	21,265
Net financial liabilities denominated in the entity's functional currency	4,278	-	-	4,278
Currency exposure on financial assets	-	20,879	4,664	25,543

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

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29 Financial risk management objectives and policies (Cont'd)

29.3 Currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

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

The Group	2019		2018	
	Loss before tax \$'000 Increase/(Decrease)	Equity \$'000	Loss before tax \$'000 Increase/(Decrease)	Equity \$'000
USD against SGD				
- strengthened 5% (2018 - 5%)	(1,033)	(1,033)	(1,045)	(1,045)
- weakened 5% (2018 - 5%)	1,033	1,033	1,045	1,045
IDR against SGD				
- strengthened 5% (2018 - 5%)	(3)	(3)	(3)	(3)
- weakened 5% (2018 - 5%)	3	3	3	3
The Company	2019		2018	
	Loss before tax \$'000 Increase/(Decrease)	Equity \$'000	Loss before tax \$'000 Increase/(Decrease)	Equity \$'000
USD against SGD				
- strengthened 5% (2018 - 5%)	(1,033)	(1,033)	(1,044)	(1,044)
- weakened 5% (2018 - 5%)	1,033	1,033	1,044	1,044
IDR against SGD				
- strengthened 5% (2018 - 5%)	(217)	(217)	(233)	(233)
- weakened 5% (2018 - 5%)	217	217	233	233

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.

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29 Financial risk management objectives and policies (Cont'd)

29.4 Liquidity risk (Cont'd)

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

		-----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 2019					
Trade and other payables	2,894	2,894	2,894	-	-
Lease liabilities	6,172	8,009	2,219	5,790	-
	9,066	10,903	5,113	5,790	-
As at 31 December 2018					
Trade and other payables	3,686	3,686	3,686	-	-
Obligations under finance lease	61	66	40	26	-
	3,747	3,752	3,726	26	-

The Company	Carrying amount \$'000	-----Contractual undiscounted cash flows-----			
		Total \$'000	Less than 1 year \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
As at 31 December 2019					
Trade and other payables	316	316	316	-	-
Amount due to subsidiaries	150	150	150	-	-
Lease liabilities	86	89	59	30	-
	552	555	525	30	-

The Company	Carrying amount \$'000	Total \$'000	Less than 1 year \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
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	-	-

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29 Financial risk management objectives and policies (Cont'd)

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.

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 receivables \$'000
		Non credit - impaired \$'000	Credit- impaired \$'000		
At 31 December 2019					
Current (not past due)	-	686	-	-	686
1-30 days past due	2.0	48	1	(1)	48
31-60 days past due	-	-	-	-	-
More than 60 days past due	-	-	-	-	-
		734	1	(1)	734
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 Receivables \$'000
		Non credit - impaired \$'000	Credit- impaired \$'000		
At 31 December 2019					
Current (not past due)	42.1	4,369	3,181	(3,181)	4,369
1-30 days past due	-	-	-	-	-
31-60 days past due	-	-	-	-	-
More than 60 days past due	-	-	-	-	-
		4,369	3,181	(3,181)	4,369

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29 Financial risk management objectives and policies (Cont'd)

29.5 Credit risk (Cont'd)

The Company	Average expected loss rate %	Total gross carrying amount		Expected credit loss \$'000	Net 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

(1) Trade and other receivables, loans due from PTMII and amounts due from subsidiaries

The Group and the Company applies the SFRS(I) 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade 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 Group and the Company 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.

The Group and the Company apply the 3-stage general approach to determine ECL for other receivables. ECL is measured as an allowance equal to 12-month ECL for stage-1 assets, or lifetime ECL for stage-2 or stage-3 assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider qualitative and quantitative reasonable and supportable forward looking information. At the reporting date, the expected credit loss is assessed to be insignificant.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29 Financial risk management objectives and policies (Cont'd)

29.5 Credit risk (Cont'd)

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.

Contingent consideration and loans due from PTMII

As disclosed in Note 8 and Note 12, 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.

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 does 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:

	31 December 2019 \$'000	31 December 2018 \$'000
The Group		
Net debt	6,514	-#
Total equity	26,379	27,848
Total capital	32,893	27,848
Net debt to total capital ratio	19.8%	-

The Group is not subject to any externally imposed capital requirement as at 31 December 2019 and 2018. There were also no changes in the Group's approach to capital management during the financial years ended 31 December 2019 and 2018.

There is no net debt as at 31 December 2018 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 2019

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.

Fair value measurement of financial assets and financial liabilities

Non-current financial assets and financial liabilities

The fair values of non-current obligations under finance leases and lease liabilities are estimated by discounted cash flow analysis, using market borrowing rates for similar instruments as at the reporting date (see Note 15 and Note 16 respectively).

Other financial assets and financial liabilities

The carrying amounts of other financial assets and financial liabilities which have a maturity of less than one year approximate their fair value because of the short-term period of maturity.

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:

The Group	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
31 December 2019				
Financial assets at FVOCI	-	-	-	-
31 December 2018				
Financial assets at FVOCI (quoted equity instrument)	2	-	-	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31 Financial instruments (Cont'd)

Fair value measurement (Cont'd)

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

Set-off of balances with subsidiaries (the Company)

At 31 December 2018, 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 certain subsidiaries that are set-off are as follows:

The Company	Gross carrying amounts \$'000	Gross amounts offset in the statement of financial position \$'000	Net amounts in the in the statement of financial position \$'000
31 December 2018			
Amounts due from subsidiaries – trade	54	-	54
Amounts due from subsidiaries – non-trade	984	(967)	17
Loan due from a subsidiary	4,664	-	4,664
Amounts due to subsidiaries	(6,443)	967	(5,476)
	(741)	-	(741)

32 Events after the reporting period

An outbreak of COVID-19 (Coronavirus Disease 2019) had been reported in China on 31 December 2019. At the date of these financial statements, while the outbreak has been most severe in Asia, it has spread to various regions around the world, including Australia, Europe, Middle East and the United States of America. The Group operates in various regions affected by the outbreak. While the full impact to the Group cannot be quantified reliably, the Group's performance subsequent to the balance sheet date is likely to be negatively impacted as a result of regional and global travel restrictions, quarantine and/or illness of employees, loss of customers, supply chain disruptions, and other forms of interruptions to business.

33 Comparative figures

Certain reclassifications have been made to the prior year's consolidated statement of cash flows to enhance comparability with the current year's consolidated statement of cash flows to reclassify the cash flow movement from operating activities to financing activities. The effects are as follows:

	Previously reported 2018 \$'000	Reclassification \$'000	After reclassification 2018 \$'000
The Group			
Changes in trade payables, other payables and accruals	(2,663)	(433)	(3,096)
Cash flows from operating activities	(3,963)	(433)	(4,396)
Increase of loan due to third party (former non-controlling interest of a subsidiary)	-	433	433
Cash flows from financing activities	(1,815)	433	(1,382)