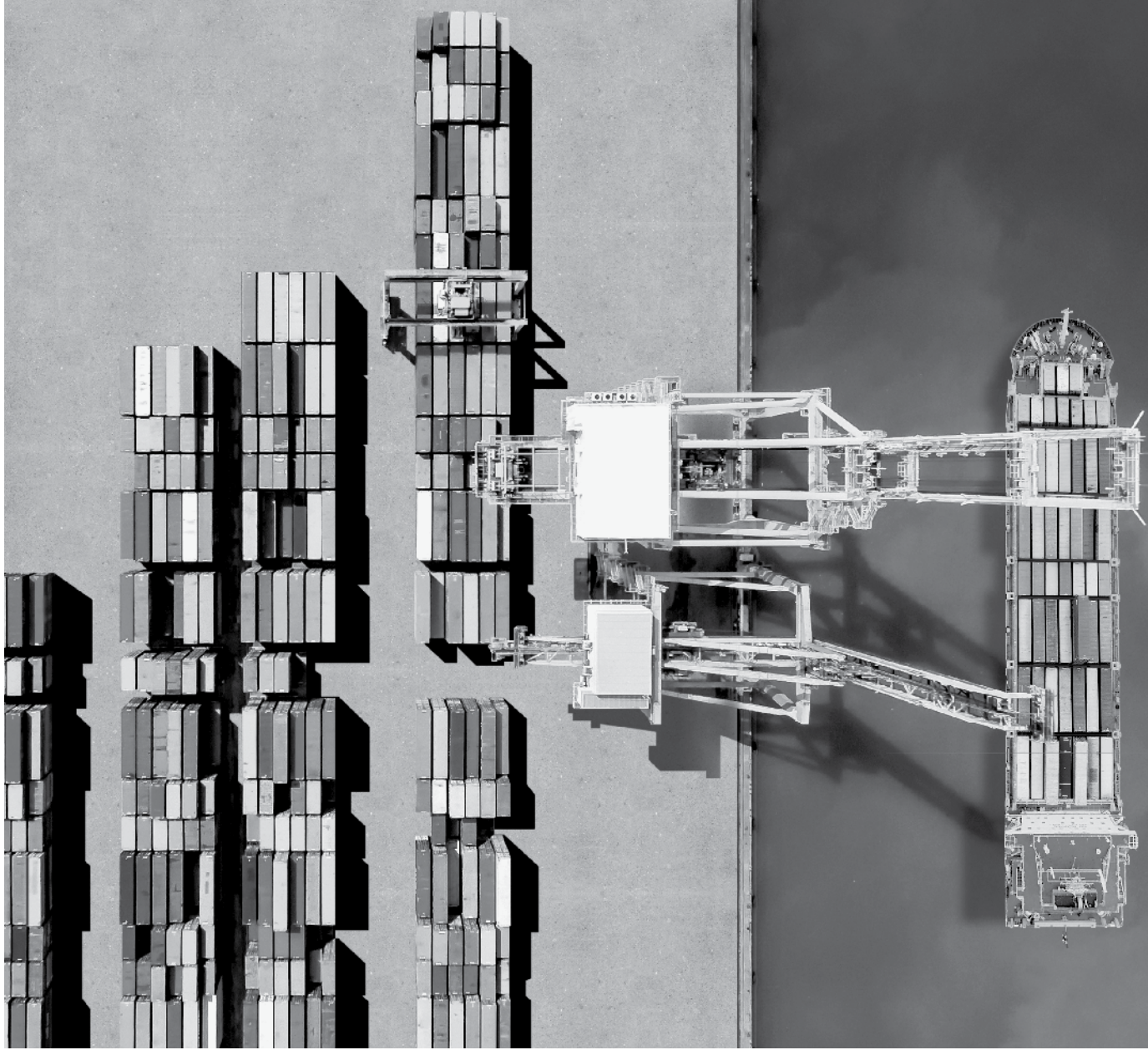


# Strengthening our focus on growth





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# Corporate Governance Report

The Board of Directors (the “**Board**” or the “**Directors**”) of Samudera Shipping Line Ltd (the “**Company**”) is committed to setting and maintaining high standard of corporate governance to ensure greater corporate transparency, accountability, performance and integrity, and at the same time, protect shareholders’ interests and enhance shareholders’ value.

This report describes the Company’s corporate governance processes and activities that were in place through the financial year with specific reference to the principles and guidelines as set out in the Code of Corporate Governance 2012 (the “**Code**”).

The Company has complied substantially with the principles and guidelines of the Code. Where there are deviations from the recommendations of the Code, specific reference to the guidelines are made and appropriate reasons and explanations in relation to the Company’s practices are provided.

## BOARD MATTERS

### Principle 1: The Board’s Conduct of its Affairs

#### *Guidelines 1.1 and 1.2: The Board’s role, duties and responsibilities*

The Company has an effective Board to lead and control the operations and affairs of the Company and its subsidiaries (collectively the “**Group**”). The Board is responsible for setting the strategic direction and establishing goals for the management team of the Company (the “**Management**”) as well as working together with Management to achieve these goals set for the Group.

The principal functions of the Board are:

- To set up and to review the broad policies, strategies and financial objectives of the Group and to ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- To supervise the management of the business and affairs of the Group and monitor the performance of Management;
- To review the financial performance of the Group, including the review and approval of annual budgets, major funding proposals, potential investments, divestment proposals, material capital investments and interested person transactions;
- To oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance and to ensure that the Group maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the Group’s assets;
- To approve the nomination of Board Directors and appointment of key management personnel;
- To approve the framework of remuneration for Directors and key management personnel as recommended by the Remuneration Committee;
- To assume responsibility for the Group’s compliance with its corporate governance practices, the Companies Act (Chapter 50) and rules and regulations of the relevant regulatory bodies;



# Corporate Governance Report

- To set up the Group's values and standards (including ethical standards) and consider sustainability issues in relation to the Economic, Environmental, Social and Governance ("**ESG**") factors identified as material for the Company as part of its strategic formulation. The Company's inaugural Sustainability Report is set out on pages 34 to 43 of the Annual Report; and
- To ensure accurate, adequate and timely reporting to, and communication with shareholders.

Each Director, in the course of carrying out his duties, acts in good faith and considers the interests of the Group at all times. The Board provides shareholders with a balanced and clear assessment of the Group's performance, position and prospects on a quarterly basis.

## ***Guideline 1.3: Delegation by the Board***

Our Directors recognise the importance of good corporate governance and in offering high standards of accountability to our shareholders. In order to provide an independent oversight and to discharge its responsibilities more efficiently, the Board has delegated specific areas of responsibilities to three Board Committees: Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"). These Board Committees have been constituted with clearly defined Terms of Reference. These Terms of Reference are reviewed at regular intervals to ensure their continued relevance and adequacy to meet the governance standards expected of the Board. The Chairman of the respective Committee will report to the Board on the outcome of the Committee meetings and their recommendations on the specific agendas mandated to the Committee by the Board.

The Board is free to request for further clarification and information from Management on all matters within their purview. The Board is ultimately responsible for the final decision on all matters.

## ***Guideline 1.4: Attendance at Board and Board Committee Meetings***

To address the competing time commitments of the Directors, the schedule of all Board and Board Committees' meetings and the Annual General Meeting is prepared and given to all the Directors well in advance before the beginning of each financial year. The Board conducts at least four meetings on a quarterly basis to review the Group's financial results and where necessary, additional Board meetings are held to address significant issues or transactions.

During the financial year ended 31 December 2017 ("**FY2017**"), the Board met six (6) times to review and approve the annual budget (including the proposed investments and/or divestments during the year), the Company's quarterly and full-year financial results announcements, the Company's sustainability policies and practices (including the material ESG factors and proposed measurements/targets for each identified ESG factors) in connection with the preparation of the Company's inaugural Sustainability Report, and the Group's strategic business plan. Ad-hoc meetings are held to address significant issues or transactions. The Company's Constitution (the "**Constitution**") allows for Board meetings to be conducted by way of a telephone conference and/or by means of similar communication equipment where all Directors participating in the meeting are able to hear each other. Decisions of the Board and Board Committees may also be obtained through circular resolutions in writing.

# Corporate Governance Report

The number of meetings held by the Board and Board Committees and attendance by Directors at the meetings during FY2017 is set out as follows:

|                          | Board                           | Board Committees |                      |                        |
|--------------------------|---------------------------------|------------------|----------------------|------------------------|
|                          |                                 | Audit Committee  | Nominating Committee | Remuneration Committee |
| NO. OF MEETINGS HELD     | 6                               | 4                | 1                    | 1                      |
| <b>Name of Director</b>  | <b>No. of meetings attended</b> |                  |                      |                        |
| Masli Mulia              | 6                               | –                | 1                    | –                      |
| Asmari Herry Prayitno    | 6                               | –                | –                    | –                      |
| Hermawan Fridiana Herman | 6                               | –                | –                    | –                      |
| Lim Kee Hee              | 6                               | –                | –                    | –                      |
| Quah Ban Huat            | 6                               | 4                | 1                    | 1                      |
| Chng Hee Kok             | 6                               | 4                | 1                    | 1                      |
| Nicholas Peter Ballas    | 6                               | 4                | 1                    | 1                      |
| Ng Chee Keong            | 6                               | 4                | 1                    | 1                      |

All Board members who are non-committee members of the AC, NC, RC would attend the Board Committee meetings via invitation.

The Board is of the view that the contribution of each Director should not be focused only on his attendance at meetings of the Board and/or Board Committees. A Director's contribution also extend beyond the confines of the formal environment of such meetings, through the sharing of views, advices, experience and strategic networking relationships which would further the interests of the Company.

## **Guideline 1.5: Matters Reserved for Board's Approval**

The Board delegates the formulation of business policies and day-to-day management to the Chief Executive Officer ("CEO") and the Executive Directors. The Company has adopted a framework of delegated authorisations in its Authorisation Matrix approved by the Board. The Authorisation Matrix sets out the level of authorisation and their respective approval limits for a range of transactions, including but not limiting to operating and capital expenditures. The following matters are specifically reserved for the Board's decision and approval:

- The Group's annual budget;
- Financial results announcements;
- Annual report and Audited financial statements;
- Dividend payment to shareholders;
- Corporate strategies and financial restructuring;
- Major investments/divestments or acquisition/ disposal proposal and material capital expenditures; and
- Any other transactions of a material nature requiring announcement under the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

# Corporate Governance Report

## ***Guidelines 1.6 and 1.7: Continuous Training and Formal Letter of Appointment for New Directors***

As part of the Board renewal process, the NC reviews and considers the skill, qualification and experience of the nominated director before recommending any proposed appointments to the Board for approval. A formal letter of appointment is given to all newly appointed Directors, setting out their duties and obligations.

Newly appointed Directors are given orientation briefings by Management on the business activities of the Group and its strategic directions, so as to familiarise them with the Group's operations, financial performance and encourage effective participation in Board discussions. During the year under review, no new Director was appointed.

The Board recognises the importance of appropriate orientation training and continuing education for its Directors. All Directors are encouraged to attend seminars, conferences or any courses in connection to new laws, regulations and risk management (including management of commercial, financial, operational and compliance risks) conducted by professional bodies, including active participation in the Singapore Institute of Directors. The cost of arranging and funding the training of the Directors will be borne by the Company. Directors receive regularly updates on latest development and issues pertaining to regulatory changes, corporate matters as well as corporate governance.

During the year under review, the Company engaged external consultant to conduct an extensive in-house training on certain financial reporting standards, Mr Herry, Mr Lim and Mr Hermawan joined the training together with other employees of the Company. In addition, Mr Hermawan also attended the CFO Program – Southeast Asia CFO Vision 2017 workshop organized by Deloitte, Maritime Capital Forum as well as various cybersecurity seminars in view of increased importance on cybersecurity in the recent years, namely Deloitte CFO Forum – Cybersecurity and the Cyber threats and challenges facing Singapore conducted by MPA Academy.

All Directors are updated on major milestones of the Group. The Directors have unrestricted access to the Company's resources such as its Constitution, Terms of References of the respective Board Committees, Annual Reports and any other pertinent information for their reference. They can also request for further explanations, briefings or informal discussions on any aspects of the Group's operations and business issues from Management from time to time.

Where required, the Company Secretary and external professionals bring to the Directors' attention relevant updates in the industry and changes in accounting standards and regulations. The Directors are also given access to professionals for consultation as and when they deem necessary at the expense of the Company.

# Corporate Governance Report

## Principle 2: Board Composition and Guidance

### Guidelines 2.1 and 2.2: Board Independence

The Board consists of eight Directors, four of whom are Independent and Non-Executive Directors:

| Name of Directors        | Designation                                 | Audit Committee | Nominating Committee | Remuneration Committee |
|--------------------------|---|-----------------|----------------------|------------------------|
| Masli Mulia              | Executive Chairman                          |                 | Member               |                        |
| Asmari Herry Prayitno    | Executive Director and CEO                  |                 |                      |                        |
| Hermawan Fridiana Herman | Executive Director, Finance                 |                 |                      |                        |
| Lim Kee Hee              | Executive Director, Commercial              |                 |                      |                        |
| Quah Ban Huat            | Lead Independent Director and Non-Executive | Chairman        | Member               | Member                 |
| Chng Hee Kok             | Independent and Non-Executive Director      | Member          | Member               | Chairman               |
| Ng Chee Keong            | Independent and Non-Executive Director      | Member          | Chairman             | Member                 |
| Nicholas Peter Ballas    | Independent and Non-Executive Director      | Member          | Member               | Member                 |

The NC conducts annual review of the Directors' independence and for the year under review, the NC was satisfied that the current Board composition complies with the guideline of the Code that at least half of the Board should comprise Independent Directors where the Chairman of the Board is not an Independent Director.

The profiles of the Directors are set out on pages 18 to 23 of this Annual Report.

At the NC's recommendation, the Board had approved the following changes to the composition of the Board Committees during FY2017:

- (a) Mr Quah Ban Huat was appointed as the AC Chairman and the Lead Independent Director in place of Mr Nicholas Peter Ballas on 27 February 2017; and
- (b) Mr Chng Hee Kok was appointed as the RC Chairman in place of Mr Quah Ban Huat on 27 February 2017.



# Corporate Governance Report

## ***Guideline 2.3: Independence Review***

The NC determines, on an annual basis, the independence of the Independent and Non-Executive Directors based on the guidelines provided in the Code, including considering whether the Directors have any business relationships with the Group that could interfere or be reasonably perceived to interfere, with their ability to exercise independent judgment, and a rigorous review of those Directors whose tenure had exceeded nine years from the date of their first appointment.

Each Independent and Non-Executive Director, existing or newly-appointed, is required to confirm his independence by completing and signing the Confirmation of Independence declaration form, which is based on the guidelines as set out in the NC Terms of Reference and the Code. The NC will then review the declaration submitted by each Independent and Non-Executive Director to determine whether he is independent.

For the year under review, the NC has reviewed the independence of Messrs Chng Hee Kok, Quah Ban Huat, Nicholas Peter Ballas and Ng Chee Keong, and is satisfied that there are no relationships which would impair their independent judgment or would deem any of them to be non-independent. In reviewing each Independent and Non-Executive Director's independence, the NC has considered the relationships identified by the Code and is satisfied that the Independent and Non-Executive Directors are also independent of the substantial shareholders of the Company.

## ***Guideline 2.4: Independence of Director Who Has Served on the Board Beyond Nine Years***

During the year under review, all the Directors participated in the deliberation and assessment of the independence status of Mr Chng Hee Kok, who has served on the Board for more than nine years from the date of his first appointment. Having considered the feedback and assessment made by each Director, the Board concurred with the NC's view that Mr Chng has demonstrated strong independence in character and judgment over the years in discharging his duties and responsibilities as an Independent and Non-Executive Director of the Company. There were no circumstances which would likely affect or appear to affect his independent judgment and he has acted in the best interests of the Group and the non-controlling shareholders. His contributions in Board deliberations, due to his length of service, in-depth knowledge of the Group's businesses and board representation on other listed companies are considered valuable by the Board. While recognising the benefits of the experience and stability brought by long-standing Directors, the Board remains committed to the progressive renewal of board membership.

The Board, after taking into consideration the NC's evaluation, resolved that Mr Chng Hee Kok, notwithstanding his service on the Board for more than nine years from the date of his first appointment, will continue to be considered independent along with Messrs Quah Ban Huat, Nicholas Peter Ballas and Ng Chee Keong.

# Corporate Governance Report

## ***Guidelines 2.5 and 2.6: Composition, Size, Competency and Diversity of the Board***

The NC reviews the size and composition of the Board and Board Committees, including the skills and core competencies of each Director to ensure an appropriate balance and diversity of skills and experience for effective decision-making. The Board, as a whole, consists of a good mix of individuals from the private sector with appropriate skills, expertise, industry knowledge, general commercial experience, and core competencies in accounting, financial and capital market background. The members of the Board, all of whom as a group, provides the Board with a good mix of core competencies, experience and expertise necessary to contribute, direct, manage and lead the Group effectively. The objective judgment of the Independent and Non-Executive Directors on corporate affairs and their collective experience and contributions are valued by the Company.

The Board is of the view that the current Board size, composition, competency and diversity is appropriate, taking into account the nature and scope of the Group's operations.

As half of the Board consists of Independent and Non-Executive Directors, objectivity on issues deliberated is assured and Management is able to benefit from their diverse external perspectives on issues brought before the Board. Objectivity and independence of the Board decisions are maintained through the professionalism of each Board member, who have demonstrated a high level of commitment in their roles as Directors of the Company.

At present, there are no female Board members appointed in the Company. Notwithstanding that there is no formal Board diversity policy in place, the NC and the Board is cognizant of the recommendations as set out under Guideline 2.6 of the Code. In considering potential Board candidates for the refreshment of Board, the NC and the Board not only take into account gender diversity but also diversity in respect of skills, experience and expertise as recommended by the Code. In particular, core competencies and expertise of the potential candidates would be paramount considerations.

## ***Guidelines 2.7 and 2.8: Role and Participation of Non-Executive Directors***

The Independent and Non-Executive Directors constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of Management in achieving agreed goals and objectives of the Group's business, and monitor the reporting of performance. Management also has access to the Independent and Non-Executive Directors for guidance and informal discussions both within and outside the meetings of the Board and Board Committees.

During FY2017, the Independent and Non-Executive Directors met once without the presence of the Executive Directors and Management.

# Corporate Governance Report

## **Principle 3: Chairman and Chief Executive Officer**

### ***Guidelines 3.1 and 3.2: Separate Role and Responsibilities of Chairman and CEO***

There is a clear division of roles and responsibilities between the Chairman and the CEO of the Company to ensure an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision making. The Chairman and the CEO are not related to each other.

As Chairman, Mr Masli Mulia is responsible for:

- (a) Steering strategic direction and business growth of the Group;
- (b) Ensuring that Board meetings are held when necessary and sets the agenda of the Board meetings in consultation with the other Directors and Management, including setting the pace for a constructive debate and an effective contribution from the Board members at the meetings;
- (c) Reviewing the Board papers before they are presented to the Board and ensures that the Board members are provided with complete, adequate and timely information;
- (d) Ensuring effective communication with shareholders; and
- (e) Promoting high standards of corporate governance.

The CEO, Mr Asmari Herry Prayitno, is responsible for:

- (a) The day-to-day operations of the Group's business which are carried out with the assistance of the other Executive Directors and key management personnel; and
- (b) Formulating business plans, directions and strategies of the Group's business. Strategic decisions are made in consultation with the Board.

### ***Guideline 3.3: Appointment of Lead Independent Director***

### ***Guideline 3.4: Independent Directors to Meet Periodically without other Directors***

Mr Quah Ban Huat had replaced Mr Nicholas Peter Ballas as the Company's Lead Independent Director on 27 February 2017. The Lead Independent Director is responsible for leading and coordinating the activities of the Independent and Non-Executive Directors and serve as a principal liaison on Board issues between the Independent and Non-Executive Directors and the Chairman of the Board. The Lead Independent Director is available to shareholders who have concerns for which contact through the normal channels of the Chairman, CEO or Executive Directors have failed to resolve or for which such contact is inappropriate.

During FY2017, the Independent Directors met once without the presence of the Executive Directors and Management. The Lead Independent Director may call for meetings of Independent and Non-Executive Directors to meet or communicate amongst themselves, without the presence of the Executive Directors, as and when the need arises.

# Corporate Governance Report

## Principle 4: Board Membership

### ***Guideline 4.1: Composition of Nominating Committee (“NC”)***

The NC comprises the following five members, four of whom are Independent and Non-Executive Directors. The NC Chairman is independent and not associated in any way with the 10% shareholders of the Company.

|                       |          |
|-----------------------|----------|
| Ng Chee Keong         | Chairman |
| Chng Hee Kok          | Member   |
| Quah Ban Huat         | Member   |
| Nicholas Peter Ballas | Member   |
| Masli Mulia           | Member   |

The NC is regulated by a set of written Terms of Reference and is responsible for making recommendations to the Board on all Board appointments and re-appointments through a formal and transparent process. In respect of re-nominations, the NC will consider the individual Director's contribution and performance and whether the Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations.

### ***Guideline 4.2: Authority and Duties of Nominating Committee***

The key functions of the NC include:

- To review board succession plans for Directors, in particular, the Chairman and the CEO;
- To conduct a formal assessment on the effectiveness of the Board as a whole and to assess the contribution by each individual Director to the effectiveness of the Board, particularly when a Director serves on multiple Boards;
- To establish procedures for and make recommendations to the Board on the appointments of new Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board and re-appointments;
- To regularly review the Board structure, size and composition having regard to the scope and nature of the operations and the core competencies of the Directors as a group;
- To establish procedures for evaluation of the performance of the Board, its Board Committees and Directors, and propose objective performance criteria which shall be approved by the Board;
- To determine the independence of each Director, namely the Independent Directors;
- To ensure that all Board appointees undergo an appropriate induction programme; and
- To review and determine that each Director carries out his duties as a Director of the Company adequately, taking into consideration each Director's number of public listed company board representations and other principal commitments.

# Corporate Governance Report

During FY2017, the NC had:

- (a) Assessed and evaluated the effectiveness of the Board and the Board's performance as a whole;
- (b) Reviewed the Board and Board Committees composition and assessed the independence of each Independent Director; and
- (c) Recommended the re-election of Directors retiring pursuant to the Company's Constitution.

## Re-election of Directors

The NC reviews the re-election of each Board member in accordance with the Company's Constitution. Pursuant to Article 91 of the Company's Constitution, one-third of the Directors (except Managing or Joint Managing Director) shall retire from office by rotation at the Company's Annual General Meeting ("**AGM**"). In addition, Article 92 provides that the retiring Directors are eligible to offer themselves for re-election and Article 97 provides that all newly appointed Directors shall retire from office at the next AGM following their appointment.

The Directors retiring by rotation pursuant to Article 91 of the Company's Constitution at the forthcoming AGM are Messrs Asmari Herry Prayitno, Hermawan Fridiana Herman and Lim Kee Hee, all of whom are Executive Directors and considered Non-Independent. There are no relationships including immediate family relationships between each of Mr Herry, Mr Hermawan and Mr Lim and the other Directors, the Company or its 10% shareholders.

The NC has reviewed and recommended the nomination of each retiring Director to the Board after taking into consideration factors such as the individual Director's contribution, performance, attendance at the Board and/or Board Committee meetings, and adequate time devoted to the affairs of the Group to discharge their duties as Directors of the Company. Each member of the NC abstains from all discussions, deliberations and decisions in respect of their own performance assessment or re-election.

The Board has accepted the NC's nomination of the retiring Directors who have given their consent for re-election at the forthcoming AGM of the Company.

Details of each Director's (i) date of first appointment and (ii) date of last re-election as Director of the Company are set out on pages 20 to 23 of the Annual Report.

## **Guideline 4.3: Determination of Directors' Independence Annually**

The Board concurred with the NC's view that the four Independent and Non-Executive Directors, namely, Messrs Chng Hee Kok, Quah Ban Huat, Nicholas Peter Ballas and Ng Chee Keong are independent, taking into account the circumstances set forth in the Code and any other salient factors. The Independent and Non-Executive Directors had also confirmed their independence in accordance with the Code.



# Corporate Governance Report

## **Guideline 4.4: Multiple Board Representations**

All Directors are required to declare regularly and annually their Board representations in other listed entities and their other principal commitments.

Details of each Director's present and past three years directorships or chairmanships in other public listed companies, and other principal commitments are set out on pages 20 to 23 of the Annual Report. During FY2017, none of the Directors held more than six directorships and/or chairmanships in other public listed companies concurrently.

When a Director has multiple board representations, the NC considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company, taking into consideration the Director's number of public listed company board representations and other principal commitments.

Based on the individual Director's confirmation to the NC on his ability to carry out his duties as a Director of the Company and to address any competing time commitments that may arise, the NC believes that it would not be necessary to stipulate a maximum limit on the number of public listed company board representations of each Director.

Notwithstanding that there is no formal guideline in place to address the conflict of competing time commitments that are faced by Directors with multiple board representations, the NC and the Board is cognizant of the recommendations as set out under Guideline 4.4 of the Code. The NC would continue to review, on an on-going basis, and recommend appropriate changes to the Company's practices and disclosures as and when deemed feasible and appropriate for the Company.

For the year under review, the NC is satisfied that the Directors have given adequate time and attention to the affairs of the Group to discharge their duties as Directors of the Company through their attendance at meetings of the Board and Board Committees, notwithstanding their multiple board representations and other principal commitments.

## **Guideline 4.5: Alternate Directors**

The Board is of the view that alternate directors should only be appointed in extenuating circumstances. The Company currently does not have any alternate directors.

## **Guideline 4.6: Board Appointment Process**

The NC recommends all appointments of Directors to the Board, after taking into account the following factors:

- (a) The Group's strategic and business plans, and operational requirements; and
- (b) The suitability of candidates for Board appointment, based on their skills, core competencies, experiences and expertise.

The Company has in place a process for selecting and appointing new Directors. Potential candidates who possess relevant experience and have the calibre to contribute to the Company are shortlisted for consideration. Curriculum vitae of the shortlisted candidates will be circulated to the NC for their review, taking into consideration the candidate's suitability, qualification, core competencies, experiences, expertise and knowledge. Thereafter, NC will conduct interview(s) with the potential candidates, before making its recommendation to the Board.

# Corporate Governance Report

## **Guideline 4.7: Key Information regarding Directors**

Information in respect of each Director's academic and professional qualification, directorships and/or chairmanships for both present and those held over the preceding three years in other public listed companies and other principal commitments is set out in the "Board of Directors" section on pages 20 to 23 of the Annual Report. In addition, information on shareholdings in the Company and its related companies held by each Director is set out in the "Directors' Statement" section on page 34 to 36.

## **Principle 5: Board Performance**

### **Guidelines 5.1 to 5.3: Board and Board Committees Performance Evaluation Process**

The NC has established evaluation procedures and performance criteria for the assessment of the Board's performance as a whole. The evaluation of the Board's performance is carried out on an annual basis, and some of the areas of assessment covered under the evaluation includes: Board composition, Board processes and information, Internal control and risk management, Board accountability, CEO performance and succession planning and standard of conduct of the Board.

Each Director assesses the effectiveness of the Board as a whole by providing feedback to the NC. The performance measurements ensure that the mix of skills and experience of the Directors continue to meet the needs of the Group.

During FY2017, the NC had with the assistance of the Company Secretary conducted the assessment by preparing a performance evaluation questionnaire to be completed by each Director, which were then collated and the findings were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. No external facilitator had been used by the Board for this assessment.

The NC is of the view that the Board and Board Committees operate effectively and that each individual Director has contributed to the effectiveness of the Board as a whole. The results of the NC's assessment for FY2017 has been communicated to and accepted by the Board.

The Chairman, in consultation with the NC, will, if necessary, propose steps to be undertaken to strengthen the Board's leadership so as to improve the effectiveness of the Board's oversight of the Company.

### **Board Performance Criteria**

Most of the Company's industry peers are not listed entities in Singapore, comparative financial information/ratios would therefore not be easily obtained for comparison and benchmarking purposes.

The NC and the Board, having considered Management's rationale, concurred that it was not feasible for the Company to disclose the following details as recommended under Guideline 5.2 of the Code:

- performance criteria, which allow for comparison with industry peers;
- how the Board has enhanced long-term shareholder value; and
- justification by the Board on the circumstances that deem the changes on the performance criteria to be necessary.

The NC would continue to review, on an on-going basis, and recommend appropriate changes to the Company's practices and disclosures as and when deemed feasible and appropriate for the Company.

# Corporate Governance Report

## Individual Director Evaluation

There is no formal individual evaluation carried out for each Director on an annual basis.

When nominating Directors who are retiring by rotation for re-election at the AGM, the NC reviews each retiring Director's contribution, performance, attendance and participation at the Board and/or Board Committee meetings, and adequate time devoted to the affairs of the Group to discharge their duties as Directors of the Company.

The NC and the Board is cognizant of the recommendations as set out under Guideline 5.3 of the Code and would continue to review, on an on-going basis, and recommend appropriate changes to the Company's practices and disclosures as and when deemed feasible and appropriate for the Company.

## Principle 6: Access to Information

### ***Guidelines 6.1 and 6.2: Complete, Adequate and Timely Information***

To enable the Board in fulfilling its responsibilities and engage in full deliberation on the issues to be considered at each meeting, Management provides the Board with complete, adequate and timely information prior to Board meetings and on an on-going basis. In addition, all relevant information on the Group's annual budgets, financial statements, material events and transactions complete with background and explanations are circulated to Directors as and when they arise. Any material variance between any projections/budgets and the actual results is disclosed and explained to the Board.

### ***Guideline 6.3: Separate and Independent Access to the Company Secretary***

### ***Guideline 6.4: Appointment and Removal of the Company Secretary***

The Directors have separate and independent access to the Company's key management personnel and the advice and services of the Company Secretary. The Company Secretary assists the Chairman and the Chairman of each Board Committee in preparing the agendas for the respective meetings in consultation with the Management. The Company Secretary (and/or her representatives) attends and prepares minutes of all meetings of the Board and Board Committees, including assisting the Board to ensure that proper procedures are observed and requirements of the Companies Act, Cap. 50. and the Listing Manual of the SGX-ST are complied. The appointment or removal of the Company Secretary is subject to the approval of the Board as a whole.

### ***Guideline 6.5: Independent Professional Advice***

Where the Directors require independent professional advice in the course of discharging their duties, such advice would be provided at the Company's expense, subject to approval by the Board.

# Corporate Governance Report

## REMUNERATION MATTERS

### Principle 7: Procedures for Developing Remuneration Policies

#### **Guideline 7.1: Composition of Remuneration Committee (“RC”)**

The RC comprises the following four members, all of whom are Independent and Non-Executive Directors.

|                       |          |
|-----------------------|----------|
| Chng Hee Kok          | Chairman |
| Quah Ban Huat         | Member   |
| Nicholas Peter Ballas | Member   |
| Ng Chee Keong         | Member   |

#### **Guidelines 7.2 to 7.4: Authority and Duties of Remuneration Committee**

The RC is regulated by a set of written Terms of Reference. Its key functions include:

- To review and recommend to the Board a framework of remuneration for each Director and key management personnel that are competitive and sufficient to attract, retain and motivate key management personnel of the required quality to run the Company successfully;
- To review and determine the specific remuneration packages and terms of employment for each Director and key management personnel, which cover all aspect of remuneration including Directors' fees, salaries, allowances, bonuses and benefits-in-kind;
- To determine the appropriateness of the remuneration of the Independent and Non-Executive Directors taking into consideration the level of their contribution; and
- To review and recommend to the Board the terms of renewal of the service contracts of Directors.

During FY2017, the RC had:

- (a) Reviewed and determined the remuneration packages and service contracts for the CEO, Executive Directors and key management personnel, to ensure that they are adequately but not excessively remunerated; and
- (b) Reviewed and recommended the Directors' fees for the Independent and Non-Executive Directors, which are subject to the shareholders' approval at the AGM of the Company.

The RC also considered, in consultation with the CEO, amongst other things, the performance of the Group's key management personnel, including their responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain the best available executive talent. The recommendations of the RC would be submitted to the Board for endorsement. The RC has full authority to engage any external professional to advise on matters relating to remunerations as and when the need arises.

# Corporate Governance Report

The RC had in 2015 engaged an external human resource consultant (the “**HR Consultant**”) to conduct a comprehensive review of the remuneration package of the Executive Directors, CEO and key management personnel as well as to recommend thresholds and determinants for bonus entitlements. The RC, having deliberated on the outcome of the HR Consultant’s review, had recommended relevant changes, where appropriate, to the remuneration packages and services contracts of the respective Executive Directors, CEO and key management personnel, which were duly approved by the Board.

No individual Director is involved in fixing his own remuneration. Independent and Non-Executive Directors are paid Directors’ fees annually on a standard fee basis. Each member of the RC abstains from making any recommendation on or voting on any resolutions in respect of his own remuneration package, except for providing information and documents specifically requested by the RC.

The RC reviews the terms and conditions of service agreements of the Executive Directors before their execution. In the course of such review, the RC will consider the Group’s obligations arising in the event of termination of Executive Directors and key management personnel, to ensure that the service agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance.

## **Principle 8: Level and Mix of Remuneration**

### ***Guideline 8.1: Remuneration of Directors and Key Management Personnel***

The service contracts for Executive Directors are for a fixed appointment period and do not contain onerous removal clauses.

The RC carries out an annual review to ensure that the remuneration of the CEO, Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group.

The Executive Directors do not receive Directors’ fees. The remuneration of the Executive Directors and the key management personnel comprise primarily a basic salary component and a variable component which is inclusive of bonuses and other benefits.

During FY2015 and FY2016, at the request of the RC, the HR Consultant carried out a comprehensive review of the Executive Directors and key management personnel’s service contracts and remuneration; and to determine the appropriate thresholds and key performance indicators to assess the Executive Directors and CEO’s performance and bonus entitlement in respect of each financial year, the findings of which were reported to the RC in FY2016 and FY2017 respectively.

The RC, having reviewed the findings from the HR Consultant, recommended that the variable component of the Executive Directors and CEO’s remuneration should take into consideration factors such as the Group’s achievement in overall profitability, projected revenue growth, operating cash flow as well as return on operational assets, in particular:

1. The achievement of net profit of the Group and the Company compared to its budget;
2. Operational cash flow achievement compared to its budget/outlook;
3. Revenue Growth achievement compared to its budget; and
4. Return on operational assets, achievement compared to its budget.



# Corporate Governance Report

## ***Guideline 8.2: Long-Term Incentive Schemes***

Currently, the Company does not have any share-based compensation scheme or long-term incentive schemes for the key management personnel, Executive Directors, and Independent and Non-Executive Directors.

## ***Guideline 8.3: Remuneration of Independent and Non-Executive Directors***

The Independent and Non-Executive Directors receive Directors' fees in accordance with their level of contributions, taking into account factors such as efforts and time spent, as well as responsibilities and obligations of the Directors. The Independent and Non-Executive Directors are not overly compensated and the amount of Directors' fees paid does not compromise the independence of Independent and Non-Executive Directors. The Directors' fees for the Independent and Non-Executive Directors were last adjusted in FY2016.

The Directors' fees is reviewed annually and recommended by the RC for the Board's endorsement and approval by the shareholders at the AGM of the Company. To facilitate the payment of Directors' fees during the financial year in which they are incurred, the Company is seeking shareholders' approval for Directors' fees of S\$229,000 to be paid for the current financial year ending 31 December 2018 on a half yearly basis in arrears.

The Company has not adopted or implemented any share incentive schemes for its Directors (to encourage the Non-Executive Directors to hold shares in the Company to align with shareholders' interests). The Board is of the view that, for the time being, such scheme would not be necessary since the Independent Directors had always been mindful of and given considerations to shareholders' interests.

The RC and the Board is cognizant of the recommendations as set out under Guideline 8.3 of the Code and would continue to review, on an on-going basis, the need to implement and adopt such schemes as and when deemed feasible and appropriate for the Company.

## ***Guideline 8.4: Contractual Provisions for Executive Directors***

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

## **Principle 9: Disclosure on Remuneration**

### ***Guidelines 9.1, 9.2 and 9.3: Remuneration of Directors, CEO and Top Five Key Management Personnel***

The Board has not included a separate remuneration report to shareholders in the Annual Report to fully disclose each individual Directors' remuneration or the top five key management personnel (who are not Directors or the CEO) as the Board is of the view that key remuneration information would have already been sufficiently disclosed in this report and in the financial statements of the Company.

There are no termination, retirement and post-employment benefits that may be granted to Directors (including the CEO) and the top five key management personnel (who are not Directors or the CEO) of the Company and the Group.

# Corporate Governance Report

A breakdown showing the level and mix of the remuneration payable to each individual Director and top five key management personnel (who are not Directors or the CEO) for FY2017 is set out as follows:

| Remuneration Band                              | Name of Key Management Personnel / Directors | Salary | Bonus | Benefits | Fees |
|--|--|--------|-------|----------|------|
| <b>Key Management Personnel</b>                |  |        |       |          |      |
| S\$250,000 to below S\$500,000                 | Tan Meng Toon                                | 65.3%  | 22.3% | 12.4%    | 0%   |
| Below S\$250,000                               | Chan Ngok Chuin                              | 65.4%  | 18.8% | 15.8%    | 0%   |
|  | Choo Eng Chye Royce                          | 64.1%  | 22.0% | 13.9%    | 0%   |
|  | Lee Thuan Aun, Thomas                        | 61.8%  | 25.2% | 13.0%    | 0%   |
|  | Oh Kian Beng                                 | 66.7%  | 15.0% | 18.3%    | 0%   |
| <b>Independent and Non-Executive Directors</b> |  |        |       |          |      |
| Below S\$250,000                               | Quah Ban Huat                                | 0%     | 0%    | 0%       | 100% |
|  | Chng Hee Kok                                 | 0%     | 0%    | 0%       | 100% |
|  | Nicholas Peter Ballas                        | 0%     | 0%    | 0%       | 100% |
|  | Ng Chee Keong                                | 0%     | 0%    | 0%       | 100% |
| <b>Executive Directors</b>                     |  |        |       |          |      |
| S\$250,000 to below S\$500,000                 | Masli Mulia                                  | 82.0%  | 13.9% | 4.1%     | 0%   |
|  | Asmari Herry Prayitno                        | 77.5%  | 13.9% | 8.6%     | 0%   |
|  | Lim Kee Hee                                  | 75.2%  | 13.9% | 10.9%    | 0%   |
|  | Hermawan Fridiana Herman                     | 76.2%  | 13.6% | 10.2%    | 0%   |

## Directors' Remuneration Disclosure

The RC and the Board, having considered Management's rationale, had collectively concurred that a Group-wide cross-section of the Directors' and key management personnel's remuneration and their names in bands of S\$250,000 provides sufficient overview and disclosure of their remuneration. The RC and the Board deem remuneration to be a highly sensitive and confidential matter and especially so for remuneration matters in a highly competitive human resource environment.

Hence this would be in the best interest of the Company for not disclosing the remuneration of the CEO and each individual Director to the nearest thousand.

The RC would continue to review, on an on-going basis, the requirements under Guideline 9.2 of the Code and recommend appropriate changes to the Company's practices and disclosures as and when deemed feasible and appropriate for the Company.

# Corporate Governance Report

## Top 5 Key Management Personnel

The total aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO) of the Company for FY2017 is S\$1,114,083.

As explained in the earlier paragraphs, the RC and Board had collectively concurred with Management's rationale and in view of the confidentiality and commercial sensitivities attached to remuneration matters, the Company would not be providing a full disclosure of each of the top five key management personnel's remuneration as identified in the table above.

The RC would continue to review, on an on-going basis, the requirements under Guideline 9.3 of the Code and recommend appropriate changes to the Company's practices and disclosures as and when deemed feasible and appropriate for the Company.

### ***Guideline 9.4: Remuneration to Employees who are Immediate Family Members of a Director or the Chief Executive Officer for FY2017***

There are no employees who are immediate family members of the Directors and the CEO whose remuneration exceeded S\$50,000 for FY2017.

### ***Guideline 9.5: Details of Employee Share Schemes***

As explained in Guideline 8.2 above, no remuneration or compensation was paid or is to be paid in the form of share options, as the Company currently does not have any employee share schemes or long-term incentive schemes in place.

### ***Guideline 9.6: Link between Remuneration and Performance***

Remuneration received by Executive Directors and key management personnel comprises a basic salary component and a variable component. The variable component is the bonus payout determined based on the Group's performance and the performance of each Executive Director and key management personnel.

The performance of each Executive Director and the CEO is reviewed by the Chairman at the end of each financial year. A separate performance assessment is carried out for each Executive Director and the CEO, respectively, some of the areas of assessment includes amongst other criteria, the following:

- Job knowledge and Expertise
- Commercial Sense
- Leadership

As explained in the earlier paragraphs, the RC takes into consideration the following factors, amongst other criteria, when determining the variable component of the Executive Directors and the CEO's remuneration:

1. The achievement of net profit of the Group and the Company compared to its budget;
2. Operational cash flow achievement compared to its budget/outlook;
3. Revenue growth achievement compared to its budget; and
4. Return on operational assets, achievement compared to its budget.

During the year under review, the RC had reviewed and confirmed that the Executive Directors and the CEO had met the performance criteria as identified above.

# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

#### ***Guidelines 10.1 and 10.2: Board Accountability***

The Board seeks to keep stakeholders updated on the Group's financial performance, position and prospects through quarterly and annual financial reports as well as timely announcements on developments in the Group's businesses. Quarterly and full year financial results of the Company are reviewed by the Board before dissemination to shareholders via SGXNet. Quarterly results are released within 45 days of the reporting period while the full year results are released within 60 days of the financial year end via SGXNet. In presenting the financial reports, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance.

The Company's Annual Report is available to shareholders on request and is also accessible on the Company's website (<http://www.samudera.id/ssl>).

In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to shareholders in its quarterly financial results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

For the year under review, the CEO and the Executive Director, Finance, have provided a written assurance to the Board on the integrity of the Group's financial statement. The Board also provides an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems in place, including financial, operational, compliance and information technology controls. This is based on internal controls maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the various Board Committees and the Board.

#### ***Guideline 10.3: Management Accountability***

Management provides the Board with a continual flow of relevant information on the Group on a timely basis in order that the Board may effectively discharge its duties. Management keeps the Board regularly updated on the Group's business activities and financial performance by providing operational overviews on a regular basis as well as at the AC and Board meetings, which includes information such as:

- (a) The Group's actual performance against the approved budget and where appropriate, quarter-to-quarter and year-to-date comparatives;
- (b) Updates on the Group's business developments and the shipping industry, including key business indicators and factors that have significant impact on the Group's operational and financial performances; and
- (c) Significant trends and competitive conditions of the industry and known factors or events that may affect the Group whether on a short and/or long term basis.

# Corporate Governance Report

## Principle 11: Risk Management and Internal Controls

### ***Guidelines 11.1 to 11.4: Board Review of the Adequacy and Effectiveness of Risk Management and Internal Controls and the Company's Level of Risk Tolerance and Risk Policies***

The Board is responsible for the governance of risk and sets the direction for the Group in the way risks are managed in the Group's businesses. In addition, the Company's approach to risk management is set out in the "Risk Management Policies and Processes" section on pages 30 to 31.

The Board is committed to maintain a sound system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems to safeguard the interests of the shareholders and the Group's assets. To achieve this, regular internal reviews are constantly being undertaken to ensure that the system of internal controls maintained by the Group is sufficient to provide reasonable assurance that the Group's assets are safeguarded against loss from unauthorised use or dispositions, transactions are properly authorised and proper financial records are being maintained.

The risk management team of the Group (the "**RM team**") oversees and assesses the Group's risk management framework and policies, and reports directly to the AC on a quarterly basis. The AC would report all material updates to the Board. Hence the Board is of the view that it would not be necessary to establish a separate risk committee to oversee and monitor the Group's risk management framework and policies as recommended under Guideline 11.4 of the Code.

The RM team had carried out an enterprise risk management exercise to ensure that the Group maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and identified the Group's risk profile which summarises the material risks faced by the Group and the control-measures put in place to manage such risk. The Group has documented an overview of its key risks, the risk tolerance level, the key personnel responsible for each identified risk type and the internal control mechanisms in place, which includes operational, financial, information technology and compliance. During the year under review, the RM team had worked together with the respective risk owners to monitor and implement proposed risk mitigation plans to lower the level of risk for each areas identified in the Group's risk profile, which had been reviewed and approved by the AC.

The AC has reviewed the Group's financial controls and risk management policies and processes, and based on its assessment and reports of the external auditors, internal auditor and the RM team, the AC is assured that adequate and effective internal controls are in place.

As for the operational and compliance controls, the Group has periodically reviewed these control areas through the various heads of department, and has continuously made improvements with the assistance of the internal auditor and the RM team.

For FY2017, the Board has received assurance from the CEO and the Executive Director, Finance that:

- (a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) the Group's risk management and internal control systems in place are adequate and effective in addressing the needs of the Group in its current business environment, including financial, operational, compliance and information technology risks.



# Corporate Governance Report

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as the Group strives to achieve its' business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Based on the internal control procedures established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the various Board Committees and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls, and the risk management systems, are adequate and effective as at 31 December 2017.

## **Principle 12: Audit Committee**

### ***Guidelines 12.1 and 12.9: Composition of Audit Committee ("AC")***

The AC comprises the following four members, all of whom are Independent and Non-Executive Directors.

|                       |          |
|-----------------------|----------|
| Quah Ban Huat         | Chairman |
| Chng Hee Kok          | Member   |
| Nicholas Peter Ballas | Member   |
| Ng Chee Keong         | Member   |

None of the AC members is a former partner or director of the Company's existing auditing firm.

### ***Guidelines 12.2 to 12.4: Authority and Duties of Audit Committee***

The Board is of the opinion that the AC members are appropriately qualified to discharge their responsibilities. Messrs Quah, Chng and Ballas have accounting or related financial management background, while Mr Ng's expertise is in terminal, marine and logistics. All members are familiar with financial statements.

The AC is authorised by the Board to investigate any matters within its Terms of Reference. It has unrestricted access to information pertaining to the Group, to both internal and external auditors, and to all employees of the Group. Reasonable resources have been made available to the AC to enable it to discharge its duties properly. The AC has full discretion to invite any Executive Director or key management personnel or any other person to attend its meetings.

The key responsibilities of the AC include the following:

- To review the external and internal audit plans/audit reports, including the nature and scope of the audit before the audit commences, the significant financial reporting issues and judgments addressed in the management letter issued by the external auditors (if any) and Management's response to the letter to ensure the integrity of the Company's financial statements;
- To review the adequacy and effectiveness of the internal audit function;
- To review the internal auditors' evaluation of the adequacy and effectiveness of the Company's and the Group's system of internal controls in terms of financial, operational, compliance, information technology and risk management;

# Corporate Governance Report

- To review the assistance and cooperation given by Management to the external auditors and internal auditors and to discuss problems and concerns, if any, arising from the interim and final audits in consultation with the external auditors;
- To review the quarterly and full-year results announcements and financial statements of the Company, the consolidated financial statements of the Group and any other announcements relating to the Company's financial performance, prior to submission to the Board for approval and release to the SGX-ST;
- To review interested person transactions in accordance with the requirements of the Listing Rules of the SGX-ST;
- To review all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence and objectivity of the external auditors;
- To review and recommend the re-appointment of the external auditors, including their remuneration and terms of engagement for the ensuring year; and
- To review and take actions on the arrangements by which staff of the Group and any other persons may, in confidence raise concerns about possible improprieties in matters of financial reporting or other matters.

The AC has examined any other aspects of the Company's affairs, as it deems necessary where such matters relate to exposures or risks of regulatory or legal nature, and monitor the Company's compliance with its legal, regulatory and contractual obligations.

## ***Guideline 12.5: Meeting External Auditors and Internal Auditor without the presence of the Company's Management Annually***

The AC meets with the external auditors and internal auditor at least once a year, without the presence of the Company's Management, to review any areas of audit concern. During FY2017, the AC, the external auditors and internal auditor had met once without the presence of Management.

## ***Guideline 12.6: Review Independence of External Auditors***

For the year under review, the AC has also reviewed the non-audit services provided by the external auditors and is of the opinion that the provision of such services does not affect their independence and objectivity. The total fees payable by the Group to the external auditors for audit and non-audit services are as disclosed:

| <b>External Auditor Fees for FY2017</b> | <b>S\$</b>     | <b>% of Total</b> |
|---|----------------|-------------------|
| Total audit fees                        | 276,500        | 85                |
| Total non-audit fees                    | 50,100         | 15                |
| <b>Total Fees payable</b>               | <b>326,600</b> | <b>100</b>        |

The AC is satisfied that the appointment of external auditors is in compliance with the requirements of Rule 712 of the SGX-ST Listing Manual. Accordingly, the AC has recommended the re-appointment of Deloitte & Touche LLP as external auditors at the forthcoming AGM of the Company.

In accordance with the requirements of Rule 716 of the SGX-ST Listing Manual, the AC and the Board, having reviewed the appointment of different auditors for the Company's subsidiaries, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

# Corporate Governance Report

## **Guideline 12.7: WhistleBlowing Policy**

During FY2017, the AC had reviewed and adopted a revised WhistleBlowing Policy which now provides a more elaborate and well-defined channel for the employees of the Group and other external parties such as customers, vendors, banks and other stakeholders to report their concerns (if any) in respect of the following matters within the Group:

- Theft/Fraud/Unethical Behaviour
- Workplace Safety Breaches
- Bullying, Harassment & Discrimination
- Misconduct and Malpractice
- Breach of Laws, Regulations, Policy/Procedures
- Acts which compromise the health and safety of customers and employees
- Abuse of Position or Conflicts of Interest
- Possible improprieties relating to accounting or auditing matters or internal controls or/and operational matters

Whistle-blowing concerns may be reported directly to the AC Chairman and the Head of Internal Audit via mail or email. The Group will treat all information received confidentially and protect the identity and the interest of all whistle-blowers. The AC reviews the WhistleBlowing Policy periodically to ensure that arrangements are in place for independent investigation on such matters and for appropriate follow-up actions.

No whistle-blowing concerns were reported for FY2017.

## **Guideline 12.8: Activities of Audit Committee for FY2017**

The AC met four times during FY2017.

The AC activities during the year, amongst other things, included (i) the review by the AC on the Group's risk events identified by the RM team, including progress updates on the risk mitigation plans/remedial actions implemented during the year; (ii) the oversight by the AC on the implementation of the Company's sustainability policies and practices, including identification of the Company's material ESG factors and the proposed measurements and targets in relation thereto; (iii) the review by the AC on investment and/or divestment proposals from an accounting, capital requirements and financing perspective; and (iv) the review by the AC on the Group's compliance with its loan covenants, including the maturity deadline for each of the Group's bank loan.

The Executive Directors, external auditors, internal auditor, a representative of the RM team and the key finance personnel were invited to attend these meetings.

The AC also meets regularly with Management and the external auditors to review auditing and risk management matters and discuss accounting implications of any major transactions, including significant financial reporting issues.

The AC is kept abreast by the Management and the external auditors on changes to accounting standards, Listing Manual of the SGX-ST and other regulations which could have a direct impact on the Group's business and financial statements.

In the review of the financial statements, the AC has discussed with Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The AC reviewed and discussed the following key audit matters impacting the financial statements with Management and the external auditor. These key audit matters have been addressed by the external auditors in their Independent Auditor's Report on pages 37 to 41.

# Corporate Governance Report

| Key Audit Matters  | How the AC reviewed these matters and what decisions were made   |
|--|--|
| Impairment Assessment of Vessels   | <p>The AC reviewed management's impairment assessment of vessels, which included valuation by external specialists as well as management's value-in-use calculation. Detailed discussion with management was held taking into account industry trend.</p> <p>The AC also discussed and reviewed the findings of the external auditor with management and auditor, including their assessment on the appropriateness of the methodologies and the underlying key assumptions applied in both valuation and value-in-use assessment.</p> <p>The AC was satisfied with the valuation and value-in-use assessment along with the methodologies used for the vessels owned by the Group as disclosed in the financial statements.</p> |
| Revenue Recognition on a percentage of completion basis (Freight Operations) | <p>The AC considered and discussed extensively with management and auditors the findings highlighted by the Group's external auditors on the recognition of revenue from freight operations.</p> <p>On the whole, the AC was satisfied with the revenue recognition policy for freight operations.</p>   |

## Principle 13: Internal Audit

### **Guidelines 13.1 and 13.2: Internal Auditor's Line of Reporting and Access to Information**

The Board recognises the importance of maintaining a sound system of internal controls, procedures and processes for the Group to safeguard the shareholders' investments and the Group's assets. The Company has appointed an in-house internal auditor to oversee the Group's internal audit function, who reports directly to the AC on the progress and adequacy of the internal audit function. The internal auditor has unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC. The internal auditor's primary line of reporting is to the AC Chairman. The appointment, evaluation and removal of internal auditor are solely subject to the approval of the AC.

### **Guidelines 13.3 and 13.4: Internal Audit Function and Internal Auditor's Qualification and Experience**

The internal auditor plans its internal audit schedules in consultation with, but independent of, Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The AC reviews the activities of the internal auditor on a regular basis to ensure that the internal audit resources are adequate, in particular the qualification and experience of the internal auditor.

The AC is satisfied that the internal auditor is qualified and experienced personnel. The internal auditor has adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

During FY2017, the internal auditor has also reviewed and assessed the internal controls established and maintained by the Group to ensure that they are adequate, sufficient and effective and reported the findings to AC, recommending improvements and additional controls where appropriate. A copy of the report was also circulated to relevant departments for follow up actions.

# Corporate Governance Report

## **Guidelines 13.5: Adequacy and Effectiveness of Internal Audit Function**

The AC annually reviews the adequacy and effectiveness of the internal audit function to ensure that internal audits are conducted effectively and that the Management provides the necessary co-operation to enable the internal auditor to perform its function. The AC also reviews the internal auditor's reports and monitors the remedial actions implemented by Management to address internal control weaknesses identified.

## **SHAREHOLDERS RIGHTS AND RESPONSIBILITIES**

### **Principle 14: Shareholder Rights**

### **Principle 15: Communication with Shareholders**

### **Principle 16: Conduct of Shareholder Meetings**

The Company treats all shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights. The Board is mindful of the obligation to provide timely and fair disclosure of information about the Group's business developments and financial performance which would have a material impact on the share price or value of the Company. The Board is accountable to the shareholders while Management is accountable to the Board.

The Company ensures that shareholders have the opportunity to participate effectively in and vote at the general meetings of shareholders. Copies of the Annual Report, the Circular and the Notices for the AGM and/or Extraordinary General Meetings ("**EGM**"), where applicable, are sent to every shareholder of the Company, informing them of the rules and voting procedures that govern the general meetings. The notices of the general meetings are also advertised in the newspapers, released via SGXNet and made available on the Company's website at <http://www.samudera.id/ssl>.

The Company supports active shareholder participation at general meetings. The shareholders are encouraged to attend the general meetings to ensure high level of accountability and stay informed of the Group's strategies and visions. The Company's Constitution allows any shareholder, who is unable to attend the general meetings in person, to appoint not more than two proxies to attend and vote in his/her place at the general meetings via proxy forms submitted in advance (i.e. not less than forty-eight (48) hours before the time appointed for holding the general meeting). The proxy form is sent with the notices for the general meetings to all shareholders. The Company is not implementing absentia voting methods such as by mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company does not practice selective disclosure. Material and price sensitive information is publicly released in a comprehensive, accurate and timely manner via SGXNet. Financial results and annual reports are announced and issued within the mandatory period and are available on the Company's website at <http://www.samudera.id/ssl> which provides, *inter-alia*, corporate announcements and the latest financial results as disclosed by the Company on SGXNet.

Other platforms used in the dissemination of relevant information include press releases, annual reports, shareholder circulars and general meetings. Presentations made at general meetings are announced via SGXNet and made available publicly on the Company's website.

The Company, beside in-house investor relations ("**IR**") personnel, also engages IR professionals to provide and facilitate communications with all stakeholders; shareholders, analysts and media, on a regular basis, to attend to their queries or concerns as well as to keep the investors public apprised of the Group's corporate developments and financial performance.



# Corporate Governance

## Report

General meetings are principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or input and address shareholders' concerns at general meetings.

To enable shareholders to contact the Company easily, investor relations access link is available at the Company's website.

Each distinct issue requiring shareholders' approval is proposed as a separate resolution at the general meetings. The Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at AGMs. During the general meetings, shareholders are given opportunities to speak and seek clarifications concerning the Company. The Chairman of the Board and the respective Board Committees, and the external auditors are present at every AGM and/or EGM to address any relevant questions that may be raised by the shareholders.

The Company records minutes of all general meetings and questions and comments from shareholders together with the responses of the Board and Management. These are available to shareholders at their request.

For greater transparency and fairness in the voting process, voting at shareholders' meetings were conducted by poll since 2013. This allows all shareholders present or represented at the general meetings to vote on a one-share-one-vote basis. The rules, including the voting process, are explained by the scrutineers. The voting results of all votes cast for or against each resolution (including the respective percentages) are disclosed during the general meetings and the same will be announced to the SGX-ST after the conclusion of the general meetings.

The Company will endeavour to maintain a dividend payout ratio of about 20%. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results or operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

### DEALINGS IN SECURITIES

The Company has adopted an internal Code of Best Practices on dealings in securities to provide guidance to the officers, including Directors, of both the Company and its subsidiaries with regard to dealings in the Company's securities.

The Code of Best Practices prohibits the officers of the Group from dealing in the Company's securities during the period commencing two weeks before the announcements of each of the Company's quarterly financial results and one month before the announcement of the Company's full year financial results and ending on the date of announcement of such results on the SGX-ST, or when they are in possession of the unpublished price sensitive information of the Group. In addition, the Directors and officers of the Group are discouraged from dealing in the Company's securities on short-term considerations.

### MATERIAL CONTRACTS

The Group had subsisting service agreements with the holding company and related companies relating to shipping agency services, ship management services, vessel charter hire, stevedoring and container depot storage and repair at the end of the financial year.

Save as disclosed in the Directors' statement and financial statements, there were no material contracts entered into by the Company or any of its subsidiaries, involving the interest of the CEO, any Director or the controlling shareholder subsisting at the end of FY2017.

# Interested Person transactions

The Group has established internal control procedures to ensure the transactions with interested persons are properly reviewed and approved by the AC and conducted at arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The AC has reviewed the Interested Person Transactions ("IPTs") for FY2017 and are of the view that the transactions were on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders. The aggregate values of all IPTs conducted during the financial year are as follows:

| Interested person                                  | Aggregate value of all transactions excluding transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual |                  | Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual |                  |
|--|--|------------------|---|------------------|
|  | 2017<br>US\$'000   | 2016<br>US\$'000 | 2017<br>US\$'000  | 2016<br>US\$'000 |
| <b>Expenses</b>                                    |  |                  |   |                  |
| <b>Immediate holding company</b>                   |  |                  |   |                  |
| <u>PT Samudera Indonesia Tbk</u>                   |  |                  |   |                  |
| Agency Commissions <sup>(1)</sup>                  | -  | -                | 2,362   | 2,373            |
| Office rental                                      | -  | -                | 85  | 80               |
| Vessel charter hire                                | -  | -                | 2,565   | 2,392            |
| <b>Related company</b>                             |  |                  |   |                  |
| <u>PT Samudera Indonesia Ship Management</u>       |  |                  |   |                  |
| Ship management fees                               | -  | -                | 939   | 1,100            |
| <u>PT Perusahaan Pelayaran Nusantara Panurjwan</u> |  |                  |   |                  |
| Vessel charter hire                                | -  | -                | 1,372   | 1,592            |
| Slot space purchase                                | 78   | 108              | -   | -                |
| <u>PT Praweda Sarana Informatika</u>               |  |                  |   |                  |
| Software development and system maintenance        | 344  | -                | -   | -                |
| <u>PT Yasa Wahana Tirta Samudera</u>               |  |                  |   |                  |
| Vessels docking                                    | 834  | -                | -   | -                |
| <u>PT Samudera Sarana Logistik</u>                 |  |                  |   |                  |
| Container depot storage / repair                   | -  | -                | 332   | 206              |
| <u>PT Tangguh Samudera Jaya</u>                    |  |                  |   |                  |
| Stevedorage charges                                | -  | -                | 4,855   | -                |
| <u>PT Samudera Energi Tangguh</u>                  |  |                  |   |                  |
| Vessel charter hire                                | -  | -                | 27  | 104              |

# Interested Person transactions

| Interested person                                  | Aggregate value of all transactions excluding transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual |                  | Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual |                  |
|--|--|------------------|---|------------------|
|  | 2017<br>US\$'000   | 2016<br>US\$'000 | 2017<br>US\$'000  | 2016<br>US\$'000 |
| <b>Sales</b>                                       |  |                  |   |                  |
| <b>Related company</b>                             |  |                  |   |                  |
| <u>PT Perusahaan Pelayaran Nusantara Panurjwan</u> |  |                  |   |                  |
| Vessel charter hire                                | 1,492  | 2,902            | –   | –                |
| <u>PT Samudera Energi Tangguh</u>                  |  |                  |   |                  |
| Sale of vessel                                     | –  | 350              | –   | –                |
| <u>PT Cumawis Indonesia</u>                        |  |                  |   |                  |
| Sale of vessel                                     | –  | 142              | –   | –                |
| <u>PT Silkargo Indonesia</u>                       |  |                  |   |                  |
| Vessel charter hire                                | –  | 150              | –   | –                |
|  | <b>2,748</b>   | <b>3,652</b>     | <b>12,537</b>   | <b>7,847</b>     |

(1) No agency commission is payable for revenue collected or payments made on behalf of Samudera Shipping Line Ltd and the transaction has been accorded as a nil value.

The Group had subsisting service agreements with the holding company and related companies relating to shipping agency services, ship management services, vessel charter hire and container depot storage and repair at the end of the financial year.

# Risk Management

## Policies and Processes

The risk management policies and processes are set by the Board. These are regularly reviewed and updated.

The Group has setup a risk management team to oversee and assess the Group's risk management framework and policies, to ensure that the Group maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets.

The Group identifies, analyses and evaluates risks that affect the operations of the Group's business and realization of projects. This includes considering factors that trigger and give rise to such risks as well as its potential impact to the organization. Achieving these objectives will allow the Group to enhance shareholder value by focusing on the key risks, finding an appropriate balance between cost and risk control as well as a more effective capital allocation.

An overview of the key risks are identified in the following areas:

- Strategic
- Investment
- Operation
- Information Technology
- Compliance
- Financial

### STRATEGIC

1. A periodic strategy evaluation exercise is conducted with the view to build and enhance its long-term strategic direction and plans. The plan will be aligned with the broader Vision, Mission and Values of the Samudera Indonesia Group, the major shareholder of the Group. The main elements of the strategy will be to expand and enhance our network and connectivity, and to provide high-quality transportation services and logistics to our valued customers.
2. The Group is committed on providing the best quality service for its customers. Therefore, strong emphasis in organisational structure is geared toward continuous improvement in customer satisfaction as well as customer retention.
3. The Group adopts a portfolio approach in terms of its business lines. It participates in three business segments: container shipping, bulk and tanker shipping, and agency and logistics, each having its own unique business cycles, characteristics, risk profiles and profitability patterns.

### INVESTMENT

1. Written approval from Board is necessary prior to implementation of any new investment. The approval process involves a rigorous review of various aspects of the investment proposal.
2. As good corporate governance practices, the Group adopts a prudent approach in managing the investments and, at the same time, maximizing available resources. In particular special attention is paid in managing the level of gearing on a consolidated basis. Although it covenants a gearing ratio of not higher than 2:1 (being the ratio of interest bearing debt over net worth) to its lenders, it consistently maintains a gearing level, which is lower than its covenants.
3. For external borrowings, it ensures that it works with a bank or a financial institution that is financially sound and understands the Group's business and its risk characteristics. The Group believes that by choosing its lenders properly, it can expect a continuing support from the financing community at attractive terms to support the Group's strategic plan.

# Risk Management

## Policies and Processes

### OPERATION

1. The Group relies on proper organizational structures and internal controls to ensure a smooth running of operations in relation to Group's goals and the industry environments and various geographical areas that it operates in. Periodical review is conducted by the Board to review and evaluate the effectiveness of the controls and appropriateness of the structure.
2. Being in the service industry, it places high emphasis on its quality of human resources through placement and empowerment of the right people and appropriate management control tools.
3. The Group takes necessary insurance covers for example Hull & Machinery, Protection & Indemnity, kidnap and ransom, Time Charterers' Liability and War Risk cover as and when necessary.
4. When entering into an entirely new market, the Group usually seeks assistance from suitable consultant(s) or agency who are knowledgeable about local market condition.

### INFORMATION TECHNOLOGY

The Group opines that information technology is one of the crucial tools to achieve business growth, better productivity and a greater competitive edge. Investment within this area mainly focuses on technology that will improve quality of service, productivity and security.

The Group has established policies in place to manage risks associated with information technology, covering various aspects including business continuity planning, user access management and change management. The Group has also implemented a robust security framework to ensure there are appropriate preventive, detective and recovery measures to minimize information technology and network security risks to its network and data systems.

### COMPLIANCE

1. To achieve optimum fleet maintenance, the Group engages various ship management companies to manage its fleet. The ship management company, being a specialized company in that industry, ensures that the Group's vessels are in compliance with various regulations e.g. IMO regulations including ISM Code, Classification Society's rules, Oil Major Terminal vetting inspections, CDI inspections etc.
2. To ensure compliance to legal and regulatory matter, the Group engaged a third-party professional advisory firm for corporate secretarial services to keep the Group apprised of matters necessary to comply with statutory requirements and listing rules. For advisory on specific matter, the Group may appoint professional advisor or legal firm.

### FINANCIAL

Please refer to notes to the financial statements.

# Global Reporting Initiative (GRI)

## Content Index

This report has been prepared in accordance with the GRI Standards: Core option.

| <b>GENERAL DISCLOSURES</b>    |  |  |
|-------------------------------|--|--|
| <b>Organizational Profile</b> |  |  |
| 102 – 1                       | Name of the organization                                     | Annual Report page 2   |
| 102 – 2                       | Activities, brands, products, and services                   | Annual Report page 5   |
| 102 – 3                       | Location of headquarters                                     | Annual Report page 5   |
| 102 – 4                       | Location of operations                                       | Annual Report pages 6 – 7  |
| 102 – 5                       | Ownership and legal form                                     | Financial Report pages 129 – 130   |
| 102 – 6                       | Markets served   | Annual Report pages 6 – 7  |
| 102 – 7                       | Scale of the organization                                    | Annual Report page 33  |
| 102 – 8                       | Information on employees and other workers                   | No significant portion of Samudera's activities are performed by workers who are not employees                 |
| 102 – 9                       | Supply chain   | Annual Report page 5   |
| 102 – 10                      | Significant changes to the organization and its supply chain | No significant changes to the structure, ownership, supply chain occurred during the financial year            |
| 102 – 11                      | Precautionary principle or approach                          | Samudera does not explicitly refer to the precautionary approach or principle in its Risk Management framework |
| 102 – 12                      | External initiatives   | Annual Report pages 8 – 9  |
| 102 – 13                      | Membership of associations                                   | Samudera is member of various professional associations, however it is not stated in the Annual Report         |
| <b>Strategy</b>               |  |  |
| 102 – 14                      | Statement from senior decision-maker                         | Annual Report pages 12 – 15  |
| <b>Ethics and Integrity</b>   |  |  |
| 102 – 16                      | Values, principles, standards, and norms of behavior         | Annual Report page 4   |
| <b>Governance</b>             |  |  |
| 102 – 18                      | Governance structure   | Annual Report pages 18 – 25  |
| <b>Stakeholder Engagement</b> |  |  |
| 102 – 40                      | List of stakeholder groups                                   | Annual Report page 37  |
| 102 – 41                      | Collective bargaining agreements                             | N/A  |
| 102 – 42                      | Identifying and selecting stakeholders                       | Annual Report page 37  |
| 102 – 43                      | Approach to stakeholder engagement                           | Annual Report page 37  |
| 102 – 44                      | Key topics and concerns raised                               | Annual Report page 37  |

# Global Reporting Initiative (GRI)

## Content Index

| Reporting Practices |  |                                  |
|---------------------|--|----------------------------------|
| 102 – 45            | Entities included in the consolidated financial statements | Financial Report pages 102 – 105 |
| 102 – 46            | Defining report content and topic Boundaries               | Annual Report page 35            |
| 102 – 47            | List of material topics                                    | Annual Report pages 38 – 43      |
| 102 – 48            | Restatements of information                                | First reporting in FY 2017       |
| 102 – 49            | Changes in reporting                                       | First reporting in FY 2017       |
| 102 – 50            | Reporting period   | Annual Report page 35            |
| 102 – 51            | Date of most recent report                                 | First reporting in FY 2017       |
| 102 – 52            | Reporting cycle  | Annual Report page 35            |
| 102 – 53            | Contact point for questions regarding the report           | Annual Report page 35            |
| 102 – 54            | Claims of reporting in accordance with the GRI Standards   | Annual Report page 35            |
| 102 – 55            | GRI content index  | Financial Report pages 32 – 33   |
| 102 – 56            | External assurance   | N/A                              |

| MATERIAL TOPICS              |   |                             |
|------------------------------|---|-----------------------------|
| Economic Performance         |   |                             |
| 103 – 1                      | Explanation of the material topic and its Boundary  | Annual Report page 38       |
| 103 – 2                      | The management approach and its components  | Annual Report page 38       |
| 103 – 3                      | Evaluation of the management approach   | Annual Report page 38       |
| 201 – 1                      | Direct economic value generated, distributed and retained   | Annual Report page 38       |
| Environmental Compliance     |   |                             |
| 103 – 1                      | Explanation of the material topic and its Boundary  | Annual Report pages 38 – 40 |
| 103 – 2                      | The management approach and its components  | Annual Report pages 38 – 40 |
| 103 – 3                      | Evaluation of the management approach   | Annual Report pages 38 – 40 |
| 307 – 1                      | Number of significant incidents involving dangerous goods and oil spill cases   | Annual Report pages 38 – 40 |
| Training                     |   |                             |
| 103 – 1                      | Explanation of the material topic and its Boundary  | Annual Report pages 40 – 41 |
| 103 – 2                      | The management approach and its components  | Annual Report pages 40 – 41 |
| 103 – 3                      | Evaluation of the management approach   | Annual Report pages 40 – 41 |
| 404 – 1                      | Number of training per employee   | Annual Report pages 40 – 41 |
| Occupational Health & Safety |   |                             |
| 103 – 1                      | Explanation of the material topic and its Boundary  | Annual Report pages 41 – 42 |
| 103 – 2                      | The management approach and its components  | Annual Report pages 41 – 42 |
| 103 – 3                      | Evaluation of the management approach   | Annual Report pages 41 – 42 |
| 403 – 2                      | Reportable injuries encountered by employees or crew members while discharging their duties during official hours resulting in fatality and hospitalisation | Annual Report pages 41 – 42 |
| Governance                   |   |                             |
| 103 – 1                      | Explanation of the material topic and its Boundary  | Annual Report pages 42 – 43 |
| 103 – 2                      | The management approach and its components  | Annual Report pages 42 – 43 |
| 103 – 3                      | Evaluation of the management approach   | Annual Report pages 42 – 43 |
| 419 – 2                      | No significant case on non-compliance with laws and regulations   | Annual Report pages 42 – 43 |



# Directors'

## Statement

The directors present their statement to the members together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2017.

In the opinion of the directors, the consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company as set out on pages 42 to 128 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2017, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

### **1 DIRECTORS**

The directors of the Company in office at the date of this report are:

Masli Mulia  
Asmari Herry Prayitno  
Hermawan Fridiana Herman  
Lim Kee Hee  
Chng Hee Kok  
Nicholas Peter Ballas  
Quah Ban Huat  
Ng Chee Keong

### **2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES**

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

# Directors' Statement

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act (the 'Act') except as follows:

| Name of directors and corporations<br>in which interests are held | Direct Interest         |                   | Deemed Interest         |                   |
|---|-------------------------|-------------------|-------------------------|-------------------|
|   | At beginning<br>of year | At end<br>of year | At beginning<br>of year | At end<br>of year |

### Immediate holding company

PT Samudera Indonesia Tbk

Ordinary shares of  
Indonesian rupiah ("IDR") 25 each  
(2016: IDR 500 each)\*

|                       |         |            |   |   |
|-----------------------|---------|------------|---|---|
| Masli Mulia           | 658,500 | 13,170,000 | — | — |
| Asmari Herry Prayitno | 500     | 10,000     | — | — |

\* During the year, PT Samudera Indonesia Tbk had a stock split of 1 share into 20 shares. The nominal value of each share was reduced from IDR500 to IDR25 as a result of the stock split.

### The Company

Samudera Shipping Line Ltd

Ordinary shares

|                       |        |        |   |   |
|-----------------------|--------|--------|---|---|
| Asmari Herry Prayitno | 60,000 | 60,000 | — | — |
|-----------------------|--------|--------|---|---|

The directors' interest in the shares of the Company and its related corporations at January 21, 2018 were the same at December 31, 2017.

## 4 SHARE OPTIONS

### (a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

### (b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

### (c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

# Directors'

## Statement

### 5 AUDIT COMMITTEE

The Audit Committee ("AC") of the Company comprises four members, all of whom are Independent and Non-Executive Directors. The Chairman of the AC is Mr Quah Ban Huat and the other members are Mr Chng Hee Kok, Mr Nicholas Peter Ballas and Mr Ng Chee Keong.

The AC performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The AC has held five meetings since the last directors' statement. In performing its functions, the AC met with the Company's external auditors and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system. The AC also reviewed the following:

- Assistance provided by the Company's officers to the internal and external auditors;
- Quarterly and full-year results announcements and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- Interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

The AC has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

### 6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Hermawan Fridiana Herman

Lim Kee Hee

March 23, 2018

# Independent Auditor's Report

TO THE MEMBERS OF SAMUDERA SHIPPING LINE LTD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of Samudera Shipping Line Ltd (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 December 31, 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 128.

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

### Basis for Opinion

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

### Key Audit Matters

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

# Independent Auditor's Report

TO THE MEMBERS OF SAMUDERA SHIPPING LINE LTD

## Key Audit Matters

## Our audit performed and responses thereon

### Impairment Assessment of Vessels

*(Refer to Notes 3 and 12 to the consolidated financial statements)*

The Group has substantial investments in vessels (approximately 54% of the total assets). Based on management's assessment, the Group did not recognise any impairment losses (Note 12) in the current financial year, due to improving market conditions.

Despite the improving market conditions, there remain indicators that vessels may be impaired due to the fact that the fair values less costs to sell of certain vessels are lower than the net book values.

Management determined the recoverable amount of dry bulk carriers, regional container vessels and chemical tankers using value-in-use, and Indonesian flag container vessels using fair value less costs to sell. Significant judgement by management is required in both valuing and determining the recoverable amount of the respective vessels.

The valuation of the vessels is underpinned by a number of key assumptions used in the market comparable approach that reflects recent transaction prices for similar vessels, which takes into account the age and condition of the vessels.

In addition, the determination of value-in-use is based on management's view of variables such as future charter or freight rate, average utilisation rate, approval of future capital and operating expenditure and discount rate of 6.70%.

Our audit procedures included challenging management on the suitability of the impairment model and reasonableness of the assumptions. We evaluated the appropriateness of management's controls over the impairment assessment process, including indicators of impairment, determination of cash generating units for the purpose of estimating the recoverable amounts, and noticed no significant exceptions.

In regard to the value-in-use assessment, we performed the following:

- We challenged the key assumptions applied (including those relating to daily charter rates/earnings, revenue growth rate) by comparing them against available market data;
- We engaged our internal specialists to assess the reasonableness of the discount rate used by management;
- We performed sensitivity analysis in regard to the discount rate and charter/freight rates as these are the two significant key assumptions in the impairment model; and
- We performed an assessment of the reliability of management's forecast through a review of actual performance against previous forecast.

In regard to valuation performed by independent valuers, we held discussions with them to have an understanding on the following:

- Reasons for any significant change in the valuations from the previous financial year;
- Approach adopted in the valuation;
- Key assumptions adopted by the valuers in the valuation; and
- Objectivity, competency and independence of the valuers.

Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

# Independent Auditor's Report

TO THE MEMBERS OF SAMUDERA SHIPPING LINE LTD

## Key Audit Matters

## Our audit performed and responses thereon

### Revenue Recognition on a Percentage of Completion basis (freight operations)

*(Refer to Notes 26 and 38 to the consolidated financial statements.)*

We have identified that cut off in relation to revenue from freight operations (freight operations revenue contributed approximately 82% of total Group revenue) require the exercise of judgement and have a degree of complexity (relating to the determination of voyage progress as at year-end) in the application of the percentage of completion method.

The accounting policy for revenue recognition is set out in Note 2 to the financial statements and the different revenue streams for the Group have been disclosed in Note 26 to the financial statements.

Our audit procedures in relation to management's quantification of freight revenue in relation to those vessel voyages which were in progress at year end included:

- Understanding, evaluating and testing the key controls over the recognition of freight revenue, including the determination of the percentage of completion and the timing of revenue recognition;
- Agreeing the departure dates and arrival dates of vessel voyages in progress at year end in the operation system to the sailing schedules, on a sample basis;
- Agreeing the total freight revenue by vessel voyages in the operation system to the accounting records; and
- Recomputing the estimated freight revenue of vessel voyages which were in progress as at year end with reference to the departure dates and arrival dates on a sample basis.

We also assessed sales transactions taking place before and after year-end to check that revenue was recognised in the correct period.

Based on our procedures, we noted that the estimation of freight revenue for vessel voyages in progress at year end was supportable by available evidence and recognised appropriately.

We further assessed the adequacy of the revenue and segment disclosures contained in Notes 26 and 38 respectively.

### Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

# Independent Auditor's Report

TO THE MEMBERS OF SAMUDERA SHIPPING LINE LTD

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

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

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

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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



# Independent Auditor's Report

TO THE MEMBERS OF SAMUDERA SHIPPING LINE LTD

- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those 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 Shariq Barmaky.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

March 23, 2018

# Statements of Financial Position

December 31, 2017

|  |      | Group            |                  | Company          |                  |
|--|------|------------------|------------------|------------------|------------------|
|  | Note | 2017<br>US\$'000 | 2016<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 |
| <b>ASSETS</b>                                  |      |                  |                  |                  |                  |
| <b>Current assets</b>                          |      |                  |                  |                  |                  |
| Cash and bank balances                         | 5    | <b>49,635</b>    | 54,096           | <b>20,653</b>    | 33,509           |
| Trade receivables                              | 6    | <b>58,470</b>    | 44,214           | <b>51,447</b>    | 37,490           |
| Prepaid operating expenses                     |      | <b>9,176</b>     | 7,082            | <b>6,515</b>     | 4,468            |
| Other receivables and deposits                 | 7    | <b>2,091</b>     | 1,007            | <b>114</b>       | 78               |
| Due from immediate holding company (non-trade) | 35   | <b>2,087</b>     | 2,087            | –                | –                |
| Due from immediate holding company (trade)     | 35   | <b>5,414</b>     | 2,401            | <b>5,414</b>     | 2,364            |
| Due from subsidiaries (trade)                  | 35   | –                | –                | <b>4,455</b>     | 3,108            |
| Due from subsidiaries (non-trade)              | 8    | –                | –                | <b>3,822</b>     | 3,052            |
| Due from related companies (trade)             | 35   | <b>3,660</b>     | 2,819            | <b>257</b>       | 115              |
| Due from joint venture (non-trade)             |      | <b>292</b>       | –                | –                | –                |
| Inventories                                    | 9    | <b>2,407</b>     | 2,606            | <b>1,401</b>     | 1,261            |
|  |      | <b>133,232</b>   | 116,312          | <b>94,078</b>    | 85,445           |
| Assets classified as held for sale             | 10   | <b>6,439</b>     | 3,333            | –                | –                |
| Total current assets                           |      | <b>139,671</b>   | 119,645          | <b>94,078</b>    | 85,445           |
| <b>Non-current assets</b>                      |      |                  |                  |                  |                  |
| Investment properties                          | 11   | <b>631</b>       | 657              | <b>631</b>       | 657              |
| Property, plant and equipment                  | 12   | <b>215,451</b>   | 242,994          | <b>116,886</b>   | 122,728          |
| Intangible assets                              | 13   | <b>33</b>        | –                | <b>33</b>        | –                |
| Subsidiaries                                   | 14   | –                | –                | <b>73,243</b>    | 72,490           |
| Associate and joint venture                    | 15   | <b>9,577</b>     | 8,810            | <b>10,099</b>    | 10,099           |
| Investment in preference shares                |      | <b>507</b>       | 198              | –                | –                |
| Investment in equity                           |      | <b>58</b>        | 53               | –                | –                |
| Deferred tax assets                            |      | <b>49</b>        | 58               | –                | –                |
| Due from subsidiary (non-trade)                | 8    | –                | –                | <b>896</b>       | –                |
| Total non-current assets                       |      | <b>226,306</b>   | 252,770          | <b>201,788</b>   | 205,974          |
| <b>Total assets</b>                            |      | <b>365,977</b>   | 372,415          | <b>295,866</b>   | 291,419          |

# Statements of

## Financial Position

December 31, 2017

|  |      | Group            |                  | Company          |                  |
|--|------|------------------|------------------|------------------|------------------|
|  | Note | 2017<br>US\$'000 | 2016<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 |
| <b>LIABILITIES AND EQUITY</b>                          |      |                  |                  |                  |                  |
| <b>Current liabilities</b>                             |      |                  |                  |                  |                  |
| Bank term loans  | 16   | <b>16,871</b>    | 20,910           | <b>8,106</b>     | 11,488           |
| Trade payables   | 17   | <b>23,862</b>    | 20,987           | <b>21,506</b>    | 15,121           |
| Other payables and liabilities                         | 18   | <b>25,359</b>    | 19,455           | <b>15,736</b>    | 12,486           |
| Due to subsidiary (trade)                              | 35   | –                | –                | <b>63</b>        | 84               |
| Due to subsidiary (non-trade)                          | 35   | –                | –                | –                | 1                |
| Due to immediate holding company (trade)               | 35   | <b>63</b>        | 178              | –                | –                |
| Due to related companies (trade)                       | 35   | <b>353</b>       | 558              | <b>145</b>       | 195              |
| Due to joint venture (trade)                           |      | <b>56</b>        | –                | –                | –                |
| Due to non-controlling interest of subsidiaries        | 21   | <b>616</b>       | –                | –                | –                |
| Finance leases   | 19   | <b>4</b>         | 27               | –                | 23               |
| Income tax payable                                     |      | <b>1,343</b>     | 1,537            | <b>336</b>       | 648              |
| Total current liabilities                              |      | <b>68,527</b>    | 63,652           | <b>45,892</b>    | 40,046           |
| <b>Non-current liabilities</b>                         |      |                  |                  |                  |                  |
| Bank term loans  | 16   | <b>46,274</b>    | 63,762           | <b>16,870</b>    | 25,638           |
| Finance leases   | 19   | <b>6</b>         | 9                | –                | –                |
| Retirement benefit obligations                         | 20   | <b>76</b>        | 149              | –                | –                |
| Deferred tax liabilities                               |      | <b>47</b>        | –                | –                | –                |
| Due to non-controlling interest of subsidiaries        | 21   | <b>590</b>       | –                | –                | –                |
| Total non-current liabilities                          |      | <b>46,993</b>    | 63,920           | <b>16,870</b>    | 25,638           |
| <b>Capital, reserves and non-controlling interests</b> |      |                  |                  |                  |                  |
| Share capital  | 22   | <b>68,761</b>    | 68,761           | <b>68,761</b>    | 68,761           |
| Treasury shares  | 23   | <b>(174)</b>     | (174)            | <b>(174)</b>     | (174)            |
| Retained earnings                                      |      | <b>191,051</b>   | 187,035          | <b>164,517</b>   | 157,148          |
| Other reserves   | 24   | <b>(1,534)</b>   | (2,872)          | –                | –                |
| Foreign currency translation reserve                   | 25   | <b>(12,400)</b>  | (12,631)         | –                | –                |
| Equity attributable to owners of the Company           |      | <b>245,704</b>   | 240,119          | <b>233,104</b>   | 225,735          |
| Non-controlling interests                              |      | <b>4,753</b>     | 4,724            | –                | –                |
| Total equity   |      | <b>250,457</b>   | 244,843          | <b>233,104</b>   | 225,735          |
| <b>Total liabilities and equity</b>                    |      | <b>365,977</b>   | 372,415          | <b>295,866</b>   | 291,419          |

See accompanying notes to financial statements.

# Consolidated Statement Of profit or loss

Year ended December 31, 2017

|   | Note | Group<br>2017<br>US\$'000 | 2016<br>US\$'000 |
|---|------|---------------------------|------------------|
| <b>Revenue</b>                                  | 26   | <b>283,701</b>            | 260,466          |
| Cost of sales                                   |      | <b>(266,033)</b>          | (245,860)        |
| <b>Gross profit</b>                             |      | <b>17,668</b>             | 14,606           |
| Other operating income                          | 27   | <b>2,346</b>              | 3,968            |
| Marketing expenses                              |      | <b>(7,733)</b>            | (8,435)          |
| Administrative expenses                         |      | <b>(5,647)</b>            | (6,180)          |
| Other operating expenses                        | 28   | <b>(128)</b>              | (7,866)          |
| <b>Profit (Loss) from operations</b>            |      | <b>6,506</b>              | (3,907)          |
| Finance income                                  | 29   | <b>581</b>                | 450              |
| Finance costs                                   | 30   | <b>(1,677)</b>            | (1,880)          |
| <b>Operating profit (loss)</b>                  |      | <b>5,410</b>              | (5,337)          |
| Share of results of associate and joint venture | 15   | <b>702</b>                | 1,540            |
| <b>Profit (Loss) before tax</b>                 |      | <b>6,112</b>              | (3,797)          |
| Income tax expense                              | 31   | <b>(314)</b>              | (1,507)          |
| <b>Profit (Loss) for the year</b>               | 32   | <b>5,798</b>              | (5,304)          |
| <b>Attributable to:</b>                         |      |                           |                  |
| Owners of the Company                           |      | <b>5,938</b>              | (5,428)          |
| Non-controlling interests                       |      | <b>(140)</b>              | 124              |
|   |      | <b>5,798</b>              | (5,304)          |
| <b>Earnings (Losses) per share (US cents)</b>   |      |                           |                  |
| Basic and diluted                               | 33   | <b>1.10</b>               | (1.01)           |

See accompanying notes to financial statements.

# Consolidated Statement

## Of profit or loss and other comprehensive income

Year ended December 31, 2017

|   | 2017<br>US\$'000 | Group<br>2016<br>US\$'000 |
|---|------------------|---------------------------|
| <b>Profit (Loss) for the year</b>   | <b>5,798</b>     | <b>(5,304)</b>            |
| <i>Items that will not be reclassified subsequently to profit or loss</i> |                  |                           |
| Remeasurement of defined benefit obligation (Note 20)                     | <b>161</b>       | 32                        |
|   | <b>161</b>       | 32                        |
| <i>Items that may be reclassified subsequently to profit or loss</i>      |                  |                           |
| Share of other comprehensive income of associate (Note 24)                | <b>1,177</b>     | 1,121                     |
| Exchange differences on translation of foreign operations                 | <b>297</b>       | (192)                     |
|   | <b>1,474</b>     | 929                       |
| <b>Other comprehensive income for the year, net of tax</b>                | <b>1,635</b>     | 961                       |
| <b>Total comprehensive income (loss) for the year</b>                     | <b>7,433</b>     | <b>(4,343)</b>            |
| <b>Total comprehensive income (loss) attributable to:</b>                 |                  |                           |
| Owners of the Company   | <b>7,507</b>     | (4,479)                   |
| Non-controlling interests   | <b>(74)</b>      | 136                       |
|   | <b>7,433</b>     | <b>(4,343)</b>            |

See accompanying notes to financial statements.

# Statements of Changes In Equity

Year ended December 31, 2017

| Group  | Share<br>capital<br>US\$'000 | Treasury<br>shares<br>US\$'000 | Capital<br>reserve<br>US\$'000 | Other<br>reserves<br>US\$'000 | Foreign<br>currency<br>translation<br>reserve<br>US\$'000 | Retained<br>earnings<br>US\$'000 | Equity<br>attributable<br>to owners<br>of the<br>Company<br>US\$'000 | Non-<br>controlling<br>interests<br>US\$'000 | Total<br>US\$'000 |
|--|------------------------------|--------------------------------|--------------------------------|-------------------------------|---|----------------------------------|--|--|-------------------|
| <b>Balance at January 1, 2016</b>  | 68,761                       | (174)                          | 26                             | (4,013)                       | (12,427)  | 195,203                          | 247,376  | 4,663  | 252,039           |
| Total comprehensive income<br>(loss) for the year:                               |                              |                                |                                |                               |   |                                  |  |  |                   |
| Loss for the year  | –                            | –                              | –                              | –                             | –   | (5,428)                          | (5,428)  | 124  | (5,304)           |
| Other comprehensive<br>income (loss)<br>for the year                             | –                            | –                              | –                              | 1,153                         | (204)   | –                                | 949  | 12   | 961               |
| Total  | –                            | –                              | –                              | 1,153                         | (204)   | (5,428)                          | (4,479)  | 136  | (4,343)           |
| Transactions with owners,<br>recognised<br>directly in equity:                   |                              |                                |                                |                               |   |                                  |  |  |                   |
| Liquidation of subsidiaries  | –                            | –                              | (26)                           | (12)                          | –   | 151                              | 113  | 6  | 119               |
| Additional investment in<br>subsidiary by<br>non-controlling interest<br>("NCI") | –                            | –                              | –                              | –                             | –   | –                                | –  | 42   | 42                |
| Dividends paid by<br>subsidiary to NCI   | –                            | –                              | –                              | –                             | –   | –                                | –  | (123)  | (123)             |
| Dividends paid (Note 34)   | –                            | –                              | –                              | –                             | –   | (2,891)                          | (2,891)  | –  | (2,891)           |
| Total  | –                            | –                              | (26)                           | (12)                          | –   | (2,740)                          | (2,778)  | (75)   | (2,853)           |
| <b>Balance at December 31,<br/>2016</b>  | 68,761                       | (174)                          | –                              | (2,872)                       | (12,631)  | 187,035                          | 240,119  | 4,724  | 244,843           |
| Total comprehensive income<br>for the year:                                      |                              |                                |                                |                               |   |                                  |  |  |                   |
| Profit for the year  | –                            | –                              | –                              | –                             | –   | 5,938                            | 5,938  | (140)  | 5,798             |
| Other comprehensive<br>income for the year                                       | –                            | –                              | –                              | 1,338                         | 231   | –                                | 1,569  | 66   | 1,635             |
| Total  | –                            | –                              | –                              | 1,338                         | 231   | 5,938                            | 7,507  | (74)   | 7,433             |
| Transactions with owners,<br>recognised<br>directly in equity:                   |                              |                                |                                |                               |   |                                  |  |  |                   |
| Additional investment in<br>subsidiary by NCI                                    | –                            | –                              | –                              | –                             | –   | –                                | –  | 335  | 335               |
| Dividends paid by<br>subsidiaries to NCI   | –                            | –                              | –                              | –                             | –   | –                                | –  | (232)  | (232)             |
| Dividends paid (Note 34)   | –                            | –                              | –                              | –                             | –   | (1,922)                          | (1,922)  | –  | (1,922)           |
| Total  | –                            | –                              | –                              | –                             | –   | (1,922)                          | (1,922)  | 103  | (1,819)           |
| <b>Balance at December 31,<br/>2017</b>  | 68,761                       | (174)                          | –                              | (1,534)                       | (12,400)  | 191,051                          | 245,704  | 4,753  | 250,457           |

# Statements of Changes In Equity

Year ended December 31, 2017

| Company  | Share<br>capital<br>US\$'000 | Treasury<br>shares<br>US\$'000 | Retained<br>earnings<br>US\$'000 | Total<br>US\$'000 |
|--|------------------------------|--------------------------------|----------------------------------|-------------------|
| <b>Balance at January 1, 2016</b>  | 68,761                       | (174)                          | 151,889                          | 220,476           |
| Profit for the year, representing total<br>comprehensive income for the year | –                            | –                              | 8,150                            | 8,150             |
| Total  | –                            | –                              | 8,150                            | 8,150             |
| Transactions with owners,<br>recognised directly in equity :                 |                              |                                |                                  |                   |
| Dividends paid (Note 34)   | –                            | –                              | (2,891)                          | (2,891)           |
| Total  | –                            | –                              | (2,891)                          | (2,891)           |
| <b>Balance at December 31, 2016</b>  | 68,761                       | (174)                          | 157,148                          | 225,735           |
| Profit for the year, representing total<br>comprehensive income for the year | –                            | –                              | 9,291                            | 9,291             |
| Total  | –                            | –                              | 9,291                            | 9,291             |
| Transactions with owners,<br>recognised directly in equity :                 |                              |                                |                                  |                   |
| Dividends paid (Note 34)   | –                            | –                              | (1,922)                          | (1,922)           |
| Total  | –                            | –                              | (1,922)                          | (1,922)           |
| <b>Balance at December 31, 2017</b>  | 68,761                       | (174)                          | 164,517                          | 233,104           |

See accompanying notes to financial statements.



# Consolidated Statement Of Cash Flows

Year ended December 31, 2017

|   | Group            |                  |
|---|------------------|------------------|
|   | 2017<br>US\$'000 | 2016<br>US\$'000 |
| <b>Operating activities</b>   |                  |                  |
| Profit (Loss) before tax  | <b>6,112</b>     | (3,797)          |
| Adjustments for:  |                  |                  |
| Depreciation of property, plant and equipment   | <b>17,557</b>    | 20,061           |
| Depreciation of intangible assets   | <b>3</b>         | –                |
| Depreciation of investment properties   | <b>26</b>        | 25               |
| (Gain) Loss on disposal of property, plant and equipment  | <b>(79)</b>      | 121              |
| Gain on disposal of assets held for sale (vessels)  | <b>(965)</b>     | (18)             |
| Net gain on disposal of investments at fair value through<br>profit or loss – investment securities | <b>(32)</b>      | (48)             |
| Finance costs   | <b>1,677</b>     | 1,880            |
| Finance income  | <b>(581)</b>     | (450)            |
| Allowance for doubtful trade debts  | <b>1,794</b>     | 3,239            |
| Write-back of doubtful trade debts  | <b>(768)</b>     | (204)            |
| Liquidation of subsidiaries   | <b>–</b>         | 119              |
| Share of results of associate and joint venture   | <b>(702)</b>     | (1,540)          |
| Impairment of property, plant and equipment (vessels)   | <b>–</b>         | 7,330            |
| Impairment of assets held for sale (vessels)  | <b>–</b>         | 413              |
| Property, plant and equipment written off   | <b>–</b>         | 2                |
| Net foreign exchange loss (gain)  | <b>999</b>       | (278)            |
| Operating cash flows before movements in working capital  | <b>25,041</b>    | 26,855           |
| Trade receivables   | <b>(15,282)</b>  | 6,522            |
| Other receivables and deposits  | <b>(1,084)</b>   | 938              |
| Prepaid operating expenses  | <b>(2,121)</b>   | 1,413            |
| Due from immediate holding company  | <b>(3,013)</b>   | 2,150            |
| Due from related companies  | <b>(841)</b>     | (166)            |
| Inventories   | <b>199</b>       | 768              |
| Trade payables  | <b>2,875</b>     | 3,704            |
| Other payables and liabilities  | <b>5,959</b>     | (1,220)          |
| Due to related companies  | <b>(205)</b>     | (512)            |
| Due to joint venture  | <b>56</b>        | –                |
| Due to immediate holding company  | <b>(115)</b>     | 8                |
| Cash generated from operations  | <b>11,469</b>    | 40,460           |
| Interest paid   | <b>(1,677)</b>   | (1,880)          |
| Income tax paid   | <b>(583)</b>     | (1,753)          |
| Net cash from operating activities  | <b>9,209</b>     | 36,827           |

# Consolidated Statement Of Cash Flows

Year ended December 31, 2017

|   | Group            |                  |
|---|------------------|------------------|
|   | 2017<br>US\$'000 | 2016<br>US\$'000 |
| <b>Investing activities</b>   |                  |                  |
| Interest income received  | 581              | 450              |
| Proceeds from disposal of property, plant and equipment   | 80               | 965              |
| Proceeds from disposal of current assets held for sale  | 13,851           | 1,399            |
| Proceeds from disposal of investments at fair value through<br>profit or loss – investment securities | 1,040            | 1,039            |
| Purchase of property, plant and equipment [Note 12(d)]  | (5,748)          | (7,957)          |
| Purchase of intangible assets   | (36)             | –                |
| Purchase of investment securities   | (1,009)          | –                |
| Dividends received from an associate  | 1,488            | 1,341            |
| Additional investment in other non-current assets   | –                | (53)             |
| Due from joint venture  | (666)            | –                |
| Investment in joint venture   | –                | (198)            |
| Investment in preference shares   | (293)            | (198)            |
| Net cash from (used in) investing activities  | 9,288            | (3,212)          |
| <b>Financing activities</b>   |                  |                  |
| Repayment of finance leases   | (28)             | (44)             |
| Proceeds from bank term loans   | –                | 571              |
| Repayment of bank term loans  | (22,548)         | (22,280)         |
| Dividends paid  | (1,922)          | (2,891)          |
| Increase (Decrease) in pledged deposits   | 389              | (815)            |
| Dividends paid to non-controlling shareholder   | (232)            | (123)            |
| Additional investment in a subsidiary by a non-controlling interest                                   | 335              | 42               |
| Loans from non-controlling interest of subsidiaries   | 1,206            | –                |
| Net cash used in financing activities   | (22,800)         | (25,540)         |
| Net (decrease) increase in cash and cash equivalents  | (4,303)          | 8,075            |
| Cash and cash equivalents at beginning of the year  | 41,965           | 34,095           |
| Effects of exchange rate changes on the balance of cash<br>held in foreign currencies                 | 231              | (205)            |
| <b>Cash and cash equivalents at end of the year (Note 5)</b>  | <b>37,893</b>    | <b>41,965</b>    |

See accompanying notes to financial statements.

# Notes to Financial Statements

December 31, 2017

## 1 GENERAL

The Company (Registration Number: 199308462C) is incorporated in Singapore with its principal place of business and registered office at 6 Raffles Quay, #25-01, Singapore 048580. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in United States dollars ("USD").

The principal activities of the Company are the owning and operating of ocean-going ships and the provision of containerised feeder shipping services.

The principal activities of its subsidiaries, associate and joint venture are disclosed in Notes 14 and 15 respectively.

The Group operates in South East Asia, the Far East, the Indian Sub-continent and the Middle East.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2017 were authorised for issue by the Board of Directors on March 23, 2018.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payments*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# Notes to Financial Statements

December 31, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 ADOPTION OF NEW AND REVISED STANDARDS

On January 1, 2017, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/ revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except for certain presentation improvements arising from Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*.

#### Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 16. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 16, the application of these amendments has had no impact on the Group's consolidated financial statements.

#### Adoption of a new financial reporting framework in 2018

In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework – Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the SGX-ST, for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group and the Company will be adopting the new framework for the first time for financial year ending December 31, 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* will be applied in the first set of SFRS(I) financial statements.

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

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*, and has determined that there is no change to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs, and the election of certain transition options available under SFRS(I) 1.

# Notes to Financial Statements

December 31, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

#### Adoption of a new financial reporting framework in 2018 (cont'd)

Management will be electing the following transition options that will result in material adjustments on transition to the new framework:

- Option to use fair value as deemed cost for certain properties and vessels; and
- Option to reset the translation reserve to zero as at date of transition.

As at the date of the financial statements, management is still finalising the fair value measurements of certain properties and vessels. It is currently impracticable to quantify the known or reasonably estimable impact to the financial statements of the Group.

#### Impact of adoption of SFRS(I) 1

The following table provides the estimates effects on the Group's consolidated statement of financial position in the period of the initial application of SFRS(I) 1.

|                                      | January 1,<br>2017<br>(As reported)<br>US\$'000   | Effect of<br>SFRS(I) 1<br>US\$'000 | January 1,<br>2017<br>(As adjusted<br>under SFRS(I))<br>US\$'000   |
|--------------------------------------|---|------------------------------------|--|
| Foreign currency translation reserve | (12,631)  | 12,631                             | –  |
| Retained earnings                    | 187,035   | (12,631)                           | 174,404  |
|                                      |   |                                    |  |
|                                      | December 31,<br>2017<br>(As reported)<br>US\$'000 | Effect of<br>SFRS(I) 1<br>US\$'000 | December 31,<br>2017<br>(As adjusted<br>under SFRS(I))<br>US\$'000 |
| Foreign currency translation reserve | (12,400)  | 12,631                             | 231  |
| Retained earnings                    | 191,051   | (12,631)                           | 178,420  |

#### Standards issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) Interpretations ("SFRS(I) INT") that are relevant to the Group and the Company were issued but not effective:

- SFRS(I) 9 *Financial Instruments* <sup>1</sup>
- SFRS(I) 15 *Revenue from Contracts with Customers (with clarifications issued)* <sup>1</sup>
- SFRS(I) 16 *Leases* <sup>2</sup>
- SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures* <sup>3</sup>
- SFRS(I) 1-40 *Investment Property: Transfers of Investment Property* <sup>1</sup>
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration* <sup>1</sup>
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments* <sup>2</sup>

# Notes to Financial Statements

December 31, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

#### Standards issued but not yet effective (cont'd)

- (1) Applies to annual periods beginning on or after January 1, 2018, with early application permitted.
- (2) Applies to annual periods beginning on or after January 1, 2019, with early application permitted if FRS 115 is adopted.
- (3) Application has been deferred indefinitely, however, early application is still permitted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above SFRS(I)s and SFRS(I) INTs in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following:

#### SFRS(I) 9 Financial Instruments

SFRS(I) 9 was issued in December 2017, and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements for SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

# Notes to Financial Statements

December 31, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

#### SFRS(I) 9 Financial Instruments (cont'd)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms. Under SFRS(I) 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) 9 and anticipates that the adoption of SFRS(I) 9 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption, except that management expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted under SFRS(I) 9. In general, management anticipates that the application of the expected credit loss model of SFRS(I) 9 will result in early recognition of credit losses for its trade receivables and will increase the amount of loss allowance recognised.

All financial assets and liabilities will continue to be measured on the same bases as in currently adopted under FRS 39.

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

In December 2017, SFRS(I) 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. SFRS(I) 15 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.



# Notes to Financial Statements

December 31, 2017

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

#### SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

The Group recognises revenue from the freight operations, charter hire (time and voyage charter), pool revenue, ship management and operation services, sea freight forwarding services and other services.

Management has performed a detailed analysis of the requirements of the initial application of SFRS(I) 15. As regards to the freight operations, charter hire (time and voyage charter) and pool revenue, management have assessed that these performance obligations are satisfied over time and that the method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under SFRS(I) 15.

As regards to the remaining revenue streams, management have assessed that revenue will be recognised for each of these performance obligations when control over the corresponding service is transferred to the customer. This is similar to the current identification of separate revenue components under FRS 18.

Furthermore, management do not expect the allocation of revenue to be significantly different from that currently determined.

Apart from providing more extensive disclosures on the Group's revenue transactions and segment reporting, management does not anticipate that the application of SFRS (I) 15 will have a significant impact on the financial position and/or financial performance of the Group.

#### SFRS(I) 16 Leases

SFRS(I) 16 was issued in December 2017. The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17 Leases.

Management expects the adoption of the above SFRS(I) to have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, in particular on certain operating lease arrangements to be recorded in the statements of financial position. The Group's operating lease arrangements are disclosed in Note 37.

A preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I) 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases under SFRS(I) 16.

Management is currently assessing and has yet to complete the work on the possible impact of implementing SFRS(I) 16. It is therefore impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application. Management does not plan to early adopt the above new SFRS(I) 16.

# Notes to Financial Statements

December 31, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

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

- The size of the Company'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, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company 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 obtains control over the subsidiary and ceases when the Company loses such control. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and the non-controlling interests. Total comprehensive income of subsidiaries is 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 to bring their accounting policies in line with the Group's accounting policies.

# Notes to Financial Statements

December 31, 2017

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 BASIS OF CONSOLIDATION (CONT'D)

#### **Changes in the Group's ownership interests in existing subsidiaries**

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

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 FRSs). 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 FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries, associate and joint venture are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

### 2.4 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, and equity interests issued by the Group, and any contingent consideration arrangement in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). 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 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.

# Notes to Financial Statements

December 31, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 BUSINESS COMBINATIONS (CONT'D)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS 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 FRS 12 *Income Taxes* and FRS 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 FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

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 (see below), 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.

### 2.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

# Notes to Financial Statements

December 31, 2017

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 FINANCIAL INSTRUMENTS (CONT'D)

#### Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” and “loans and receivables”. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

#### Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in ‘other operating income and expenses’ line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

# Notes to Financial Statements

December 31, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 FINANCIAL INSTRUMENTS (CONT'D)

#### Loans and receivables

Trade receivables, loans and other receivables (including amounts due from related parties) that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# Notes to Financial Statements

December 31, 2017

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 FINANCIAL INSTRUMENTS (CONT'D)

#### Derecognition of financial assets

The Group derecognised a financial asset only when the contractual right to the cash flows from the asset expired, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### **Financial liabilities and equity instruments**

##### Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

##### Financial liabilities

Trade and other payables and liabilities (including amounts due to related parties) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### 2.6 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

# Notes to Financial Statements

December 31, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 LEASES (CONT'D)

#### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 2.7 INVENTORIES

Inventories, comprising bunker stocks, oil and spare parts on board of vessels for consumption purposes are stated at lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Allowance is made of deteriorated, damaged, obsolete and slow-moving inventories.

### 2.8 PREPAID OPERATING EXPENSES

Prepaid operating expenses, comprising prepaid charter-hire and other expenses, are initially recognised as prepayments when payments are made. Prepaid charter hire expenses are subsequently charged to profit or loss on a straight-line basis over the charter-hire period.

### 2.9 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.



# Notes to Financial Statements

December 31, 2017

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using straight-line method, on the following bases:

|                        |   |                |
|------------------------|---|----------------|
| Vessels                | – | 15 to 25 years |
| Vessel improvements    | – | 2.5 to 5 years |
| Deferred charges       | – | 2.5 to 5 years |
| Motor vehicles         | – | 5 years        |
| Equipment              | – | 3 to 7 years   |
| Furniture and fittings | – | 5 years        |
| Renovation             | – | 3 years        |
| Freehold properties    | – | 15 to 50 years |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next drydocking are identified and the estimate of the cost to be incurred is determined. The cost of these components is to be depreciated over a period to the next estimated drydocking date.

Deferred charges represent drydocking expenditure incurred for major overhauls of vessels, which is deferred when incurred and depreciated over a period from the current drydocking date to the next estimate drydocking date. When significant drydocking expenditures recur prior to the expiry of the depreciation period, the remaining carrying value of the previous drydocking is expensed in the month of the subsequent drydocking.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

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 amounts of the asset and is recognised in profit or loss.

# Notes to Financial Statements

December 31, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.11 INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over 15 years which is its estimated useful life, using straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on disposal of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is disposed.

### 2.12 GOODWILL

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant CGU, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

### 2.13 INTANGIBLE ASSETS

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

# Notes to Financial Statements

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## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **2.14 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL**

At the end of each reporting period, 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 CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount. The increased carrying amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **2.15 ASSOCIATE AND JOINT VENTURE**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in these entities (which includes any long-term interests that, in substance, form part of the Group's net investment in these entities), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

# Notes to Financial Statements

December 31, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.15 ASSOCIATE AND JOINT VENTURE (CONT'D)

The Group's investments in associate or joint venture are carried at cost and adjusted to recognise the Group's share of post-acquisition reserves of the associated companies, and less accumulated impairment losses, if any. Investments in associated companies include goodwill.

When necessary, the entire carrying amount of the investment in associate or joint venture (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture and to be recognised in the statement of profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

# Notes to Financial Statements

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.16 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 2.17 REVENUE RECOGNITION

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### Rendering of services

Revenue and operating costs on freight operations are recognised as income and expenses respectively, by reference to the percentage of completion of the voyage as at end of the reporting period. Unearned revenue received is recognised as deferred income.

Revenue from rendering sea freight forwarding services is recognised based on the completion of shipment.

Charter hire revenue comprise time and voyage charter. Time charter revenue is recognised evenly over the lives of the time charter agreements and is stated net of taxes and commission paid. Voyage charter revenue is recognised evenly over the duration of each voyage.

Pool revenue is recognised upon delivery of service in accordance with the pooling agreement.

Ship management and operation services revenue are recognised upon services rendered.

#### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### Rental income

The Group's policy for recognition of revenue from operating leases is described above.

# Notes to Financial Statements

December 31, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.18 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.19 RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in other reserves and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item administrative expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

### 2.20 EMPLOYEE LEAVE ENTITLEMENT

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.21 INCOME TAX

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.

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, associate and joint venture 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 at the end of each reporting period 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.

# Notes to Financial Statements

December 31, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.22 SALES TAX

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 2.23 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 (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in United States dollars, 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. At the end of each reporting period, 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 directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars 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 fluctuated 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 foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate 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.



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## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **2.23 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (CONT'D)**

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 is not recognised in profit or loss. For all other partial disposals (i.e. of associates 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 foreign 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.

### **2.24 CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS**

Cash and cash equivalents in the statement of cash flows comprise cash on hand, cash at banks, call and fixed deposits less pledged deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### **2.25 HEDGE ACCOUNTING**

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows of the hedged item and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

# Notes to Financial Statements

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.25 HEDGE ACCOUNTING (CONT'D)

#### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in hedging reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged finance income or finance expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

### 2.26 SEGMENT REPORTING

For management purposes, the Group is organised into operating segments based on their services and geographical regions which are managed by respective segment managers responsible for the performance of the respective segment under their charge. The segment or department managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

### (a) *Critical judgements in applying the entity's accounting policies*

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

#### (i) Income taxes

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

The carrying amounts of the Group's income tax payable, deferred tax assets and deferred tax liabilities at the end of the reporting period were US\$1,343,000 (2016 : US\$1,537,000), US\$49,000 (2016 : US\$58,000) and US\$47,000 (2016 : US\$Nil) respectively.

#### (ii) Determination of functional currency

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

#### (iii) Operating lease commitments – as lessor

The Group has entered into charter hire leases on its owned vessels. The Group has determined that it retains all the significant risks and rewards of ownership of these vessels which are leased out on operating leases. The Group has recognised these vessels, their deferred charges and vessel improvements as its property, plant and equipment.

The carrying amounts of these vessels, their deferred charges and vessel improvements under property, plant and equipment are disclosed in Note 12.

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December 31, 2017

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

### (a) *Critical judgements in applying the entity's accounting policies (cont'd)*

#### (iv) Control over Samudera Traffic Co Ltd

Note 14 describes that Samudera Traffic Co Ltd is a subsidiary of the Group although the Group only has a 49% (2016 : 49%) ownership interest in Samudera Traffic Co Ltd. Based on the contractual arrangements between the Group and the other investor, the Group is entitled to a 60% (2016 : 60%) share of the net profits of the subsidiary. The shares held by the Group also carry two votes per share, which resulted in the voting power held by the Group to 65.8% (2016 : 65.8%). Therefore, the directors of the Company concluded that the Group has the practical ability to direct the relevant activities of Samudera Traffic Co Ltd unilaterally and hence the Group has control over Samudera Traffic Co Ltd.

#### (v) Control over Samudera Cargo Services LLC

Note 14 describes that Samudera Cargo Services LLC is a subsidiary of the Group although the Group only has a 49% (2016 : 49%) ownership interest in Samudera Cargo Services LLC. Based on the contractual arrangements between the Group and the other investor, the Group is entitled to an 80% (2016 : 80%) share of the net profits of the subsidiary. The Group had appointed a director, who is the Group's representative, that has a power to direct the relevant activities of Samudera Cargo Services LLC. Therefore, the directors of the Company concluded that the Group has the practical ability to direct the relevant activities of Samudera Cargo Services LLC unilaterally and hence the Group has control over Samudera Cargo Services LLC.

#### (vi) Control over Prime Maritime DWC LLC

Note 14 describes that Prime Maritime DWC LLC is a subsidiary of the Group with the Group having a 51% (2016 : Nil) ownership interest in Prime Maritime DWC LLC. Based on the contractual arrangements between the Group and the other investor, the Group is also entitled to appoint a director, who is the Group's representative, as chairman of the subsidiary's board of directors and has the casting vote power over the relevant activities of Prime Maritime DWC LLC. Therefore, the directors of the Company concluded that the Group has the practical ability to direct the relevant activities of Prime Maritime DWC LLC unilaterally and hence the Group has control over Prime Maritime DWC LLC.

#### (vii) Control over Shal Hawk Silkargo Sdn Bhd

Note 14 describes that Shal Hawk Silkargo Sdn Bhd is a subsidiary of the Group with the Group having a 51% (2016 : Nil) ownership interest in Shal Hawk Silkargo Sdn Bhd. Based on the contractual arrangements between the Group and the other investor, the Group is also entitled to appoint a director, who is the Group's representative, as chairman of the subsidiary's board of directors and has the casting vote power over the relevant activities of Shal Hawk Silkargo Sdn Bhd. Therefore, the directors of the Company concluded that the Group has the practical ability to direct the relevant activities of Shal Hawk Silkargo Sdn Bhd unilaterally and hence the Group has control over Shal Hawk Silkargo Sdn Bhd.

# Notes to Financial Statements

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## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

### (a) *Critical judgements in applying the entity's accounting policies (cont'd)*

#### (viii) Investment in Samudera Bharat Feeder Pvt Ltd

Note 15 describes the Group's investment in Samudera Bharat Feeder Pvt Ltd, which is a joint venture between the Group and a third party. Based on the contractual arrangements with the other investor, no resolution shall have deemed to be pass unless unanimous consent is obtained, through affirmative votes of 1 director from each party. Therefore, the directors of the Company concluded that there is joint control between the Group and the other investor.

### (b) *Key sources of estimation uncertainty*

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

#### (i) Investments in subsidiaries, associate and joint venture

Management exercises their judgement in estimating recoverable amounts of its investment in subsidiaries, associate and joint venture within the Group.

The recoverable amounts of the investments are reviewed at the end of each reporting period to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, management needs 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.

The carrying amounts of the investments in subsidiaries, associate and joint venture are disclosed in Notes 14 and 15 respectively.

#### (ii) Vessel useful life and impairment

The cost of vessels and vessel improvements of the Group and the Company is depreciated on a straight-line basis over the useful life of the vessels. Management estimates the useful life of these vessels and vessel improvements to be within 15 to 25 years and 2.5 to 5 years respectively. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised.

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## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

### (b) Key sources of estimation uncertainty (cont'd)

#### (ii) Vessel useful life and impairment (cont'd)

Management also reviews the vessels for impairment whenever there is an indication that the carrying amount of the vessel may not be recoverable. Management measures the recoverability of an asset by comparing its carrying amount against its recoverable amount. Recoverable amount is the higher of the fair value less cost of disposal and value in use, which is the future cash flows that the vessel is expected to generate and the expected running cost thereof over its remaining useful life with a cash inflow in the final year equal to the expected residual value of the vessels. The future cash flows is discounted to their present value using a pre-tax discount rate that reflects the time value of money. If the vessel is considered to be impaired, impairment loss is recognised to an amount equal to the excess of the carrying value of the asset over its recoverable amount.

The carrying amounts and details of the Group's and Company's vessels, deferred charges, vessel improvements and impairment at the end of the reporting period are disclosed in Note 12.

#### (iii) Residual values of vessels

The Group reviews the residual values of vessels periodically to ensure that the amount is consistent with the future economic benefits embodied in these vessels at the point of disposal. Significant judgement is required in determining the residual values of its vessels.

In determining the residual values of its vessels, the Group considers the net proceeds that would be obtained from the disposal of the assets in the resale or scrap markets, fluctuations in scrap steel prices and industry practice.

#### (iv) Allowance for doubtful trade and other receivables

The Group and the Company make allowances for bad and doubtful debts based on ongoing evaluation of recoverability and ageing analysis of individual receivables by reference to their past default experience. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be recoverable. The identification of bad and doubtful debts requires the use of judgment and estimates. In the prior year, in relation to the filing of receivership by Hanjin Shipping, the Group had made an allowance of doubtful debts amounted to US\$2,800,000. As at the end of the reporting period, no amounts had been recovered. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

The carrying amounts of the Group's and the Company's trade and other receivables are disclosed in Notes 6 and 7 respectively.

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## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

### (a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

|  | Group    |          | Company  |          |
|--|----------|----------|----------|----------|
|  | 2017     | 2016     | 2017     | 2016     |
|  | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| <b>Financial assets</b>                                    |          |          |          |          |
| Fair value through profit or loss ("FVTPL"):               |          |          |          |          |
| Preference shares  | 507      | 198      | –        | –        |
| Loan and receivables<br>(including cash and bank balances) | 121,649  | 106,624  | 86,162   | 79,716   |
| <b>Financial liabilities</b>                               |          |          |          |          |
| At amortised cost  | 111,746  | 124,585  | 60,165   | 63,757   |

### (b) Financial risk management policies and objectives

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk, bunker price risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The Group uses a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk including:

- forward currency contracts to hedge the exchange rate risks arising from trade receivables and trade payables.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to 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.

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## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) Financial risk management policies and objectives (cont'd)

#### (i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including Singapore dollar ("SGD") and Indonesian rupiah ("IDR") and therefore is exposed to foreign exchange risk.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances approximately amount to US\$17,666,000 (2016 : US\$10,916,000) and US\$873,000 (2016 : US\$2,315,000) for the Group and the Company respectively.

The Company is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Thailand, India, Vietnam and United Arab Emirates.

The Group manages its foreign exchange exposure by a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of foreign currencies are converted, as soon as possible, to SGD or USD.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

|        | Group         |          |               |          | Company       |          |               |          |
|--------|---------------|----------|---------------|----------|---------------|----------|---------------|----------|
|        | Liabilities   |          | Assets        |          | Liabilities   |          | Assets        |          |
|        | 2017          | 2016     | 2017          | 2016     | 2017          | 2016     | 2017          | 2016     |
|        | US\$'000      | US\$'000 | US\$'000      | US\$'000 | US\$'000      | US\$'000 | US\$'000      | US\$'000 |
| SGD    | <b>25,992</b> | 24,909   | <b>18,505</b> | 17,886   | <b>25,903</b> | 23,981   | <b>18,489</b> | 17,794   |
| IDR    | <b>4,130</b>  | 5,382    | <b>14,240</b> | 7,140    | <b>2,305</b>  | 578      | <b>1</b>      | –        |
| Others | <b>289</b>    | 446      | <b>2,434</b>  | 2,734    | <b>94</b>     | 247      | <b>2,425</b>  | 2,718    |



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## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) Financial risk management policies and objectives (cont'd)

#### (i) Foreign exchange risk management (cont'd)

##### Foreign currency sensitivity

The following table details the sensitivity to a 10% (2016 : 10%) increase and decrease in the exchange rate of SGD and IDR against USD. It is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in SGD and IDR and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis of monetary items denominated in currencies other than SGD and IDR is not significant.

|                   | Group                                      |  | Company                                    |  |
|-------------------|--|--|--|--|
|                   | Strengthen<br>(weaken) in<br>exchange<br>% | Effect on<br>profit<br>or loss<br>US\$'000 | Strengthen<br>(weaken) in<br>exchange<br>% | Effect on<br>profit<br>or loss<br>US\$'000 |
| <b>2017</b>       |  |  |  |  |
| Singapore dollar  | 10<br>(10)                                 | (621)<br>621                               | 10<br>(10)                                 | (615)<br>615                               |
| Indonesian rupiah | 10<br>(10)                                 | 839<br>(839)                               | 10<br>(10)                                 | (191)<br>191                               |
| <b>2016</b>       |  |  |  |  |
| Singapore dollar  | 10<br>(10)                                 | (702)<br>702                               | 10<br>(10)                                 | (619)<br>619                               |
| Indonesian rupiah | 10<br>(10)                                 | 176<br>(176)                               | 10<br>(10)                                 | (58)<br>58                                 |

#### (ii) Interest rate risk management

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. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and fixed deposits.

The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

# Notes to Financial Statements

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## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) Financial risk management policies and objectives (cont'd)

#### (ii) Interest rate risk management (cont'd)

The Group may enter into various interest rate swap contracts to hedge its interest rate risk, where appropriate, over the duration of its borrowings. The contracts limit the Group's exposure to both favourable and unfavourable interest rate fluctuations. It is the Group's policy not to trade in derivative contracts.

As at the end of the reporting period, there is no outstanding interest rate swap contract.

Surplus funds are placed with reputable banks and financial institutions which generate interest income for the Group.

Information relating to the Group's and the Company's financial instrument balances which are interest bearing are disclosed in Notes 5, 8, 16, 19 and 21.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a 25 basis points (2016 : 25 basis points) increase and decrease in the SGD and USD interest rates, with all other variables held constant, of the Group's and the Company's profit or loss (through the net impact of interest expense on floating loans and borrowings and interest income on fixed deposits). It is the sensitivity rate used when reporting interest rate risks internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

|                      | Group                                     |  | Company                                   |  |
|----------------------|---|--|---|--|
|                      | Increase<br>(decrease) in<br>basis points | Effect on<br>profit<br>or loss<br>US\$'000 | Increase<br>(decrease) in<br>basis points | Effect on<br>profit<br>or loss<br>US\$'000 |
| <b>2017</b>          |   |  |   |  |
| Singapore dollar     | 25<br>(25)                                | (25)<br>25                                 | 25<br>(25)                                | (25)<br>25                                 |
| United States dollar | 25<br>(25)                                | (52)<br>52                                 | 25<br>(25)                                | 4<br>(4)                                   |
| <b>2016</b>          |   |  |   |  |
| Singapore dollar     | 25<br>(25)                                | (26)<br>26                                 | 25<br>(25)                                | (26)<br>26                                 |
| United States dollar | 25<br>(25)                                | (71)<br>71                                 | 25<br>(25)                                | 3<br>(3)                                   |

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## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) Financial risk management policies and objectives (cont'd)

#### (iii) Credit risk management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group and the Company may request bankers' guarantee from its customers if it is necessary. In addition, debtors balances are monitored on an ongoing basis.

#### Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the customer profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the end of the reporting period is as follows:

|                      | Group         |              |          |            | Company       |              |          |            |
|----------------------|---------------|--------------|----------|------------|---------------|--------------|----------|------------|
|                      | 2017          |              | 2016     |            | 2017          |              | 2016     |            |
|                      | US\$'000      | % of total   | US\$'000 | % of total | US\$'000      | % of total   | US\$'000 | % of total |
| <b>By customers:</b> |               |              |          |            |               |              |          |            |
| Main line operators  | <b>36,558</b> | <b>62.5</b>  | 26,895   | 60.8       | <b>31,836</b> | <b>61.9</b>  | 24,383   | 65.0       |
| Agents               | <b>2,930</b>  | <b>5.0</b>   | 2,913    | 6.6        | <b>3,873</b>  | <b>7.5</b>   | 3,191    | 8.5        |
| Others               | <b>18,982</b> | <b>32.5</b>  | 14,406   | 32.6       | <b>15,738</b> | <b>30.6</b>  | 9,916    | 26.5       |
|                      | <b>58,470</b> | <b>100.0</b> | 44,214   | 100.0      | <b>51,447</b> | <b>100.0</b> | 37,490   | 100.0      |

At the end of the reporting period, approximately 37.6% (2016 : 33.6%) of the Group's and Company's trade receivables were due from 5 (2016 : 5) major customers who are main line operators located in Singapore.

# Notes to Financial Statements

December 31, 2017

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) *Financial risk management policies and objectives (cont'd)*

#### (iv) Bunker price risk management

The Group's earnings are affected by changes in bunker prices. The Group manages this risk by monitoring the bunker prices and entering into forward contracts to hedge against fluctuations in bunker price if considered appropriate.

As at December 31, 2017 and 2016, the Group has no outstanding bunker price hedging contracts.

#### (v) Liquidity risk management

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuation of cash flows.

### **Liquidity and interest risk analyses**

#### Non-derivative financial instruments

The following tables detail the remaining contractual maturity for non-derivative financial instruments. The tables have been drawn up based on the discounted cash flows of financial liabilities that include both interest and principal cash flows based on the earliest date on which the Group and Company can be required to pay and on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipate that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial assets and liabilities on the statement of financial position.

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## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) Financial risk management policies and objectives (cont'd)

#### (v) Liquidity risk management (cont'd)

|  | Effective<br>interest<br>rate<br>% p.a. | On<br>demand<br>or within<br>1 year<br>US\$'000 | Within<br>2 to 5<br>years<br>US\$'000 | After<br>5 years<br>US\$'000 | Adjustment<br>US\$'000 | Total<br>US\$'000 |
|--|---|---|---------------------------------------|------------------------------|------------------------|-------------------|
| <b>Group</b>                               |   |   |                                       |                              |                        |                   |
| <b>2017</b>                                |   |   |                                       |                              |                        |                   |
| <b>Financial assets</b>                    |   |   |                                       |                              |                        |                   |
| <b>Non-interest bearing:</b>               |   |   |                                       |                              |                        |                   |
| Trade and other                            |   |   |                                       |                              |                        |                   |
| receivables and deposits                   |   | 60,561  | –                                     | –                            | –                      | 60,561            |
| Due from related companies                 |   | 11,453  | –                                     | –                            | –                      | 11,453            |
| <b>Variable interest rate instruments:</b> |   |   |                                       |                              |                        |                   |
| Cash and bank balances                     | 0.25-6.75                               | 49,750  | –                                     | –                            | (115)                  | 49,635            |
| <b>Total financial assets</b>              |   | <b>121,764</b>                                  | <b>–</b>                              | <b>–</b>                     | <b>(115)</b>           | <b>121,649</b>    |
| <b>Financial liabilities</b>               |   |   |                                       |                              |                        |                   |
| <b>Non-interest bearing:</b>               |   |   |                                       |                              |                        |                   |
| Trade payables                             |   | 23,862  | –                                     | –                            | –                      | 23,862            |
| Other payables and                         |   |   |                                       |                              |                        |                   |
| liabilities                                |   | 23,051  | –                                     | –                            | –                      | 23,051            |
| Due to related companies                   |   | 472   | –                                     | –                            | –                      | 472               |
| <b>Fixed interest rate instruments:</b>    |   |   |                                       |                              |                        |                   |
| Finance leases                             | 4.97                                    | 4   | 7                                     | –                            | (1)                    | 10                |
| Due from non-controlling                   |   |   |                                       |                              |                        |                   |
| interest of subsidiaries                   | 1.26                                    | 616   | 590                                   | –                            | –                      | 1,206             |
| <b>Variable interest rate instruments:</b> |   |   |                                       |                              |                        |                   |
| Bank term loans                            | 2.43                                    | 18,198  | 45,733                                | 2,733                        | (3,519)                | 63,145            |
| <b>Total financial liabilities</b>         |   | <b>66,203</b>                                   | <b>46,330</b>                         | <b>2,733</b>                 | <b>(3,520)</b>         | <b>111,746</b>    |

# Notes to Financial Statements

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## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) Financial risk management policies and objectives (cont'd)

#### (v) Liquidity risk management (cont'd)

|  | Effective<br>interest<br>rate<br>% p.a. | On<br>demand<br>or within<br>1 year<br>US\$'000 | Within<br>2 to 5<br>years<br>US\$'000 | After<br>5 years<br>US\$'000 | Adjustment<br>US\$'000 | Total<br>US\$'000 |
|--|---|---|---------------------------------------|------------------------------|------------------------|-------------------|
| <b>Group</b>                                   |   |   |                                       |                              |                        |                   |
| <b>2016</b>                                    |   |   |                                       |                              |                        |                   |
| <b>Financial assets</b>                        |   |   |                                       |                              |                        |                   |
| <b>Non-interest bearing:</b>                   |   |   |                                       |                              |                        |                   |
| Trade and other<br>receivables and deposits    |   | 45,221  | –                                     | –                            | –                      | 45,221            |
| Due from related companies                     |   | 7,307   | –                                     | –                            | –                      | 7,307             |
| <b>Variable interest rate<br/>instruments:</b> |   |   |                                       |                              |                        |                   |
| Cash and bank balances                         | 0.25-7.25                               | 54,164  | –                                     | –                            | (68)                   | 54,096            |
| <b>Total financial assets</b>                  |   | <b>106,692</b>                                  | <b>–</b>                              | <b>–</b>                     | <b>(68)</b>            | <b>106,624</b>    |
| <b>Financial liabilities</b>                   |   |   |                                       |                              |                        |                   |
| <b>Non-interest bearing:</b>                   |   |   |                                       |                              |                        |                   |
| Trade payables                                 |   | 20,987  | –                                     | –                            | –                      | 20,987            |
| Other payables and<br>liabilities              |   | 18,154  | –                                     | –                            | –                      | 18,154            |
| Due to related companies                       |   | 736   | –                                     | –                            | –                      | 736               |
| <b>Fixed interest rate<br/>instruments:</b>    |   |   |                                       |                              |                        |                   |
| Finance leases                                 | 3.87-5.12                               | 30  | 10                                    | –                            | (4)                    | 36                |
| <b>Variable interest rate<br/>instruments:</b> |   |   |                                       |                              |                        |                   |
| Bank term loans                                | 2.05                                    | 22,425  | 50,376                                | 16,550                       | (4,679)                | 84,672            |
| <b>Total financial liabilities</b>             |   | <b>62,332</b>                                   | <b>50,386</b>                         | <b>16,550</b>                | <b>(4,683)</b>         | <b>124,585</b>    |

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## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) Financial risk management policies and objectives (cont'd)

#### (v) Liquidity risk management (cont'd)

|  | Effective<br>interest<br>rate<br>% p.a. | On<br>demand<br>or within<br>1 year<br>US\$'000 | Within<br>2 to 5<br>years<br>US\$'000 | After<br>5 years<br>US\$'000 | Adjustment<br>US\$'000 | Total<br>US\$'000 |
|--|---|---|---------------------------------------|------------------------------|------------------------|-------------------|
| <b>Company</b>                             |   |   |                                       |                              |                        |                   |
| <b>2017</b>                                |   |   |                                       |                              |                        |                   |
| <b>Financial assets</b>                    |   |   |                                       |                              |                        |                   |
| <b>Non-interest bearing:</b>               |   |   |                                       |                              |                        |                   |
| Trade and other                            |   |   |                                       |                              |                        |                   |
| receivables and deposits                   |   | 51,561  | –                                     | –                            | –                      | 51,561            |
| Due from related companies                 |   | 11,702  | –                                     | –                            | –                      | 11,702            |
| <b>Variable interest rate instruments:</b> |   |   |                                       |                              |                        |                   |
| Due from subsidiary                        | 1.66                                    | 2,246   | 896                                   | –                            | –                      | 3,142             |
| Cash and bank balances                     | 0.25-1.24                               | 20,684  | –                                     | –                            | (31)                   | 20,653            |
| <b>Total financial assets</b>              |   | <b>86,193</b>                                   | <b>896</b>                            | <b>–</b>                     | <b>(31)</b>            | <b>87,058</b>     |
| <b>Financial liabilities</b>               |   |   |                                       |                              |                        |                   |
| <b>Non-interest bearing:</b>               |   |   |                                       |                              |                        |                   |
| Trade payables                             |   | 21,506  | –                                     | –                            | –                      | 21,506            |
| Other payables and liabilities             |   | 13,475  | –                                     | –                            | –                      | 13,475            |
| Due to related companies                   |   | 208   | –                                     | –                            | –                      | 208               |
| <b>Variable interest rate instruments:</b> |   |   |                                       |                              |                        |                   |
| Bank term loans                            | 2.62                                    | 8,658   | 17,649                                | –                            | (1,331)                | 24,976            |
| <b>Total financial liabilities</b>         |   | <b>43,847</b>                                   | <b>17,649</b>                         | <b>–</b>                     | <b>(1,331)</b>         | <b>60,165</b>     |

# Notes to Financial Statements

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## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) Financial risk management policies and objectives (cont'd)

#### (v) Liquidity risk management (cont'd)

|  | Effective<br>interest<br>rate<br>% p.a. | On<br>demand<br>or within<br>1 year<br>US\$'000 | Within<br>2 to 5<br>years<br>US\$'000 | After<br>5 years<br>US\$'000 | Adjustment<br>US\$'000 | Total<br>US\$'000 |
|--|---|---|---------------------------------------|------------------------------|------------------------|-------------------|
| <b>Company</b>                                 |   |   |                                       |                              |                        |                   |
| <b>2016</b>                                    |   |   |                                       |                              |                        |                   |
| <b>Financial assets</b>                        |   |   |                                       |                              |                        |                   |
| <b>Non-interest bearing:</b>                   |   |   |                                       |                              |                        |                   |
| Trade and other<br>receivables and deposits    |   | 37,568  | –                                     | –                            | –                      | 37,568            |
| Due from related<br>companies                  |   | 7,022   | –                                     | –                            | –                      | 7,022             |
| <b>Variable interest rate<br/>instruments:</b> |   |   |                                       |                              |                        |                   |
| Due from subsidiary                            | 1.49                                    | 1,617   | –                                     | –                            | –                      | 1,617             |
| Cash and bank balances                         | 0.25-1.00                               | 33,534  | –                                     | –                            | (25)                   | 33,509            |
| <b>Total financial assets</b>                  |   | <b>79,741</b>                                   | <b>–</b>                              | <b>–</b>                     | <b>(25)</b>            | <b>79,716</b>     |
| <b>Financial liabilities</b>                   |   |   |                                       |                              |                        |                   |
| <b>Non-interest bearing:</b>                   |   |   |                                       |                              |                        |                   |
| Trade payables                                 |   | 15,121  | –                                     | –                            | –                      | 15,121            |
| Other payables and<br>liabilities              |   | 11,207  | –                                     | –                            | –                      | 11,207            |
| Due to related companies                       |   | 280   | –                                     | –                            | –                      | 280               |
| <b>Fixed interest rate<br/>instruments:</b>    |   |   |                                       |                              |                        |                   |
| Finance leases                                 | 3.87                                    | 26  | –                                     | –                            | (3)                    | 23                |
| <b>Variable interest rate<br/>instruments:</b> |   |   |                                       |                              |                        |                   |
| Bank term loans                                | 2.27                                    | 12,225  | 20,045                                | 7,155                        | (2,299)                | 37,126            |
| <b>Total financial liabilities</b>             |   | <b>38,859</b>                                   | <b>20,045</b>                         | <b>7,155</b>                 | <b>(2,302)</b>         | <b>63,757</b>     |



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## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) Financial risk management policies and objectives (cont'd)

#### (vi) Fair value of financial assets and financial liabilities

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

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

Management considers that the carrying amount of financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the financial statements approximate their fair values, whose measurements are categorised as level 2 in the Group's and the Company's fair value hierarchy, except for financial assets mentioned below.

The following table presents the financial assets of the Group measured at fair value at December 31, 2017.

|   | <b>Level 3<br/>US\$'000</b> |
|---|-----------------------------|
| <b>Group</b>  |                             |
| At December 31, 2017                                  |                             |
| Financial assets at fair value through profit or loss | <b>507</b>                  |
| At December 31, 2016                                  |                             |
| Financial assets at fair value through profit or loss | 198                         |

The following table presents the reconciliation of financial assets of the Group measured at fair value based on significant unobservable inputs (Level 3):

|                | <b>2017<br/>US\$'000</b> | <b>2016<br/>US\$'000</b> |
|----------------|--------------------------|--------------------------|
| At January 1   | <b>198</b>               | 990                      |
| Addition       | <b>309</b>               | 198                      |
| Disposal       | <b>-</b>                 | (990)                    |
| At December 31 | <b>507</b>               | 198                      |

# Notes to Financial Statements

December 31, 2017

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) *Financial risk management policies and objectives (cont'd)*

#### (vi) Fair value of financial assets and financial liabilities (cont'd)

The following table presents the valuation techniques and key inputs that were used to determine the fair value of financial instruments categorised under Level 3 of the fair value hierarchy.

| Description   | Fair value as at (US\$'000) |      | Valuation techniques | Unobservable input |
|---|-----------------------------|------|----------------------|--------------------|
|   | 2017                        | 2016 |                      |                    |
| Financial assets at fair value through profit or loss | 507                         | 198  | Note                 | Note               |

#### Note:

The fair value is determined by management using a discounted cash flow model and takes into consideration the long term revenue growth rates and management's experience and knowledge of market conditions of the specific industry.

### (c) *Capital risk management policies and objectives*

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The capital structure of the Group consists of borrowings and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2017 and 2016.

The Group is required to maintain certain financial ratios within a given range to comply with loan covenants imposed by its lenders. The Group monitors the financial covenants on bank borrowings to ensure there is no breach of covenants.

# Notes to Financial Statements

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## 5 CASH AND BANK BALANCES

|                          | Group            |                  | Company          |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | 2017<br>US\$'000 | 2016<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Call and fixed deposits  | <b>36,910</b>    | 42,008           | <b>15,105</b>    | 26,427           |
| Cash at bank and on hand | <b>12,725</b>    | 12,088           | <b>5,548</b>     | 7,082            |
|                          | <b>49,635</b>    | 54,096           | <b>20,653</b>    | 33,509           |

Cash and cash equivalents in the consolidated statement of cash flows comprise:

|                                   | Group            |                  | Company          |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | 2017<br>US\$'000 | 2016<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Cash and bank balances (as above) | <b>49,635</b>    | 54,096           | <b>20,653</b>    | 33,509           |
| Less: Pledged deposits (Note A)   | <b>(11,742)</b>  | (12,131)         | <b>(940)</b>     | (1,502)          |
| Cash and cash equivalents         | <b>37,893</b>    | 41,965           | <b>19,713</b>    | 32,007           |

### Note A:

The Group's and Company's fixed deposits totaling US\$1,030,000 (2016 : US\$1,570,000) and US\$926,000 (2016 : US\$1,493,000) respectively have been pledged to certain banks to secure bankers' guarantee facilities of US\$3,743,000 (2016 : US\$3,227,000) and US\$2,997,000 (2016: US\$2,548,000) given to suppliers of goods and services in the ordinary course of business.

Included in the cash at bank of the Group and Company are amounts of US\$10,712,000 (2016 : US\$10,561,000) and US\$14,000 (2016 : US\$9,000) respectively pledged to certain banks to secure loans and other banking facility of the Group amounting to US\$35,106,000 (2016 : US\$41,607,000).

## 6 TRADE RECEIVABLES

|                                    | Group            |                  | Company          |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 2017<br>US\$'000 | 2016<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Trade receivables                  | <b>63,185</b>    | 48,038           | <b>56,071</b>    | 41,231           |
| Less: Allowance for doubtful debts | <b>(4,715)</b>   | (3,824)          | <b>(4,624)</b>   | (3,741)          |
|                                    | <b>58,470</b>    | 44,214           | <b>51,447</b>    | 37,490           |

Movement in allowance for doubtful debts:

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2017<br>US\$'000 | 2016<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Balance at beginning of the year                   | <b>(3,824)</b>   | (791)            | <b>(3,741)</b>   | (728)            |
| Increase in allowance recognised in profit or loss | <b>(1,794)</b>   | (3,239)          | <b>(1,651)</b>   | (3,217)          |
| Reversal during the year                           | <b>768</b>       | 204              | <b>768</b>       | 204              |
| Amounts written off during the year                | <b>138</b>       | 2                | <b>-</b>         | -                |
| Translation difference                             | <b>(3)</b>       | -                | <b>-</b>         | -                |
| Balance at end of the year                         | <b>(4,715)</b>   | (3,824)          | <b>(4,624)</b>   | (3,741)          |

# Notes to Financial Statements

December 31, 2017

## 6 TRADE RECEIVABLES (CONT'D)

The average credit period given to customers is 30 to 60 days (2016 : 30 to 60 days). No interest is charged on the outstanding trade receivables.

Before accepting any new customer, the Group will assess the potential customer's credit quality and define credit terms by customer.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there are no further credit allowances required in excess of the allowance for doubtful debts.

### *Trade receivables that are past due but not impaired*

The Group and the Company respectively have trade receivables with carrying amount of US\$6,851,000 (2016 : US\$4,308,000) and US\$3,742,000 (2016 : US\$2,843,000) which are past due at the end of the reporting period for which the Group and the Company have not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. These trade receivables are unsecured and the analysis of their ageing at the end of the reporting period are as follows:

|  | Group        |              | Company      |              |
|--|--------------|--------------|--------------|--------------|
|  | 2017         | 2016         | 2017         | 2016         |
|  | US\$'000     | US\$'000     | US\$'000     | US\$'000     |
| Aging of trade receivables that are past due but not impaired: |              |              |              |              |
| Less than 31 days  | 5,273        | 2,442        | 3,120        | 1,753        |
| 31 to 60 days  | 696          | 699          | 322          | 524          |
| 61 to 90 days  | 402          | 507          | 160          | 319          |
| More than 90 days  | 480          | 660          | 140          | 247          |
|  | <b>6,851</b> | <b>4,308</b> | <b>3,742</b> | <b>2,843</b> |

### *Trade receivables that are impaired*

The Group's and the Company's trade receivables that are impaired at the end of the reporting period are as follows:

|                                | Individually impaired |          |          |          |
|--------------------------------|-----------------------|----------|----------|----------|
|                                | Group                 |          | Company  |          |
|                                | 2017                  | 2016     | 2017     | 2016     |
|                                | US\$'000              | US\$'000 | US\$'000 | US\$'000 |
| Trade receivables              | 4,715                 | 3,824    | 4,624    | 3,741    |
| Less: Allowance for impairment | (4,715)               | (3,824)  | (4,624)  | (3,741)  |
|                                | <b>-</b>              | <b>-</b> | <b>-</b> | <b>-</b> |

Trade receivables that are individually determined to be impaired at the end of the reporting period relates to debts that have delayed in payments or has indication of default in payments. These trade receivables are not secured by any collaterals or credit enhancements.

# Notes to Financial Statements

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## 7 OTHER RECEIVABLES AND DEPOSITS

|                             | Group            |                  | Company          |                  |
|-----------------------------|------------------|------------------|------------------|------------------|
|                             | 2017<br>US\$'000 | 2016<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Other receivables           | 108              | 99               | 16               | 16               |
| Deposits                    | 1,357            | 745              | 49               | 49               |
| Loans to employees          | 62               | 92               | –                | 13               |
| Insurance claims receivable | 564              | 71               | 49               | –                |
|                             | <b>2,091</b>     | <b>1,007</b>     | <b>114</b>       | <b>78</b>        |

The insurance claim receivable represents the best estimate of losses or damages incurred on various accidents which are recoverable from insurance companies.

## 8 DUE FROM SUBSIDIARIES (NON-TRADE)

These balances are unsecured, interest-free and expected to be settled within 12 months from the end of the reporting period, except:

- An amount of US\$1,603,000 (2016 : US\$1,617,000) which is interest-bearing at 0.5% above London Interbank Offered Rate ("LIBOR") per annum (2016 : 0.5% above London Interbank Offered Rate ("LIBOR") per annum)
- An amount of US\$643,000 (2016 : US\$Nil) which is interest-bearing at 1.5% per annum
- An amount of US\$896,000 (2016 : US\$Nil) which is interest-bearing at 1.0% per annum which is repayable 3 years from the loan.

## 9 INVENTORIES

|               | Group            |                  | Company          |                  |
|---------------|------------------|------------------|------------------|------------------|
|               | 2017<br>US\$'000 | 2016<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Lubricant oil | 572              | 643              | 189              | 198              |
| Bunker        | 1,835            | 1,963            | 1,212            | 1,063            |
|               | <b>2,407</b>     | <b>2,606</b>     | <b>1,401</b>     | <b>1,261</b>     |

# Notes to Financial Statements

December 31, 2017

## 10 ASSETS CLASSIFIED AS HELD FOR SALE

The vessels which are expected to be sold within twelve months have been classified as assets held for sale and presented separately in the statement of financial position. The revenue generated are included in the Group's Bulk and Tanker and Container Shipping (2016 : Group's Container Shipping) activities for segment reporting purposes (Note 38).

|   | Group            |                  |
|---|------------------|------------------|
|   | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Balance at beginning of the year                          | 3,333            | 2,762            |
| Reclassified from property, plant and equipment (Note 12) | 15,893           | 2,365            |
| Disposal during the year (Note A)                         | (12,787)         | (1,381)          |
| Impairment loss   | –                | (413)            |
| Balance at end of the year                                | 6,439            | 3,333            |

### **Note A:**

During the year, the Group had disposed of MV Sinar Jambi, Sinar Jogya, Sinar Padang and Sinar Panjang owned by PT. Samudera Shipping Services ("PT SSS") to third parties and Sinar Jimbaran to a joint venture company.

## 11 INVESTMENT PROPERTIES

|  | Group and Company |                  |
|--|-------------------|------------------|
|  | 2017<br>US\$'000  | 2016<br>US\$'000 |
| <u>Cost</u>                              |                   |                  |
| Balance at beginning and end of the year | 897               | 897              |
| <u>Accumulated depreciation</u>          |                   |                  |
| Balance at beginning of the year         | 240               | 215              |
| Depreciation for the year                | 26                | 25               |
| Balance at end of the year               | 266               | 240              |
| Carrying amount at end of the year       | 631               | 657              |

The Group and the Company have adopted the cost model under FRS 40 for its investment properties.

# Notes to Financial Statements

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## 11 INVESTMENT PROPERTIES (CONT'D)

The fair values of the Group's and the Company's investment properties at December 31, 2017 have been determined on the basis of valuations carried out at the end of the reporting period by independent appraisers having an appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued, and not related to the Group. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In valuing the investment properties, the appraisers have taken into consideration the prevailing market conditions and have made adjustments for differences where necessary before arriving at the most appropriate market value for the investment properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group and the Company classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at December 31, 2017, the fair value measurement of the Group's and the Company's investment properties, amounting to US\$1,440,000 (2016 : US\$1,331,000) are classified within Level 3 of the fair value hierarchy. There were no transfers between different levels during the year.

The following information is relevant, in regards to the investment properties:

| Valuation techniques       | Significant unobservable inputs   | Sensitivity  |
|----------------------------|---|--|
| Market Comparable Approach | Recent transaction prices of the residential property in the vicinity, taking into account the length of tenure, floor area and condition of the units. | A decrease in the market conditions would result in a decrease in fair value and vice versa. |

The property rental income from the Group's and the Company's investment properties, freehold residential properties located in Singapore, all of which are leased out under operating leases, amounted to US\$38,000 (2016 : US\$6,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties amounted to US\$13,000 (2016 : US\$20,000).

In the prior year, the Group's and the Company's investment properties have been placed under legal mortgage to secure the Group's and the Company's bank term loans (Note 16). The legal mortgage was released during the previous financial year.

# Notes to Financial Statements

December 31, 2017

## 12 PROPERTY, PLANT AND EQUIPMENT

| Group   | Vessels<br>US\$'000 | Vessel<br>improvements<br>US\$'000 | Deferred<br>charges<br>US\$'000 |
|---|---------------------|------------------------------------|---------------------------------|
| <u>Cost</u>   |                     |                                    |                                 |
| At January 1, 2016  | 377,805             | 3,764                              | 20,832                          |
| Additions   | —                   | —                                  | 7,045                           |
| Disposals   | (15,580)            | (1,484)                            | (5,855)                         |
| Written off   | —                   | —                                  | —                               |
| Reclass to assets held for sale (Note 10)                 | (2,813)             | —                                  | (1,152)                         |
| Write off of fully depreciated deferred charges component | —                   | —                                  | (5,741)                         |
| Translation difference                                    | —                   | —                                  | —                               |
| At December 31, 2016                                      | 359,412             | 2,280                              | 15,129                          |
| Additions   | —                   | —                                  | 3,614                           |
| Disposals   | (904)               | —                                  | (717)                           |
| Written off   | —                   | —                                  | (537)                           |
| Reclass to assets held for sale (Note 10)                 | (42,486)            | (435)                              | (3,621)                         |
| Write off of fully depreciated deferred charges component | —                   | —                                  | (3,355)                         |
| Translation difference                                    | —                   | —                                  | —                               |
| At December 31, 2017                                      | <b>316,022</b>      | <b>1,845</b>                       | <b>10,513</b>                   |
| <u>Accumulated depreciation</u>                           |                     |                                    |                                 |
| At January 1, 2016  | 125,105             | 3,468                              | 15,268                          |
| Depreciation for the year                                 | 13,633              | 194                                | 5,768                           |
| Disposals   | (14,891)            | (1,484)                            | (5,458)                         |
| Written off   | —                   | —                                  | —                               |
| Reclass to assets held for sale (Note 10)                 | (951)               | —                                  | (649)                           |
| Write off of fully depreciated deferred charges component | —                   | —                                  | (5,741)                         |
| Translation difference                                    | —                   | —                                  | —                               |
| At December 31, 2016                                      | 122,896             | 2,178                              | 9,188                           |
| Depreciation for the year                                 | 12,539              | 102                                | 4,431                           |
| Disposals   | (904)               | —                                  | (717)                           |
| Written off   | —                   | —                                  | (537)                           |
| Reclass to assets held for sale (Note 10)                 | (27,631)            | (435)                              | (2,583)                         |
| Write off of fully depreciated deferred charges component | —                   | —                                  | (3,355)                         |
| Translation difference                                    | —                   | —                                  | —                               |
| At December 31, 2017                                      | <b>106,900</b>      | <b>1,845</b>                       | <b>6,427</b>                    |



| Motor<br>vehicles<br>US\$'000 | Equipment<br>US\$'000 | Furniture<br>and<br>fittings<br>US\$'000 | Renovation<br>US\$'000 | Freehold<br>land<br>US\$'000 | Freehold<br>properties<br>US\$'000 | Warehouse<br>Under<br>construction<br>US\$'000 | Total<br>US\$'000 |
|-------------------------------|-----------------------|--|------------------------|------------------------------|------------------------------------|--|-------------------|
| 847                           | 7,472                 | 947                                      | 772                    | 15,031                       | 7,260                              | –  | 434,730           |
| 61                            | 99                    | 15                                       | –                      | –                            | 737                                | –  | 7,957             |
| (113)                         | (621)                 | (1)                                      | –                      | –                            | –                                  | –  | (23,654)          |
| –                             | (388)                 | –  | (7)                    | –                            | –                                  | –  | (395)             |
| –                             | –                     | –  | –                      | –                            | –                                  | –  | (3,965)           |
| –                             | –                     | –  | –                      | –                            | –                                  | –  | (5,741)           |
| (4)                           | (15)                  | (6)                                      | (2)                    | –                            | (52)                               | –  | (79)              |
| 791                           | 6,547                 | 955                                      | 763                    | 15,031                       | 7,945                              | –  | 408,853           |
| 1                             | 213                   | 18                                       | –                      | –                            | –                                  | 1,902  | 5,748             |
| (12)                          | (8)                   | (1)                                      | –                      | –                            | –                                  | –  | (1,642)           |
| –                             | –                     | –  | –                      | –                            | –                                  | –  | (537)             |
| –                             | –                     | –  | –                      | –                            | –                                  | –  | (46,542)          |
| –                             | –                     | –  | –                      | –                            | –                                  | –  | (3,355)           |
| 12                            | 86                    | 15                                       | 10                     | –                            | 151                                | –  | 274               |
| <b>792</b>                    | <b>6,838</b>          | <b>987</b>                               | <b>773</b>             | <b>15,031</b>                | <b>8,096</b>                       | <b>1,902</b>                                   | <b>362,799</b>    |
| 751                           | 7,184                 | 584                                      | 742                    | –                            | 1,291                              | –  | 154,393           |
| 40                            | 142                   | 88                                       | 10                     | –                            | 186                                | –  | 20,061            |
| (113)                         | (621)                 | (1)                                      | –                      | –                            | –                                  | –  | (22,568)          |
| –                             | (386)                 | –  | (7)                    | –                            | –                                  | –  | (393)             |
| –                             | –                     | –  | –                      | –                            | –                                  | –  | (1,600)           |
| –                             | –                     | –  | –                      | –                            | –                                  | –  | (5,741)           |
| (2)                           | (13)                  | (4)                                      | (2)                    | –                            | (3)                                | –  | (24)              |
| 676                           | 6,306                 | 667                                      | 743                    | –                            | 1,474                              | –  | 144,128           |
| 37                            | 128                   | 107                                      | 7                      | –                            | 206                                | –  | 17,557            |
| (12)                          | (8)                   | (1)                                      | –                      | –                            | –                                  | –  | (1,642)           |
| –                             | –                     | –  | –                      | –                            | –                                  | –  | (537)             |
| –                             | –                     | –  | –                      | –                            | –                                  | –  | (30,649)          |
| –                             | –                     | –  | –                      | –                            | –                                  | –  | (3,355)           |
| 6                             | 79                    | 11                                       | 8                      | –                            | 11                                 | –  | 115               |
| <b>707</b>                    | <b>6,505</b>          | <b>784</b>                               | <b>758</b>             | <b>–</b>                     | <b>1,691</b>                       | <b>–</b>                                       | <b>125,617</b>    |

# Notes to Financial Statements

December 31, 2017

## 12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| Group                                      | Vessels<br>US\$'000 | Vessel<br>improvements<br>US\$'000 | Deferred<br>charges<br>US\$'000 |
|--|---------------------|------------------------------------|---------------------------------|
| <u>Impairment</u>                          |                     |                                    |                                 |
| At January 1, 2016                         | 14,401              | –                                  | –                               |
| Impairment loss recognised during the year | 7,330               | –                                  | –                               |
| At December 31, 2016 and 2017              | <b>21,731</b>       | <b>–</b>                           | <b>–</b>                        |
| <u>Carrying amount</u>                     |                     |                                    |                                 |
| At December 31, 2017                       | <b>187,391</b>      | <b>–</b>                           | <b>4,086</b>                    |
| At December 31, 2016                       | 214,785             | 102                                | 5,941                           |

| Motor<br>vehicles<br>US\$'000 | Equipment<br>US\$'000 | Furniture<br>and<br>fittings<br>US\$'000 | Renovation<br>US\$'000 | Freehold<br>land<br>US\$'000 | Freehold<br>properties<br>US\$'000 | Warehouse<br>Under<br>construction<br>US\$'000 | Total<br>US\$'000 |
|-------------------------------|-----------------------|--|------------------------|------------------------------|------------------------------------|--|-------------------|
| –                             | –                     | –  | –                      | –                            | –                                  | –  | 14,401            |
| –                             | –                     | –  | –                      | –                            | –                                  | –  | 7,330             |
| –                             | –                     | –  | –                      | –                            | –                                  | –  | <b>21,731</b>     |
| <b>85</b>                     | <b>333</b>            | <b>203</b>                               | <b>15</b>              | <b>15,031</b>                | <b>6,405</b>                       | <b>1,902</b>                                   | <b>215,451</b>    |
| 115                           | 241                   | 288                                      | 20                     | 15,031                       | 6,471                              | –  | 242,994           |

# Notes to Financial Statements

December 31, 2017

## 12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| Company   | Vessels<br>US\$'000 | Vessel<br>improvements<br>US\$'000 | Deferred<br>charges<br>US\$'000 |
|---|---------------------|------------------------------------|---------------------------------|
| <u>Cost</u>   |                     |                                    |                                 |
| At January 1, 2016  | 152,256             | 1,284                              | 4,744                           |
| Additions   | —                   | —                                  | 1,089                           |
| Disposals   | —                   | —                                  | —                               |
| Write off of fully depreciated deferred charges component | —                   | —                                  | (1,714)                         |
| Written off   | —                   | —                                  | —                               |
| At December 31, 2016                                      | 152,256             | 1,284                              | 4,119                           |
| Additions   | —                   | —                                  | 1,899                           |
| Write off of fully depreciated deferred charges component | —                   | —                                  | (2,255)                         |
| At December 31, 2017                                      | <b>152,256</b>      | <b>1,284</b>                       | <b>3,763</b>                    |
| <u>Accumulated depreciation</u>                           |                     |                                    |                                 |
| At January 1, 2016  | 42,921              | 989                                | 3,456                           |
| Depreciation for the year                                 | 6,306               | 194                                | 1,265                           |
| Disposals   | —                   | —                                  | —                               |
| Write off of fully depreciated deferred charges component | —                   | —                                  | (1,714)                         |
| Written off   | —                   | —                                  | —                               |
| At December 31, 2016                                      | 49,227              | 1,183                              | 3,007                           |
| Depreciation for the year                                 | 6,306               | 101                                | 1,292                           |
| Write off of fully depreciated deferred charges component | —                   | —                                  | (2,255)                         |
| At December 31, 2017                                      | <b>55,533</b>       | <b>1,284</b>                       | <b>2,044</b>                    |
| <u>Carrying amount</u>                                    |                     |                                    |                                 |
| At December 31, 2017                                      | <b>96,723</b>       | <b>—</b>                           | <b>1,719</b>                    |
| At December 31, 2016                                      | 103,029             | 101                                | 1,112                           |

| Motor<br>vehicles<br>US\$'000 | Equipment<br>US\$'000 | Furniture<br>and<br>fittings<br>US\$'000 | Renovation<br>US\$'000 | Freehold<br>land<br>US\$'000 | Freehold<br>properties<br>US\$'000 | Total<br>US\$'000 |
|-------------------------------|-----------------------|--|------------------------|------------------------------|------------------------------------|-------------------|
| 441                           | 4,993                 | 182                                      | 674                    | 14,293                       | 5,311                              | 184,178           |
| –                             | 57                    | 8  | –                      | –                            | –                                  | 1,154             |
| (76)                          | (124)                 | –  | –                      | –                            | –                                  | (200)             |
| –                             | –                     | –  | –                      | –                            | –                                  | (1,714)           |
| –                             | –                     | –  | (7)                    | –                            | –                                  | (7)               |
| 365                           | 4,926                 | 190                                      | 667                    | 14,293                       | 5,311                              | 183,411           |
| –                             | 157                   | –  | –                      | –                            | –                                  | 2,056             |
| –                             | –                     | –  | –                      | –                            | –                                  | (2,255)           |
| <b>365</b>                    | <b>5,083</b>          | <b>190</b>                               | <b>667</b>             | <b>14,293</b>                | <b>5,311</b>                       | <b>183,212</b>    |
| 441                           | 4,876                 | 182                                      | 674                    | –                            | 1,109                              | 54,648            |
| –                             | 66                    | 1  | –                      | –                            | 124                                | 7,956             |
| (76)                          | (124)                 | –  | –                      | –                            | –                                  | (200)             |
| –                             | –                     | –  | –                      | –                            | –                                  | (1,714)           |
| –                             | –                     | –  | (7)                    | –                            | –                                  | (7)               |
| 365                           | 4,818                 | 183                                      | 667                    | –                            | 1,233                              | 60,683            |
| –                             | 73                    | 2  | –                      | –                            | 124                                | 7,898             |
| –                             | –                     | –  | –                      | –                            | –                                  | (2,255)           |
| <b>365</b>                    | <b>4,891</b>          | <b>185</b>                               | <b>667</b>             | <b>–</b>                     | <b>1,357</b>                       | <b>66,326</b>     |
| <b>–</b>                      | <b>192</b>            | <b>5</b>                                 | <b>–</b>               | <b>14,293</b>                | <b>3,954</b>                       | <b>116,886</b>    |
| –                             | 108                   | 7  | –                      | 14,293                       | 4,078                              | 122,728           |

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## 12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

During the year, the Group carried out a review of the recoverable amount of its vessels, in consideration that there remain indicators that the vessels may be impaired despite the improving shipping industry. The review led to the recognition of an impairment loss of US\$Nil (2016 : US\$6,637,000 and US\$693,000 for its dry bulk carriers and Indonesian flag container vessels respectively) that has been recognised in profit or loss, and included in other operating expenses (Note 28).

### Dry bulk carriers

The recoverable amounts of the dry bulk carriers of US\$73,047,000 (2016 : US\$64,560,000) were determined based on value in use calculations. Cash flow projections used in these calculations are based on financial budgets approved by management covering a period of approximately 18 years (2016 : 19 years), which is based on the remaining useful life of the vessels.

Management determined the budgeted cash flows based on past performance and their expectations of market development. Cash inflows are based on existing charter contracts and management's estimate of the average charter rates over the recent observable shipping industry cycle, which are higher than the prevailing short-term spot charter rates at the year end with the revenue growth rate ranging from 0% to 40% (2016 : 0% to 25%) in certain years. A period of more than 5 years for cash flow projections is prepared as management is able to reasonably estimate the cash flows over the periods using observable market trends. A Weighted Average Cost of Capital ("WACC") of 6.70% (2016 : 6.70%) was used to discount the cash flows. The cost of the equity component of the WACC was derived using the capital asset pricing model.

### Indonesian flag container vessels

The recoverable amount of Indonesian flag container vessels was determined based on fair value less cost of disposal, which were determined based on the market comparable approach that reflects recent transaction prices for similar vessels, with similar age and specifications. In valuing the vessels, the appraisers have taken into consideration the prevailing market conditions and have made adjustments for differences where necessary before arriving at the most appropriate market value for the vessels.

The fair value measurement of the Indonesian flag container vessels as at December 31, 2017 and 2016 was performed by Kantor Jasa Penilai Publik Herly Ariawan and Rekan, independent valuer not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the vessel in the relevant sectors.

As at December 31, 2017, the fair value measurement of the vessels was US\$3,940,000 (2016 : US\$6,036,000).

### Sensitivity analysis

Based on the value in use calculations for vessels as determined by management, possible increase or decrease by 1.0% (2016 : 1.0%) to the following estimates used in management's assessment will affect the value in use increase/(decrease) as follows:

#### **Dry bulk carriers**

|                   | December 31, 2017    |                        |                      |                        |
|-------------------|----------------------|------------------------|----------------------|------------------------|
|                   | Discount rate        |                        | Charter rate         |                        |
|                   | Increase<br>US\$'000 | (Decrease)<br>US\$'000 | Increase<br>US\$'000 | (Decrease)<br>US\$'000 |
| December 31, 2017 | <b>(6,300)</b>       | <b>7,122</b>           | <b>1,235</b>         | <b>(1,235)</b>         |
| December 31, 2016 | (6,553)              | 7,490                  | 1,153                | (1,153)                |

Based on the key assumptions and taking into account the sensitivity analysis above, management has determined that the recoverable amounts of the vessels are appropriate. Accordingly, no allowance or further allowance impairment loss is required.

# Notes to Financial Statements

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## 12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) The carrying amount of motor vehicles of the Group under finance leases amounted to US\$10,000 (2016 : US\$18,000) respectively.
- (b) The Group's and the Company's vessels, freehold land and freehold properties with carrying amount of US\$199,420,000 and US\$109,451,000 (2016 : US\$231,315,000 and US\$115,016,000) respectively have also been placed under legal mortgage to secure the Company's and subsidiaries' bank term loans (Note 16).
- (c) The following shows the carrying amount of the vessels of the Group being chartered out on time charter basis to third parties under operating leases:

|                          | Group    |          |
|--------------------------|----------|----------|
|                          | 2017     | 2016     |
|                          | US\$'000 | US\$'000 |
| Cost                     | 143,842  | 191,040  |
| Accumulated depreciation | (51,395) | (75,441) |
| Carrying amount          | 92,447   | 115,599  |

The depreciation charge for vessels chartered out on time charter basis under operating leases in the year is US\$9,015,000 (2016 : US\$10,718,000).

The charter hire income for the year amounted to US\$19,764,000 (2016 : US\$19,961,000).

- (d) During the financial year, the Group acquired property, plant and equipment with aggregate cost of US\$5,748,000 (2016 : US\$7,957,000) which was acquired by means of cash payment.

## 13 INTANGIBLE ASSETS

### Computer software

|  | Group and Company |
|--|-------------------|
|  | US\$'000          |
| Cost:                                    |                   |
| At January 1, 2016 and December 31, 2016 | —                 |
| Additions                                | 36                |
| At December 31, 2017                     | 36                |
| Amortisation:                            |                   |
| At January 1, 2016 and December 31, 2016 | —                 |
| Amortisation for the year                | 3                 |
| At December 31, 2017                     | 3                 |
| Carrying amount:                         |                   |
| At December 31, 2017                     | 33                |
| At December 31, 2016                     | —                 |

The intangible assets included above have finite useful lives, over which the assets are amortised. The amortisation period for computer software incurred is three years.

The amortisation expense has been included in the line item "marketing and administrative expenses" in profit or loss.

# Notes to Financial Statements

December 31, 2017

## 14 SUBSIDIARIES

|                                     | Company          |                  |
|-------------------------------------|------------------|------------------|
|                                     | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Unquoted equity shares at cost      | <b>72,835</b>    | 73,240           |
| Addition during the year            | <b>408</b>       | –                |
| Liquidation                         | –                | (405)            |
| Less: Allowance for impairment loss | –                | (345)            |
|                                     | <b>73,243</b>    | 72,490           |

Movement in allowance for impairment loss:

|                                  | Company          |                  |
|----------------------------------|------------------|------------------|
|                                  | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Balance at beginning of the year | <b>(345)</b>     | (398)            |
| Impairment written back          | <b>345</b>       | –                |
| Impairment written off           | –                | 53               |
| Balance at end of the year       | <b>–</b>         | (345)            |

Details of the subsidiaries are as follows:

| Name of subsidiary   | Principal activities   | Country of incorporation | Proportion of ownership interest |           | Cost of investment held by the Company |                  |
|--|--|--------------------------|----------------------------------|-----------|--|------------------|
|  |  |                          | 2017<br>%                        | 2016<br>% | 2017<br>US\$'000                       | 2016<br>US\$'000 |
| Foremost Maritime Pte Ltd ("Foremost") <sup>(1)</sup>              | Owning and chartering of vessels   | Singapore                | <b>100</b>                       | 100       | <b>72,021</b>                          | 72,021           |
| SILkargo Logistics (Singapore) Pte Ltd ("SILkargo") <sup>(1)</sup> | Sea freight forwarding, shipping agency and container freight station services | Singapore                | <b>100</b>                       | 100       | <b>712</b>                             | 345              |
| Samudera Logistics DWC LLC ("SL DWC")                              | Sea freight forwarding and shipping agency                                     | United Arab Emirates     | <b>40</b>                        | 40        | <b>109</b>                             | 109              |
| Prime Maritime DWC LLC ("PM DWC") <sup>(3)</sup>                   | Owning and operating of vessel   | United Arab Emirates     | <b>51</b>                        | –         | <b>42</b>                              | –                |
| Samudera Intermodal Sdn Bhd ("SISB")                               | Shipping agency  | Malaysia                 | <b>65</b>                        | 65        | <b>217</b>                             | 217              |
| Samudera Shipping Line (India) Pvt Ltd                             | Shipping agency  | India                    | <b>100</b>                       | 100       | <b>28</b>                              | 28               |
| Samudera Traffic Co Ltd ("STC") <sup>(3)</sup>                     | Shipping agency  | Thailand                 | <b>49</b>                        | 49        | <b>114</b>                             | 114              |



# Notes to Financial Statements

December 31, 2017

## 14 SUBSIDIARIES (CONT'D)

| Name of subsidiary                                       | Principal activities                                      | Country of incorporation | Proportion of ownership interest |           | Cost of investment held by the Company |                  |
|--|---|--------------------------|----------------------------------|-----------|--|------------------|
|  |   |                          | 2017<br>%                        | 2016<br>% | 2017<br>US\$'000                       | 2016<br>US\$'000 |
| <u>Held by subsidiaries</u>                              |   |                          |                                  |           |  |                  |
| PT. Samudera Shipping Services ("PT SSS") <sup>(2)</sup> | Owning and chartering of vessels                          | Indonesia                | 95                               | 95        | –                                      | –                |
| Samudera Logistics DWC LLC ("SL DWC")                    | Sea freight forwarding and shipping agency                | United Arab Emirates     | 60                               | 60        | –                                      | –                |
| Shal Hawk Silkargo Sdn Bhd ("SHS") <sup>(3)</sup>        | Warehousing activity                                      | Malaysia                 | 51                               | –         | –                                      | –                |
| Samudera Cargo Services LLC ("SCS") <sup>(3)</sup>       | Sea freight forwarding, shipping agency and custom broker | United Arab Emirates     | 49                               | 49        | –                                      | –                |
|  |   |                          |                                  |           | <b>73,243</b>                          | 72,834           |

<sup>(1)</sup> Audited by Deloitte & Touche LLP, Singapore

<sup>(2)</sup> Audited by overseas practice of Deloitte Touche Tohmatsu Limited

<sup>(3)</sup> STC, SCS, PM DWC and SHS are accounted for as subsidiaries and the results are consolidated in the Group's financial statements as the Group has effective control over these subsidiaries. For details, refer to Notes 3(a)(iv) to 3(a)(vii).

Information about the composition of the Group at the end of the financial year is as follows:

| Principal activity   | Place of incorporation and operation | Number of wholly-owned subsidiaries |                   |
|--|--------------------------------------|-------------------------------------|-------------------|
|  |                                      | December 31, 2017                   | December 31, 2016 |
| Owning and chartering of vessels   | Singapore                            | <b>1</b>                            | 1                 |
| Sea freight forwarding, shipping agency and container freight station services | Singapore                            | <b>1</b>                            | 1                 |
| Sea freight forwarding and shipping agency                                     | United Arab Emirates                 | <b>1</b>                            | 1                 |
| Shipping agency  | India                                | <b>1</b>                            | 1                 |
|  |                                      | <b>4</b>                            | 4                 |

# Notes to Financial Statements

December 31, 2017

## 14 SUBSIDIARIES (CONT'D)

| Principal activity  | Place of incorporation and operation | Number of non-wholly-owned subsidiaries |                   |
|---|--------------------------------------|---|-------------------|
|   |                                      | December 31, 2017                       | December 31, 2016 |
| Sea freight forwarding, shipping agency and custom broker | United Arab Emirates                 | 1                                       | 1                 |
| Owning and operating of vessel                            | United Arab Emirates                 | 1                                       | –                 |
| Shipping agency   | Malaysia                             | 1                                       | 1                 |
| Shipping agency   | Thailand                             | 1                                       | 1                 |
| Warehousing activity                                      | Malaysia                             | 1                                       | –                 |
| Owning and chartering of vessels                          | Indonesia                            | 1                                       | 1                 |
|   |                                      | <b>6</b>                                | <b>4</b>          |

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

| Name of subsidiary  | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests |      | Profit (Loss) allocated to non-controlling interest |          | Accumulated non-controlling interests |          |
|---|--|---|------|---|----------|---------------------------------------|----------|
|   |  | 2017  | 2016 | 2017  | 2016     | 2017                                  | 2016     |
|   |  | %   | %    | US\$'000  | US\$'000 | US\$'000                              | US\$'000 |
| PT. Samudera Shipping Services                                      | Indonesia  | 5   | 5    | 178   | (59)     | 4,406                                 | 4,211    |
| Individually immaterial subsidiaries with non-controlling interests |  |   |      | (318)   | 183      | 347                                   | 513      |
| Total   |  |   |      | (140)   | 124      | 4,753                                 | 4,724    |

# Notes to Financial Statements

December 31, 2017

## 14 SUBSIDIARIES (CONT'D)

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

| Name of subsidiary                                    | PT Samudera<br>Shipping Services |                  |
|---|----------------------------------|------------------|
|   | 2017<br>US\$'000                 | 2016<br>US\$'000 |
| Current assets  | 63,609                           | 46,653           |
| Non-current assets                                    | 33,395                           | 53,517           |
| Current liabilities                                   | (8,446)                          | (13,065)         |
| Non-current liabilities                               | (441)                            | (2,708)          |
| <b>Net assets</b>                                     | <b>88,117</b>                    | <b>84,397</b>    |
| Equity attributable to owners of the subsidiary       | 83,711                           | 80,186           |
| Non-controlling interests                             | 4,406                            | 4,211            |
| <b>Total equity</b>                                   | <b>88,117</b>                    | <b>84,397</b>    |
| Total revenue   | 25,498                           | 32,696           |
| Total expenses  | (21,939)                         | (33,877)         |
| Profit (Loss) for the year                            | 3,559                            | (1,181)          |
| Attributable to:                                      |                                  |                  |
| Owners of the subsidiary                              | 3,381                            | (1,122)          |
| Non-controlling interests                             | 178                              | (59)             |
| <b>Other comprehensive income for the year</b>        | <b>161</b>                       | <b>32</b>        |
| Attributable to:                                      |                                  |                  |
| Owners of the subsidiary                              | 153                              | 30               |
| Non-controlling interests                             | 8                                | 2                |
| <b>Total comprehensive profit (loss) for the year</b> | <b>3,720</b>                     | <b>(1,149)</b>   |
| Attributable to:                                      |                                  |                  |
| Owners of the subsidiary                              | 3,534                            | (1,092)          |
| Non-controlling interests                             | 186                              | (57)             |
| Net cash inflow from operating activities             | 6,354                            | 14,023           |
| Net cash inflow (outflow) from investing activities   | 3,470                            | (10,999)         |
| Net cash (outflow) from financing activities          | (2,861)                          | (3,684)          |
| Net cash inflow (outflow)                             | 6,963                            | (660)            |

# Notes to Financial Statements

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## 15 ASSOCIATE AND JOINT VENTURE

| Associate                           | Group            |                  | Company          |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | 2017<br>US\$'000 | 2016<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Unquoted equity shares, at cost     | 12,117           | 12,117           | 12,117           | 12,117           |
| Dividends received                  | (1,488)          | (1,341)          | –                | –                |
| Share of post-acquisition profits   | 1,988            | 2,062            | –                | –                |
| Share of hedging reserve            | (2,281)          | (3,458)          | –                | –                |
| Less: Allowance for impairment loss | –                | –                | (2,018)          | (2,018)          |
| Translation difference              | (759)            | (759)            | –                | –                |
|                                     | <b>9,577</b>     | <b>8,621</b>     | <b>10,099</b>    | <b>10,099</b>    |

| Joint venture   | Group            |                  |
|---|------------------|------------------|
|   | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Unquoted equity shares, at cost                           | 198              | 198              |
| Share of post-acquisition losses                          | (574)            | (9)              |
| Excess of losses applied to amount due from joint venture | 373              | –                |
| Translation difference                                    | 3                | –                |
|   | <b>–</b>         | <b>189</b>       |

Details of the associate and joint venture are as follows:

| Details of the associate and joint venture are as follows:        |   |                          |                                  |           |
|---|---|--------------------------|----------------------------------|-----------|
| Name  | Principal activities  | Country of incorporation | Proportion of ownership interest |           |
|   |   |                          | 2017<br>%                        | 2016<br>% |
| <u>Associate</u>  |   |                          |                                  |           |
| LNG East-West Shipping Company (Singapore) Pte Ltd <sup>(1)</sup> | Owning, managing and chartering of vessels and ship brokering | Singapore                | 25                               | 25        |
| <u>Joint Venture</u>  |   |                          |                                  |           |
| Samudera Bharat Feeder Pvt Ltd                                    | Owning and operating of vessel                                | India                    | 49                               | 49        |

<sup>(1)</sup> Audited by Ernst & Young LLP, Singapore

# Notes to Financial Statements

December 31, 2017

## 15 ASSOCIATE AND JOINT VENTURE (CONT'D)

Summarised financial information in respect of the Group's material associate, not adjusted for the proportion of interest held by the Group is set out below:

| <b>Associate</b>                        | <b>2017<br/>US\$'000</b> | <b>2016<br/>US\$'000</b> |
|---|--------------------------|--------------------------|
| Current assets                          | <b>21,185</b>            | 21,266                   |
| Non-current assets <sup>(1)</sup>       | <b>135,437</b>           | 140,830                  |
| Total assets                            | <b>156,622</b>           | 162,096                  |
| Current liabilities                     | <b>9,021</b>             | 9,583                    |
| Non-current liabilities                 | <b>120,277</b>           | 129,012                  |
| Total liabilities                       | <b>129,298</b>           | 138,595                  |
| <b>Net assets</b>                       | <b>27,324</b>            | 23,501                   |
| Revenue                                 | <b>22,510</b>            | 24,824                   |
| Profit for the year                     | <b>5,068</b>             | 6,195                    |
| Other comprehensive income for the year | <b>4,706</b>             | 4,485                    |
| Total comprehensive income for the year | <b>9,774</b>             | 10,680                   |

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

| <b>Joint Venture</b>                                      | <b>2017<br/>US\$'000</b> | <b>2016<br/>US\$'000</b> |
|---|--------------------------|--------------------------|
| Net assets  | <b>27,324</b>            | 23,501                   |
| Proportion of the Group's ownership interest              | <b>25%</b>               | 25%                      |
| Share of net assets                                       | <b>6,831</b>             | 5,875                    |
| Goodwill (included in cost of investment of associate)    | <b>2,724</b>             | 2,724                    |
| Other costs (included in cost of investment of associate) | <b>22</b>                | 22                       |
| Carrying amount of the Group's interest in associate      | <b>9,577</b>             | 8,621                    |

Aggregate information of joint venture that are not individually material:

|  | <b>2017<br/>US\$'000</b> | <b>2016<br/>US\$'000</b> |
|--|--------------------------|--------------------------|
| The Group's share of the loss for the year         | <b>(565)</b>             | (9)                      |
| The Group's share of other comprehensive income    | <b>—</b>                 | —                        |
| The Group's share of total comprehensive income    | <b>(565)</b>             | (9)                      |
| Aggregate carrying amount of the Group's interests | <b>—</b>                 | 189                      |

<sup>(1)</sup> Non-current assets comprise mainly of a Liquefied Natural Gas ("LNG") vessel for which the useful life has been determined to be 35 years (2016 : 35 years).

# Notes to Financial Statements

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## 16 BANK TERM LOANS

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2017<br>US\$'000 | 2016<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 |
| <u>Current – secured at amortised cost</u>        |                  |                  |                  |                  |
| Amounts due not later than one year               | <b>16,871</b>    | 20,910           | <b>8,106</b>     | 11,488           |
| <u>Non-current – secured at amortised cost</u>    |                  |                  |                  |                  |
| Amounts due:                                      |                  |                  |                  |                  |
| Later than one year but not later than five years | <b>43,585</b>    | 47,807           | <b>16,870</b>    | 18,970           |
| Later than five years                             | <b>2,689</b>     | 15,955           | –                | 6,668            |
|   | <b>46,274</b>    | 63,762           | <b>16,870</b>    | 25,638           |
| Total   | <b>63,145</b>    | 84,672           | <b>24,976</b>    | 37,126           |

The details of bank term loans are as follows:

|  | 2017<br>US\$'000 | 2016<br>US\$'000 |
|--|------------------|------------------|
| <b>a) The Company</b>  |                  |                  |
| (i) SGD21,590,000 repayable in 119 monthly instalments commencing September 2006 with a certain remaining amount to be paid at the end of the term with an option to extend for a further 10 years. Interest is payable at 0.95% above Swap Offer Rate per annum. The loan was extended for 5 years in July 2016.  | <b>6,882</b>     | 7,131            |
| (ii) SGD2,053,000 repayable in 120 monthly instalments commencing October 2007. Interest is payable at 0.95% above Swap Offer Rate per annum.  | –                | 106              |
| (iii) SGD10,000,000 repayable in 59 equal monthly instalments commencing April 2012 with a certain remaining amount to be paid at the end of the term. Interest is payable at 1.80% above Swap Offer Rate per annum. The loan was extended till March 2022 in June 2017 with interest payable at 1.5% above Swap Offer Rate per annum.   | <b>5,009</b>     | 5,121            |
| (iv) USD23,120,000 repayable in 40 quarterly instalments commencing May 2008 with a certain remaining amount to be paid at the end of the term. Interest is payable at 1.22% above LIBOR per annum. The remaining amount of USD3,535,000 due in May 2018 has been extended for 3 years and repayable in 13 quarterly instalments commencing May 2018, with interest payable at 2.0% above LIBOR per annum. | <b>4,014</b>     | 6,734            |
| (v) USD33,600,000 repayable in 48 quarterly instalments commencing June 2008. Interest is payable at 1.35% above LIBOR per annum.  | <b>4,521</b>     | 7,313            |

# Notes to Financial Statements

December 31, 2017

## 16 BANK TERM LOANS (CONT'D)

|                                |   | 2017<br>US\$'000 | 2016<br>US\$'000 |
|--------------------------------|---|------------------|------------------|
| <b>a) The Company (cont'd)</b> |   |                  |                  |
| (vi)                           | USD28,400,000 repayable in 48 quarterly instalments commencing October 2008. Interest is payable at 1.35% above LIBOR per annum.  | 4,297            | 6,656            |
| (vii)                          | USD9,703,000 repayable in 83 equal monthly instalments commencing April 2011 and a final instalment for the remaining amount at the end of the term. Interest is payable at 2.20% above LIBOR per annum.        | 253              | 1,650            |
| (viii)                         | USD12,160,000 repayable in 27 equal quarterly instalments commencing September 2011 and a final instalment for the remaining amount at the end of the term. Interest is payable at 1.90% above LIBOR per annum. | –                | 2,415            |
|                                |   | <b>24,976</b>    | <b>37,126</b>    |
| <b>b) Subsidiaries</b>         |   |                  |                  |
| (i)                            | USD7,136,000 repayable in 83 equal monthly instalments commencing in March 2012 with the remaining amount to be paid at the end of the term. Interest is payable at 2.30% above LIBOR.                          | 1,189            | 2,209            |
| (ii)                           | USD8,225,000 repayable in 83 equal monthly instalments commencing in March 2012 with the remaining amount to be paid at the end of the term. Interest is payable at 2.30% above LIBOR.                          | 1,371            | 2,546            |
| (iii)                          | USD78,012,000 repayable in 48 equal quarterly instalments commencing July 2011. Interest is payable at 0.55% above LIBOR per annum.   | 35,106           | 41,607           |
| (iv)                           | IDR41,884,125,000 repayable in 24 consecutive quarterly instalments commencing January 2012. Interest is payable at 10.00% per annum.   | –                | 311              |
| (v)                            | IDR23,854,163,000 repayable in 23 consecutive quarterly instalments commencing January 2012. Interest is payable at 10.00% per annum.   | –                | 355              |
| (vi)                           | Thai Baht ("THB") 20,000,000 repayable in 96 monthly instalments commencing May 2016. Interest is payable at Minimum Loan Rate ("MLR") less 1% per annum.   | 503              | 518              |
|                                |   | <b>38,169</b>    | <b>47,546</b>    |
| Total                          |   | <b>63,145</b>    | <b>84,672</b>    |

# Notes to Financial Statements

December 31, 2017

## 16 BANK TERM LOANS (CONT'D)

The bank term loans are secured as follows:

1. Bank term loans (a)(i) to (a)(iii) and (b)(vi)
  - legal mortgage over freehold land and freehold properties of the Company and a subsidiary (Notes 11 and 12);
  - assignment of insurance; and
  - assignment of income or proceeds of sale if any.
2. Bank term loans (a)(iv) and (a)(viii)
  - corporate guarantee<sup>(1)</sup> from a subsidiary;
  - legal mortgages over certain vessels of the Group (Note 12);
  - assignment of income from charter hire contracts; and
  - assignment of insurance of the vessels.
3. Bank term loans (a)(v) and (a)(vi)
  - legal mortgages over certain vessels of the Company (Note 12);
  - assignment of income from charter hire contracts; and
  - assignment of insurance of the vessels.
4. Bank term loan (a)(vii)
  - legal mortgage over certain vessels of the Group (Note 12);
  - assignment of income from charter hire contracts; and
  - assignment of insurance of the vessels.
5. Bank term loans (b)(i) to (b)(ii)
  - corporate guarantee<sup>(1)</sup> from the Company;
  - legal mortgages over certain vessels of the subsidiaries (Note 12);
  - assignment of income from charter hire contracts; and
  - assignment of insurance of the vessels.
6. Bank term loan (b)(iii)
  - corporate guarantee<sup>(1)</sup> from the Company and a subsidiary;
  - legal mortgages over certain vessels of the subsidiaries (Note 12);
  - pledges over certain bank accounts of a subsidiary (Note 5);
  - assignment of income from charter hire contracts; and
  - assignment of insurance of the vessels.
7. Bank term loans (b)(iv) and (b)(v)
  - legal mortgages over certain vessels of a subsidiary (Note 12); and
  - assignment of insurance of the vessels.

<sup>(1)</sup> The fair value of the corporate guarantee is assessed by the management to be insignificant.



# Notes to Financial Statements

December 31, 2017

## 16 BANK TERM LOANS (CONT'D)

### *Reconciliation of liabilities arising from financing activities*

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

The cash flows represent the repayment of bank term loans and finance leases in the statement of cash flows.

|  | January 1,<br>2017<br>US\$'000 | Financing<br>cash flows<br>US\$'000 | Foreign<br>exchange<br>movement<br>US\$'000 | December 31,<br>2017<br>US\$'000 |
|--|--------------------------------|-------------------------------------|---|----------------------------------|
| <u>Group</u>                             |                                |                                     |   |                                  |
| Bank term loans (Note 16)                | 84,672                         | (22,548)                            | 1,021                                       | 63,145                           |
| Finance leases (Note 19)                 | 36                             | (28)                                | 2   | 10                               |
| Loans from NCI of subsidiaries (Note 21) | —                              | 1,206                               | —   | 1,206                            |
| Total                                    | 84,708                         | (21,370)                            | 1,023                                       | 64,361                           |

## 17 TRADE PAYABLES

The average credit period granted by suppliers ranged from 30 to 60 days (2016 : 30 to 60 days). No interest is charged on the outstanding balances.

## 18 OTHER PAYABLES AND LIABILITIES

|                            | Group            |                  | Company          |                  |
|----------------------------|------------------|------------------|------------------|------------------|
|                            | 2017<br>US\$'000 | 2016<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Accrued operating expenses | 20,649           | 17,128           | 12,852           | 11,095           |
| Other payables             | 2,402            | 1,026            | 623              | 112              |
| Deferred income            | 2,308            | 1,301            | 2,261            | 1,279            |
| Total                      | 25,359           | 19,455           | 15,736           | 12,486           |

# Notes to Financial Statements

December 31, 2017

## 19 FINANCE LEASES

|  | Group                  |                  |   |                  |
|--|------------------------|------------------|---|------------------|
|  | Minimum lease payments |                  | Present value of minimum lease payments |                  |
|  | 2017<br>US\$'000       | 2016<br>US\$'000 | 2017<br>US\$'000                        | 2016<br>US\$'000 |
| Amounts payable under finance leases:  |                        |                  |   |                  |
| Within one year  | 4                      | 30               | 4                                       | 27               |
| In the second to fifth years inclusive   | 7                      | 10               | 6                                       | 9                |
|  | 11                     | 40               | 10                                      | 36               |
| Less: Future finance charges   | (1)                    | (4)              | N/A                                     | N/A              |
| Present value of lease obligations   | 10                     | 36               | 10                                      | 36               |
| Less: Amount due for settlement within 12 months (shown under current liabilities) |                        |                  | (4)                                     | (27)             |
| Amount due for settlement after 12 months  |                        |                  | 6                                       | 9                |

|  | Company                |                  |   |                  |
|--|------------------------|------------------|---|------------------|
|  | Minimum lease payments |                  | Present value of minimum lease payments |                  |
|  | 2017<br>US\$'000       | 2016<br>US\$'000 | 2017<br>US\$'000                        | 2016<br>US\$'000 |
| Amounts payable under finance leases:  |                        |                  |   |                  |
| Within one year  | -                      | 26               | -                                       | 23               |
| In the second to fifth years inclusive   | N/A                    | N/A              | N/A                                     | N/A              |
|  | -                      | 26               | -                                       | 23               |
| Less: Future finance charges   | N/A                    | (3)              | N/A                                     | N/A              |
| Present value of lease obligations   | -                      | 23               | -                                       | 23               |
| Less: Amount due for settlement within 12 months (shown under current liabilities) |                        |                  | -                                       | (23)             |
| Amount due for settlement after 12 months  |                        |                  | -                                       | -                |

It is the Group's and the Company's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is 5 years. For the year ended December 31, 2017, the borrowing rate ranged from 3.9% to 5.1% (2016 : 3.9% to 5.1%) per annum. Interest rates are fixed at the contract date, and thus expose the Group and the Company to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's and the Company's obligations under finance leases are secured by the lessors' title to the leased assets.

# Notes to Financial Statements

December 31, 2017

## 20 RETIREMENT BENEFIT OBLIGATIONS

### Defined contribution plans

#### Singapore (the Company and its subsidiary)

The employees of the Company and its subsidiary that are located in Singapore are members of a state-managed retirement benefit plan, the Central Provident Fund Board, operated by the Government of Singapore. The Company and its subsidiary are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### Defined benefit plan

#### Indonesia (PT SSS)

PT SSS provides a defined benefit pension plan, covering substantially all their permanent employees, which is funded through monthly contributions to a separately administered fund in Indonesia. The benefits under such pension plan have been adjusted to cover minimum benefit under Labor Law No.13/2003 of Indonesia. The additional benefits under the Law are unfunded. In addition, PT SSS also provides their employees with other unfunded long-term benefit in the form of vacation leave based on the number of years of service.

The pension plan is managed by Dana Pensiun Samudera Indonesia ("DPSI"), a related party. The deed of establishment of which was approved by the Minister of Finance of the Republic of Indonesia in his decision letter reference: KEP-042/KM.12/2006 dated July 28, 2006.

The plan in Indonesia typically exposes PT SSS to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

|                 |   |
|-----------------|---|
| Investment risk | The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and deposits. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund. |
| Interest risk   | A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's assets.  |
| Longevity risk  | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.   |
| Salary risk     | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.   |

# Notes to Financial Statements

December 31, 2017

## 20 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out by an independent actuary in 2017 and 2016. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

|                                    | Valuation at<br>2017  | 2016  |
|------------------------------------|---|---|
| Mortality rate                     | IMT 3 <sup>(1)</sup>  | IMT 3 <sup>(1)</sup>  |
| Normal pension age                 | 55 years  | 55 years  |
| Salary incremental rate            | 7.0% per annum  | 7.0% per annum  |
| Discount rate                      | 6.5% per annum  | 8.0% per annum  |
| Expected return on investment rate | 10.0% per annum   | 10.0% per annum   |
| Resignation rate                   | 10.0% up to age<br>25 and reducing<br>linearly to 0%<br>at age 55 | 10.0% up to age<br>25 and reducing<br>linearly to 0%<br>at age 55 |

<sup>(1)</sup> The mortality rate was derived from observation of Indonesian life insurance policyholders (IMT III) released in 2011 and load 10% to allow for morbidity or disability.

Amounts recognised in the statement of profit or loss in respect of these defined benefit plans are as follows:

|  | Group<br>2017<br>US\$'000 | 2016<br>US\$'000 |
|--|---------------------------|------------------|
| Current service cost   | 165                       | 252              |
| Interest cost  | 49                        | 74               |
| Interest income  | (54)                      | (64)             |
| Components of defined benefit costs recognised in profit or loss | 160                       | 262              |

The charge for the year is included in the administrative expenses in profit or loss.

Amounts recognised in other comprehensive income in respect of these defined benefit plans are as follows:

|  | Group<br>2017<br>US\$'000 | 2016<br>US\$'000 |
|--|---------------------------|------------------|
| Remeasurement on the net defined benefit liability:                          |                           |                  |
| Return on plan assets (excluding interest income)                            | (7)                       | 42               |
| Actuarial gains arising from changes in financial assumptions                | 66                        | 53               |
| Actuarial losses arising from changes in experience adjustments              | (220)                     | (127)            |
| Components of defined benefit costs recognised in other comprehensive income | (161)                     | (32)             |

# Notes to Financial Statements

December 31, 2017

## 20 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The amount recognised in the statement of financial position in respect of the Group's defined benefit retirement benefit plan is as follow:

|                                       | Group            |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Present value of unfunded obligations | 638              | 793              |
| Fair value of plan assets             | (562)            | (644)            |
| Net liability recognised              | 76               | 149              |

Changes in the present value of the defined benefit obligation are as follows:

|   | Group            |                  |
|---|------------------|------------------|
|   | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Opening defined benefit obligation        | 793              | 1,023            |
| Retirement benefit obligations adjustment | 17               | (41)             |
| Current service cost                      | 165              | 252              |
| Interest cost                             | 49               | 74               |
| Remeasurement (losses) gains:             |                  |                  |
| From changes in financial assumptions     | 66               | 53               |
| From experience adjustments               | (220)            | (127)            |
| Benefit paid                              | (225)            | (470)            |
| Exchange difference                       | (7)              | 29               |
| Closing defined benefit obligation        | 638              | 793              |

Changes in the fair value of the plan assets are as follows:

|   | 2017<br>US\$'000 | 2016<br>US\$'000 |
|---|------------------|------------------|
| Opening fair value of plan assets                 | 644              | 713              |
| Assets adjustment                                 | (82)             | (26)             |
| Interest income                                   | 54               | 64               |
| Remeasurement loss:                               |                  |                  |
| Return on plan assets (excluding interest income) | 7                | (42)             |
| Contributions by plan participants                | 6                | 8                |
| Benefit paid                                      | (64)             | (93)             |
| Exchange difference                               | (3)              | 20               |
| Closing fair value of plan assets                 | 562              | 644              |

The fair value of plan assets at the end of the reporting period is analysed as follows:

|                    | 2017<br>US\$'000 | 2016<br>US\$'000 |
|--------------------|------------------|------------------|
| Deposit            | 113              | 157              |
| Equity instruments | 118              | 113              |
| Debt instruments   | 145              | 153              |
| Other assets       | 186              | 221              |
| Total              | 562              | 644              |

# Notes to Financial Statements

December 31, 2017

## 20 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The Group had assessed that any reasonably possible change to the key assumptions applied is not likely to cause the retirement benefit obligations to increase or decrease significantly. Accordingly, no sensitivity analysis is performed.

PT SSS funds the cost of the entitlements expected to be earned on a yearly basis. Employees pay a fixed 4% of pensionable salary. The residual contribution (including back service payments) is paid by PT SSS. Apart from paying the costs of the entitlements, PT SSS is not liable to pay additional contributions in case the fund does not hold sufficient assets.

The average duration of the benefit obligation at December 31, 2017 is 8 years (2016 : 8 years).

## 21 DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

These balances are unsecured and include the following terms:

- An amount of US\$616,000 (2016 : US\$ Nil) which is interest-bearing at 1.5% per annum and expected to be settled within 12 months from the end of the reporting period.
- An amount of US\$590,000 (2016 : US\$ Nil) which is interest-bearing at 1.0% per annum and expected to be settled within 3 years from the end of the reporting period.

## 22 SHARE CAPITAL

|                                      | Group and Company<br>2017 and 2016 |               |
|--------------------------------------|------------------------------------|---------------|
|                                      | No. of shares                      | US\$'000      |
| <i>Issued and paid up:</i>           |                                    |               |
| At the beginning and end of the year | <b>539,131,199</b>                 | <b>68,761</b> |

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

# Notes to Financial Statements

December 31, 2017

## 23 TREASURY SHARES

|                                      | Group and Company<br>2017 and 2016 |              |
|--------------------------------------|------------------------------------|--------------|
|                                      | No. of shares                      | US\$'000     |
| <i>Issued and paid up:</i>           |                                    |              |
| At the beginning and end of the year | <b>(1,093,000)</b>                 | <b>(174)</b> |

Treasury shares relate to ordinary shares of the Company that is held by the Company.

## 24 OTHER RESERVES

|  | Group            |                  |
|--|------------------|------------------|
|  | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Statutory reserve (a)                    | <b>15</b>        | 15               |
| Hedging reserve (b)                      | <b>(2,281)</b>   | (3,458)          |
| Employee benefits obligation reserve (c) | <b>732</b>       | 571              |
|  | <b>(1,534)</b>   | (2,872)          |

### (a) Statutory reserve

A subsidiary in Thailand is required to set aside a statutory reserve equal to the least 5% of its net profit each time the subsidiary pays out a dividend, until such reserve reaches 10% of the subsidiary's registered share capital. The statutory reserve cannot be used to offset any deficit and dividend payment.

### (b) Hedging reserve

The hedging reserve represent the Group's interest portion of the fair value changes on derivative financial instruments held by the associate which is designated as hedging instruments in cash flow hedges that is determined to be an effective hedge by the associate.

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2017<br>US\$'000 | 2016<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Balance at beginning of the year                      | <b>(3,458)</b>   | (4,579)          | —                | —                |
| Share of net change in associate's<br>hedging reserve | <b>1,177</b>     | 1,121            | —                | —                |
| Balance at end of the year                            | <b>(2,281)</b>   | (3,458)          | —                | —                |

### (c) Employee benefits obligation reserve

The employee benefits obligation reserve represents the effects of the remeasurement of defined benefit obligation (Note 20).

# Notes to Financial Statements

December 31, 2017

## 25 FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

## 26 REVENUE

|  | Group          |          |
|--|----------------|----------|
|  | 2017           | 2016     |
|  | US\$'000       | US\$'000 |
| Freight operations                     | <b>233,934</b> | 208,965  |
| Charter hire (time and voyage charter) | <b>20,464</b>  | 23,642   |
| Pool revenue                           | <b>2,213</b>   | 1,016    |
| Ship management and operation services | <b>5,778</b>   | 7,268    |
| Sea freight forwarding services        | <b>3,732</b>   | 2,755    |
| Other services                         | <b>17,580</b>  | 16,820   |
|  | <b>283,701</b> | 260,466  |

## 27 OTHER OPERATING INCOME

|   | Group        |          |
|---|--------------|----------|
|   | 2017         | 2016     |
|   | US\$'000     | US\$'000 |
| Gain on disposal of property, plant and equipment, net                                      | <b>79</b>    | –        |
| Gain on disposal of assets held for sale (vessels)  | <b>965</b>   | 18       |
| Rental income   | <b>349</b>   | 297      |
| Net foreign exchange gains  | <b>219</b>   | 848      |
| Gain on disposal of investment at fair value through profit or loss – investment securities | <b>32</b>    | 48       |
| Insurance and other claims  | <b>482</b>   | 2,396    |
| Others  | <b>220</b>   | 361      |
|   | <b>2,346</b> | 3,968    |

## 28 OTHER OPERATING EXPENSES

|   | Group      |          |
|---|------------|----------|
|   | 2017       | 2016     |
|   | US\$'000   | US\$'000 |
| Property, plant and equipment written off             | –          | 2        |
| Impairment of property, plant and equipment (vessels) | –          | 7,330    |
| Impairment of assets held for sale (vessels)          | –          | 413      |
| Loss on disposal of property, plant and equipment     | –          | 121      |
| Others  | <b>128</b> | –        |
|   | <b>128</b> | 7,866    |



# Notes to Financial Statements

December 31, 2017

## 29 FINANCE INCOME

|  | Group            |                  |
|--|------------------|------------------|
|  | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Interest income from call deposits and bank balances | <b>581</b>       | 450              |

## 30 FINANCE COSTS

|   | Group            |                  |
|---|------------------|------------------|
|   | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Interest on bank term loans                 | <b>1,674</b>     | 1,874            |
| Interest on obligation under finance leases | <b>3</b>         | 6                |
|   | <b>1,677</b>     | 1,880            |

## 31 INCOME TAX EXPENSE

Income tax recognised in profit or loss:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Current income tax:                              |                  |                  |
| Current year                                     | <b>705</b>       | 1,226            |
| (Over) Under provision in respect of prior years | <b>(410)</b>     | 317              |
| Deferred tax:                                    |                  |                  |
| Current year                                     | <b>19</b>        | (33)             |
| Overprovision in respect of prior years          | <b>-</b>         | (3)              |
|  | <b>314</b>       | 1,507            |

Domestic income tax is calculated at 17% (2016 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Company has been granted an extension of the status of the Approved International Shipping Enterprise ("AIS") with effect from September 15, 2014 for a period of 10 years. The AIS incentive exempts certain income derived by the Company from Singapore Income Tax, subject to compliance with the relevant conditions under the scheme and those income not qualifying for incentive will be taxable at the existing corporate income tax rate.

The income of Foremost Maritime Pte Ltd, a subsidiary, which arises from shipping activities, is exempted from income tax in accordance with section 13A of the Singapore Income Tax Act, Cap. 134.

Income arising from other activities do not enjoy the above-mentioned income tax incentives and exemption. The income of the other companies in the Group are subject to the relevant income tax laws and regulations in the respective countries in which they operate.

# Notes to Financial Statements

December 31, 2017

## 31 INCOME TAX EXPENSE (CONT'D)

The tax charge for the year can be reconciled to the accounting (loss) profit as follows:

|   | Group          |          |
|---|----------------|----------|
|   | 2017           | 2016     |
|   | US\$'000       | US\$'000 |
| Profit (Loss) before tax  | <b>6,112</b>   | (3,797)  |
| Income tax expense calculated at 17% (2016 : 17%)                             | <b>1,039</b>   | (645)    |
| Effect of income that is not taxable/deductible in determining taxable profit | <b>(1,215)</b> | (254)    |
| Effect of different tax rates for foreign subsidiaries and associate          | <b>(331)</b>   | 775      |
| Effect of tax losses disallowed   | <b>835</b>     | 1,141    |
| (Over) Under provision in respect of prior years                              | <b>(410)</b>   | 314      |
| Others  | <b>396</b>     | 176      |
|   | <b>314</b>     | 1,507    |

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is US\$32.5 million (2016 : US\$28.3 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 32 PROFIT (LOSS) FOR THE YEAR

Profit (Loss) for the year has been arrived at after charging (crediting):

|  | Group         |          |
|--|---------------|----------|
|  | 2017          | 2016     |
|  | US\$'000      | US\$'000 |
| Operating lease expenses (included in cost of sales) | <b>48,565</b> | 49,918   |
| Directors' fees                                      | <b>151</b>    | 149      |
| Audit fee:   |               |          |
| Auditors of the Company                              | <b>158</b>    | 160      |
| Member firms of the auditors of the Company          | <b>41</b>     | 37       |
| Other auditors                                       | <b>34</b>     | 28       |
| Non-audit fee:                                       |               |          |
| Auditors of the Company                              | <b>43</b>     | 14       |
| Other auditors                                       | <b>18</b>     | 4        |
| Depreciation of property, plant and equipment        | <b>17,557</b> | 20,061   |
| Depreciation of intangible assets                    | <b>3</b>      | —        |
| Depreciation of investment property                  | <b>26</b>     | 25       |
| Allowance for doubtful trade debts                   | <b>1,794</b>  | 3,239    |
| Write-back of doubtful trade debts                   | <b>(768)</b>  | (204)    |
| <u>Employee benefits:</u>                            |               |          |
| Wages, salaries and benefits                         | <b>10,427</b> | 9,817    |
| Central Provident Fund and other pension costs       | <b>1,241</b>  | 915      |
|  | <b>11,668</b> | 10,732   |

# Notes to Financial Statements

December 31, 2017

## 33 EARNINGS (LOSSES) PER SHARE

The earnings per share for respective years has been computed based on the profit attributable to owners of the Company of US\$5,938,000 (2016 : loss attributable to the owners of the Company of US\$5,428,000) and the weighted average number of shares in issue during the financial year is 538,038,199 (2016 : 538,038,199).

|   | Group       |               |
|---|-------------|---------------|
|   | 2017        | 2016          |
| Basic and diluted earnings (losses) per share (cents) | <u>1.10</u> | <u>(1.01)</u> |

## 34 DIVIDENDS

|  | Group and Company |          |
|--|-------------------|----------|
|  | 2017              | 2016     |
|  | US\$'000          | US\$'000 |

### Declared and paid during the year:

#### *Dividends on ordinary shares:*

Final dividend paid: 0.50 Singapore cents per ordinary share (tax exempt) in respect of previous financial year (2016 : 0.27 Singapore cents per ordinary share (tax exempt) in respect of previous financial year)

1,922      1,084

Special dividend paid: Nil Singapore cents per ordinary share (tax exempt) in respect of previous financial year (2016 : 0.45 Singapore cents per ordinary share (tax exempt) in respect of previous financial year)

-      1,807  
1,922      2,891

### Proposed and not recognised as a liability as at the end of the reporting period:

#### *Dividends on ordinary shares subject to shareholders' approval at the Annual General Meeting:*

Final one-tier tax exempt dividend for financial year ended December 31, 2017 of 0.75 Singapore cents per share, total dividend payable amounting to SGD4,035,000 (Final one-tier tax exempt dividend for financial year ended December 31, 2016 of 0.50 Singapore cents per share, total dividend payable amounting to SGD2,690,000)

3,011      1,885

# Notes to Financial Statements

December 31, 2017

## 35 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of PT. Samudera Indonesia Tbk, incorporated in Indonesia, which is a public limited company listed on the Jakarta Stock Exchange. The ultimate holding company is PT. Samudera Indonesia Tangguh, also incorporated in Indonesia. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the Company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and expected to be settled within 12 months from the end of the reporting period unless otherwise stated.

During the year, Group entities entered into the following transactions with related companies that are not members of the Group:

|                                    | <b>Group</b>    |                 |
|------------------------------------|-----------------|-----------------|
|                                    | <b>2017</b>     | <b>2016</b>     |
|                                    | <b>US\$'000</b> | <b>US\$'000</b> |
| <b>Expenses</b>                    |                 |                 |
| <u>Immediate holding company:</u>  |                 |                 |
| Vessel charter hire                | <b>2,565</b>    | 2,392           |
| Agency commissions                 | <b>2,362</b>    | 2,373           |
| Office rental                      | <b>85</b>       | 80              |
| <u>Related companies:</u>          |                 |                 |
| Ship management fees               | <b>939</b>      | 1,100           |
| Vessel charter hire                | <b>1,399</b>    | 1,696           |
| Container depot storage/repair     | <b>332</b>      | 206             |
| Slot space purchase                | <b>78</b>       | 108             |
| Stevedorage                        | <b>4,855</b>    | –               |
| System development and maintenance | <b>344</b>      | –               |
| Vessels docking                    | <b>834</b>      | –               |
| <b>Income</b>                      |                 |                 |
| <u>Related companies:</u>          |                 |                 |
| Sale of vessels                    | <b>102</b>      | 492             |
| Vessel charter hire                | <b>1,492</b>    | 3,052           |

# Notes to Financial Statements

December 31, 2017

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## 36 OTHER RELATED PARTY TRANSACTIONS

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

During the year, Group entities entered into the following transactions with related parties:

|   | Group            |                  |
|---|------------------|------------------|
|   | 2017<br>US\$'000 | 2016<br>US\$'000 |
| <b>Expenses</b>   |                  |                  |
| Fees paid to a director of the immediate holding company      | <b>143</b>       | 144              |
| <b>Compensation of directors and key management personnel</b> |                  |                  |
| Short-term employee benefits                                  | <b>2,812</b>     | 2,613            |
| Pension contributions   | <b>103</b>       | 95               |
| Total   | <b>2,915</b>     | 2,708            |
| Comprise of:  |                  |                  |
| Directors of the Company                                      | <b>1,475</b>     | 1,352            |
| Key management personnel                                      | <b>1,440</b>     | 1,356            |
|   | <b>2,915</b>     | 2,708            |

## 37 OPERATING LEASE ARRANGEMENTS

(a) *Non-cancellable operating lease commitments – Group as lessee*

The Group has various operating lease agreements for rental of office, containers and charter hire of vessels. Most leases contain renewable options. Lease terms do not contain escalation clauses or contingent rentals and do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

|  | Group            |                  |
|--|------------------|------------------|
|  | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Minimum lease payments under operating leases recognised as an expense in the year | <b>48,565</b>    | 49,918           |

At the end of the reporting period, the Group has outstanding commitments under operating leases which fall due as follows:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Within one year  | <b>27,453</b>    | 21,858           |
| In the second to fifth years (2016 : second to third year) inclusive | <b>12,694</b>    | 7,855            |
|  | <b>40,147</b>    | 29,713           |

Operating lease commitments in respect of the Group's charter hire of vessels are calculated based on the charter hire rates applicable as at the end of the financial year. These lease contracts contain provisions for renegotiation of the charter hire rates on a 3 monthly, 6 monthly or annual basis.

# Notes to Financial Statements

December 31, 2017

## 37 OPERATING LEASE ARRANGEMENTS (CONT'D)

### (b) Operating lease commitments – Group as lessor

The Group has various operating lease agreements with third parties relating to the rental of office, residential premises and charter hire of vessels. These non-cancellable leases have remaining non-cancellable lease terms of between one and three years. Some leases include a clause to enable the charterer to extend the charter hire contract at the charterer's option for a specified period.

At the end of the reporting period, the Group has contracted with lessees for the following future minimum lease payments:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Within one year                        | 4,147            | 5,851            |
| In the second to third years inclusive | 74               | 277              |
|  | <b>4,221</b>     | <b>6,128</b>     |

## 38 SEGMENT INFORMATION

For management purposes, the Group is organised on a world-wide basis into three main operating divisions, namely:

### – Container Shipping

Providing feeder services for the transportation of containerised cargo between Singapore as a "hub" port and other outgoing "spoke" ports in Asia, as well as inter-region and intra-region container shipping services to end users.

### – Bulk and Tanker

Providing transportation of special dry bulk, liquid and gas cargo in the international as well as Indonesian domestic market.

### – Agency and Logistics (formerly categorised as others)

Include forwarding, agency and other services.

The Group's risks and rates of return are affected predominantly by differences in the services rendered.

Management monitors the operating results of its operating divisions separately for the purpose of making decisions about resource allocation and performance assessment.

# Notes to Financial Statements

December 31, 2017

## 38 SEGMENT INFORMATION (CONT'D)

|   | Container<br>Shipping<br>US\$'000 | Bulk and<br>Tanker<br>US\$'000 | Agency and<br>Logistics<br>US\$'000 | Eliminations<br>US\$'000 | Group<br>US\$'000 |
|---|-----------------------------------|--------------------------------|-------------------------------------|--------------------------|-------------------|
| <b>2017</b>                                     |                                   |                                |                                     |                          |                   |
| Revenue   |                                   |                                |                                     |                          |                   |
| – External customers                            | 250,686                           | 26,933                         | 6,082                               | –                        | 283,701           |
| – Inter-segment                                 | 79                                | 18                             | 2,330                               | (2,427)                  | –                 |
|   | <u>250,765</u>                    | <u>26,951</u>                  | <u>8,412</u>                        | <u>(2,427)</u>           | <u>283,701</u>    |
| Segment results                                 | 7,600                             | 422                            | 1,522                               | (3,038)                  | 6,506             |
| Finance income                                  | 231                               | 756                            | 114                                 | (520)                    | 581               |
| Finance costs                                   | (901)                             | (1,269)                        | (27)                                | 520                      | (1,677)           |
| Share of results of associate and joint venture | (565)                             | 1,267                          | –                                   | –                        | 702               |
| Profit (Loss) before tax                        | <u>6,365</u>                      | <u>1,176</u>                   | <u>1,609</u>                        | <u>(3,038)</u>           | <u>6,112</u>      |
| Income tax expense                              |                                   |                                |                                     |                          | (314)             |
| Loss after tax                                  |                                   |                                |                                     |                          | <u>5,798</u>      |
| Segment assets                                  | 227,585                           | 118,115                        | 20,228                              | –                        | 365,928           |
| Unallocated assets                              |                                   |                                |                                     |                          | 49                |
|   |                                   |                                |                                     |                          | <u>365,977</u>    |
| Segment liabilities                             | (64,319)                          | (42,268)                       | (7,543)                             | –                        | (114,130)         |
| Unallocated liabilities                         |                                   |                                |                                     |                          | (1,390)           |
|   |                                   |                                |                                     |                          | <u>(115,520)</u>  |
| Capital expenditure                             | 3,280                             | 532                            | 1,972                               | –                        | 5,784             |
| Depreciation of property, plant and equipment   | 8,671                             | 8,778                          | 149                                 | (41)                     | 17,557            |
| Depreciation of intangible assets               | 3                                 | –                              | –                                   | –                        | 3                 |
| Depreciation of investment properties           | 26                                | –                              | –                                   | –                        | 26                |
| Allowance for doubtful trade debts              | <u>1,652</u>                      | <u>142</u>                     | <u>–</u>                            | <u>–</u>                 | <u>1,794</u>      |

# Notes to Financial Statements

December 31, 2017

## 38 SEGMENT INFORMATION (CONT'D)

|   | Container<br>Shipping<br>US\$'000 | Bulk and<br>Tanker<br>US\$'000 | Agency and<br>Logistics<br>US\$'000 | Eliminations<br>US\$'000 | Group<br>US\$'000 |
|---|-----------------------------------|--------------------------------|-------------------------------------|--------------------------|-------------------|
| <b>2016</b>                                     |                                   |                                |                                     |                          |                   |
| Revenue   |                                   |                                |                                     |                          |                   |
| – External customers                            | 225,470                           | 30,303                         | 4,693                               | –                        | 260,466           |
| – Inter-segment                                 | 49                                | 18                             | 2,326                               | (2,393)                  | –                 |
|   | <u>225,519</u>                    | <u>30,321</u>                  | <u>7,019</u>                        | <u>(2,393)</u>           | <u>260,466</u>    |
| Segment results                                 | 4,882                             | (8,860)                        | 1,294                               | (1,223)                  | (3,907)           |
| Finance income                                  | 166                               | 388                            | 126                                 | (230)                    | 450               |
| Finance costs                                   | (1,184)                           | (891)                          | (35)                                | 230                      | (1,880)           |
| Share of results of associate and joint venture | (9)                               | 1,549                          | –                                   | –                        | 1,540             |
| Profit (Loss) before tax                        | <u>3,855</u>                      | <u>(7,814)</u>                 | <u>1,385</u>                        | <u>(1,223)</u>           | <u>(3,797)</u>    |
| Income tax expense                              |                                   |                                |                                     |                          | (1,507)           |
| Loss after tax                                  |                                   |                                |                                     |                          | <u>(5,304)</u>    |
| Segment assets                                  | 224,446                           | 134,415                        | 13,496                              | –                        | 372,357           |
| Unallocated assets                              |                                   |                                |                                     |                          | 58                |
|   |                                   |                                |                                     |                          | <u>372,415</u>    |
| Segment liabilities                             | (66,432)                          | (55,222)                       | (4,381)                             | –                        | (126,035)         |
| Unallocated liabilities                         |                                   |                                |                                     |                          | (1,537)           |
|   |                                   |                                |                                     |                          | <u>(127,572)</u>  |
| Capital expenditure                             | 1,657                             | 5,455                          | 845                                 | –                        | 7,957             |
| Depreciation of property, plant and equipment   | 9,775                             | 10,124                         | 120                                 | 42                       | 20,061            |
| Depreciation of investment properties           | 25                                | –                              | –                                   | –                        | 25                |
| Impairment of vessels                           | 1,106                             | 6,637                          | –                                   | –                        | 7,743             |
| Allowance for doubtful trade debts              | <u>3,217</u>                      | <u>22</u>                      | <u>–</u>                            | <u>–</u>                 | <u>3,239</u>      |



# Notes to Financial Statements

December 31, 2017

## 38 SEGMENT INFORMATION (CONT'D)

### Geographical information

The revenue of Container Shipping and Agency and Logistics segments (see (i) below) based on geographical location is as follows:

|   | Revenue          |                  |
|---|------------------|------------------|
|   | 2017<br>US\$'000 | 2016<br>US\$'000 |
| Indonesia   | <b>68,823</b>    | 67,669           |
| South East Asia (excluding Indonesia)                         | <b>119,691</b>   | 113,332          |
| Middle East and Indian Sub-continent                          | <b>52,075</b>    | 34,334           |
| Far East  | <b>3,869</b>     | 3,796            |
| Others  | <b>12,310</b>    | 11,032           |
| Total revenue for Container Shipping and Agency and Logistics | <b>256,768</b>   | 230,163          |

- (i) Revenue is allocated to each geographical segment based on the destination of the service routes. The directors believe it could be inaccurate to analyse assets and capital expenditure by geographical segment because these cannot be meaningfully allocated to the different routes as the vessels do not operate on fixed routes.

For Bulk and Tanker, charterers of the Group's vessels have the discretion to operate within a wide trading area and are not constrained by a specific sea-route. As such, no geographical segment information is presented.

### Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise income tax.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

# Notes to Financial Statements

December 31, 2017

## 39 REVISION AND COMPARATIVE FIGURES

A reclassification from associate and joint venture to investment in preference shares in relation to the Group's joint venture of US\$198,000 has been made to the prior year's financial statements. As a result, certain line items have been revised in the statement of financial position.

A third statement of financial position of the Group was not presented at the beginning of the preceding period as the effect of item revised is isolated to the prior year.

The items were revised as follows:

Statement of financial position

**Group**

|                                 | <b>2016</b>                                 |  |
|---------------------------------|---|--|
|                                 | <b>Previously<br/>reported<br/>US\$'000</b> | <b>After<br/>revision<br/>US\$'000</b> |
| <hr/>                           |   |  |
| <b>Non-current assets</b>       |   |  |
| Investment in preference shares | –   | 198                                    |
| Associate and joint venture     | 9,008                                       | 8,810                                  |
|                                 | <hr/>                                       |  |

# Shareholdings

## Statistics

As at 16 March 2018

|  |   |   |
|--|---|---|
| Class of shares                                  | : | Ordinary shares   |
| Voting rights                                    | : | 1 vote per ordinary share (no vote for treasury shares) |
| No. of Issued Shares                             | : | 539,131,199   |
| No. of Issued Shares (excluding Treasury Shares) | : | 538,038,199   |
| No. and percentage of Treasury Shares Held       | : | 1,093,000 (0.20%)*                                      |
| No. and percentage of Subsidiary Holding**       | : | Nil   |

\* Percentage is calculated based on the Company's total number of 538,038,199 issued shares (i.e. excluding 1,093,000 treasury shares).

\*\* "Subsidiary Holdings" is defined in the Listing Manual of the Singapore Exchange Securities Trading Limited to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act.

| Range of Shareholdings | No. of Shareholders | %      | No. of Shares | %      |
|------------------------|---------------------|--------|---------------|--------|
| 1 – 99                 | 11                  | 0.25   | 146           | 0.00   |
| 100 – 1,000            | 132                 | 2.96   | 68,899        | 0.01   |
| 1,001 – 10,000         | 2,540               | 56.95  | 11,034,971    | 2.05   |
| 10,001 – 1,000,000     | 1,748               | 39.19  | 79,800,688    | 14.83  |
| 1,000,001 and above    | 29                  | 0.65   | 447,133,495   | 83.11  |
|                        | 4,460               | 100.00 | 538,038,199   | 100.00 |

### PERCENTAGE OF SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 16 March 2018, approximately 34.11% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the SGX-ST is complied with.

### TOP 20 SHAREHOLDERS

| No. | Name of Shareholder                             | No. of Shares      | %*           |
|-----|---|--------------------|--------------|
| 1   | PT. Samudera Indonesia Tbk                      | 312,500,000        | 58.08        |
| 2   | UOB Nominees (2006) Private Limited             | 38,920,000         | 7.23         |
| 3   | Ang Ah Beng                                     | 15,853,700         | 2.95         |
| 4   | DB Nominees (Singapore) Pte Ltd                 | 14,588,000         | 2.71         |
| 5   | DBS Nominees (Private) Limited                  | 14,545,600         | 2.70         |
| 6   | Citibank Nominees Singapore Pte Ltd             | 6,162,000          | 1.15         |
| 7   | Ng Hwee Koon                                    | 4,272,500          | 0.79         |
| 8   | United Overseas Bank Nominees (Private) Limited | 3,750,400          | 0.70         |
| 9   | Teo Cheng Tuan Donald                           | 3,000,000          | 0.56         |
| 10  | OCBC Nominees Singapore Private Limited         | 2,539,500          | 0.47         |
| 11  | Phillip Securities Pte Ltd                      | 2,426,200          | 0.45         |
| 12  | Low Wai Ming                                    | 2,318,000          | 0.43         |
| 13  | NBU International Limited                       | 2,220,000          | 0.41         |
| 14  | Ang Hao Yao (Hong Haoyao)                       | 2,058,200          | 0.38         |
| 15  | Hexacon Construction Pte Ltd                    | 1,960,000          | 0.36         |
| 16  | CGS-CIMB Securities (Singapore) Pte. Ltd.       | 1,902,177          | 0.35         |
| 17  | OCBC Securities Private Limited                 | 1,868,818          | 0.35         |
| 18  | Peh Kok Kah                                     | 1,733,300          | 0.32         |
| 19  | Raffles Nominees (Pte) Limited                  | 1,662,400          | 0.31         |
| 20  | HL Bank Nominees (Singapore) Pte Ltd            | 1,641,600          | 0.31         |
|     |   | <b>435,922,395</b> | <b>81.01</b> |

\* The percentage of shareholdings is calculated based on the Company's total number of 538,038,199 issued shares as at 16 March 2018 (which excludes 1,093,000 shares which are held as treasury shares representing approximately 0.2% of the total number of issued shares excluding treasury shares), and there is no subsidiary holdings as at 16 March 2018.

# Shareholdings

## Statistics

As at 16 March 2018

### SUBSTANTIAL SHAREHOLDERS

| Name                                   | Direct Interest | % (note 1) | Deemed Interest | % (note 1) |
|--|-----------------|------------|-----------------|------------|
| PT Samudera Indonesia Tbk (note 2)     | 351,180,000     | 65.27      | –               | –          |
| PT Samudera Indonesia Tangguh (note 3) | –               | –          | 351,180,000     | 65.27      |
| PT Ngrumat Bondo Utomo (note 4)        | –               | –          | 351,180,000     | 65.27      |

#### Note:

1. The percentage of shareholdings is calculated based on the Company's total number of 538,038,199 issued shares as at 16 March 2018 (i.e. excluding 1,093,000 treasury shares) and there is no subsidiary holdings as at 16 March 2018.
2. 38,680,000 shares are held by UOB Nominees (2006) Private Limited.
3. PT Samudera Indonesia Tangguh's deemed interest arises from its direct interest of 57.98% in PT Samudera Indonesia Tbk.
4. PT Ngrumat Bondo Utomo's deemed interest arises from its direct interest of 14.21% and 27.40% in PT Samudera Indonesia Tbk and PT Samudera Indonesia Tangguh respectively.

# Notice of Annual General Meeting

## **SAMUDERA SHIPPING LINE LTD**

(Company Registration No. 199308462C)

(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Samudera Shipping Line Ltd (the “**Company**”) will be held at M Hotel Singapore, Shenton Room, Basement 1, 81 Anson Road, Singapore 079908, on Wednesday, 25 April 2018, at 10.00 a.m. for the following purposes:

### **AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a first and final one-tier tax exempt dividend of 0.75 Singapore cents per ordinary share for the financial year ended 31 December 2017. *(2016: a first and final one-tier tax exempt dividend of 0.50 Singapore cents per ordinary share)* **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 91 of the Constitution of the Company:
 

|                             |                                   |                       |
|-----------------------------|-----------------------------------|-----------------------|
| Mr Asmari Herry Prayitno    | <i>[See Explanatory Note (i)]</i> | <b>(Resolution 3)</b> |
| Mr Hermawan Fridiana Herman | <i>[See Explanatory Note (i)]</i> | <b>(Resolution 4)</b> |
| Mr Lim Kee Hee              | <i>[See Explanatory Note (i)]</i> | <b>(Resolution 5)</b> |
4. To approve the payment of Directors' fees of S\$229,000 for the financial year ending 31 December 2018 to be paid half yearly in arrears. *(FY2017: S\$209,000)* **(Resolution 6)**
5. To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

### **AS SPECIAL BUSINESS**

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

#### **7. Authority to Issue Shares**

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

- (a) (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

# Notice of Annual General Meeting

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

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

*[See Explanatory Note (ii)]*

**(Resolution 8)**

# Notice of Annual General Meeting

## 8. **Renewal of Shareholders' Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

- (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out on page 4 of the Appendix to the Annual Report to Shareholders dated 10 April 2018 (the "**Appendix**") with any party who is of the class of Interested Persons described in the Appendix, provided that such transactions are carried out on normal commercial terms and in accordance with the review procedures of the Company for such Interested Person Transactions as set out in the Appendix (the "**Shareholders' Mandate**");
- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; and
- (c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate as they may think fit.

*[See Explanatory Note (iii)]*

**(Resolution 9)**

By Order of the Board

Gwendolin Lee Soo Fern  
Secretary  
Singapore, 10 April 2018

# Notice of Annual General Meeting

## Explanatory Note:

- (i) The Ordinary Resolutions 3, 4 and 5 above, relates to the re-election of the Directors retiring by rotation pursuant to Article 91 of the Company's Constitution. Messrs Asmari Herry Prayitno, Hermawan Fridiana Herman and Lim Kee Hee will, upon re-election, remain as Executive Directors of the Company and are considered Non-Independent. Mr Herry will, upon re-election, remain as the Chief Executive Officer of the Company.

In line with Guideline 4.7 of the Code of Corporate Governance: (a) there are no relationships including immediate family relationships between each of Mr Herry, Mr Hermawan and Mr Lim, and the other Directors, the Company or its 10% shareholders; and (b) the list of all current directorships held by each of Mr Herry, Mr Hermawan and Mr Lim in other public listed companies (if any), as well as the details of their other principal commitments can be found in the FY2017 Annual Report, under the Board of Directors section.

- (ii) The Ordinary Resolution 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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

- (iii) The Ordinary Resolution 9 above, if passed, will authorise the Interested Person Transactions as described in the Appendix and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

## Notes:

1. (i) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**"). Where a member appoints more than one proxy, the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified in the form of proxy.
- (ii) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.



# Notice of Annual General Meeting

**“Relevant Intermediary”** has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
- (c) the Central Provident Fund Board (**“CPF Board”**) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 6 Raffles Quay #25-01, Singapore 048580 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

## **Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the **“Purposes”**), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# Notice of books closure and payment date for first and final dividend

**SAMUDERA SHIPPING LINE LTD**

(Company Registration No. 199308462C)

(Incorporated in Singapore with limited liability)

(the “**Company**”)

**NOTICE IS HEREBY GIVEN** that, subject to the approval by the shareholders of the first and final dividend at the Company's Annual General Meeting to be held on 25 April 2018, the Share Transfer Books and Register of Members of the Company will be closed on Tuesday, 8 May 2018 at 5.00 p.m. for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 8 May 2018 will be registered to determine shareholders' entitlements to the proposed first and final one-tier tax exempt dividend of 0.75 Singapore cents per ordinary share. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares on 8 May 2018 at 5.00 p.m. will be entitled to the proposed first and final dividend.

Payment of the first and final dividend, if approved by the shareholders, will be paid on Wednesday, 16 May 2018.

By Order of the Board

Gwendolin Lee Soo Fern  
Secretary  
Singapore, 10 April 2018

# Proxy Form

## ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

### IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend and vote at the Annual General Meeting (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy Samudera Shipping Line Ltd's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, \_\_\_\_\_

(Name(s) and NRIC/Passport/Company Registration Number(s))

of \_\_\_\_\_

being a member/members of Samudera Shipping Line Ltd (the "**Company**"), hereby appoint(s):

| Name    | NRIC/Passport No. | Proportion of Shareholdings |   |
|---------|-------------------|-----------------------------|---|
|         |                   | No. of Shares               | % |
| Address |                   |                             |   |

and/or (delete as appropriate)

| Name    | NRIC/Passport No. | Proportion of Shareholdings |   |
|---------|-------------------|-----------------------------|---|
|         |                   | No. of Shares               | % |
| Address |                   |                             |   |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held on **Wednesday, 25 April 2018 at 10.00 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

| No. | Resolutions relating to:   | Number of Votes For <sup>(1)</sup> | Number of Votes Against <sup>(1)</sup> |
|-----|--|------------------------------------|--|
| 1   | Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017    |                                    |  |
| 2   | Payment of proposed first and final one-tier tax exempt dividend for the financial year ended 31 December 2017     |                                    |  |
| 3   | Re-election of Mr Asmari Herry Prayitno as a Director  |                                    |  |
| 4   | Re-election of Mr Hermawan Fridiana Herman as a Director   |                                    |  |
| 5   | Re-election of Mr Lim Kee Hee as a Director  |                                    |  |
| 6   | Approval of payment of Directors' fees amounting to S\$229,000 for the financial year ending 31 December 2018      |                                    |  |
| 7   | Re-appointment of Messrs Deloitte & Touche LLP as Auditors and authorising the Directors to fix their remuneration |                                    |  |
| 8   | Authority to issue shares  |                                    |  |
| 9   | Renewal of Shareholders' Mandate for Interested Person Transactions  |                                    |  |

(1) Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant boxes provided. Alternatively, if you wish to exercise your votes "For" and "Against" the relevant resolution, please indicate the number of votes as appropriate in the boxes provided above.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

| Total number of Shares in: | No. of Shares |
|----------------------------|---------------|
| (a) CDP Register           |               |
| (b) Register of Members    |               |

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

## **IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW**

### **Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

Pursuant to Section 181 of the Companies Act, Chapter 50, a “**relevant intermediary**” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Shares in that capacity; or
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Shares in that capacity; or
  - (c) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
  6. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 6 Raffles Quay #25-01, Singapore 048580 not less than forty-eight (48) hours before the time appointed for the Meeting.
  7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
  8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

### **Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2018.

### **General:**

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





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[www.samudera.id/ssl](http://www.samudera.id/ssl)