

# Ready to Adapt





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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 ensuring and maintaining high standard of corporate governance in accordance with the recommendations under the revised Code of Corporate Governance, which was issued on 6 August 2018 (the “**2018 Code**”), and to align with shareholders’ interests and enhance shareholders’ value.

This report describes the Company’s corporate governance processes and practices that were in place throughout the financial year ended 31 December 2019 (“**FY2019**”) with specific reference to the Principles and the Provisions as set out in the 2018 Code.

The Company has complied substantially with the Principles and Provisions of the 2018 Code. Where the Company’s practices vary from any Provisions of the 2018 Code, explanations in relation to the Company’s practices are provided.

## BOARD MATTERS

### **The Board’s Conduct of its Affairs**

*Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

### **Provisions 1.1 and 1.3: Principal Duties of the Board**

The Board oversees the operations and affairs of the Company and its subsidiaries (collectively the “**Group**”), with the fundamental principle to act in the best interests of the Company. 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 Board also seeks to align the interests of the Board and Management with that of shareholders and balance the interests of all stakeholders.

In addition to its statutory duties and responsibilities, the principal functions of the Board includes:

- To set up and to review the broad policies, long-term 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 and related party 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 appointment of Directors, Chief Executive Officer (“**CEO**”) and 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;
- 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 Sustainability Report is set out on pages 36 to 50 of the Annual Report; and
- To ensure accurate, adequate and timely reporting to, and communication with shareholders.

# Corporate Governance Report

The Board delegates the formulation of business policies and day-to-day management to the CEO and the Executive Directors.

## Matters Reserved for Board's Approval

Management seeks the Board's approval on matters required under the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX Listing Rule**"). 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. During FY2019, 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.

## Independent Judgement

Each Director, in the course of carrying out his/her duties, exercises due diligence and independent judgment and makes decisions objectively in the best 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.

## Conflict of Interests

During the course of any discussion, Directors are required to promptly disclose any conflict or potential conflict of interest (direct or indirect) in relation to the subject matter or proposed transaction to the Company as soon as they are aware of the conflict-related matters. In addition, Directors are also required to abstain from all discussions, deliberations and decisions in respect of the conflict-related matters.

## Board Competencies

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. During the year under review, no new Director was appointed.

### **Provision 1.2: Directors' Orientation and Training**

The Board recognises the importance of appropriate orientation training and continuing education for its Directors. Newly appointed Directors are given orientation and 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.

For newly appointed Director who has no prior experience as a director of a listed company, in addition to the orientation, he or she will be encouraged to also attend the relevant programme conducted by the Singapore Institute of Directors ("**SID**") to acquire knowledge of what is expected of a listed company director.

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 SID. 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.

# Corporate Governance Report

During the year under review, the Directors had attended the following training and courses:

Name of Directors	Detail of Training/Courses Attended
Hermawan F. Herman	<ul style="list-style-type: none"> <li>· Singapore Shipping Forum on Current Shipping Developments and Green Shipping</li> <li>· Singapore Board of Directors Survey 2019</li> <li>· Singapore Maritime Cluster Manpower Study 2019-20</li> </ul>
Lee Lay Eng Juliana	<ul style="list-style-type: none"> <li>· Listed Entity Director Essentials</li> <li>· Board Dynamics</li> <li>· Board Performance</li> <li>· Stakeholder Engagement</li> <li>· Audit Committee Essentials</li> <li>· Board Risk Committee Essentials</li> <li>· Remuneration Committee Essentials</li> <li>· Nominating Committee Essentials</li> </ul>
Tan Meng Toon	<ul style="list-style-type: none"> <li>· Listed Entity Director Essentials</li> <li>· Board Dynamics</li> <li>· Board Performance</li> <li>· Stakeholder Engagement</li> <li>· Director Financial Reporting Fundamentals</li> <li>· Cockett Marine Oil (Asia) Pte Ltd Seminar on IMO 2020</li> </ul>
Quah Ban Huat	<ul style="list-style-type: none"> <li>· Allen &amp; Gledhill: Looking ahead – what’s in store for Singapore and China businesses in 2019 and beyond</li> <li>· ICAEW Technical Session – IAS 38</li> <li>· SID Blockchain for Directors</li> <li>· SGX Regulatory Symposium</li> <li>· EY Blockchain: What’s all the excitement about?</li> <li>· ST Global Outlook briefing</li> <li>· ICAEW Finance transformation in the digital age</li> </ul>

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.

#### **Provision 1.4: 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, which have been amended to be in line with the 2018 Code 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.

#### **Provision 1.5: Directors’ Attendance at Meetings**

To address the competing time commitments of the Directors, the schedule of all Board and Board Committees’ meetings, the Annual General Meeting and/or Extraordinary General Meeting is prepared and given to all 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.

# Corporate Governance Report

During FY2019, the Board met five (5) 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), 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.

The number of meetings held and attendance by Directors at the general meetings and meetings of the Board and Board Committees during FY2019 is set out as follows:

	Board Committees			General Meetings		
	Board	Audit Committee	Nominating Committee	Remuneration Committee	AGM	EGM
<b>No. of meetings held</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Name of Director</b>	<b>No. of meetings attended</b>					
Masli Mulia	5	-	1	-	1	1
Asmari Herry Prayitno	5	-	-	-	1	1
Hermawan F. Herman	5	-	-	-	1	1
Tan Meng Toon	5	-	-	-	1	1
Lim Kee Hee	5	-	-	-	1	1
Quah Ban Huat	5	5	1	1	1	1
Chng Hee Kok	5	5	1	1	1	1
Nicholas Peter Ballas	4	4	0	0	1	1
Ng Chee Keong	5	5	1	1	1	1
Lee Lay Eng Juliana	5	5	1	1	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/her 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.

## Multiple Board Representations

All Directors are required to declare annually their Board representations in other public listed companies and their other principal commitments to the NC.

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 19 to 23 of this Annual Report.

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.

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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 Practice Guidance 4 of the 2018 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.

## **Provision 1.6: Access to Information**

All Directors are updated on major milestones, significant developments or events relating to the Group's business operations on an on-going basis. 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. The Directors 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.

To enable the Board and the Board Committees' members to engage in full deliberation, including to make informed decisions on the issues to be considered at each meeting and discharge their duties and responsibilities effectively, Management provides the Board and the Board Committees' members with complete, adequate and timely information and meeting materials prior to Board meetings. 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.

## **Provision 1.7: Separate and Independent Access to Management, the Company Secretary and External Advisers**

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 SGX Listing Rules are complied. The appointment or removal of the Company Secretary is subject to the approval of the Board as a whole.

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

## **Board Composition and Guidance**

*Principle 2: The Board has an appropriate level of independence and diversity of thought and background in the composition to enable it to make decisions in the best interest of the company.*

### **Provisions 2.1, 2.2 and 2.3: Board Independence**

The Board consists of ten (10) Directors, five (5) of whom are Independent and Non-Executive Directors and 1 of whom is a Non-Independent and Non-Executive Director:

Name of Directors	Designation	Audit Committee	Nominating Committee	Remuneration Committee
Masli Mulia	Executive Chairman	-	Member	-
Asmari Herry Prayitno	Executive Director and CEO	-	-	-
Hermawan F. Herman	Executive Director, Finance	-	-	-
Tan Meng Toon	Executive Director, Commercial	-	-	-



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Name of Directors	Designation	Audit Committee	Nominating Committee	Remuneration Committee
Lim Kee Hee	Non-Independent and Non-Executive Director <sup>(a)</sup>	-	-	-
Quah Ban Huat	Lead Independent Director and Non-Executive	Chairman	Member	Member
Chng Hee Kok	Independent and Non-Executive Director	Member	Member	Chairman
Nicholas Peter Ballas	Independent and Non-Executive Director	Member	Member	Member
Ng Chee Keong	Independent and Non-Executive Director	Member	Chairman	Member
Lee Lay Eng Juliana	Independent and Non-Executive Director	Member	Member	Member

<sup>(a)</sup> During FY2019, at the NC's recommendation, the Board had approved the re-designation of Mr Lim Kee Hee as Non-Independent and Non-Executive Director of the Company with effect from 1<sup>st</sup> May 2019.

The NC conducts annual review of the Board composition and for FY2019, the NC is satisfied that the current Board composition complies with Provisions 2.2 and 2.3 of the 2018 Code that:

- (i) majority of the Board members are Independent and Non-Executive Directors, since the Chairman of the Board is not an Independent Director; and
- (ii) majority of the Board members are Non-Executive Directors, in order to avoid undue influence of Management over the Board and ensure that appropriate checks and balances are in place.

As Non-Executive Directors make up 60% of the Board, no individual or small group of individuals dominate the Board's decision making.

The profiles of the Directors, including their dates of initial appointment and last re-appointment as Directors are set out on pages 14 to 23 of this Annual Report.

The independence of the Independent and Non-Executive Directors is assessed annually by the NC. For FY2019, the NC has reviewed and determined the independence of the Independent and Non-Executive Directors based on the guidelines provided in SGX Listing Rule 210(5), Provision 2.1 and Practice Guidance 2 of the 2018 Code, including considering whether the Directors have any business relationships with the Group, its substantial shareholders or its officers and if so, whether such relationship could interfere or be reasonably perceived to interfere, with the Directors' ability to exercise independent judgment in the best interest of the Group.

Each Independent and Non-Executive Director, existing or newly-appointed, is required to confirm his/her independence annually 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 2018 Code. The NC will then review the declarations submitted by each Independent and Non-Executive Director to determine their independence.

For the year under review, the NC has reviewed the independence of Messrs Chng Hee Kok, Quah Ban Huat, Nicholas Peter Ballas, Ng Chee Keong and Lee Lay Eng Juliana, 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 2018 Code and SGX Listing Rule 210(5), and is satisfied that the Independent and Non-Executive Directors are also independent of the substantial shareholders of the Company.

Each member of the NC had abstained from all discussions, deliberations and decisions in respect of their own independence.

# Corporate Governance Report

## **Independence of Directors who has served on the Board beyond Nine Years**

Regardless of the non-requirement for a rigorous review, the NC had assessed the independence status of Mr Chng Hee Kok and Mr Nicholas Peter Ballas, who has served on the Board beyond nine years from the date of their first appointment, taking into consideration the following factors:

- (i) their ability to continue exercising independent judgement in the best interests of the Company;
- (ii) the attendance and active participation in the proceedings and decision making process of the Board and Board Committees meetings; and
- (iii) the level of commitment, equity and integrity in discharging their respective responsibilities as an Independent Director of the Company.

Having considered the feedback and assessment made by each Director, the Board concurred with the NC's view that Mr Chng and Mr Ballas have demonstrated strong independence in character and judgment over the years in discharging their respective 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 their independent judgment and they have acted in the best interests of the Group and the non-controlling shareholders. Mr Chng's and Mr Ballas' contributions in Board deliberations, due to their 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 NC is cognizant of the importance of Board renewal and refreshment and 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 and Mr Nicholas Peter Ballas, notwithstanding their service on the Board for more than nine years from the date of their first appointment, will continue to be considered independent along with Messrs Quah Ban Huat, Ng Chee Keong and Lee Lay Eng Juliana.

Mr Chng Hee Kok and Mr Nicholas Peter Ballas had abstained from all discussion, deliberations and decisions in respect of his own independence.

## **Provision 2.4: Composition, Size, Competency and Diversity of the Board**

The NC, annually, 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, professional and commercial experience with core competencies in accounting, financial, tax advisory and capital market background, and gender diversity 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 majority 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.

Notwithstanding that there is no formal Board diversity policy in place, the NC and the Board are cognizant of the recommendations as set out under Provision 2.4 and Practice Guidance 2 of the 2018 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 2018 Code. In particular, core competencies and expertise of the potential candidates would be paramount considerations.

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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.

## **Provision 2.5: Meeting of Non-Executive Directors and/or Independent Directors without Management**

During FY2019, the Independent and Non-Executive Directors led by the Lead Independent Director had met once amongst themselves without the presence of the Executive Directors and Management. The feedback and views expressed by the Independent and Non-Executive Directors had been communicated by the Lead Independent Director to the Executive Directors and Management after the meeting, as appropriate.

## **Chairman and Chief Executive Officer**

*Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered power of decision-making.*

## **Provisions 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.

The Chairman, Mr Masli Mulia, provides leadership to the Board and the CEO. He 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 and constructive dialogue between shareholders, the Board and Management at the Company's Annual General Meeting ("AGM") and other general meeting;
- (e) Promoting high standards of corporate governance; and
- (f) Providing close oversight, guidance, advice and leadership to the CEO and Management.

The CEO, Mr Asmari Herry Prayitno, manages and develops the Group's business and 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 and implementing business plans, strategic directions and policies for long-term growth of the Group's business. Strategic decisions are made in consultation with the Board.

Notwithstanding that the Board has not set out in writing the division of responsibilities between the Chairman and the CEO, the NC and the Board are cognizant of the recommendations as set out under Provision 3.2 and Practice Guidance 3 of the 2018 Code.

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## **Provision 3.3: Role of Lead Independent Director**

In view that the Chairman is not independent, the Board had appointed Mr Quah Ban Huat 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 to provide a non-executive perspective and contribute to a balance of viewpoints on the Board.

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.

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 FY2019, there were no query or request received from shareholders on any matters which required the Lead Independent Director's attention.

## **Board Membership**

*Principle 4: The Board has a formal and transparent process for the remuneration and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

## **Provisions 4.1 and 4.2: Composition, Role and Duties of NC**

The NC comprises the following six (6) members, five (5) of whom are Independent and Non-Executive Directors. The NC Chairman is independent and not associated in any way with the substantial shareholders of the Company.

Ng Chee Keong	Chairman
Chng Hee Kok	Member
Quah Ban Huat	Member
Nicholas Peter Ballas	Member
Masli Mulia	Member
Lee Lay Eng Juliana	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.

The key functions of the NC include:

- To review board succession plans for Directors, in particular, the Chairman, the CEO and key management personnel;
- 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;

# Corporate Governance Report

- 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.

During FY2019, the NC had met once and:

- Assessed and evaluated the effectiveness of the Board and the Board's performance as a whole;
- Reviewed the Board and Board Committees composition and assessed the independence of each Independent Director; and
- Recommended the re-appointment of Directors retiring pursuant to SGX Listing Rule 720(5) ("**LR 720(5)**") and the Company's Constitution.

In addition, the NC had reviewed and recommended the re-designation of Mr Lim Kee Hee from "Executive Director, Business Strategic & Development" to "Non-Executive Director" with effect from 1 May 2019 by way of a circular resolution in writing by the NC, for the Board's consideration and approval.

## **Provision 4.3: Process for Selection, Appointment and Re-appointment of Directors**

### **Re-appointment of Directors**

The NC reviews the re-appointment 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 **AGM**. There is no Managing or Joint Managing Director appointed in the Company, the CEO of the Company, Mr Asmari Herry Prayitno is subject to rotation pursuant to Article 91. Article 92 provides that the retiring Directors are eligible to offer themselves for re-appointment and Article 97 provides that all newly appointed Directors shall retire from office at the next AGM following their appointment.

In addition, the NC is cognizant that in accordance with LR 720(5), all Directors must submit themselves for re-nomination and re-appointment at least once every three years.

The Directors due for retirement pursuant to LR 720(5) and the Company's Constitution at the forthcoming AGM are as follows:

<b>Name of Directors</b>	<b>Designation</b>	<b>Due for retirement pursuant to:</b>
Asmari Herry Prayitno	Executive Director, CEO	Article 91 and LR 720(5)
Hermawan F. Herman	Executive Director, Finance	Article 91 and LR 720(5)
Quah Ban Huat	Independent and Non-Executive Director	Article 91 and LR 720(5)
Ng Chee Keong	Independent and Non-Executive Director	Article 91 and LR 720(5)

There are no relationships including immediate family relationships between each of the retiring Directors, namely, Mr Quah, Mr Ng, Mr Asmari and Mr Hermawan and the other Directors, the Company or its substantial 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.

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

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Details of each retiring Director's (i) date of first appointment, (ii) date of last re-appointment as Director of the Company and (iii) information as required in Appendix 7.4.1 pursuant to SGX Listing Rule 720(6) are set out on pages 14 to 26 of this Annual Report

Each member of the NC had abstained from all discussions, deliberations and decisions in respect of their own performance assessment or re-appointment.

## **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.

## **Provision 4.4: Continuous Review of Directors' Independence**

The Board concurred with the NC's view that the five (5) Independent and Non-Executive Directors, namely, Messrs Chng Hee Kok, Quah Ban Huat, Nicholas Peter Ballas, Ng Chee Keong and Lee Lay Eng Juliana are independent, taking into account the circumstances set out in SGX Listing Rule 210(5), Provision 2.1 and Practice Guidance 2 of the 2018 Code and any other salient factors.

## **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.

## **Provision 4.5: Directors' Time Commitments**

The NC assesses the effectiveness of the Board as a whole and takes into account each Director's contribution and devotion of time and attention to the Company.

As explained in Provision 1.5 under the sub-header "Multiple Board Representation" above, all Directors are required to declare their listed company board representations and principle commitments to the NC annually. In cases where a Director has multiple listed company board representations, the NC also assesses on an annual basis, whether such Director has any issue with competing time commitments which may impact his or her ability to provide sufficient time and attention, and adequately carry out his or her duties as a Director of the Company. Based on the Directors' annual confirmation, commitments and contributions to the Company, which are also evident in their level of attendance and participation at Board and Board Committee meetings, the NC and the Board are satisfied that all the Directors were able to and have been adequately carrying out their duties as Directors of the Company in FY2019.

The NC also assesses potential candidates identified for appointment to the Board, on their individual credentials and their ability to devote appropriate time and attention to the Company and ensures that new Directors are aware of their duties and obligations.

Information in respect of each Director's academic and professional qualifications, 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 14 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 33 of the Annual Report (Financial).

# Corporate Governance Report

## **Board Performance**

*Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

### **Provisions 5.1 and 5.2: Board 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 conduct of affairs, procedures and information to Board, internal control and risk management, Board accountability, CEO performance and succession planning and standards 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 FY2019, 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 engaged 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 FY2019 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 Provision 5.1 and Practice Guidance 5 of the 2018 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.

### **Individual Evaluation for the Chairman, Each Director and Board Committees**

There is no formal performance evaluations carried out on an annual basis for (i) the Chairman, (ii) each Director on an individual basis, and (iii) each Board Committee (AC, NC and RC respectively).

The NC and the Board is cognizant of the recommendations as set out under Provisions 5.1, 5.2 and Practice Guidance 5 of the 2018 Code and would continue to review the need of such evaluations, 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.

When nominating Directors who are retiring by rotation for re-appointment 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.

# Corporate Governance Report

## REMUNERATION MATTERS

### **Procedures for Developing Remuneration Policies**

*Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director should be involved in deciding his or her own remuneration.*

### **Provisions 6.1, 6.2 and 6.3: Composition, Role and Duties of RC**

The RC comprises the following five (5) 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
Lee Lay Eng Juliana	Member

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 FY2019, the RC had met once and:

- 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;
- Reviewed and recommended additional Directors' fees for FY2018 (*being pro-rated Directors' fees payable to the new Independent Director, Ms Juliana Lee in respect of the 5-month period from her date of appointment, 1 August 2018 to 31 December 2018*), which had been tabled for the shareholders' approval at the Company's AGM on 29 April 2019; and
- Reviewed and recommended the Directors' fees for FY2019, to be paid half-yearly in arrears to the 5 Independent and Non-Executive Directors.

In addition, the RC had reviewed and recommended the following by way of a circular resolution in writing by the RC, for the Board's consideration:

- the quantum of Directors' fees payable to Mr Lim Kee Hee per annum following his re-designation as Non-Independent and Non-Executive Director with effect from 1 May 2019; and
- the revised Directors' fees for FY2019 (including the pro-rated Directors' fees payable to Mr Lim in respect of the 8-month period from the effective date of his re-designation, 1 May 2019 to 31 December 2019), which had been tabled for the shareholders' approval at the Company's AGM on 29 April 2019.



# Corporate Governance Report

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.

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.

There being no specific necessity, no external remuneration consultants had been engaged by the RC for the assessment of the remuneration of the Directors in FY2019.

## **Level and Mix of Remuneration**

*Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

### **Provisions 7.1 and 7.3: Performance-related Remuneration for Executive 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. Elements of the Group's relative performance and the performance of the individual Directors form part of the Executive Directors' remuneration packages so as to align their interests with those of shareholders and to promote the success of the Company in the longer term. The RC ensures that the remuneration package is competitive and sufficient to attract, retain and motivate Executive Directors and key management personnel. On the other hand, the Company avoids paying more than is necessary for this purpose.

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. The bonus payout is determined based on the Group's performance and the performance of each Executive Director and key management personnel.

During FY2015 and FY2016, the RC engaged an external human resource consultant (the "HR Consultant") to conduct a comprehensive review of the Executive Directors, CEO and key management personnel's service contracts and remuneration packages; 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.

# Corporate Governance Report

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.

Save as disclose, there were no further updates or changes to the remuneration packages and service contracts for the Executive Directors (including CEO) subsequent to the RC's last review and approval in FY2017.

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.

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.

## **Provision 7.2: Remuneration of Non-Executive Directors**

The 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 Non-Executive Directors are not overly compensated and the amount of Directors' fees paid to Independent Non-Executive Directors does not compromise their independence. The Directors' fees for the Independent and Non-Executive Directors were last adjusted in FY2018.

The quantum of Directors' fees is reviewed annually and recommended by the RC for the Board's endorsement and recommendation for the shareholders' approval at the Company's AGM. 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\$379,000.00 to be paid for the financial year ending 31 December 2020 on a half yearly basis in arrears. Each member of the RC had abstained from all discussions, deliberations and decisions in respect of their own remuneration.

# Corporate Governance Report

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 Provision 7.2 and Practice Guidance 7 of the 2018 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.

## 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.

## Disclosure on Remuneration

*Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

### Provisions 8.1 and 8.3: 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.

As explained in Provisions 7.1 and 7.3 above, the variable component of the remuneration for the Executive Directors, the CEO and key management personnel is determined after taking into account, amongst other factors, the individual's performance and the performance of the Group in terms of specific key performance indicators (financial and non-financial) which are aligned to the Company's short and long term strategies focusing on enhancing shareholders' value and value creation for its stakeholders.

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.

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 FY2019 is set out as follows:

Remuneration Band	Name of Key Management Personnel / Directors	Salary	Bonus	Benefits	Directors' Fees
Key Management Personnel					
S\$250,001 to S\$500,000	Lee Thuan Aun, Thomas	68.4%	18.5%	13.1%	0%
	Trisnadi Sukur Muslim Mulia	51.3%	8.6%	40.1%	0%
Below S\$250,000	Chan Ngok Chuin	73.5%	8.9%	17.6%	0%
	Choo Eng Chye Royce	69.7%	15.1%	15.2%	0%
	Oh Kian Beng	70.7%	8.0%	21.3%	0%

# Corporate Governance Report

Remuneration Band	Name of Key Management Personnel / Directors	Salary	Bonus	Benefits	Directors' Fees
Independent and Non-Executive Directors					
Below S\$250,000	Quah Ban Huat	0%	0%	0%	100%
	Chng Hee Kok	0%	0%	0%	100%
	Lee Lay Eng Juliana	0%	0%	0%	100%
	Nicholas Peter Ballas	0%	0%	0%	100%
	Ng Chee Keong	0%	0%	0%	100%
Non-Independent and Non-Executive Directors					
Below S\$250,000	Lim Kee Hee <sup>(1)</sup>	0%	0%	0%	100%
Executive Directors					
S\$250,001 to S\$500,000	Masli Mulia	58.5%	27.0%	14.5%	0%
	Asmari Herry Prayitno	62.4%	28.0%	9.6%	0%
	Hermawan F. Herman	61.0%	26.0%	13.0%	0%
	Tan Meng Toon	67.9%	15.6%	16.5%	0%
Below S\$250,000	Lim Kee Hee <sup>(1)</sup>	47.3%	50.3%	2.4%	0%

<sup>(1)</sup> Mr Lim Kee Hee was re-designated as Non-Independent and Non-Executive Director with effect from 1 May 2019.

## 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.

## 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 FY2019 is S\$1,111,400.

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 on the following items:

- all forms of remuneration and other payments and benefits paid by the Company and its subsidiaries to its Directors and key management personnel; and
- aggregate amount of termination, retirement and post-employment benefits (if any) that is granted to its Directors, the CEO and top five key management personnel.

## Details of Employee Share Schemes

As explained in Provision 7.2 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. The Board is of the view that, for the time being, such scheme would not be necessary as it is difficult to determine how much such long-term incentive plan contributes to the retention of employees and to motivate their performance.

# Corporate Governance Report

## **Provision 8.2: Remuneration to Employees who are Substantial Shareholders of the Company, or are Immediate Family Members of a Director or the CEO or Substantial Shareholders of the Company**

Details of employees who are substantial shareholder of the Company, or are immediate family members of a director, the CEO or substantial shareholders of the Company and whose remuneration had exceeded S\$100,000 per annum in FY2019 is set out below:

Remuneration Band	Name of Employees	Employees' Relationship
S\$200,001 to S\$300,000	Trisnadi Sukur Muslim Mulia	Son of Mr Masli Mulia, the Executive Chairman of the Company

The RC would continue to review, on an on-going basis, the requirements under Provisions 8.1, 8.2, 8.3 and Practice Guidance 8 of the 2018 Code and recommend appropriate changes to the Company's practices and disclosures as and when deemed feasible and appropriate for the Company.

## **ACCOUNTABILITY AND AUDIT**

### **Risk Management and Internal Controls**

*Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

### **Provision 9.1: 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 of this Annual Report (Financial).

The Board is committed to maintain an adequate and effective systems 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 systems of internal controls and risk management systems 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 board risk committee to oversee and monitor the Group's risk management framework and policies as recommended under Provision 9.1 of the 2018 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.

# Corporate Governance Report

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.

The systems 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 2019.

## **Provision 9.2: Assurance from the CEO and the Executive Director, Finance**

For FY2019, the Board has received assurance from the CEO and the Executive Director, Finance (being the key management personnel responsible for risk management and internal controls systems) that:

- (a) Nothing has come to their attention, which may render the Group's financial statements to be false and misleading in any material aspect pursuant to SGX Listing Rule 705(5);
- (b) 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
- (c) 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.

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.

## **AUDIT COMMITTEE**

*Principle 10: The Board has an Audit Committee ('AC') which discharge its duties objectively*

### **Provisions 10.1, 10.2 and 10.3: Composition, Role and Duties of AC**

The AC comprises the following five (5) 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
Lee Lay Eng Juliana	Member

None of the AC members is a former partner or director of the Company's existing auditing firm or auditing corporation (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

# Corporate Governance Report

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 and Ms Juliana Lee is specialised in tax advisory. 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;
- 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 Singapore Exchange Securities Trading Limited ("**SGX-ST**");
- To review interested person transactions in accordance with the requirements of the SGX Listing Rules;
- To review all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence and objective of the external auditors;
- To review and recommend the appointment or re-appointment of the external auditors, including their remuneration and terms of engagement for the ensuing 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.

The AC met five (5) times during FY2019.

# Corporate Governance Report

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 Company's sustainability policies and practices during the year, 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 deadlines for the Group's bank loans.

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, SGX Listing Rules and other regulations which could have a direct impact on the Group's business and financial statements.

## External Audit

The appointment of Ernst & Young LLP as external auditors of the Company in place of Deloitte & Touche LLP was approved by the shareholders at the Company's AGM held on 29 April 2019.

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 FY2019</b>	<b>S\$</b>	<b>% of Total</b>
Total audit fees	241,000	93
Total non-audit fees	19,000	7
<b>Total Fees payable</b>	<b>260,000</b>	<b>100</b>

The AC is satisfied that the appointment of external auditors is in compliance with the requirements of SGX Listing Rule 712 for FY2019.

In accordance with the requirements of SGX Listing Rule 716, the AC and the Board, having reviewed the appointment of different auditors for the Company's subsidiaries during FY2019, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

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 35 to 39 of the Annual Report (Financial).



# 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 auditors with management and auditors, 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>
Impairment Assessment of Investments in subsidiaries	<p>The AC reviewed management's impairment assessment of investment in subsidiaries, which involve the preparation of discounted future cashflow and assumptions made in determining such amount.</p> <p>The AC discussed and reviewed the findings of the external auditors with management and auditors, including their assessment on the appropriateness of the methodologies and the underlying key assumptions applied in the impairment assessment.</p> <p>The AC was satisfied with the value-in-use assessment along with the methodologies used as disclosed in the financial statements.</p>

## WhistleBlowing Policy

The AC had reviewed and adopted a revised WhistleBlowing Policy in FY2017 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 or 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 FY2019.

# Corporate Governance Report

## **Provision 10.4: Internal Audit Function**

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.

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 FY2019, 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.

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.

Based on the reviews carried out, the AC was of the view that the internal audit function for FY2019 was independent, effective and adequately resourced.

## **Provision 10.5: Meeting External Auditors and Internal Auditor without the presence of the Company's Management Annually**

The AC met with the external auditors and internal auditor without the presence of Management to review and discuss any issues or areas of audit concerns that they may have in respect of the FY2019 audit (including any suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations, which has or is likely to have a material impact on the Company and Group's operating results or financial position, and management's response thereof).

## **SHAREHOLDERS RIGHTS AND ENGAGEMENT**

### **Shareholder Rights And Conduct of General Meetings**

*Principle 11: The company treat all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

### **Engagement with Shareholders**

*Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

# Corporate Governance Report

## Conduct of General Meetings and Shareholders' Participation

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 [samudera.id/ssl](http://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.

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.

General meetings are principal forum for dialogue with shareholders. The Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at the general meetings.

All Directors, including the Chairman of each Board Committee (AC, NC and RC, respectively), external auditors, key management personnel and legal advisors (where necessary), are present at the general meetings to address any questions that may be raised by the shareholders. Details of the Directors' attendance at the AGM and EGM held during FY2019 is disclosed in Provision 1.5 above.

During the general meetings, shareholders are given opportunities to speak and seek clarifications from 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.

Each distinct issue requiring shareholders' approval is proposed as a separate resolution at the general meetings. Detailed information on each resolution in the Notice of AGM or EGM will be set out in the explanatory notes to the AGM or EGM

## Disclosure of Information

The Company does not practice selective disclosure. Material and price sensitive information is publicly released in a comprehensive, accurate and timely manner via SGXNet.

The Board seeks to keep stakeholders updated on the Group's financial performance, position and prospects through half-yearly and annual financial reports as well as timely announcements on developments in the Group's businesses. Half-yearly and full year financial results of the Company are reviewed by the Board before dissemination to shareholders via SGXNet. Half-yearly results will be released within 45 days of the reporting period from FY2020 onwards 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.

# Corporate Governance Report

The Company's annual reports are announced and issued within the mandatory period and made available to shareholders on request. Financial results, annual reports and corporate announcements as disclosed by the Company on SGXNet are also accessible on the Company's website at [samudera.id/ssl](http://samudera.id/ssl).

Following the recent amendments to SGX Listing Rule 705, which took effect from 7 February 2020, the Company is not required to announce the Company's and the Group's unaudited financial statements on a quarterly basis. The Board, after due deliberations, has decided not to continue with the quarterly announcements with immediate effect and as such, the Company will announce its financial statements on a half-yearly basis moving forward.

The next announcement of the Company and the Group's unaudited financial results will be in respect of the first half year ending 30 June 2020, which will be released within 45 days from 30 June 2020. Notwithstanding the foregoing, the Company will comply with its continuing disclosure obligations to keep shareholders updated as and when appropriate, should there be any material developments (financial or otherwise) relating to the Company or the Group.

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.

## **Dividend Policy**

The Company will endeavour to maintain a dividend payout ratio of at least 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.

## **Investor Relations**

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.

To enable shareholders to contact the Company easily, investor relations access link is available at the Company's website. Notwithstanding that there is no formal investor relations policy in place, the Board is cognizant of the recommendations as set out under Provisions 12.2, 12.3 and Practice Guidance 12 of the 2018 Code.

## **MANAGING STAKEHOLDERS RELATIONSHIPS**

### **Engagement with Stakeholders**

*Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

The stakeholders are those who are impacted by the Group's business and operations and those who are similarly able to impact the Group's business and operations. The Company has identified six material stakeholders groups through an assessment of their significance to the Group's business operations. They are namely, investors and shareholders, employees, port authorities, customers, business partners and local community.

The Company regularly engages its stakeholders through various methods such as meetings, SGX announcement, corporate website or intranet portal to understand the key concerns and factors that are important to our stakeholders. This allows us to be responsive and able to focus on efforts to improve our service quality.

# Corporate Governance Report

The Company has undertaken a process to determine the various issues which are important to these stakeholders, including ESG factors. Details of our stakeholder engagement methods and the resulting areas of focus in relation to the management of stakeholders' concerns during FY2019 is disclosed in the Company's Sustainability Report, which is set out on pages 36 to 50 of the Annual Report.

The stakeholders can communicate and engage with the Company at the Company's website at [samudera.id/ssl](http://samudera.id/ssl) or email to [sustainability@samudera.id](mailto:sustainability@samudera.id).

## DEALINGS IN SECURITIES

The Company has adopted an internal Code of Best Practices on dealings in securities (the "**Code of Best Practices**"), which has been disseminated and distributed to all officers and employees, 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.

The Company has complied with the Code of Best Practices.

## 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, container depot storage and repair and software development and system maintenance 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 FY2019.

## 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 FY2019 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 Listing Rule		Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Rule	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Expenses</b>				
<b>Immediate holding company</b>				
<u>PT Samudera Indonesia Tbk</u>				
Agency commissions <sup>(1)</sup>	-	-	-	1,489
Office rental	-	-	29	71
Vessel charter hire	-	-	2,591	2,747
<b>Related company</b>				
<u>PT Samudera Agencies Indonesia</u>				
Agency commission <sup>(1)</sup>	-	-	2,194	1,093
<u>PT Samudera Indonesia Ship Management</u>				
Ship management fees	-	-	622	715
<u>PT Perusahaan Pelayaran Nusantara Panurjwan</u>				
Vessel charter hire	-	-	2,799	2,586
Slot space purchase	57	55	-	-
<u>PT Praweda Sarana Informatika</u>				
Software development and system maintenance	437	420	-	-
<u>PT Samudera Sarana Logistik</u>				
Container depot storage / repair	-	-	121	156
<u>PT Tangguh Samudera Jaya</u>				
Stevedorage charges	-	-	5,295	5,874
<u>PT Ista Indonesia</u>				
Car rental	65	-	-	-

## Interested Person Transactions

Interested person	Aggregate value of all transactions excluding transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Rule		Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Rule	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Sales</b>				
<b>Related company</b>				
<u>PT Perusahaan Pelayaran Nusantara Panurjwan</u>				
Vessel charter hire	949	749	-	-
<u>PT Samudera Energi Tangguh</u>				
Sale of vessel	-	861	-	-
Vessel charter hire	5,112	2,276	-	-
<u>PT Cumawis Indonesia</u>				
Vessel charter hire	-	763	-	-
	<b>6,620</b>	<b>5,124</b>	<b>13,651</b>	<b>14,731</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, stevedoring, container depot storage and repair and software development and system maintenance 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 logistics and others, 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 financial statements of the Annual Report.

# Directors' Statement

The Directors present their statement to the members together with the audited consolidated financial statements of Samudera Shipping Line Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

## OPINION OF THE DIRECTORS

In the opinion of the Directors,

- (i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## DIRECTORS OF THE COMPANY

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

Masli Mulia  
Asmari Herry Prayitno  
Hermawan Fridiana Herman  
Tan Meng Toon  
Lim Kee Hee  
Quah Ban Huat  
Chng Hee Kok  
Nicholas Peter Ballas  
Ng Chee Keong  
Lee Lay Eng Juliana

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE 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

## 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 companies in which interests are held	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<b>Immediate holding company</b>				
<u>PT Samudera Indonesia Tbk</u>				
Ordinary shares of Indonesian rupiah ("IDR") 25 each (2018 : IDR25 each)				
Masli Mulia	13,170,000	13,170,000	-	-
Asmari Herry Prayitno	10,000	10,000	-	-

### The Company

Samudera Shipping Line Ltd

Ordinary shares

Asmari Herry Prayitno	60,000	60,000	-	-
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The directors' interest in the shares of the Company and its related corporations at 21 January 2020 were the same at 31 December 2019.

## SHARE OPTIONS

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

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

### (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

## AUDIT COMMITTEE

The Audit Committee ("AC") of the Company comprises five 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, Mr Ng Chee Keong and Ms Lee Lay Eng Juliana.

The AC performs the functions specified in Section 201B of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX Listing Rule") and the Singapore Code of Corporate Governance which was issued on 6 August 2018 (the "2018 Code").

The AC has held five meetings during the financial year. 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:

- external and internal audit plans/audit reports, including the nature and scope of the audit before the audit commences and the significant financial reporting issues;
- 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;
- quarterly and full-year results announcements and financial statements of the Company and the consolidated financial statements of the Group prior to submission to the Board for adoption;
- interested person transactions in accordance with the requirements of the SGX Listing Rules;
- all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence and objective of the external auditors; and
- the appointment or re-appointment of the external auditors, including their remuneration and terms of engagement for the ensuring year.

The AC 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. It also has full discretion to invite any Executive Director or key management personnel or any other person to attend its meetings.

## AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors

Hermawan Fridiana Herman  
Director

Tan Meng Toon  
Director

25 March 2020  
Singapore

# Independent Auditor's Report

For the financial year ended 31 December 2019

## 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 financial statements of Samudera Shipping Line Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the financial position and the 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 (International) in Singapore ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### Impairment assessment of non-financial assets

The recoverable amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication that the assets have suffered an impairment. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment (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 assessment for impairment and the recoverable value is considered a key audit matter as management exercises significant judgement in making assumptions and estimates in the preparation of the discounted cash flow forecasts.

# Independent Auditor's Report

For the financial year ended 31 December 2019

(a) *Impairment assessment of vessels*

The Group has vessels recorded as fixed assets with total carrying amount of US\$73,493,000 as at 31 December 2019. This approximates 25.7% of the Group's total assets. In addition, the Group has an associate which owns a vessel and the carrying amount of the vessel in the associate is US\$129,070,000 (Note 15). The Group's share of the carrying amount of the vessel in the associate as at 31 December 2019 is US\$32,267,000.

Based on management's assessment, the Group recognised an impairment of US\$1,957,000 (Note 12(b)) during the financial year ended 31 December 2019.

Our audit procedures included evaluating the suitability of the impairment model and reasonableness of the key assumptions used by management. We obtained an understanding of management's impairment assessment process, including indicators of impairment and determination of cash generating units for the purpose of estimating the recoverable amounts.

Management determined the recoverable value based on value-in-use. For value-in-use assessment, we performed the following procedures:

- Reviewed the key assumptions applied (including those relating to daily charter rates/lifted volumes/earnings, revenue growth rate, capital and operating expenditures) by comparing them against the Group's historical performance and available market data;
- Involved our internal specialists to assess the reasonableness of the discount rate by performing comparative discount rate calculations using available market and industry comparables data sources;
- Performed sensitivity analysis on the two significant key assumptions in the impairment model being discount rate and charter/freight rates; and
- Reviewed actual performance against previous forecast to assess the robustness of management's forecasting process.

In assessing if there are indicators of impairment, management took into consideration the fair value less cost of disposal ("FVLCD") at 31 December 2019. The fair values were determined based on independent valuation performed by external valuers. In assessing the FVLCD, we involved our internal specialists and held discussions with the external valuers to obtain an understanding on the following:

- Objectivity, competency and independence of the valuers;
- Reasons for any significant change in the valuations from the previous financial year;
- methodology adopted in the valuation;
- Key assumptions adopted by the valuers in the valuation;
- Identify any inconsistencies in the standard valuation process; and
- Performed research and comparative calculation to validate the valuations provided by the external valuers.

We also assessed the adequacy of the disclosures on the impairment of vessels in Notes 12(b) and Note 3.1(b) to the financial statements.

# Independent Auditor's Report

For the financial year ended 31 December 2019

(b) *Impairment assessment of investment in subsidiaries*

The Company have significant investment in subsidiaries. The carrying amounts of these investments were included in Note 14 to the financial statements respectively. Based on management's assessment, the Company recognised impairment of US\$34,660,000 (Note 14) against investment in one of its subsidiaries in the current financial year.

We performed the following procedures, amongst others in assessing the impairment recognised during the year:

- Reviewed management's assessment on whether there are any impairment indicators for the investment in subsidiaries;
- For those entities with indicators of impairment, we reviewed the process by which management's discounted cash flow forecasts were prepared; and
- Tested the robustness of management's discounted cash flow forecasts by comparing previous forecasts to actual results and validated key inputs used, such as the discount and growth rates, to historical and external market data to assess the reasonableness of the key inputs.

We also assessed the adequacy of the Company's disclosures relating to the impairment of investments in subsidiaries in Notes 14 and Note 3.1(a) to the financial statements.

## Other matter

The financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 March 2019.

## Other information

Management is responsible for 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 express any form of assurance conclusion thereon.

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

## Responsibilities of management and directors for the financial statements

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

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

# Independent Auditor's Report

For the financial year ended 31 December 2019

## Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



# Independent Auditor's Report

For the financial year ended 31 December 2019

## **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 Yee Woon Yim.

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

25 March 2020

# Consolidated Statement of Profit or Loss

For the financial year ended 31 December 2019

	Note	Group 2019 US\$'000	Group 2018 US\$'000
<b>Revenue</b>	4	373,803	422,340
Cost of sales		(355,855)	(400,730)
<b>Gross profit</b>		17,948	21,610
Other income	5	2,611	2,043
Marketing expenses		(7,314)	(8,714)
Administrative expenses		(5,132)	(5,845)
Other expenses	6	(2,797)	(543)
<b>Profit from operations</b>		5,316	8,551
Finance income	7	994	701
Finance costs	8	(2,866)	(1,809)
<b>Operating profit</b>		3,444	7,443
Share of results of associate and joint venture	15	1,463	750
<b>Profit before tax</b>		4,907	8,193
Income tax expense	9	(722)	(452)
<b>Profit for the year</b>	10	4,185	7,741
<b>Attributable to:</b>			
Owners of the Company		3,911	8,271
Non-controlling interests ("NCI")		274	(530)
		4,185	7,741
<b>Earnings per share (US cents)</b>			
Basic and diluted	31	0.73	1.54

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Consolidated Statement of Comprehensive Income

For financial year ended 31 December 2019

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Profit for the year</b>	4,185	7,741
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Remeasurement of defined benefit obligation (Note 26)	-	50
	-	50
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive income of associate (Note 30b)	407	1,075
Exchange differences on translation of foreign operations	46	(318)
	453	757
<b>Other comprehensive income for the year, net of tax</b>	453	807
<b>Total comprehensive income for the year</b>	4,638	8,548
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	4,339	9,022
Non-controlling interests	299	(474)
	4,638	8,548

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Financial Position

As at 31 December 2019

	Note	Group		Company	
		2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
<b>Non-current assets</b>					
Investment properties	11	1,191	606	580	606
Property, plant and equipment	12	115,609	144,631	85,895	90,065
Right-of-use assets	25	7,909	-	3,031	-
Intangible assets	13	103	93	103	93
Subsidiaries	14	-	-	38,632	73,204
Associate and joint venture	15	14,242	12,018	10,099	10,099
Deferred tax assets		63	85	-	-
Due from subsidiary (non-trade)	19	-	-	-	876
<b>Total non-current assets</b>		<b>139,117</b>	<b>157,433</b>	<b>138,340</b>	<b>174,943</b>
<b>Current assets</b>					
Cash and bank balances	16	56,519	28,802	37,646	12,392
Trade receivables – third parties	17	60,421	70,930	52,396	60,788
Prepaid operating expenses		11,714	9,797	7,283	7,417
Other receivables and deposits	18	2,923	3,148	1,568	341
Due from immediate holding company (non-trade)	33	261	2,087	-	-
Due from immediate holding company (trade)	17	3,959	6,346	3,955	6,341
Due from subsidiaries (trade)		-	-	3,357	2,298
Due from subsidiaries (non-trade)	19	-	-	2,020	4,136
Due from related companies (trade)	17	9,559	8,786	3,700	5,123
Due from non-controlling interest of subsidiary (trade)	17	75	493	-	-
Inventories	20	1,631	2,008	1,388	1,433
		<b>147,062</b>	<b>132,397</b>	<b>113,313</b>	<b>100,269</b>
Assets classified as held for sale	21	-	-	-	-
<b>Total current assets</b>		<b>147,062</b>	<b>132,397</b>	<b>113,313</b>	<b>100,269</b>
<b>Total assets</b>		<b>286,179</b>	<b>289,830</b>	<b>251,653</b>	<b>275,212</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Financial Position

As at 31 December 2019

	Note	Group		Company	
		2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
<b>Current liabilities</b>					
Bank term loans and borrowing	22	7,090	8,861	5,757	6,023
Trade payables	23	23,617	25,653	19,349	21,747
Other payables and liabilities	24	22,532	24,512	13,645	14,665
Due to subsidiary (trade)	33	-	-	34	57
Due to subsidiary (non-trade)	33	-	-	5,491	3
Due to related companies (trade)		265	273	7	54
Due to non-controlling interests of subsidiaries (non-trade)	27	585	1,028	-	-
Finance leases	25	-	18	-	14
Lease liabilities	25	2,687	-	2,395	-
Income tax payable		1,041	1,223	359	369
<b>Total current liabilities</b>		<b>57,817</b>	<b>61,568</b>	<b>47,037</b>	<b>42,932</b>
<b>Non-current liabilities</b>					
Bank term loans and borrowing	22	28,605	34,182	21,196	18,092
Finance leases	25	-	82	-	80
Lease liabilities	25	5,539	-	807	-
Retirement benefit obligations	26	1	26	-	-
Deferred tax liabilities		16	40	-	-
Due to non-controlling interests of subsidiaries (non-trade)	27	1,044	577	-	-
<b>Total non-current liabilities</b>		<b>35,205</b>	<b>34,907</b>	<b>22,003</b>	<b>18,172</b>
<b>Net current assets</b>		<b>89,245</b>	<b>70,829</b>	<b>66,276</b>	<b>57,337</b>
<b>Net assets</b>		<b>193,157</b>	<b>193,355</b>	<b>182,613</b>	<b>214,108</b>
<b>Capital, reserves and non-controlling interests</b>					
Share capital	28	68,761	68,761	68,761	68,761
Treasury shares	29	(174)	(174)	(174)	(174)
Retained earnings		122,757	121,041	114,026	145,521
Other reserves	30	(774)	(409)	-	-
Foreign currency translation reserve	30	(122)	(143)	-	-
Equity attributable to owners of the Company		190,448	189,076	182,613	214,108
Non-controlling interests		2,709	4,279	-	-
<b>Total equity</b>		<b>193,157</b>	<b>193,355</b>	<b>182,613</b>	<b>214,108</b>
<b>Total liabilities and equity</b>		<b>286,179</b>	<b>289,830</b>	<b>251,653</b>	<b>275,212</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Equity

For the year ended 31 December 2019

	Share capital US\$'000	Treasury shares US\$'000	Other reserves US\$'000	Foreign currency translation reserve US\$'000	Retained earnings US\$'000	Equity attributable to owners of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
<b>Group</b>								
<b>2018</b>								
<b>At 1 January 2018 (previously reported)</b>	68,761	(174)	(1,534)	(12,400)	191,051	245,704	4,753	250,457
Effect of adopting of SFRS(I) 1	-	-	-	12,631	(75,364)	(62,733)	-	(62,733)
Effect of adopting of SFRS(I) 9	-	-	-	-	117	117	-	117
<b>At 1 January 2018 (restated)</b>	68,761	(174)	(1,534)	231	115,804	183,088	4,753	187,841
<i>Total comprehensive income for the year:</i>								
Profit for the year	-	-	-	-	8,271	8,271	(530)	7,741
Other comprehensive income for the year	-	-	1,125	(374)	-	751	56	807
Total	-	-	1,125	(374)	8,271	9,022	(474)	8,548
<i>Transactions with owners, recognised directly in equity:</i>								
Dividends paid (Note 32)	-	-	-	-	(3,034)	(3,034)	-	(3,034)
Total	-	-	-	-	(3,034)	(3,034)	-	(3,034)
<b>At 31 December 2018</b>	68,761	(174)	(409)	(143)	121,041	189,076	4,279	193,355

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Equity

For the year ended 31 December 2019

	Share capital US\$'000	Treasury shares US\$'000	Other reserves US\$'000	Foreign currency translation reserve US\$'000	Retained earnings US\$'000	Equity attributable to owners of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
<b>Group</b>								
<b>2019</b>								
<b>At 1 January 2019</b>	68,761	(174)	(409)	(143)	121,041	189,076	4,279	193,355
<i>Total comprehensive income for the year:</i>								
Profit for the year	-	-	-	-	3,911	3,911	274	4,185
Other comprehensive income for the year	-	-	407	21	-	428	25	453
<b>Total</b>	-	-	407	21	3,911	4,339	299	4,638
<i>Transactions with owners, recognised directly in equity:</i>								
Additional investment in subsidiary by an NCI	-	-	-	-	-	-	89	89
Capital reduction in subsidiary held by an NCI	-	-	-	-	-	-	(1,826)	(1,826)
Extinguishment of employment benefits obligation	-	-	(772)	-	772	-	-	-
Dividends paid to subsidiaries of NCI	-	-	-	-	-	-	(132)	(132)
Dividends paid (Note 32)	-	-	-	-	(2,967)	(2,967)	-	(2,967)
<b>Total</b>	-	-	(772)	-	(2,195)	(2,967)	(1,869)	(4,836)
<b>At 31 December 2019</b>	68,761	(174)	(774)	(122)	122,757	190,448	2,709	193,157

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Equity

For the year ended 31 December 2019

Company	Share capital US\$'000	Treasury shares US\$'000	Retained earnings US\$'000	Total equity US\$'000
<b>2018</b>				
<b>At 1 January 2018 (previously reported)</b>	68,761	(174)	164,517	233,104
Effect of adopting of SFRS(I) 1	-	-	(23,422)	(23,422)
Effect of adopting of SFRS(I) 9	-	-	117	117
<b>At 1 January 2018 (restated)</b>	<b>68,761</b>	<b>(174)</b>	<b>141,212</b>	<b>209,799</b>
Profit for the year, representing total comprehensive income for the year	-	-	7,343	7,343
Total	-	-	7,343	7,343
<i>Transactions with owners, recognised directly in equity:</i>				
Dividends paid (Note 32)	-	-	(3,034)	(3,034)
Total	-	-	(3,034)	(3,034)
<b>At 31 December 2018</b>	<b>68,761</b>	<b>(174)</b>	<b>145,521</b>	<b>214,108</b>
<b>2019</b>				
<b>At 1 January 2019</b>	68,761	(174)	145,521	214,108
Loss for the year, representing total comprehensive income for the year	-	-	(28,528)	(28,528)
Total	-	-	(28,528)	(28,528)
<i>Transactions with owners, recognised directly in equity:</i>				
Dividends paid (Note 32)	-	-	(2,967)	(2,967)
Total	-	-	(2,967)	(2,967)
<b>At 31 December 2019</b>	<b>68,761</b>	<b>(174)</b>	<b>114,026</b>	<b>182,613</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 US\$'000	Group 2018 US\$'000
<b>Operating activities</b>		
Profit before tax	4,907	8,193
Adjustments for:		
Depreciation of property, plant and equipment	9,222	11,372
Depreciation of right-of-use assets	8,567	-
Amortisation of intangible assets	53	37
Depreciation of investment properties	38	25
Gain on disposal of property, plant and equipment	(129)	(140)
Gain on disposal of assets held for sale (vessels)	(293)	(544)
Net gain on disposal of investments at fair value through profit or loss – investment securities	(3)	(27)
Finance costs	2,866	1,809
Finance income	(994)	(701)
Allowance for impairment on receivables	-	1,251
Write back of allowance for impairment on receivables	(38)	-
Share of results of associate and joint venture	(1,463)	(750)
Impairment of investment in preference shares and equity	-	523
Impairment of vessels	2,665	-
Property, plant and equipment written off	2	-
Net foreign exchange loss (gain)	225	(169)
<b>Operating cash flows before movements in working capital</b>	<b>25,625</b>	<b>20,879</b>
Trade receivables	10,816	(12,598)
Other receivables and deposits	225	(1,057)
Prepaid operating expenses	(1,917)	(621)
Due from immediate holding company	4,244	(1,015)
Due from related companies	(1,145)	(6,006)
Due from joint venture	72	(33)
Due from non-controlling interest of subsidiary	418	(493)
Inventories	377	399
Trade payables	(2,036)	1,791
Other payables and liabilities	(1,921)	(847)
Due to related companies	(8)	(80)
Due to joint venture	-	(56)
Due to immediate holding company	-	(63)
<b>Cash generated from operations</b>	<b>34,750</b>	<b>200</b>
Interest paid	(2,866)	(1,809)
Income tax paid	(904)	(547)
<b>Net cash from (used in) operating activities</b>	<b>30,980</b>	<b>(2,156)</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Group	
	2019	2018
	US\$'000	US\$'000
<b>Investing activities</b>		
Interest income received	994	701
Proceeds from disposal of property, plant and equipment	54	928
Proceeds from disposal of assets held for sale	20,858	6,982
Proceeds from disposal of current investments at fair value through profit or loss – investment securities	293	881
Purchase of property, plant and equipment [Note 12(e)]	(3,978)	(4,076)
Addition to investment property	(26)	–
Purchase of intangible assets	(63)	(97)
Purchase of investment securities	(290)	(854)
Due from joint venture	(339)	(274)
<b>Net cash from investing activities</b>	<b>17,503</b>	<b>4,191</b>
<b>Financing activities</b>		
Repayment of finance leases	–	(6)
Proceeds from bank term loans and borrowing	19,175	30,209
Repayment of bank term loans and borrowing	(26,791)	(50,075)
Repayment of lease liabilities	(8,350)	–
Dividends paid	(2,967)	(3,034)
(Increase) decrease in pledged deposits	(713)	3,689
Dividends paid to non-controlling shareholder of subsidiaries	(132)	–
Additional investment in a subsidiary by non-controlling interests	89	–
Capital reduction in subsidiary held by a non-controlling interest	(1,826)	–
Loans from non-controlling interest of subsidiaries	15	412
<b>Net cash used in financing activities</b>	<b>(21,500)</b>	<b>(18,805)</b>
Net increase (decrease) in cash and cash equivalents	26,983	(16,770)
Cash and cash equivalents at beginning of the year	20,749	37,893
Effects of exchange rate changes on the balance of cash held in foreign currencies	21	(374)
<b>Cash and cash equivalents at end of the year (Note 16)</b>	<b>47,753</b>	<b>20,749</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 1. CORPORATE INFORMATION

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (“USD” or “US\$”) and all values are rounded to the nearest thousand (US\$’000) except when otherwise indicated.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards, including SFRS(I) 16 Leases that is effective for annual periods beginning on or after 1 January 2019. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below.

#### *First time adoption of SFRS(I) 16 Leases*

The Group had adopted the modified retrospective approach under SFRS(I) 16 with the date of initial application of 1 January 2019. On the adoption of SFRS(I) 16, the Group measures the right-of-use asset on a lease-by-lease basis as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group has elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019 or leases for which the underlying asset is of low value; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.2 Changes in accounting policies (cont'd)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	<b>1 January 2019</b>	
	<b>Group</b>	<b>Company</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Operating lease commitments at December 2018 as disclosed in Consolidated Financial statements	94,908	86,480
<b>Recognition exemptions:</b>		
Short term leases	(20,002)	(19,992)
Leases commencing after 31 December 2018	(54,166)	(54,166)
<b>Operating lease commitments at 31 December 2018 to be capitalised as lease liabilities</b>	<b>20,740</b>	<b>12,322</b>
Weighted average incremental borrowing rates as at 1 January 2019	4.8%	4.9%
<b>Discounted operating lease commitments as at 1 January 2019</b>	<b>16,176</b>	<b>11,559</b>
Add:		
Finance lease liabilities recognised as at 31 December 2018	100	94
<b>Lease liabilities recognised at 1 January 2019</b>	<b>16,276</b>	<b>11,653</b>

The effect of adoption SFRS(I) 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

	<b>Group</b>	<b>Company</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Assets</b>		
Right-of-use assets	16,176	11,559
<b>Total assets</b>	<b>16,176</b>	<b>11,559</b>
<b>Liabilities</b>		
Finance leases	(100)	(94)
Lease liabilities	16,276	11,653
<b>Total liabilities</b>	<b>16,176</b>	<b>11,559</b>

#### *SFRS(I) INT 23 Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.2 Changes in accounting policies (cont'd)

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in various jurisdictions, it assessed whether the Interpretation had an impact on its consolidated financial statements. The Interpretation did not have a material impact on the consolidated financial statements of the Group.

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

<i>Description</i>	<i>Effective for financial year beginning on</i>
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

### 2.4 Foreign currency

The consolidated financial statements are presented in United States Dollars (USD), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### (a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to consolidated income statement on disposal of the foreign operation.

#### (b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.4 Foreign currency (cont'd)

#### (b) Consolidated financial statements (cont'd)

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### 2.5 Basis of consolidation and business combinations

#### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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

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

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

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

#### (b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or a liability are recognised in profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.5 Basis of consolidation and business combinations (cont'd)

#### (b) *Business combinations and goodwill (cont'd)*

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The CGU to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates.

#### (c) *Subsidiaries*

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

Details of the Group's significant subsidiaries are shown in Note 14 to the financial statements.

### 2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.7 Associates and joint ventures

An associate is an entity over which the Group has significant influence. 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 considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of results of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### 2.8 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.



# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.8 Property, plant and equipment (cont'd)

Depreciation is charged so as to write off the cost or valuation 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	-	3 to 10 years
Equipment	-	3 to 5 years
Furniture and fittings	-	3 to 10 years
Renovation	-	3 to 5 years
Freehold properties	-	15 to 60 years
Containers	-	15 years
Warehouse	-	20 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.

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.

#### *Effective before 1 January 2019*

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.

### 2.9 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 to 50 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.10 Impairment of tangible assets and intangible assets

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

### 2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss as impairment loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.11 Impairment of non-financial assets (cont'd)

Reversal of an impairment loss is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through profit or loss is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### 2.12 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. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Allowance is made of deteriorated, damaged, obsolete and slow-moving inventories.

### 2.13 Financial instruments

#### (a) Financial assets

##### Initial recognition and measurement

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

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

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

##### Subsequent measurement

##### Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories, applicable to the Group, for classification of debt instruments are

#### (i) Amortised cost

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

#### (ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.13 Financial instruments (cont'd)

#### (a) Financial assets (cont'd)

##### Subsequent measurement

##### Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

##### Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

#### (b) Financial liabilities

##### Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

##### Subsequent measurement

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

##### De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

### 2.14 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of any collateral held or other credit enhancements that are integral to the contractual terms.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.14 Impairment of financial assets (cont'd)

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

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

### 2.15 Cash and short-term deposits

Cash and short-term deposits comprise cash at bank and on hand and unsecured fixed deposits with financial institutions that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

### 2.16 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.

### 2.17 Provisions

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

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

### 2.18 Employee benefits

#### (a) *Defined contribution plans*

The Group participates in the state pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period which the related service is performed.

#### (b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. Accrual is made for the estimated liability for the unconsumed leave as a result of services rendered by employees up to balance sheet date.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.18 Employee benefits (cont'd)

#### (c) 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 as at each reporting date. 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.

#### (d) Other long-term employee benefits

A subsidiary of the Company provides long service award for all qualified employees.

The cost of providing other long-term benefits is determined using the Projected Unit Credit Method. The provision for long-term employee benefits recognised in the statements of financial position represents the present value of the employee benefits obligation.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.19 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### (a) *As lessee (effective before 1 January 2019)*

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.

#### *As lessee (effective from 1 January 2019)*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### i) **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Vessels	14 to 19 months
Motor vehicles	2 to 3 years
Equipments	1 to 5 years
Land	30 years
Offices	7 months to 4 years
Containers	1 to 4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.19 Leases (cont'd)

#### (a) As lessee (effective from 1 January 2019) (cont'd)

##### ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable and variable lease payments. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Details of the the Group's lease liabilities are included in Note 25.

##### iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### (b) As lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income from operating leases is recognised 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 use benefit derived from the leased asset is diminished. 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.

### 2.20 Revenue

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

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.



# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.20 Revenue (cont'd)

#### (a) Rendering of services

Revenue and operating costs on freight operations are recognised as income and expenses respectively, by reference to the voyage progress as at end of the reporting period. This has been assessed by management to be an appropriate measure of progress towards complete satisfaction of these performance obligations over time under SFRS(I) 15. Unearned revenue received is recognised as contract liabilities, recognised over the period in which the freight services are performed representing the entity's right to consideration for the services performed as at the end of the reporting period. Certain freight operation contracts include a separate performance obligation surrounding the provision of stevedoring service. Such revenue is recognised as the performance obligation to move the customer's specific cargo to and from the vessel is satisfied over time.

Revenue from rendering sea freight forwarding services is recognised at a point in time based on the completion of shipment.

Charter hire revenue comprise time and voyage charter. The performance obligations within a time-charter contract include the lease of the vessel to the charterer and the maintenance of the vessel. Time charter revenue is recognised as such services are rendered over the duration 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 as the performance obligation is satisfied. The transaction price is in the form of fixed fee at contract inception.

Pool revenue is recognised as the performance obligation is satisfied over time in accordance with the pooling agreement.

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

#### (b) Interest income

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

#### (c) Dividend income

Dividend income from investments is recognised in profit or loss when the Group's rights to receive the dividends have been established.

#### (d) Rental income

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

### 2.21 Taxes

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.21 Taxes (cont'd)

#### (b) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

#### (c) **Sales tax**

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

- Where the sales tax incurred on 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.22 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.

### 2.23 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.

### 2.24 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.

### 2.25 Share capital

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

### 2.26 Treasury shares

When the Company purchased its own equity share capital, treasury shares are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified and no dividends are allocated to them.

### 2.27 Contingencies

A contingent liability is:

- a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

### 2.28 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

### 2.29 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 pertaining to short-term leases are subsequently charged to profit or loss on a straight-line basis over the charter-hire period.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods. There are no significant judgements made in applying accounting policies.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

### 3.1 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 are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### (a) *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 recoverable amount is most sensitive to the discount rate used for the discounted cash flow model. An impairment loss of US\$34,660,000 (31 December 2018: US\$42,000) in the investment in a subsidiary was recognised for the Company in the financial year, further details are given in Note 14 to the financial statements.

#### (b) *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.

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.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

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

#### (c) *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.

The effect of the changes in estimate by a 5% increase in the scrap steel price in the estimated residual value of the vessels would reduce the depreciation charge by US\$179,000 (2018: US\$290,000).

#### (d) *Estimation of loss allowance*

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The carrying amounts of the Group's and the Company's trade and other receivables are disclosed in Notes 17 and 18 respectively.

#### (e) *Revenue recognition on an over time basis (freight operations)*

Revenue on freight operations are recognised by reference to the voyage progress as at end of the reporting period. This has been assessed by management to be an appropriate measure of progress towards complete satisfaction of these performance obligations over time. This requires the exercise of judgement and have a degree of complexity when determining the progress of the voyage as at year-end.

The amount of revenue earned from freight operations recognised during the year is disclosed in Note 4.

#### (f) *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 4. REVENUE

The Group derives its revenue from shipping activities. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 36).

A disaggregation of the Group's revenue for the year, is as follows:

	Group	
	2019	2018
	US\$'000	US\$'000
Freight operations	336,669	369,055
Charter hire (time and voyage charter)	13,557	16,931
Pool revenue	22	3,508
Ship management and operation services	716	6,436
Sea freight forwarding services	7,711	6,860
Other services	15,128	19,550
	373,803	422,340

### Timing of revenue recognition

Over time:

Freight operations	336,669	369,055
Charter hire (time and voyage charter)	13,557	16,931
Pool revenue	22	3,508
Ship management and operation services	716	6,436
Other services	15,128	19,550
	366,092	415,480

Point in time:

Sea freight forwarding services	7,711	6,860
	373,803	422,340

## 5. OTHER INCOME

	Group	
	2019	2018
	US\$'000	US\$'000
Gain on disposal of property, plant and equipment, net	129	140
Gain on disposal of assets held for sale (vessels)	293	544
Rental income	344	330
Net foreign exchange gains	919	447
Gain on disposal of investment at fair value through profit or loss		
– investment securities	3	27
Insurance claims	827	–
Refund of insurance premium	–	337
Others	96	218
	2,611	2,043

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 6. OTHER EXPENSES

	Group	
	2019	2018
	US\$'000	US\$'000
Impairment of property, plant and equipment (vessels)	2,665	-
Impairment of investment in preference shares and equity	-	523
Property, plant & equipment written off	2	-
Others	130	20
	2,797	543

## 7. FINANCE INCOME

	Group	
	2019	2018
	US\$'000	US\$'000
Interest income from call deposits and bank balances	994	701

## 8. FINANCE COSTS

	Group	
	2019	2018
	US\$'000	US\$'000
Interest on bank term loans and borrowing	2,015	1,800
Interest on lease liabilities	830	-
Interest on obligation under finance leases	-	1
Interest on loan due to non-controlling interest of subsidiary	21	8
	2,866	1,809

## 9. INCOME TAX EXPENSE

Income tax recognised in profit or loss:

	Group	
	2019	2018
	US\$'000	US\$'000
Current income tax:		
Current year	827	535
Overprovision in respect of prior years	(104)	(40)
Deferred tax:		
Current year	(1)	(43)
	722	452

Domestic income tax is calculated at 17% (2018: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 9. INCOME TAX EXPENSE (CONT'D)

The Company has been granted an extension of the status of the Approved International Shipping Enterprise ("AIS") with effect from 15 September 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.

The tax charge for the year can be reconciled to the accounting profit as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Profit before tax	4,907	8,193
Income tax expense calculated at 17% (2018: 17%)	834	1,393
Effect of income that is not taxable in determining taxable profit	(612)	(1,293)
Effect of different tax rates for foreign subsidiaries and associate	308	65
Effect of tax losses disallowed	544	327
Overprovision in respect of prior years	(104)	(40)
Others	(248)	-
	<u>722</u>	<u>452</u>

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\$36.2 million (2018: US\$35.1 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.

The Group has exposure to income taxes in various jurisdictions. Judgement is involved in determining the Group-wide provision for income taxes. 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Note	Group	
		2019 US\$'000	2018 US\$'000
Short-term lease expenses (included in cost of sales)		50,108	60,810
Bunker expenses (included in cost of sales)		49,343	63,414
Stevedorage expenses (included in the cost of sales)		131,846	155,222
Directors' fees		252	187
Audit fee:			
Auditors of the Company		146	162
Member firms of the auditors of the Company		30	40
Other auditors		33	39
Non-audit fee:			
Auditors of the Company		14	26
Other auditors		24	13
Depreciation of property, plant and equipment	12	9,222	11,372
Depreciation of right-of-use assets	25	8,567	-
Amortisation of intangible assets	13	53	37
Depreciation of investment property	11	38	25
(Write back of) allowance for impairment on receivables		(38)	1,251
<b>Employee benefits:</b>			
Wages, salaries and benefits		10,874	10,738
Central Provident Fund and other pension costs		779	906
		<u>11,653</u>	<u>11,644</u>

## 11. INVESTMENT PROPERTIES

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
<b>Cost:</b>				
At 1 January	897	897	897	897
Reclassification from property, plant and equipment (Note 12)	601	-	-	-
Additions	26	-	-	-
Balance at 31 December	<u>1,524</u>	<u>897</u>	<u>897</u>	<u>897</u>
<b>Accumulated depreciation:</b>				
Balance at 1 January	291	266	291	266
Reclassification from property, plant and equipment (Note 12)	4	-	-	-
Depreciation for the year	38	25	26	25
Balance at 31 December	<u>333</u>	<u>291</u>	<u>317</u>	<u>291</u>
<b>Carrying amount:</b>				
At 31 December	<u>1,191</u>	<u>606</u>	<u>580</u>	<u>606</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 11. INVESTMENT PROPERTIES (CONT'D)

The Group and the Company have adopted the cost model under SFRS(I) 1-40 for its investment properties. The Group's investment properties consist of 3 freehold properties located in Singapore and Dubai. The Company's investment properties consist of 2 freehold residential properties in Singapore. All of them are leased out under operating leases.

The fair values of the Group's and the Company's investment properties at 31 December 2019 and 31 December 2018 have been determined on the basis of valuations carried out at the end of the respective reporting periods 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 31 December 2019, the fair value measurement of the Group's and the Company's investment properties are as follows:

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Fair value of investment properties (Level 3 of the fair value hierarchy)	1,990	1,540	1,563	1,540

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.

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Rental income derived from investment properties	66	32	39	32
Direct operating expenses (including repairs and maintenance)	54	13	35	13

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 12. PROPERTY, PLANT AND EQUIPMENT

Group	Vessels US\$'000	Vessel improve- ment US\$'000	Deferred charges US\$'000	Containers US\$'000	Motor vehicles US\$'000
<b>Cost:</b>					
At 1 January 2018	163,912	1,845	10,513	-	792
Additions	-	-	2,743	-	164
Disposals	(3,513)	(77)	(1,197)	-	(240)
Written off	-	-	-	-	-
Write off of fully depreciated deferred charges component	-	-	(1,864)	-	-
Translation difference	-	-	-	-	(12)
At 31 December 2018	160,399	1,768	10,195	-	704
Additions	-	-	1,800	958	12
Disposals	-	-	-	-	(272)
Written off	-	-	-	-	-
Reclassification	-	-	-	-	-
Reclassification to assets held for sale (Note 21)	(24,006)	-	(1,667)	-	-
Reclassification to investment properties (Note 11)	-	-	-	-	-
Write off of fully depreciated deferred charges component	-	-	(610)	-	-
Translation difference	-	-	-	-	(2)
At 31 December 2019	136,393	1,768	9,718	958	442
<b>Accumulated depreciation and impairment:</b>					
At 1 January 2018	53,592	1,845	6,427	-	707
Depreciation for the year	6,968	-	3,852	-	27
Disposals	(3,225)	(77)	(697)	-	(240)
Written off	-	-	-	-	-
Write off of fully depreciated deferred charges component	-	-	(1,864)	-	-
Translation difference	-	-	-	-	(6)
At 31 December 2018	57,335	1,768	7,718	-	488
Depreciation for the year	6,340	-	2,185	91	46
Impairment recognised during the year	2,665	-	-	-	-
Disposals	-	-	-	-	(262)
Written off	-	-	-	-	-
Reclassification to assets held for sale (Note 21)	(3,440)	-	(1,667)	-	-
Reclassification to investment properties (Note 11)	-	-	-	-	-
Write off of fully depreciated deferred charges component	-	-	(610)	-	-
Translation difference	-	-	-	-	(1)
At 31 December 2019	62,900	1,768	7,626	91	271
<b>Carrying amount:</b>					
At 31 December 2019	73,493	-	2,092	867	171
At 31 December 2018	103,064	-	2,477	-	216

Equipment US\$'000	Furniture and fittings US\$'000	Renovation US\$'000	Freehold land US\$'000	Freehold properties US\$'000	Warehouse US\$'000	Warehouse under con- struction US\$'000	Total US\$'000
6,838	987	773	29,169	7,310	-	1,902	224,041
200	25	3	-	930	-	108	4,173
(2)	-	-	-	-	-	-	(5,029)
(46)	-	-	-	-	-	-	(46)
-	-	-	-	-	-	-	(1,864)
(39)	(18)	(1)	-	(118)	-	27	(161)
6,951	994	775	29,169	8,122	-	2,037	221,114
190	57	86	-	849	26	-	3,978
(6)	-	-	-	-	-	-	(278)
(35)	(2)	(11)	-	-	-	-	(48)
-	-	-	-	-	2,041	(2,041)	-
-	-	-	-	-	-	-	(25,673)
-	-	-	-	(601)	-	-	(601)
-	-	-	-	-	-	-	(610)
4	-	5	-	38	28	4	77
7,104	1,049	855	29,169	8,408	2,095	-	197,959
6,505	784	758	-	705	-	-	71,323
188	110	6	-	221	-	-	11,372
(2)	-	-	-	-	-	-	(4,241)
(46)	-	-	-	-	-	-	(46)
-	-	-	-	-	-	-	(1,864)
(31)	(12)	1	-	(13)	-	-	(61)
6,614	882	765	-	913	-	-	76,483
186	58	13	-	242	61	-	9,222
-	-	-	-	-	-	-	2,665
(6)	-	-	-	-	-	-	(268)
(35)	(1)	(10)	-	-	-	-	(46)
-	-	-	-	-	-	-	(5,107)
-	-	-	-	(4)	-	-	(4)
-	-	-	-	-	-	-	(610)
5	-	3	-	7	1	-	15
6,764	939	771	-	1,158	62	-	82,350
340	110	84	29,169	7,250	2,033	-	115,609
337	112	10	29,169	7,209	-	2,037	144,631

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

Company	Vessels US\$'000	Vessel improve- ment US\$'000	Deferred charges US\$'000
<b>Cost:</b>			
At 1 January 2018	85,054	1,284	3,763
Additions	-	-	2,110
Disposals	-	-	-
Write off	-	-	-
Write off of fully depreciated deferred charges component	-	-	(1,864)
At 31 December 2018	85,054	1,284	4,009
Additions	-	-	700
Disposals	-	-	-
Write off	-	-	-
Write off of fully depreciated deferred charges component	-	-	(610)
At 31 December 2019	85,054	1,284	4,099
<b>Accumulated depreciation:</b>			
At 1 January 2018	26,092	1,284	2,044
Depreciation for the year	3,884	-	1,664
Disposals	-	-	-
Written off	-	-	-
Write off of fully depreciated deferred charges component	-	-	(1,864)
At 31 December 2018	29,976	1,284	1,844
Depreciation for the year	3,884	-	1,693
Disposals	-	-	-
Written off	-	-	-
Write off of fully depreciated deferred charges component	-	-	(610)
At 31 December 2019	33,860	1,284	2,927
<b>Carrying amount:</b>			
At 31 December 2019	51,194	-	1,172
At 31 December 2018	55,078	-	2,165

<b>Containers US\$'000</b>	<b>Motor vehicles US\$'000</b>	<b>Equipment US\$'000</b>	<b>Furniture and fittings US\$'000</b>	<b>Renovation US\$'000</b>	<b>Freehold land US\$'000</b>	<b>Freehold properties US\$'000</b>	<b>Total US\$'000</b>
-	365	5,083	190	667	28,431	4,525	129,362
-	164	137	1	-	-	-	2,412
-	(153)	-	-	-	-	-	(153)
-	-	(46)	-	-	-	-	(46)
-	-	-	-	-	-	-	(1,864)
-	376	5,174	191	667	28,431	4,525	129,711
958	-	140	-	-	-	-	1,798
-	(153)	-	-	-	-	-	(153)
-	-	(35)	-	-	-	-	(35)
-	-	-	-	-	-	-	(610)
958	223	5,279	191	667	28,431	4,525	130,711
-	365	4,891	185	667	-	370	35,898
-	8	123	2	-	-	130	5,811
-	(153)	-	-	-	-	-	(153)
-	-	(46)	-	-	-	-	(46)
-	-	-	-	-	-	-	(1,864)
-	220	4,968	187	667	-	500	39,646
91	33	135	2	-	-	130	5,968
-	(153)	-	-	-	-	-	(153)
-	-	(35)	-	-	-	-	(35)
-	-	-	-	-	-	-	(610)
91	100	5,068	189	667	-	630	44,816
867	123	211	2	-	28,431	3,895	85,895
-	156	206	4	-	28,431	4,025	90,065

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

- (a) During the year, the Group had designated some vessels as assets held for sale. Accordingly, an impairment loss of US\$708,000 (2018: US\$Nil) was recognised on the vessels before the reclassification as assets held for sale.
- (b) The Group carried out a review of the recoverable amount of its vessels, in consideration of the declining trend in the charter rates over the near-to-medium terms. The review led to the recognition of an impairment loss of US\$1,957,000 for its chemical tankers (2018: US\$Nil) that has been recognised in profit or loss, and included in other operating expenses (Note 6).

### Value-in-use

The recoverable amount of the chemical tankers were determined based on value-in-use calculations. Cash flow projections used in these calculations are based on financial budget approved by management 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. 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. The cash flow was discounted at 7.00% (2018: 7.25%).

### Sensitivity analysis

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

Chemical tankers	31 December 2019			
	Discount rate		Charter rate	
	Increase US\$'000	(Decrease) US\$'000	Increase US\$'000	(Decrease) US\$'000
31 December 2019	(1,110)	1,209	510	(510)

- (c) Detainment of vessel

In November 2018, one of the Group's dry-bulk carriers, Sinar Kapuas, was detained in the Port of San Lorenzo, Honduras for claims derived from the delayed delivery of the cargo.

The Group secured the release of the vessel on 13 April 2019. The vessel was subsequently sold during the year.

- (d) The carrying amount of motor vehicles of the Group under lease liabilities at 31 December 2019 amounted to US\$124,000 (2018: US\$161,000).
- (e) The Group's and the Company's vessels, freehold land and freehold properties with carrying amount of US\$72,972,000 and US\$71,453,000 (2018: US\$129,594,000 and US\$83,409,000) respectively have also been placed under legal mortgage to secure the Company's and subsidiaries' bank term loans (Note 22).



# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

- (f) The following shows the carrying amount of the vessels of the Group being chartered out on time charter basis under operating leases:

	Group	
	2019 US\$'000	2018 US\$'000
Cost	62,709	80,665
Accumulated depreciation	(32,133)	(32,367)
Carrying amount	30,576	48,298

The depreciation charge for vessels chartered out on time charter basis under operating leases in the year is US\$3,564,000 (2018: US\$4,838,000).

The charter hire income for the year amounted to US\$12,081,000 (2018: US\$14,353,000).

- (g) During the financial year, the Group acquired property, plant and equipment with aggregate cost of US\$3,978,000 (2018: US\$4,173,000). Cash payment of US\$3,978,000 (2018: US\$4,076,000) was made to purchase property, plant and equipment of the Group. In 2018, out of US\$4,173,000, US\$97,000 was acquired by means of finance lease.

## 13. INTANGIBLE ASSETS

	Computer software US\$'000
<b>Group and Company</b>	
<b>Cost:</b>	
At 1 January 2018	36
Additions	97
At 31 December 2018	133
Additions	63
At 31 December 2019	196
<b>Amortisation:</b>	
At 1 January 2018	3
Amortisation for the year	37
At 31 December 2018	40
Amortisation for the year	53
At 31 December 2019	93
<b>Carrying amount:</b>	
At 31 December 2019	103
At 31 December 2018	93

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 expenses and administrative expenses" in profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 14. SUBSIDIARIES

	Group	
	2019 US\$'000	2018 US\$'000
Unquoted equity shares at cost	73,246	73,243
Addition during the year	88	3
Less: Allowance for impairment	(34,702)	(42)
	38,632	73,204

### Addition

During the financial year, the Company has made capital contributions of US\$88,000 in a subsidiary, PT Samudera Shipping Indonesia and the non-controlling interests has made the corresponding contribution of US\$89,000.

Movement in allowance for impairment:

	Company	
	2019 US\$'000	2018 US\$'000
Balance at beginning of the year	(42)	-
Impairment during the year	(34,660)	(42)
Balance at end of the year	(34,702)	(42)

At end of reporting period, the Company carried out a review of the recoverable amount of its investments in subsidiaries and impairment amounting to US\$34.7 million was recognised in profit or loss in respect of the investment in subsidiaries to reduce the carrying value of the investment to its recoverable amount. The recoverable amount was determined based on its value-in-use and a pre-tax discount rate of 7.0% was applied.

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	
			2019 %	2018 %	2019 US\$'000	2018 US\$'000
Foremost Maritime Pte Ltd ("Foremost") <sup>(1)</sup>	Owning and chartering of vessels	Singapore	100	100	72,021	72,021
SILkargo Logistics Singapore) Pte Ltd ("SILkargo") <sup>(1)</sup>	Sea freight forwarding, shipping agency and container freight station services	Singapore	100	100	712	712
Samudera Logistics DWC LLC ("SL DWC")	Sea freight forwarding and shipping agency	United Arab Emirates	40	40	109	109
Prime Maritime DWC LLC ("PM DWC") <sup>(3)</sup>	Owning and Operating of ocean-going vessel	United Arab Emirates	51	51	42	42
Samudera Property Limited ("SPL")	Owning of office property	United Arab Emirates	100	100	3	3

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 14. SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest		Cost of investment held by the Company	
			2019 %	2018 %	2019 US\$'000	2018 US\$'000
Samudera Intermodal Sdn Bhd ("SISB")	Shipping agency	Malaysia	65	65	217	217
Samudera Shipping Line (India) Pvt Ltd	Shipping agency	India	100	100	28	28
Samudera Traffic Co. Ltd ("STC") <sup>(3)</sup>	Shipping agency	Thailand	49	49	114	114
PT Samudera Shipping Indonesia ("SSI") <sup>(3)</sup>	Owning of vessels	Indonesia	49	-	88	-
<u>Held by subsidiaries</u>						
PT. Samudera Shipping Services ("PT SSS") <sup>(2) (4)</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")	Warehousing activity	Malaysia	51	51	-	-
Samudera Cargo Services LLC ("SCS") <sup>(3)</sup>	Sea freight forwarding, shipping agency and custom broker	United Arab Emirates	49	49	-	-
					<b>73,334</b>	<b>73,246</b>

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by overseas practice of Ernst & Young LLP

(3) Based on the contractual arrangements between the Group and the other investors, the Group has the practical ability to direct the relevant activities of the entities unilaterally and hence the Group has control over the entities.

(4) During the financial year, there were a series of capital reductions by way of reducing the nominal value per share in the subsidiary. This resulted in a repayment of US\$1,826,000 to the non-controlling interest party.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 14. SUBSIDIARIES (CONT'D)

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	
		2019	2018	2019	2018	2019	2018
		%	%	US\$'000	US\$'000	US\$'000	US\$'000
PT. Samudera Shipping Services	Indonesia	5	5	(26)	82	2,635	4,491
Individually immaterial subsidiaries with non-controlling interests				300	(612)	74	(212)
Total				274	(530)	2,709	4,279

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

	PT Samudera Shipping Services	
	2019	2018
	US\$'000	US\$'000
Current assets	33,273	67,048
Non-current assets	24,363	29,206
Current liabilities	(4,942)	(6,410)
Non-current liabilities	(1)	(26)
Net assets	52,693	89,818
Equity attributable to owners of the subsidiary	50,058	85,327
Non-controlling interests	2,635	4,491
Total equity	52,693	89,818
Total revenue	10,320	18,660
Total expenses	(10,831)	(17,010)
(Loss)/Profit for the year	(511)	1,650
Attributable to:		
Owners of the subsidiary	(485)	1,568
Non-controlling interests	(26)	82
<b>Other comprehensive income for the year</b>	-	50
Attributable to:		
Owners of the subsidiary	-	48
Non-controlling interests	-	2
<b>Total comprehensive profit for the year</b>	(511)	1,700

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 14. SUBSIDIARIES (CONT'D)

	PT Samudera Shipping Services	
	2019	2018
	US\$'000	US\$'000
Attributable to:		
Owners of the subsidiary	(485)	1,615
Non-controlling interests	(26)	85
Net cash (outflow)/inflow from operating activities	(6,014)	1,630
Net cash inflow from investing activities	303	1,570
Net cash outflow from financing activities	(365)	(2,195)
Net cash (outflow)/inflow	(6,076)	1,005

## 15. ASSOCIATE AND JOINT VENTURE

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Associate</b>				
Unquoted equity shares, at cost	11,358	11,358	12,117	12,117
Share of post-acquisition profits	3,683	1,866	-	-
Share of hedging reserve	(799)	(1,206)	-	-
Less: Allowance for impairment	-	-	(2,018)	(2,018)
	14,242	12,018	10,099	10,099

	Group	
	2019	2018
	US\$'000	US\$'000
<b>Joint venture</b>		
Unquoted equity shares, at cost	198	198
Amount due from joint venture (non-trade)	1,278	939
Share of post-acquisition losses	(1,544)	(1,190)
Translation difference	68	53
	-	-

There is an unrecognised share of losses of the joint venture for the year ending 31 December 2019 and cumulatively of US\$440,000 (2018: US\$10,000) and US\$450,000 (2018: US\$10,000) respectively when applying the equity method.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

Details of the associate and joint venture are as follows:

Name	Principal activities	Country of incorporation	Proportion of ownership interest	
			2019 %	2018 %
<b>Associate</b>				
LNG East-West Shipping Company (Singapore) Pte. Limited <sup>(1)</sup>	Owning, managing and chartering of vessels and ship brokering	Singapore	25	25
<b>Joint venture</b>				
Samudera Bharat Feeder Pvt Ltd	Owning and operating of vessel	India	49	49

(1) Audited by Ernst & Young LLP, Singapore

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:

	Group	
	2019 US\$'000	2018 US\$'000
<b>Associate</b>		
Current assets	30,226	22,351
Non-current assets <sup>(1)</sup>	129,070	134,866
Total assets	159,296	157,217
Current liabilities	113,311	7,976
Non-current liabilities	-	112,154
Total liabilities	113,311	120,130
<b>Net assets</b>	<b>45,985</b>	<b>37,087</b>
<b>Group</b>		
	<b>2019 US\$'000</b>	<b>2018 US\$'000</b>
Revenue	24,167	22,507
Profit for the year	7,080	5,462
Other comprehensive income for the year	1,630	4,301
Total comprehensive income for the year	8,710	9,763

(1) Non-current assets comprise mainly of an Liquefied Natural Gas ("LNG") vessel for which the useful life has been determined to be 35 years (2018 : 35 years).

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

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

	Group	
	2019	2018
	US\$'000	US\$'000
Net assets	45,985	37,087
Proportion of the Group's ownership interest	25%	25%
Share of net assets	11,496	9,272
Goodwill (included in cost of investment of associate)	2,724	2,724
Other costs (included in cost of investment of associate)	22	22
Carrying amount of the Group's interest in associate	14,242	12,018

Aggregate information of joint venture that are not individually material:

	Group	
	2019	2018
	US\$'000	US\$'000
<b>Joint venture</b>		
The Group's share of the loss for the year	(354)	(616)
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive income	(354)	(616)
Aggregate carrying amount of the Group's interests	-	-

## 16. CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Call and fixed deposits	40,727	18,054	27,760	6,992
Cash at bank and on hand	15,792	10,748	9,886	5,400
	56,519	28,802	37,646	12,392

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

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and bank balances (as above)	56,519	28,802	37,646	12,392
Less: Pledged deposits (Note A)	(8,766)	(8,053)	(1,053)	(1,042)
	47,753	20,749	36,593	11,350

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 16. CASH AND BANK BALANCES (CONT'D)

### Note A:

The Group's and Company's fixed deposits totaling US\$1,110,000 (2018: US\$1,066,000) and US\$995,000 (2018: US\$961,000) respectively have been pledged to certain banks to secure bankers' guarantee facilities of US\$4,021,000 (2018: US\$3,909,000) and US\$3,203,000 (2018: US\$3,158,000) 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\$7,656,000 (2018: US\$6,987,000) and US\$58,000 (2018: US\$81,000) respectively pledged to certain banks to secure loans and other banking facility of the Group amounting to US\$5,693,000 (2018: US\$5,683,000).

## 17. TRADE RECEIVABLES

	Group			Company		
	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000	1 Jan 2018 US\$'000	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000	1 Jan 2018 US\$'000
Trade receivables – third parties	64,915	75,732	63,185	56,459	65,388	56,071
Due from immediate holding company	4,010	6,428	5,414	4,006	6,423	5,414
Due from subsidiaries	-	-	-	3,417	2,401	4,455
Due from related companies	10,605	9,665	3,660	3,746	5,390	257
Due from non-controlling interest of a subsidiary	75	493	-	-	-	-
Due from joint venture	167	33	-	128	-	-
	79,772	92,351	72,259	67,756	79,602	66,197
Less: Allowance for expected credit loss	(5,758)	(5,796)	(4,598)	(4,348)	(5,052)	(4,507)
	74,014	86,555	67,661	63,408	74,550	61,690

Trade receivables are non-interest bearing and the average credit period given to customers are 30 to 60 days (2018: 30 to 60 days). For terms and conditions relating to related parties, refer to Note 33.



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 17. TRADE RECEIVABLES (CONT'D)

### Expected credit losses

Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

The movement in allowance for expected credit losses of trade receivables and related party balances computed based on lifetime ECL are as follows:-

	<b>Lifetime ECL – not credit impaired US\$'000</b>	<b>Lifetime ECL – credit- impaired US\$'000</b>	<b>Total US\$'000</b>
<b>Group</b>			
Balance as at 1 January 2018	1,652	2,946	4,598
Amounts written off	-	(48)	(48)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	738	513	1,251
Foreign exchange gains or losses	-	(5)	(5)
Balance as at 31 December 2018	2,390	3,406	5,796
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	(38)	-	(38)
Balance as at 31 December 2019	2,352	3,406	5,758
<b>Company</b>			
Balance as at 1 January 2018	1,652	2,855	4,507
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	93	452	545
Balance as at 31 December 2018	1,745	3,307	5,052
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	(647)	(57)	(704)
Balance as at 31 December 2019	1,098	3,250	4,348

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 18. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Other receivables	356	396	349	253
Deposits	1,211	1,277	56	59
Loans to employees	210	156	17	29
Insurance claims receivable	1,146	1,319	1,146	-
	<u>2,923</u>	<u>3,148</u>	<u>1,568</u>	<u>341</u>

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

For purpose of impairment assessment, other receivables and deposits are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

## 19. DUE FROM SUBSIDIARIES (NON-TRADE)

	Company	
	2019 US\$'000	2018 US\$'000
Due from subsidiaries	3,080	6,125
Less: Loss allowance	(1,060)	(1,113)
	<u>2,020</u>	<u>5,012</u>
Less: Current portion	(2,020)	(4,136)
Non-current portion	<u>-</u>	<u>876</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 19. DUE FROM SUBSIDIARIES (NON-TRADE) (CONT'D)

The non-trade balances due from subsidiaries are unsecured and interest-free except for:

- An amount of US\$1,060,000 (2018: US\$1,060,000) which was interest-bearing at 1.5% per annum. The loss allowance has been provided for in 2018.
- An amount of US\$889,000 (2018: US\$876,000) which was interest-bearing at 1.0% per annum which is repayable 3 years from the inception of the loan.

For the purpose of impairment assessment, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL), as the timing of payment is controlled by the Company taking into account cash flow management within the Group and there has been no significant increase in risk of default on the balances since initial recognition.

In determining the ECL, management has taken into account the financial position of the subsidiaries, adjusted for factors that are specific to the subsidiaries and general economic conditions of the industry in which the subsidiaries operate, in estimating the probability of default as well as the loss upon default.

### Movement in loss allowance

	<b>Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Balance at beginning of the year	1,113	-
(Decrease)/increase in loss allowance during the year	(53)	1,113
Balance at end of the year	<u>1,060</u>	<u>1,113</u>

## 20. INVENTORIES

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Lubricant oil	291	539	219	250
Bunker	1,340	1,469	1,169	1,183
	<u>1,631</u>	<u>2,008</u>	<u>1,388</u>	<u>1,433</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 21. 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 (2018: Group's Bulk and Tanker) activities for segment reporting purposes (Note 36).

	Group	
	2019 US\$'000	2018 US\$'000
Balance at beginning of the year	-	6,439
Reclassified from property, plant and equipment (Note 12)	20,566	-
Disposal during the year (Note A)	(20,566)	(6,439)
Balance at end of the year	-	-

### Note A:

During the year ended 31 December 2019, the Group had disposed the vessels, MV Sinar Jepara owned by PT Samudera Shipping Services ("PT SSS") and Sinar Kutai and Sinar Kapuas owned by Foremost Maritime Pte Ltd ("FMPL") (2018: Sinar Emas to a third party company) to third parties.

## 22. BANK TERM LOANS AND BORROWING

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
<u>Current – secured at amortised cost</u>				
<i>Amounts due not later than one year</i>				
Bank term loans	6,748	8,861	5,415	6,023
Borrowing	342	-	342	-
	7,090	8,861	5,757	6,023
<u>Non-current – secured at amortised cost</u>				
<i>Amounts due:</i>				
<i>Later than one year but not later than five years</i>				
Bank term loans	18,726	27,804	13,421	17,868
Borrowing	381	-	381	-
<i>Later than five years</i>				
Bank term loans	9,498	6,378	7,394	224
	28,605	34,182	21,196	18,092
<b>Total</b>	35,695	43,043	26,953	24,115

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 22. BANK TERM LOANS AND BORROWING (CONT'D)

### Bank term loans

#### (a) The Company

	2019 US\$'000	2018 US\$'000
(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 certain margin above Swap Offer Rate per annum. The loan was extended for 5 years in July 2017. The loan was fully repaid during the year.	-	5,950
(ii) 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. The loan was extended till March 2022 in June 2017 with interest payable at certain margin above Swap Offer Rate per annum. The loan was fully repaid during the year.	-	4,363
(iii) SGD13,794,000 repayable in 179 monthly instalments commencing April 2019 with a certain remaining amount to be paid at the end of the term. Interest is payable at certain margin above SIBOR per annum.	9,924	-
(iv) SGD5,170,000 repayable in 70 monthly instalments commencing May 2019 Interest is payable at certain margin above SIBOR per annum.	3,470	-
(v) SGD5,000,000 revolving credit facility. Interest is payable at certain margin above SIBOR per annum. The tenure is subject to an annual review at the bank's discretion.	3,669	-
(vi) USD33,600,000 repayable in 48 quarterly instalments commencing June 2008. Interest is payable at certain margin above LIBOR per annum. The loan was fully paid in 2019.	-	1,725
(vii) USD28,400,000 repayable in 48 quarterly instalments commencing October 2008. Interest is payable at certain margin above LIBOR per annum. The loan was fully paid in 2019.	-	1,936
(viii) USD2,000,000 repayable in 16 equal quarterly instalments commencing September 2018. Interest is payable at certain margin above LIBOR per annum.	1,242	1,734
(ix) USD5,683,000 payable in September 2021. Interest is payable at certain margin above LIBOR per annum.	5,693	5,683
(x) USD3,000,000 repayable in 24 quarterly instalments commencing September 2018. Interest is payable at certain margin above LIBOR per annum.	2,232	2,724
	26,230	24,115

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 22. BANK TERM LOANS AND BORROWING (CONT'D)

### **Bank term loans (cont'd)**

#### (b) **Subsidiaries**

	2019 US\$'000	2018 US\$'000
(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 certain margin above LIBOR. The loan was fully paid in 2019.	-	169
(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 certain margin above LIBOR. The loan was fully paid in 2019.	-	196
(iii) Thai Baht ("THB") 20,000,000 repayable in 96 monthly instalments commencing May 2016. Interest is payable at Minimum Loan Rate ("MLR") less certain percentage per annum.	392	437
(iv) USD19,500,000 repayable in 27 equal quarterly instalments commencing September 2018 with a certain remaining amount to be paid at the end of the term. Interest is payable at certain margin above LIBOR per annum. One tranche of the loan was fully paid in 2019.	7,884	18,126
(v) Malaysia Ringgit ("MYR") 1,960,000 repayable in 120 monthly instalments commencing November 2019. Interest is payable at certain margin above Cost of Fund per annum.	466	-
	<u>8,742</u>	<u>18,928</u>
Total	<u>34,972</u>	<u>43,043</u>

The bank term loans are secured as follows:

1. Bank term loans (a)(i) to (a)(v), b(iii) and (b)(v)
  - legal mortgage over freehold land and freehold properties of the Company and subsidiaries (Note 12);
  - assignment of insurance; and
  - assignment of income or proceeds of sale if any.
2. Bank term loans (a)(vi) to (a)(viii), (a)(x) and (b)(iv)
  - 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 loan (a)(ix)
  - pledges over certain bank accounts of a subsidiary (Note 16)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 22. BANK TERM LOANS AND BORROWING (CONT'D)

### Bank term loans (cont'd)

#### 4. Bank term loans (b)(i) to (b)(ii)

- corporate guarantee 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.

The weighted average effective interest rate for variable interest rate term loans is 3.49% (2018: 4.35%).

### Borrowing

On 15 January 2019, the Group entered into a sale and lease transaction with external parties for certain containers. The lease-back is for a period of 3 years with a bargain purchase option to repurchase the containers at the end of the lease term. The transaction in substance is a means whereby the lessor provides financing to the lessee, with the asset as security and is accounted for as borrowings.

The Group's and Company's borrowing is denominated in USD and bear interest at 7.6%.

### 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 borrowing, loans from NCI of subsidiaries and lease liabilities in the statement of cash flows.

	1 January 2019 US\$'000	Financing cash flows US\$'000	Non-cash movement			31 December 2019 US\$'000
			New leases US\$'000	Foreign exchange movement US\$'000	Others US\$'000	
<b>Group</b>						
Bank term loans and borrowing (Note 22)	43,043	(7,616)	-	268	-	35,695
Loans from NCI of subsidiaries (Note 27)	1,605	15	-	9	-	1,629
Lease Liabilities (Note 25)	16,276	(8,350)	572	7	(279)	8,226
Total	60,924	(15,951)	572	284	(279)	45,550

The 'Other' Column includes the effect of adjustments for lease payments relating to off hire periods of vessel charters.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 22. BANK TERM LOANS AND BORROWING (CONT'D)

	1 January 2018 US\$'000	Financing cash flows US\$'000	Non-cash movement		31 December 2018 US\$'000
			New finance lease US\$'000	Foreign exchange movement US\$'000	
<b>Group</b>					
Bank term loans (Note 22)	63,145	(19,866)	-	(236)	43,043
Finance leases (Note 25)	10	(6)	97	(1)	100
Loans from NCI of subsidiaries (Note 27)	1,206	412	-	(13)	1,605
Total	64,361	(19,460)	97	(250)	44,748

## 23. TRADE PAYABLES

The average credit period granted by suppliers ranged from 30 to 60 days (2018: 30 to 60 days). No interest is charged on the outstanding balances.

## 24. OTHER PAYABLES AND LIABILITIES

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Accrued operating expenses	19,119	21,261	11,860	12,659
Other payables	1,666	1,857	308	678
Contract liabilities	1,747	1,394	1,477	1,328
	22,532	24,512	13,645	14,665

The contract liabilities balance pertain to revenue earned in advance for the current financial year.

The balance of contract liabilities of the Group and Company as at 1 January 2018 are US\$2,308,000 and US\$2,261,000 respectively.

Set out below is the amount of revenue recognised from:

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Amounts included in contract liabilities at the beginning of the year	1,394	2,308	1,328	2,261



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 25. LEASES

### Group as lessee

The Group has lease contracts for various items such as vessels, land, offices, containers, motor vehicles and other equipments used in its operations. Leases of vessels, containers, office, motor vehicles and equipments generally have lease terms between 1 and 5 years, while land lease terms is around 30 years.

There are several lease contracts that include extension and termination options and variable lease payments.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the period:

### Group

	Motor vehicles US\$'000	Equipment US\$'000	Vessels US\$'000	Containers US\$'000	Properties US\$'000	Land US\$'000	Total US\$'000
As at 1 January 2019 (Adoption of SFRS(I) 16)	44	150	6,486	4,963	134	4,399	16,176
Additions	-	8	-	519	45	-	572
Written off	-	-	(276)	-	-	(3)	(279)
Depreciation expense	(17)	(96)	(4,715)	(3,516)	(73)	(150)	(8,567)
Translation difference	-	-	-	7	-	-	7
As at 31 December 2019	27	62	1,495	1,973	106	4,246	7,909

### Company

	Equipment US\$'000	Vessels US\$'000	Containers US\$'000	Total US\$'000
As at 1 January 2019 (Adoption of SFRS(I) 16)	110	6,486	4,963	11,559
Written off	-	(276)	-	(276)
Depreciation expense	(77)	(4,715)	(3,460)	(8,252)
As at 31 December 2019	33	1,495	1,503	3,031

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 25. LEASES (CONT'D)

Set out below are the carrying amounts of the lease liabilities and the movements during the period:

	Group US\$'000	Company US\$'000
As at 1 January 2019	-	-
Adoption of SFRS(I) 16	16,276	11,653
As at 1 January 2019 (adjusted)	16,276	11,653
Additions	572	-
Written off	(279)	(276)
Payments	(9,180)	(8,725)
Interest expense	830	550
Translation difference	7	-
As at 31 December 2019	<u>8,226</u>	<u>3,202</u>
Current	2,687	2,395
Non-current	<u>5,539</u>	<u>807</u>
	<u>8,226</u>	<u>3,202</u>

A carrying amount of US\$100,000 pertains to leases previously classified as finance lease and relates to motor vehicles of the Group which are classified as property, plant & equipment (Note 12(d)).

The following are the amounts recognised in profit or loss:

	Group 2019 US\$'000
Depreciation expense on right-of-use assets	8,567
Interest expense on lease liabilities	830
Expense relating to short-term leases (included in cost of sales)	50,108
Expense relating to short-term leases (included in administrative and marketing expense)	161

The maturity analysis of lease liabilities is disclosed in Note 37(b)(vi). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 35.

At 31 December 2019, the Group has outstanding commitments for short-term leases of US\$16,219,000.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 25. LEASES (CONT'D)

### Finance leases

	<b>Group</b>	
	<b>Minimum lease payments 2018 US\$'000</b>	<b>Present value of minimum lease payments 2018 US\$'000</b>
Amounts payable under finance leases:		
Within one year	21	18
In the second to fifth years inclusive	96	82
	117	100
Less: Future finance charges	(17)	N/A
Present value of lease obligations	100	100
Less: Amount due for settlement within 12 months (shown under current liabilities)		(18)
Amount due for settlement after 12 months		82

	<b>Company</b>	
	<b>Minimum lease payments 2018 US\$'000</b>	<b>Present value of minimum lease payments 2018 US\$'000</b>
Amounts payable under finance leases:		
Within one year	16	14
In the second to fifth years inclusive	94	80
	110	94
Less: Future finance charges	(16)	N/A
Present value of lease obligations	94	94
Less: Amount due for settlement within 12 months (shown under current liabilities)		(14)
Amount due for settlement after 12 months		80

The average lease term is 5 to 7 years. For the year ended 31 December 2018, the borrowing rate ranged from 2.5% to 5.0% 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 the Financial Statements

For the financial year ended 31 December 2019

## 26. RETIREMENT BENEFIT OBLIGATIONS

### Defined contribution plans

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

The employees of the Company and its subsidiaries 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 subsidiaries 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.

PT SSS also provides other long-term benefits in the form of long service leave to qualifying employees which are determined based on years of service.

The number of employees entitled to the benefits is 2 and 16 as of 31 December 2019 and 2018 respectively.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 26. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	Valuation at	
	2019	2018
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	8.3% per annum	6.5% per annum
Expected return on investment rate	10.0% per annum	10.0% per annum
Resignation rate	10.0% up to age 25 and reducing linearly to 0% at age 55	10.0% up to age 25 and reducing linearly to 0% at age 55

(1) 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	
	2019 US\$'000	2018 US\$'000
Current service cost	3	11
Interest cost	9	26
Interest income	(9)	(20)
Past service cost	4	(30)
Remeasurement on the net defined benefit liability	7	(13)

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	
	2019 US\$'000	2018 US\$'000
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding interest income)	2	32
Actuarial losses arising from changes in financial assumptions	(5)	(46)
Actuarial gains (losses) arising from changes in experience adjustments	3	(36)
Components of defined benefit costs recognised in other comprehensive income	-	(50)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 26. 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	
	2019	2018
	US\$'000	US\$'000
Present value of unfunded obligations	96	315
Fair value of plan assets	(95)	(289)
Net liability recognised	1	26

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

	Group	
	2019	2018
	US\$'000	US\$'000
Opening defined benefit obligation	315	638
Retirement benefit obligations adjustment	(222)	(235)
Current service cost	4	16
Past service cost	4	(30)
Interest cost	9	26
Remeasurement (losses) gains:		
From changes in financial assumptions	5	(48)
From experience adjustments	(3)	(41)
Benefit paid	(25)	(18)
Exchange difference	9	7
Closing defined benefit obligation	96	315

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

	Group	
	2019	2018
	US\$'000	US\$'000
Opening fair value of plan assets	289	562
Assets adjustment	(193)	(221)
Interest income	9	20
Remeasurement loss:		
Return on plan assets (excluding interest income)	2	(32)
Contributions by plan participants	1	5
Benefit paid	(25)	(12)
Exchange difference	12	(33)
Closing fair value of plan assets	95	289

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 26. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	Group	
	2019	2018
	US\$'000	US\$'000
Deposit	21	45
Equity instruments	15	51
Debt instruments	43	143
Other assets	16	50
Total	95	289

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 31 December 2019 is 8 years (2018: 8 years).

## 27. DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

These balances are unsecured and include the following terms:

- An amount of US\$1,044,000 (2018: US\$1,028,000) which is interest-bearing at 1.5% per annum and expected to be settled within 3 years from the end of the reporting period.
- An amount of US\$585,000 (2018: US\$577,000) which is interest-bearing at 1.0% per annum and expected to be settled within 12 months from the end of the reporting period.

## 28. SHARE CAPITAL

	Group and Company	
	2019 and 2018	
	No. of shares	US\$'000
<b>Issued and paid up:</b>		
At the beginning and end of the year	539,131,199	68,761

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 the Financial Statements

For the financial year ended 31 December 2019

## 29. TREASURY SHARES

	Group and Company 2019 and 2018	
	No. of shares	US\$'000
<b>Issued and paid up:</b>		
At the beginning and end of the year	(1,093,000)	(174)

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

## 30. OTHER RESERVES AND FOREIGN CURRENCY TRANSLATION RESERVE

	Group	
	2019 US\$'000	2018 US\$'000
Other reserves – Statutory reserve (a)	15	15
Other reserves – Hedging reserve (b)	(799)	(1,206)
Other reserves – Employee benefits obligation reserve (c)	10	782
Foreign currency translation reserve (d)	(122)	(143)
	<u>(896)</u>	<u>(552)</u>

### (a) Other reserves – 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) Other reserves – 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	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Balance at beginning of the year	(1,206)	(2,281)	-	-
Share of net change in associate's hedging reserve	407	1,075	-	-
<b>Balance at end of the year</b>	<u>(799)</u>	<u>(1,206)</u>	<u>-</u>	<u>-</u>

### (c) Other reserves – Employee benefits obligation reserve

The employee benefits obligation reserve represents the effects of the remeasurement of defined benefit obligation (Note 26).

### (d) 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.



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 31. EARNINGS PER SHARE

The earnings per share for respective years has been computed based on the profit attributable to owners of the Company of US\$3,911,000 (2018: US\$8,271,000) and the weighted average number of shares in issue during the financial year is 538,038,199 (2018: 538,038,199).

	Group	
	2019	2018
Basic and diluted earnings per share (cents)	0.73	1.54

## 32. DIVIDENDS

	Group and Company	
	2019 US\$'000	2018 US\$'000
<b>Declared and paid during the year:</b>		
<i>Dividends on ordinary shares:</i>		
Final dividend paid: 0.75 Singapore cents per ordinary share (tax exempt) in respect of previous financial year (2018: 0.75 Singapore cents per ordinary share (tax exempt) in respect of previous financial year)	2,967	3,034
<b>Proposed and not recognised as a liability as at the end of the reporting period:</b>		
<i>Dividends on ordinary shares subject to shareholders' approval at the Annual General Meeting:</i>		
Final one-tier tax exempt dividend for financial year ended 31 December 2019 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 31 December 2018 of 0.75 Singapore cents per share, total dividend payable amounting to SGD4,035,000)	2,989	2,945

## 33. 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 outstanding balances due from/(to) immediate holding company, subsidiaries and related companies are unsecured, interest-free and expected to be settled within 12 months from the end of the reporting period unless otherwise stated.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 33. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS (CONT'D)

During the year, Group entities entered into the following transactions:

	Group	
	2019	2018
	US\$'000	US\$'000
<b>Expenses</b>		
<u>Immediate holding company:</u>		
Vessel charter hire	2,591	2,747
Agency commissions	-	1,489
Office rental	29	71
<u>Related companies:</u>		
Agency commissions	2,194	1,093
Ship management fees	622	715
Vessel charter hire	2,799	2,586
Container depot storage/repair	121	156
Slot space purchase	57	55
Stevedorage	5,295	5,874
System development and maintenance	437	420
Car rental	65	-
<b>Income</b>		
<u>Related companies:</u>		
Sale of vessels	-	861
Vessel charter hire	6,061	3,788

## 34. 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	
	2019	2018
	US\$'000	US\$'000
<b>Expenses</b>		
Fees paid to a director of the immediate holding company	145	147
<b>Compensation of directors and key management personnel</b>		
Short-term employee benefits	3,185	2,729
Pension contributions	227	459
Total	3,412	3,188
Comprise:		
Directors of the Company	1,509	1,425
Key management personnel	1,903	1,763
	3,412	3,188

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 35. OPERATING LEASE ARRANGEMENTS

### (a) *Non-cancellable operating lease commitments – Group as lessee*

The Group has adopted SFRS (I) 16 and the outstanding commitments on its lease liabilities as at 31 Dec 2019 are disclosed in Note 37(b)(vi).

The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are US\$1,092,000 within one year, US\$30,973,000 from second to fifth years and US\$22,101,000 thereafter.

As at 31 December 2018, the Group has outstanding commitments under operating leases which fall due as follows:

	<b>Group 2018 US\$'000</b>
Within one year	29,580
In the second to fifth years	34,953
More than five years	30,375
	<u>94,908</u>

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. Details of finance lease commitments are disclosed in Note 25.

### (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:

	<b>Group</b>	
	<b>2019 US\$'000</b>	<b>2018 US\$'000</b>
Within one year	3,424	2,766
In the second to third years inclusive	603	242
	<u>4,027</u>	<u>3,008</u>

## 36. SEGMENT INFORMATION

For management purposes, the Group is organised 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 36. SEGMENT INFORMATION (CONT'D)

- Logistics and 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.

	<b>Container Shipping US\$'000</b>	<b>Bulk and Tanker US\$'000</b>	<b>Logistics and Others US\$'000</b>	<b>Eliminations US\$'000</b>	<b>Group US\$'000</b>
<u>31 December 2019</u>					
Revenue:					
- External customers	353,514	9,172	11,117	-	373,803
- Inter-segment	148	12	2,460	(2,620)	-
	<u>353,662</u>	<u>9,184</u>	<u>13,577</u>	<u>(2,620)</u>	<u>373,803</u>
Segment results	6,832	(2,517)	1,607	(606)	5,316
Finance income	394	521	79	-	994
Finance costs	(1,729)	(828)	(309)	-	(2,866)
Share of results of associate and joint venture	(354)	1,817	-	-	1,463
Profit before tax	5,143	(1,007)	1,377	(606)	4,907
Income tax expense					(722)
Profit after tax					<u>4,185</u>
Segment assets	217,446	41,988	26,682	-	286,116
Unallocated assets					63
					<u>286,179</u>
Segment liabilities	(66,758)	(12,662)	(12,545)	-	(91,965)
Unallocated liabilities					(1,057)
					<u>(93,022)</u>
Capital expenditure	1,862	1,100	1,105	-	4,067
Depreciation of property, plant and equipment	6,307	2,655	260	-	9,222
Depreciation of right-of-use assets	8,253	-	314	-	8,567
Amortisation of intangible assets	53	-	-	-	53
Depreciation of investment properties	26	-	12	-	38
Impairment of vessels	306	2,359	-	-	2,665
(Write back) allowance for impairment on receivables	(668)	571	16	43	(38)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 36. SEGMENT INFORMATION (CONT'D)

	Container Shipping US\$'000	Bulk and Tanker US\$'000	Logistics and Others US\$'000	Eliminations US\$'000	Group US\$'000
<u>31 December 2018</u>					
Revenue:					
- External customers	390,936	22,130	9,274	-	422,340
- Inter-segment	66	18	2,408	(2,492)	-
	<u>391,002</u>	<u>22,148</u>	<u>11,682</u>	<u>(2,492)</u>	<u>422,340</u>
Segment results	4,999	1,934	928	690	8,551
Finance income	202	1,355	94	(950)	701
Finance costs	(881)	(1,827)	(45)	944	(1,809)
Share of results of associate and joint venture	(615)	1,365	-	-	750
Profit before tax	3,705	2,827	977	684	8,193
Income tax expense					(452)
Profit after tax					<u>7,741</u>
Segment assets	204,500	67,572	17,673	-	289,745
Unallocated assets					85
					<u>289,830</u>
Segment liabilities	(64,835)	(24,960)	(5,417)	-	(95,212)
Unallocated liabilities					(1,263)
					<u>(96,475)</u>
Capital expenditure	2,508	633	1,127	-	4,268
Depreciation of property, plant and equipment	6,235	4,966	171	-	11,372
Amortisation of intangible assets	37	-	-	-	37
Depreciation of investment properties	25	-	-	-	25
Allowance for impairment on receivables	2,250	85	132	(1,216)	1,251

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 36. SEGMENT INFORMATION (CONT'D)

### Geographical information

The revenue of Container Shipping and Logistics and Others segments (see (i) below) based on geographical location is as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Indonesia	96,503	111,026
South East Asia (excluding Indonesia)	165,045	183,667
Middle East and Indian Sub-continent	86,503	83,482
Far East	7,161	7,555
Others	9,419	14,480
Total revenue for Container Shipping and Logistics and Others	364,631	400,210

- (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.

### Other information

The Group has two customers in 2019 (2018: Nil) that contribute greater than 10% of the total revenue of the Group.

	<b>Revenue</b>
	<b>2019</b>
	<b>US\$'000</b>
Customer A	49,837
Customer B	44,207

### 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 the Financial Statements

For the financial year ended 31 December 2019

## 37. 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	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
<b>Financial assets</b>				
Financial assets at amortised cost	133,717	120,592	104,642	92,295
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	90,217	93,792	67,204	59,407

### (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 credit and counterparty risk, liquidity risk, interest rate risk, foreign currency risk and bunker price 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.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

The Board is responsible for setting the objective and underlying principles of financial risk management for the Group and the Company.

#### (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\$19,180,000 (2018: US\$15,969,000) and US\$3,475,000 (2018: US\$1,741,000) 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 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. 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)

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			
	Liabilities		Assets	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
SGD	30,999	24,892	16,854	16,662
IDR	2,413	4,008	13,187	15,699
Others	12	93	2,198	1,262

	Company			
	Liabilities		Assets	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
SGD	30,843	24,809	16,816	16,604
IDR	876	1,854	-	17
Others	12	93	2,190	1,255

#### Foreign currency sensitivity

The following table details the sensitivity to a 10% (2018: 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/ (weaken) in exchange %	Effect on profit before tax US\$'000	Strengthen/ (weaken) in exchange %	Effect on profit before tax US\$'000
<b>2019</b>				
Singapore dollar	10 (10)	(1,414) 1,414	10 (10)	(1,403) 1,403
Indonesian rupiah	10 (10)	1,080 (1,080)	10 (10)	(88) 88
<b>2018</b>				
Singapore dollar	10 (10)	(823) 823	10 (10)	(821) 821
Indonesian rupiah	10 (10)	1,169 (1,169)	10 (10)	(184) 184



# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

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

#### (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.

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 16, 19, 22, 25 and 27.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a 25 basis points (2018 : 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/ (decrease) in basis points	Effect on profit or loss US\$'000	Increase/ (decrease) in basis points	Effect on profit or loss US\$'000
<b>2019</b>				
Singapore dollar	25 (25)	(34) 34	25 (25)	(34) 34
United States dollar	25 (25)	24 (24)	25 (25)	37 (37)
<b>2018</b>				
Singapore dollar	25 (25)	(21) 21	25 (25)	(21) 21
United States dollar	25 (25)	(53) 53	25 (25)	(14) 14

#### (iii) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group's exposure and the credit ratings of its counterparties are continuously monitored.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

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

#### (iii) Overview of the Group's exposure to credit risk (cont'd)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit quality of the Group's and Company's financial assets and other items, as well as maximum exposure to credit risk:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000
<b>Group</b>						
<b>31 December 2019</b>						
Trade receivables	17	(i)	Lifetime ECL	64,915	(4,494)	60,421
Other receivables and deposit	18	Performing, (ii)	12 month	2,923	-	2,923
Due from immediate holding company (non-trade)	33	Performing, (ii)	12 month	261	-	261
Due from immediate holding company (trade)	17	(i)	Lifetime ECL	4,010	(51)	3,959
Due from related companies (trade)	17	(i)	Lifetime ECL	10,605	(1,046)	9,559
Due from non-controlling interest of subsidiary (trade)	17	(i)	Lifetime ECL	75	-	75
Due from joint venture (trade)	17	(i)	Lifetime ECL	167	(167)	-
				<b>82,956</b>	<b>(5,758)</b>	<b>77,198</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

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

#### (iii) Overview of the Group's exposure to credit risk (cont'd)

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000
<b>Group</b>						
<u>31 December 2018</u>						
Trade receivables	17	(i)	Lifetime ECL	75,732	(4,802)	70,930
Other receivables and deposit	18	Performing, (ii)	12 month	3,148	-	3,148
Due from immediate holding company (non-trade)	33	Performing, (ii)	12 month	2,087	-	2,087
Due from immediate holding company (trade)	17	(i)	Lifetime ECL	6,428	(82)	6,346
Due from related companies (trade)	17	(i)	Lifetime ECL	9,665	(879)	8,786
Due from non-controlling interest of subsidiary (trade)	17	(i)	Lifetime ECL	493	-	493
Due from joint venture (trade)	17	(i)	Lifetime ECL	33	(33)	-
				<u>97,586</u>	<u>(5,796)</u>	<u>91,790</u>
	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000
<b>Company</b>						
<u>31 December 2019</u>						
Trade receivables	17	(i)	Lifetime ECL	56,459	(4,063)	52,396
Other receivables and deposit	18	Performing, (ii)	12 month	1,568	-	1,568
Due from immediate holding company (trade)	17	(i)	Lifetime ECL	4,006	(51)	3,955
Due from subsidiaries (trade)	17	(i)	Lifetime ECL	3,417	(60)	3,357
Due from subsidiaries (non-trade)	19	Performing, (ii)	12 month	3,080	(1,060)	2,020
Due from related companies (trade)	17	(i)	Lifetime ECL	3,746	(46)	3,700
Due from joint venture (trade)	17	(i)	Lifetime ECL	128	(128)	-
				<u>72,404</u>	<u>(5,408)</u>	<u>66,996</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

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

#### (iii) Overview of the Group's exposure to credit risk (cont'd)

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000
<b>Company</b>						
<u>31 December 2018</u>						
Trade receivables	17	(i)	Lifetime ECL	65,388	(4,600)	60,788
Other receivables and deposit	18	Performing, (ii)	12 month	341	-	341
Due from immediate holding company (trade)	17	(i)	Lifetime ECL	6,423	(82)	6,341
Due from subsidiaries (trade)	17	(i)	Lifetime ECL	2,401	(103)	2,298
Due from subsidiaries (non-trade)	19	Performing, (ii)	12 month	6,125	(1,113)	5,012
Due from related companies (trade)	17	(i)	Lifetime ECL	5,390	(267)	5,123
				<u>86,068</u>	<u>(6,165)</u>	<u>79,903</u>

(i) For trade receivables, the Group and Company has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group and Company determines the expected credit losses on these items based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 17 includes further details on the loss allowance for these receivables.

(ii) For amounts due from subsidiaries and immediate holding company (non-trade) and other receivables and deposits the Group assesses low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

#### (iv) Credit risk management

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, debtor balances are monitored on an ongoing basis.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

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

#### (iv) Credit risk management (cont'd)

##### 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			
	2019		2018	
	US\$'000	% of total	US\$'000	% of total
<b>By customers:</b>				
Main line operators	37,137	61.5	45,431	64.0
Agents	4,039	6.7	3,898	5.5
Others	19,245	31.8	21,601	30.5
	60,421	100.0	70,930	100.0

	Company			
	2019		2018	
	US\$'000	% of total	US\$'000	% of total
<b>By customers:</b>				
Main line operators	33,997	64.9	40,702	67.0
Agents	4,775	9.1	4,856	8.0
Others	13,624	26.0	15,230	25.0
	52,396	100.0	60,788	100.0

At the end of the reporting period, approximately 40.2% (2018: 40.7%) of the Group's and Company's trade receivables were due from 5 (2018: 5) major customers who are main line operators located in Singapore.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

#### 31 December 2019

	Current	Days past due				Total
		<30 days	30-60 days	60-90 days	>91 days	
Estimated total gross carrying amount at default	53,042	7,480	940	504	2,949	64,915
Expected credit loss	(566)	(385)	(44)	(5)	(3,494)	(4,494)

#### 31 December 2018

	Current	Days past due				Total
		<30 days	30-60 days	60-90 days	>91 days	
Estimated total gross carrying amount at default	57,983	10,790	2,350	503	4,106	75,732
Expected credit loss	(615)	(540)	(184)	(30)	(3,433)	(4,802)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

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

#### (iv) *Credit risk management (cont'd)*

Financial assets that were neither past due nor impaired

Trade and other receivables that were neither past due nor impaired were with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, cash in holding accounts and derivatives that were neither past due nor impaired were placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

#### (v) *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 31 December 2019 and 31 December 2018 the Group has no outstanding bunker price hedging contracts.

#### (vi) *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.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

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

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

#### Liquidity and interest risk analyses (cont'd)

#### Non-derivative financial instruments (cont'd)

	Effective interest rate % P.A.	On demand or within 1 year US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000	Adjustment US\$'000	Total US\$'000
<b>GROUP</b>						
<b>31 December 2019</b>						
<b>Financial assets</b>						
<b>Non-interest bearing:</b>						
Trade and other receivables and deposits		63,344	-	-	-	63,344
Due from related companies		13,779	-	-	-	13,779
Due from NCI of subsidiary		75	-	-	-	75
<b>Variable interest rate instruments:</b>						
Cash and bank balances	0.65-6.50	56,623	-	-	(104)	56,519
<b>Total financial assets</b>		<b>133,821</b>	<b>-</b>	<b>-</b>	<b>(104)</b>	<b>133,717</b>
<b>Financial liabilities</b>						
<b>Non-interest bearing:</b>						
Trade payables		23,617	-	-	-	23,617
Other payables and liabilities		20,785	-	-	-	20,785
Due to related companies		265	-	-	-	265
<b>Fixed interest rate instruments:</b>						
Lease liabilities	2.48 - 10.67	3,124	2,394	6,532	(3,824)	8,226
Borrowings	7.60	342	381	-	-	723
Due to NCI of subsidiaries	1.27	585	1,044	-	-	1,629
<b>Variable interest rate instruments:</b>						
Bank term loans	3.49	7,829	21,161	10,920	(4,938)	34,972
<b>Total financial liabilities</b>		<b>56,547</b>	<b>24,980</b>	<b>17,452</b>	<b>(8,762)</b>	<b>90,217</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

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

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

#### Liquidity and interest risk analyses (cont'd)

#### Non-derivative financial instruments (cont'd)

	Effective interest rate % P.A.	On demand or within 1 year US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000	Adjustment US\$'000	Total US\$'000
<b>GROUP</b>						
<b>31 December 2018</b>						
<b>Financial assets</b>						
<b>Non-interest bearing:</b>						
Trade and other receivables and deposits		74,078	-	-	-	74,078
Due from related companies		17,219	-	-	-	17,219
Due from NCI of subsidiary		493	-	-	-	493
<b>Variable interest rate instruments:</b>						
Cash and bank balances	0.40-7.30	28,888	-	-	(86)	28,802
<b>Total financial assets</b>		<b>120,678</b>	<b>-</b>	<b>-</b>	<b>(86)</b>	<b>120,592</b>
<b>Financial liabilities</b>						
<b>Non-interest bearing:</b>						
Trade payables		25,653	-	-	-	25,653
Other payables and liabilities		23,118	-	-	-	23,118
Due to related companies		273	-	-	-	273
<b>Fixed interest rate instruments:</b>						
Finance leases	2.62	21	66	30	(17)	100
Due to NCI of subsidiaries	1.32	1,028	577	-	-	1,605
<b>Variable interest rate instruments:</b>						
Bank term loans	4.35	10,589	31,381	6,747	(5,674)	43,043
<b>Total financial liabilities</b>		<b>60,682</b>	<b>32,024</b>	<b>6,777</b>	<b>(5,691)</b>	<b>93,792</b>



# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

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

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

#### Liquidity and interest risk analyses (cont'd)

#### Non-derivative financial instruments (cont'd)

	Effective interest rate % P.A.	On demand or within 1 year US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000	Adjustment US\$'000	Total US\$'000
<b>COMPANY</b>						
<b>31 December 2019</b>						
<b>Financial assets</b>						
<b>Non-interest bearing:</b>						
Trade and other						
receivables and deposits		53,964	-	-	-	53,964
Due from related companies		12,144	-	-	-	12,144
<b>Variable interest rate instruments:</b>						
Due from subsidiary	1.00	888	-	-	-	888
Cash and bank balances	0.70-2.35	37,665	-	-	(19)	37,646
<b>Total financial assets</b>		<b>104,661</b>	<b>-</b>	<b>-</b>	<b>(19)</b>	<b>104,642</b>
<b>Financial liabilities</b>						
<b>Non-interest bearing:</b>						
Trade payables		19,349	-	-	-	19,349
Other payables and liabilities		12,168	-	-	-	12,168
Due to related companies		5,532	-	-	-	5,532
<b>Fixed interest rate instruments:</b>						
Lease liabilities	2.48-9.75	2,533	873	14	(218)	3,202
Borrowings	7.60	342	381	-	-	723
<b>Variable interest rate instruments:</b>						
Bank term loans	3.24	6,140	15,007	8,752	(3,669)	26,230
<b>Total financial liabilities</b>		<b>46,064</b>	<b>16,261</b>	<b>8,766</b>	<b>(3,887)</b>	<b>67,204</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

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

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

#### Liquidity and interest risk analyses (cont'd)

#### Non-derivative financial instruments (cont'd)

	Effective interest rate % p.a.	On demand or within 1 year US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000	Adjustment US\$'000	Total US\$'000
<b>COMPANY</b>						
<b>31 December 2018</b>						
<b>Financial assets</b>						
<b>Non-interest bearing:</b>						
Trade and other receivables and deposits		61,129	-	-	-	61,129
Due from related companies		17,898	-	-	-	17,898
<b>Variable interest rate instruments:</b>						
Due from subsidiary	1.00	-	876	-	-	876
Cash and bank balances	0.40-2.55	12,415	-	-	(23)	12,392
<b>Total financial assets</b>		<b>91,442</b>	<b>876</b>	<b>-</b>	<b>(23)</b>	<b>92,295</b>
<b>Financial liabilities</b>						
<b>Non-interest bearing:</b>						
Trade payables		21,747	-	-	-	21,747
Other payables and liabilities		13,337	-	-	-	13,337
Due to related companies		114	-	-	-	114
<b>Variable interest rate instruments:</b>						
Finance leases	2.48	16	65	29	(16)	94
Bank term loans	3.83	6,843	19,088	229	(2,045)	24,115
<b>Total financial liabilities</b>		<b>42,057</b>	<b>19,153</b>	<b>258</b>	<b>(2,061)</b>	<b>59,407</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 38. 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).

*Financial instruments whose carrying amounts are reasonable approximation of fair value*

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.

- (a) Trade and other receivable, trade payables and other liabilities amounts due from/(to) related companies, cash and bank balances and pledged deposits.

The carrying amounts of these balances approximate fair values due to their short-term nature.

- (b) Bank loans at floating rates.

The carrying value of the bank loans approximate fair value as these balances are of variable interest rate.

- (c) Amount due to NCI (non-current)

The carrying amount and fair value of the amount due to NCI of subsidiaries (non-current) is US\$1,044,000 and US\$1,031,000 respectively. The fair value is determined using a discounted cash flow model with a discount rate that reflects the borrowing rate as at the end of the reporting period.

As at 31 December 2019, financial assets at fair value through profit or loss is US\$ Nil (2018: US\$ Nil).

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## **39. CAPITAL 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 31 December 2019 and 31 December 2018.

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.

## **40. SUBSEQUENT EVENT AFTER REPORTING DATE**

The Covid-19 outbreak is expected to have an extensive adverse effect on economic activities including manufacturing and logistics, which in turn will affect the demand and movement of goods between countries. The Group is monitoring the situation and taking measures to ensure the health and safety of its employees. The Group is unable to make an estimate of the financial impact.

## **41. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE**

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 25 March 2020.

# Shareholdings Statistics

As at 18 March 2020

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
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share (no vote for treasury shares)

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	9	0.21	183	0.00
100 - 1,000	137	3.22	72,259	0.01
1,001 - 10,000	2,424	56.97	10,528,637	1.96
10,001 - 1,000,000	1,658	38.97	76,391,109	14.20
1,000,001 and above	27	0.63	451,046,011	83.83
	4,255	100.00	538,038,199	100.00

## PERCENTAGE OF SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 18 March 2020, 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	351,180,000	65.27
2	DBS NOMINEES (PRIVATE) LIMITED	18,235,300	3.39
3	ANG AH BENG	16,242,600	3.02
4	DB NOMINEES (SINGAPORE) PTE LTD	14,338,000	2.66
5	CITIBANK NOMINEES SINGAPORE PTE LTD	5,220,000	0.97
6	NG HWEE KOON	4,295,800	0.80
7	RAFFLES NOMINEES (PTE.) LIMITED	3,618,100	0.67
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,617,100	0.67
9	BANI MAULANA MULIA	3,272,000	0.61
10	ANG HAO YAO (HONG HAOYAO)	3,155,200	0.59
11	TEO CHENG TUAN DONALD	3,000,000	0.56
12	LOW WAI MING	2,655,000	0.49
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,631,800	0.49
14	PHILLIP SECURITIES PTE LTD	2,206,000	0.41
15	HEXACON CONSTRUCTION PTE LTD	1,960,000	0.36
16	PEH KOK KAH	1,814,100	0.34
17	YEO SENG CHONG	1,650,000	0.31
18	POH BOH SIM	1,472,000	0.27
19	LIM HOCK BENG	1,400,000	0.26
20	LAW YEAN MUAY	1,289,000	0.24
		443,252,000	82.38

\* The percentage of shareholdings was computed based on the issued share capital of the Company as at 18 March 2020 of 538,038,199 shares (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).

\*\* "Subsidiary Holdings" is defined in the Listing Manual of the Singapore Exchange Securities Trading Limited to mean shares referred to in the Section 21(4), 21(48), 21(6A) and 21(6C) of the Companies Act.

# Shareholdings Statistics

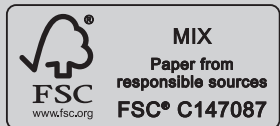
As at 18 March 2020

## SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest	%	Deemed Interest	%
PT Samudera Indonesia Tbk <sup>(note 1)</sup>	351,180,000	65.27	-	-
PT Samudera Indonesia Tangguh <sup>(note 2)</sup>	-	-	351,180,000	65.27
PT Ngrumat Bondo Utomo <sup>(note 3)</sup>	-	-	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 18 March 2020 (i.e. excluding 1,093,000 treasury shares) and there is no subsidiary holdings at at 18 March 2020
2. PT Samudera Indonesia Tangguh's deemed interest arises from its direct interest of 57.98% in PT Samudera Indonesia Tbk.
3. 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.



## 2019 Annual Report (Financial)

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