Company Registration No. 200917889Z

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Annual Financial Statements
31 December 2016

EY
Building a better working world

Citystate Capital Asia Pte. Ltd. and its subsidiaries

General Information

Directors

Leow Tze Wen	
Ho Hak Ean Peter	
Ng Tee Chuan	
Tan Eng Seong Phillip	
Peter Schmidt	(appointed on 21 June 2016)
Derrick A Irby	(alternate director of Peter Schmidt)
Ng Tee Yen	(alternate director of Ng Tee Chuan)
Philippe Rochaix	(resigned on 21 June 2016)
Robert Graham Harrison	(resigned on 22 March 2017)

Company Secretaries

Sharimala Rasanayagam
Sim Siew Kiang

Registered Office

11 Keppel Road #09-02 ABI Plaza
Singapore 089057

Auditor

Ernst & Young LLP

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Citystate Capital Asia Pte. Ltd. and its subsidiaries

Directors' Statement

The directors present their statement together with the audited financial statements of Citystate Capital Asia Pte. Ltd. (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2016.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheets and statements 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 2016 and the financial performance, changes in equity and ash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors of the Company

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

Leow Tze Wen	
Ho Hak Ean Peter	
Ng Tee Chuan	
Tan Eng Seong Phillip	
Peter Schmidt	
Derrick A Irby	(alternate director of Peter Schmidt)
Ng Tee Yen	(alternate director of Ng Tee Chuan)

Directors' interests in shares and debentures

The following directors who held office at the end of the financial year, had, according to the register of directors shareholding required to be kept under Section 164 of the Companies Act, Chapter 50 (the "Act"), an interest in shares of the Company as stated below:

	Held in the name of director		**Deemed interest**	
Name of director	**At beginning of the financial year**	**At end of the financial year**	**At beginning of the financial year**	**At end of the financial year**
Ordinary shares of the Company				
Leow Tze Wen	1,572,293	1,591,670	22,637,620	22,687,620
Ng Tee Chuan	–	–	3,266,191	3,266,191
Tan Eng Seong Phillip	1,279,564	1,279,564	460,000	460,000

Directors' interests in shares and debentures (cont'd)

Except as disclosed, no other director who held office at the end of the financial year had an interest in shares or debentures of the Company.

Since the end of the previous financial year, no director has received or has become entitled to receive benefits under contracts required to be disclosed by Section 201(8) of the Act other than those disclosed in Note 24 to the financial statements.

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangements, to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Options

There were no share options granted by the Company during the financial year.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option as at the end of financial year.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment.

On behalf of the Board,

Leow Tze Wen
Director

Tan Eng Seong Phillip
Director

Singapore

28 APRIL 2017

Independent Auditor's Report to the Members of Citystate Capital Asia Pte. Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Citystate Capital Asia Pte. Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement 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 balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the directors' statement. 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.

Independent Auditor's Report to the Members of Citystate Capital Asia Pte. Ltd.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

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.

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

- 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.

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.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

28 April 2017

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Balance Sheets
As at 31 December 2016

(In United States dollars)

	Note	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$
Non-current assets					
Property, plant and equipment	4	1,596,305	1,635,556	2,725	4,375
Investment property	5	932,582	971,757	–	–
Intangible assets	6	1,367,495	1,379,512	–	–
Investment in subsidiaries	7	–	–	34,211,752	34,211,752
Investment in an associate	8	250,306	243,553	–	–
Investment securities	9	25,461,688	25,881,115	–	–
Other receivables	11	–	1,021	25,285,552	22,718,899
Reinsurers' share of insurance contract liabilities	12	6,578,510	7,525,893	–	–
Deferred tax assets	14	902,661	485,109	–	–
		37,089,547	38,123,516	59,500,029	56,935,026
Current assets					
Investment securities	9	5,188,821	3,876,480	–	–
Prepayments and deposits		563,951	749,551	9,735	12,310
Trade receivables	10	6,350,889	9,080,888	–	–
Other receivables	11	1,512,602	1,464,898	8,606	1,319
Cash and short-term deposits	15	56,797,239	59,102,166	3,249,077	5,667,245
Loans and receivables		64,660,730	69,647,952	3,257,683	5,668,564
		70,413,502	74,273,983	3,267,418	5,680,874
Current liabilities					
Trade payables	16	4,885,211	6,558,707	–	–
Other payables	17	2,529,537	2,998,370	115,761	130,106
Financial liabilities carried at amortised costs		7,414,748	9,557,077	115,761	130,106
Tax payables		42,466	20,655	–	–
		7,457,214	9,577,732	115,761	130,106
Net current assets		62,956,288	64,696,251	3,151,657	5,550,768
Non-current liabilities					
Gross insurance contracts liabilities	12	52,182,181	52,262,489	–	–
Contingency reserves		13,869	5,625	–	–
Employment liability	13	333,351	228,439	–	–
Deferred tax liabilities	14	12,966	180,577	–	–
		52,542,367	52,677,130	–	–
Net assets		47,503,468	50,142,637	62,651,686	62,485,794
Equity attributable to owners of the Company					
Share capital	18	63,480,675	63,480,675	63,480,675	63,480,675
Accumulated profits/(losses)		5,860,278	7,752,828	(828,989)	(994,881)
Other reserves	19	(24,180,744)	(23,538,780)	–	–
		45,160,209	47,694,723	62,651,686	62,485,794
Non-controlling interests		2,343,259	2,447,914	–	–
Total equity		47,503,468	50,142,637	62,651,686	62,485,794

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

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Consolidated statement of comprehensive income
For the financial year ended 31 December 2016

(In United States dollars)

		Group	
	Note	**2016** US$	**2015** US$
Gross written premium		40,323,913	41,463,367
Reinsurers' share of gross premiums written		(7,719,526)	(8,018,932)
Gross change in reserve for unexpired risk	12(b)	874,676	(42,248)
Reinsurers' share of gross change in reserve for unexpired risk	12(b)	4,370	(557,315)
Net earned premium		33,483,433	32,844,872
Gross claims paid	12(a)	(23,082,654)	(21,092,289)
Reinsurers' share of gross claims paid	12(a)	2,972,729	3,498,763
Gross change in loss reserves		(1,811,468)	(3,966,555)
Reinsurers' share of gross change in loss reserves		(879,240)	1,476,558
Net claims incurred		(22,800,633)	(20,083,523)
Commission expense		(7,037,284)	(6,622,705)
Commission income		1,665,900	1,600,227
Net commission		(5,371,384)	(5,022,478)
Other underwriting expenses		(1,050,303)	(1,175,097)
Underwriting profit from direct general insurance		4,261,113	6,563,774
Net underwriting results from reinsurance business (in run off)	20	5,081	(2,673)
Brokerage income and profit commission	21	1,713,300	1,788,020
Investment and other income	22	3,082,325	2,632,605
Other operating and administrative expenses		(11,145,487)	(11,187,416)
Share of associate's results		6,830	(802)
Loss before taxation	23	(2,076,838)	(206,492)
Taxation	24	590,514	315,468
(Loss)/profit for the year		(1,486,324)	108,976
Other comprehensive income - net of tax			
Net (loss)/gain on available-for-sale financial assets		(4,248)	(95,750)
Foreign currency translation		(567,310)	(3,383,398)
Merger Reserve		(66,921)	91,327
Net actuarial loss on post-employment benefits		(14,366)	(29,711)
Other comprehensive income for the year		(652,845)	(3,417,532)
Total comprehensive income for the year		(2,139,169)	(3,308,556)
Profit for the year attributable to:			
Owners of the Company		(1,381,344)	174,541
Non-controlling interest		(104,980)	(65,565)
		(1,486,324)	108,976
Total comprehensive income attributable to:			
Owners of the Company		(2,034,514)	(3,220,146)
Non-controlling interests		(104,655)	(88,410)
Total comprehensive income for the year		(2,139,169)	(3,308,556)

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

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Statements of Changes in Equity
For the financial year ended 31 December 2016

(In United States dollars)

Group	Attributable to owners of the Company									
	Share capital (Note 17) US$	Merger reserves (Note 19) US$	Fair value reserves (Note 19) US$	Translation reserves (Note 19) US$	Other reserves, total US$	Accumulated profits US$	Total US$	Non-controlling interests US$	Total equity US$
2016									
Balance as at 1 January 2016	63,480,675	(18,440,404)	129,778	(5,228,154)	(23,538,780)	7,752,828	47,694,723	2,447,914	50,142,637
Profit/(loss) for the year	–	–	–	–	–	(1,381,344)	(1,381,344)	(104,980)	(1,486,324)
Other comprehensive income									
Net loss on available-for-sale financial assets	–	–	(4,248)	–	(4,248)	–	(4,248)	–	(4,248)
Disposal of subsidiaries	–	(66,921)	–	–	(66,921)	–	(66,921)	–	(66,921)
Foreign currency translation	–	–	–	(570,795)	(570,795)	–	(570,795)	3,485	(567,310)
Net actuarial loss on post-employment benefits	–	–	–	–	–	(11,206)	(11,206)	(3,160)	(14,366)
Other comprehensive income for the year, net of tax	–	(66,921)	(4,248)	(570,795)	(641,964)	(11,206)	(653,170)	325	(652,845)
Total comprehensive income for the year	–	(66,921)	(4,248)	(570,795)	(641,964)	(1,392,550)	(2,034,514)	(104,655)	(2,139,169)
Dividend on ordinary shares (Note 31)	–	–	–	–	–	(500,000)	(500,000)	–	(500,000)
Balance as at 31 December 2016	63,480,675	(18,507,325)	125,530	(5,798,949)	(24,180,744)	5,860,278	45,160,209	2,343,259	47,503,468
2015									
Balance as at 1 January 2015	63,480,675	(18,531,731)	225,528	(1,861,065)	(20,167,268)	7,901,462	51,214,869	2,536,324	53,751,193
Profit/(loss) for the year	–	–	–	–	–	174,541	174,541	(65,565)	108,976
Other comprehensive income									
Net loss on available-for-sale financial assets	–	–	(95,750)	–	(95,750)	–	(95,750)	–	(95,750)
Disposal of subsidiaries	–	91,327	–	–	91,327	–	91,327	–	91,327
Foreign currency translation	–	–	–	(3,367,089)	(3,367,089)	–	(3,367,089)	(16,309)	(3,383,398)
Net actuarial loss on post-employment benefits	–	–	–	–	–	(23,175)	(23,175)	(6,536)	(29,711)
Other comprehensive income for the year, net of tax	–	91,327	(95,750)	(3,367,089)	(3,371,512)	(23,175)	(3,394,687)	(22,845)	(3,417,532)
Total comprehensive income for the year	–	91,327	(95,750)	(3,367,089)	(3,371,512)	151,366	(3,220,146)	(88,410)	(3,308,556)
Dividend on ordinary shares (Note 31)	–	–	–	–	–	(300,000)	(300,000)	–	(300,000)
Balance as at 31 December 2015	63,480,675	(18,440,404)	129,778	(5,228,154)	(23,538,780)	7,752,828	47,694,723	2,447,914	50,142,637

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

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Statements of Changes in Equity
For the financial year ended 31 December 2016

(In United States dollars)

	Share Capital (Note 18) US$	Accumulated losses US$	Total US$
Company			
2016			
Balance 1 January 2016	63,480,675	(994,881)	62,485,794
Profit for the year	–	665,892	665,892
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	665,892	665,892
Dividend on ordinary shares (Note 31)	–	(500,000)	(500,000)
Balance as at 31 December 2016	63,480,675	(828,989)	62,651,686
2015			
Balance 1 January 2015	63,480,675	(1,100,408)	62,380,267
Profit for the year	–	405,527	405,527
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	405,527	405,527
Dividend on ordinary shares (Note 31)		(300,000)	(300,000)
Balance as at 31 December 2015	63,480,675	(994,881)	62,485,794

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

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Consolidated Cash Flow Statement
For the financial year ended 31 December 2016

(In United States dollars)

	Group	
	2016	**2015**
	US$	US$
Cash flows from operating activities:		
Loss before taxation	(2,076,838)	(206,492)
Adjustments for :		
Increase in insurance contracts liabilities	867,075	56,122
Loss on disposal of property, plant and equipment	280	74,844
Depreciation of plant and equipment	474,489	427,406
Depreciation of investment property	63,027	62,624
Amortisation of intangible assets	35,172	80,930
Amortisation of premium on held-to-maturity investments, net	3,768	3,978
Interest income	(1,831,218)	(1,750,231)
Dividend income from investment securities	(399,975)	(373,862)
Net unrealised (gain)/loss on held-for-trading investments	(179,878)	321,975
Net realised gains on sale of investment securities	(129,511)	(110,389)
Employee benefit expenses	100,940	93,920
Share of associate's results	(6,830)	802
Contingency reserve	8,244	5,625
Remeasurement on defined benefit plan	(14,366)	(29,711)
Struck off subsidiaries	(66,921)	91,327
Impairment of intangible asset	–	91,777
Write-back of doubtful trade receivable, net	(5,372)	(1,124)
Operating cash flows before changes in working capital	(3,157,914)	(1,160,479)
Changes in working capital		
Increase/(decrease) in restricted cash	717,709	(1,534,982)
Decrease in receivables	2,874,288	391,227
(Decrease)/increase in payables	(2,142,329)	335,391
Cash used in operations	(1,708,246)	(1,968,843)
Income tax refund/(paid)	19,581	(91,939)
Net cash used in operating activities	(1,688,665)	(2,060,782)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(461,936)	(886,182)
Proceeds from disposal of property, plant and equipment	18,769	93,516
Proceeds from disposal of investment securities - net	(254,729)	443,768
Interest received	1,380,036	1,192,479
Dividend received from investment securities	399,975	373,862
Placement in long duration bank deposits	(2,623,542)	(1,347,013)
Purchase of government bonds	(1,001,552)	–
Net cash used in investing activities	(2,542,979)	(129,570)
Cash flows from financing activity:		
Dividend paid	(500,000)	(300,000)
Net cash generated from financing activity	(500,000)	(300,000)
Net decrease in cash and cash equivalents	(4,731,644)	(2,490,352)
Effect of exchange rate changes on cash and cash equivalents	520,883	(847,699)
Cash and cash equivalents at beginning of year	16,745,583	20,083,634
Cash and cash equivalents at end of year (Note 15)	12,534,822	16,745,583

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

1. Corporate Information

Citystate Capital Asia Pte. Ltd. (the "Company") is a private limited liability company incorporated in Singapore. Its registered office is located at 11 Keppel Road #09-02 ABI Plaza Singapore 089057.

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. There have been no significant changes in the nature of these activities during the year. The principal activities of the subsidiaries are shown in Note 7 of the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below. The financial statements are presented in US Dollars (USD or US$), except when otherwise indicated.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

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 and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2016. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

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:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 7: Disclosure Initiative	1 January 2017
Amendments to FRS 12 Recognition of Deferred Tax Assets on unrealized losses	1 January 2017
Improvements to FRSs (December 2016 – Amendments to FRS 28: Measuring an Associate or Joint Venture at fair value	1 January 2018
Amendments to FRS 40: Transfers of Investment Property	1 January 2018
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 January 2018

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 116 Leases	1 January 2019
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2017

Except for FRS 109, Amendments to FRS 104 and FRS 116, 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. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115, Amendments to FRS 115 and FRS 116 are described below.

<u>FRS 109 Financial Instruments</u>

FRS 109 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2016, the Group performed a high-level impact assessment of all three aspects of FRS 109. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity, except for the effect of applying the impairment requirements of FRS 109. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Group plans to defer the application of FRS 109 until the earlier of the effective date of the new insurance contracts standard (IFRS 17) of 1 January 2021, applying the temporary exemption from applying FRS 109 as introduced by the amendments.

<u>Amendments to FRS 104 Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts</u>

The amendments introduce two alternative options for entities issuing contracts within the scope of FRS 104, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of FRS 109 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from FRS 109 if: (i) it has not previously applied any version of FRS 109 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying FRS 109 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied FRS 39 to these designated financial assets.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

Amendments to FRS 104 Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts (cont'd)

An entity can apply the temporary exemption from FRS 109 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies FRS 109 for the first time.

During 2016, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2016. The Group intends to apply the temporary exemption in its reporting period starting on 1 January 2018.

FRS 116 Leases

FRS 116 was issued in January 2016 and it replaces FRS 17 Leases, INT FRS 114 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. FRS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases under FRS 17. The standard includes two recognition exemptions for lessees — leases of'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under FRS 116 is substantially unchanged from today's accounting under FRS 17. Lessors will continue to classify all leases using the same classification principle as in FRS 17 and distinguish between two types of leases: operating and finance leases. FRS 116 also requires lessees and lessors to make more extensive disclosures than under FRS 17.

FRS 116 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies FRS 115. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Group plans to assess the potential effect of FRS 116 on its financial statements.

2. Summary of significant accounting policies (cont'd)

2.4 *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 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.

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 deemed to be an asset or liability, will be recognised in profit or loss.

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 identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred of 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. The accounting policy for goodwill is set out in Note 2.11. 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.

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation (cont'd)*

Business combinations involving entities under common control

Business combinations involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as merger reserve. The profit or loss reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2.5 *Transactions with non-controlling interests*

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

Changes in the Company owners' 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 reflective 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 in equity and attributed to owners of the Company.

2.6 *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 impairment losses.

2. Summary of significant accounting policies (cont'd)

2.7 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies. The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit and loss account.

The financial statements of associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

In the Company's financial statements, investments in associates are carried at cost less accumulated impairment loss.

2. Summary of significant accounting policies (cont'd)

2.8 *Foreign and functional currency*

The Group's consolidated financial statements are presented in United States Dollars ("USD"), which is also the parent 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 currency 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 the 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 are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the profit and loss account 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 the profit and loss account of the Group on disposal of the foreign operation.

(b) *Group companies*

The assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the weighted average exchange rates for the year. 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 the profit or loss.

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. Summary of significant accounting policies (cont'd)

2.9 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold land and building	-	30 years
Furniture and fittings, office equipment and computers	-	3 – 10 years
Office Renovation	-	3 – 5 years
Motor Vehicles	-	5 – 10 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.10 *Investment property*

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.9 up to the date of change in use.

2. Summary of significant accounting policies (cont'd)

2.11 *Intangible assets*

Goodwill

Goodwill is initially measured at cost. 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 each of the Group's cash-generating units 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 cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill arising on acquisition of foreign operation is treated as asset of the foreign operation and is recorded in the functional currency of the foreign operation and translated in accordance with the accounting policy set out in Note 2.8.

Other intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite.

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

2. Summary of significant accounting policies (cont'd)

2.11 *Intangible assets (cont'd)*

Other intangible assets (cont'd)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(a) ***Brand***

The brand was acquired in business combinations. The useful life of the brand is estimated to be indefinite because based on the current market share of the brand, management believes there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows for the Group.

(b) ***Customer relationships***

The customer relationships were acquired in business combinations and is amortised on a straight-line basis over its finite useful life of 5 years.

2.12 *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 an annual impairment testing for an asset 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 cash-generating unit's fair value less costs to sell 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 group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

A previously recognised 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. Summary of significant accounting policies (cont'd)

2.13 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised on the balance sheet 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivates) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loan and receivables comprise cash, bank balances and deposits, other receivables, amount due from related companies and trade receivables.

(iii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the held-to maturity investments are derecognised or impaired, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.13 *Financial instruments (cont'd)*

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

Subsequent measurement (cont'd)

(iv) Available-for-sale financial assets

The available-for-sale financial assets are initially recognised at cost, being the fair value of the consideration given and including incremental acquisition changes associated with the investment.

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

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 entity, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2. Summary of significant accounting policies (cont'd)

2.13 *Financial instruments*

(a) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classifications as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) Financial liabilities at amortised cost

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 rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortization process.

De-recognition

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

2. Summary of significant accounting policies (cont'd)

2.13 *Financial instruments*

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.14 *Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

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

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) ***Available-for-sale financial assets***

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.15 *Cash and cash equivalents*

These comprise cash on hand, cash at bank and short-term bank deposits but excludes deposits held on behalf of policyholders and short-term deposits held by the Monetary of Authority of Singapore under the provisions of the Insurance Act, Cap. 142 (the "Insurance Act").

2. Summary of significant accounting policies (cont'd)

2.16 *Provisions*

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

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

2.17 *Product classification*

All the Group's existing products are insurance contracts as defined in FRS 104. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contact has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

2.18 *Insurance contract liabilities*

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are discounted for the time value of money and include provision for unearned premiums, unexpired risk and inadequate premium levels and outstanding claims including claims incurred but not reported. The liability is derecognized when the liability expires, is discharged or is cancelled.

(a) *Premium liabilities – Reserve for unexpired risks*

Reserve for unexpired risks comprises the sum of unearned premium reserves and premium deficiency reserves.

The reserve for unexpired risks in respect of direct insurance and facultative policies is calculated using the 1/365 method, whereas the reserve for unexpired risks in respect of marine cargo and treaty business is calculated using either 25% and 40% of net written premiums respectively.

Premium deficiency reserves are derived using actuarial methods on loss statistics and are recognised when the expected value of claims and expenses attributable to the unexpected periods of policies in force at the balance sheet date for any line of business exceeds the unearned premium reserve in relation to such policies.

Reserve for unexpired risks are compared with the report issued by a qualified actuary, on a yearly basis.

2. Summary of significant accounting policies (cont'd)

2.18 *Insurance contract liabilities (cont'd)*

(b) *Claims liabilities – Loss reserves*

Provision is made for the estimated cost of all claims notified but not settled at the balance sheet date, less reinsurance recoveries, using the best information available at the time. Provision is also made for claims incurred but not reported ("IBNR") at the balance sheet date based on historical claims experience, modified for variations in expected future settlement, as well as direct and indirect claims expenses.

Loss reserves are compared with the report issued by a qualified actuary, which is prepared for a valuation of the claims liabilities at best central estimates on a yearly basis.

(c) *Deferred acquisition cost*

Commission on other acquisition cost incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial period, are deferred acquisition costs ("DAC") are calculated using the 1/365 method on actual commission. All other acquisition costs are recognised as an expense when incurred.

An impairment review is performed at each reporting date and, if required, the carrying value is written down to the recoverable amount.

(d) *Reinsurance*

The Company cedes reinsurance in the normal course of business for the purpose of limiting its losses. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Premiums ceded and reinsurance claims recoveries are presented in the balance sheet and profit and loss account on a gross basis.

Reinsurance premiums ceded are deferred and recognised as an expense in accordance with the pattern of reinsurance premiums received. Reinsurance claims recoveries are recognised consistently with the underlying claim.

Amounts recoverable from reinsurers are assessed for impairment at each reporting date. Such assets are deemed impaired if, and only if, there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.18 *Insurance contract liabilities (cont'd)*

(d) ***Reinsurance (cont'd)***

Reinsurance assets comprise reinsurers' share of insurance contract provisions. The amounts recognised as reinsurers' share of insurance contract provisions are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contacts.

Reinsurance assets or liabilities are derecognised when the contractual right are extinguished or expired or when the contract is transferred to another party.

(e) ***Liability adequacy test***

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of any loss adjustor's expenses. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

2.19 *Employee benefits*

(a) ***Defined contribution plan***

The Group participates in the national 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 in which the related service is performed.

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

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

(c) ***Post-employment benefits***

The post-employment pension benefit obligation is the present value of the defined benefit obligation at end of the reporting period less the fair value of plan assets, together with the adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are directly recognised in other comprehensive income and reported in other reserves.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield at the end of the reporting period of long term government bonds denominated in Indonesian Rupiah in which the benefits will be paid and that have terms to maturity similar to the related pension obligation.

2. Summary of significant accounting policies (cont'd)

2.20 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Premium income***

Gross written premiums are recognised at the time of commencement of the risk or, in the case of reinsurance, it is taken up in the insurance underwriting account based on reinsurance closings received up to the time of closing of the books, and earned over the term of the related policy coverage.

Premiums on long-term polices are recognised at the commencement of contract and premiums not relating to the current financial year have been adjusted for as long term unexpired risk.

(b) ***Brokerage income***

Commission or brokerage for obtaining business for the insurer is recognised as revenue when the insurance policy has been arranged.

(c) ***Interest income***

Interest income is recognised using the effective interest method.

(d) ***Investment income***

Dividend income is recognised when such dividends are declared. Interest income is accounted for on an accrual basis using the effective interest method. Profits or losses on disposal of investments are taken to profit or loss.

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 by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in the 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.

2. Summary of significant accounting policies (cont'd)

2.21 *Taxes (cont'd)*

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or 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 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 not probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets 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 assets and unused 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 income taxes 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 income tax assets is reviewed at 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.

2. Summary of significant accounting policies (cont'd)

2.21 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(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.

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

2.22 *Claims*

General insurance claims incurred include all claims occurring during the year, whether reported or not, including the related handling costs and reduction for the value of salvage, other recoveries and any adjustments to claims outstanding from prior years.

2.23 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.24 *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.

2. Summary of significant accounting policies (cont'd)

2.24 *Contingencies (cont'd)*

Contingent liabilities and assets are not recognised on the balance sheet 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.

3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements necessitates the use of judgements, estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, contingent liabilities at the balance sheet date as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge of current facts as at the balance sheet date, the actual outcome may differ from these estimates, possibly significantly.

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) ***Determination of insurance contract liabilities***

The insurance contract liabilities of the Group comprise the claim liabilities and premium liabilities. Claim liabilities consist of outstanding claims notified and outstanding claims incurred but not reported (IBNR) while premium liabilities consist of the reserve for unexpired risks, net of deferred acquisition costs and their values are carried in the balance sheet as disclosed in Note 12 to the financial statements.

The insurance contract liabilities are determined by the approved actuary at the best central estimates for the year ended 31 December 2016. An additional provision of approximately US$2,933,000 (2015: US$2,915,000) is required if the insurance contract liabilities are calculated at a 75% level of sufficiency.

The estimates of premium and claim liabilities are sensitive to various factors and uncertainties as disclosed in Note 25. The establishment of these estimates is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of premium and claim liabilities can vary from the initial estimates.

Because of the delays that arises between the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the balance sheet date, and must instead be estimates as explained above.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

3. Significant accounting judgements, estimates and assumptions (cont'd)

Judgements made in applying accounting policies (cont'd)

(a) ***Determination of insurance contract liabilities (cont'd)***

The table below is intended to illustrate the level of uncertainty within the claims reserves:-

Two scenarios are shown:

(i) The impact (based on the actuarial model) of increasing claims provision from the level that provides the best estimate to the level that provides a 75% level of assurance.

(ii) The impact of increasing all individually estimated case reserves by 5% illustrating the sensitivity of the claims provision to the individual estimates formulated by loss adjusters.

	Increase/(decrease) net claims liabilities	profit before tax
	US$'000	US$'000
2016		
Increase claims provision from best estimate to 75% adequacy level	3,073	(3,073)
Increase reported claims case reserves by 5%	1,030	(1,030)
2015		
Increase claims provision from best estimate to 75% adequacy level	3,002	(3,002)
Increase reported claims case reserves by 5%	907	(907)

(b) ***Impairment of available-for-sale investments***

The Group records impairment charges in available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. No impairment loss was recognised for available-for-sale financial assets for financial year ended 31 December 2016 and 2015.

3. Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty

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

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the Singapore tax authority. Such differences of interpretation may arise on a wide variety of issues.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. Plant and equipment

Group	Leasehold land US$	Leasehold building US$	Furniture and fittings US$	Office equipment and computers US$	Office renovation US$	Motor vehicles US$	Total US$
Cost							
At 1 January 2015	406,813	85,873	299,410	1,363,691	343,645	320,305	2,819,737
Additions	–	–	122,717	275,104	389,521	98,840	886,182
Disposals	–	–	(91,906)	(35,504)	(190,014)	(128,179)	(445,603)
Foreign currency translation	(41,128)	(8,681)	(17,922)	(109,120)	(30,092)	(34,311)	(241,254)
At 31 December 2015 and 1 January 2016	365,685	77,192	312,299	1,494,171	513,060	256,655	3,019,062
Additions	–	–	4,344	337,469	120,123	–	461,936
Disposals	–	–	(43,332)	(71,838)	–	(244)	(115,414)
Write-off	–	–	(5,322)	(8,463)	(16,619)	(8,022)	(38,426)
Foreign currency translation	8,641	1,824	(5,655)	(33,720)	(12,282)	2,116	(39,076)
At 31 December 2016	374,326	79,016	262,334	1,717,619	604,282	250,505	3,288,082
Accumulated depreciation							
At 1 January 2015	13,203	3,220	148,247	916,734	239,294	25,164	1,345,862
Charge for the year	12,171	34,591	34,459	200,846	73,682	71,657	427,406
Disposals	–	–	(50,316)	(30,330)	(173,198)	(23,399)	(277,243)
Foreign currency translation	(1,322)	(1,387)	(7,999)	(73,337)	(14,236)	(14,238)	(112,519)
At 31 December 2015 and 1 January 2016	24,052	36,424	124,391	1,013,913	125,542	59,184	1,383,506
Charge for the year	12,250	22,491	31,891	226,722	122,562	58,573	474,489
Disposals	–	–	(28,553)	(67,093)	–	(721)	(96,367)
Write-off	–	–	(5,322)	(8,463)	(16,619)	(8,022)	(38,426)
Foreign currency translation	(78)	543	(3,169)	(22,210)	(6,219)	(292)	(31,425)
At 31 December 2016	36,224	59,458	119,238	1,142,869	225,266	108,722	1,691,777
Net carrying amounts:							
As at 31 December 2016	338,102	19,558	143,096	574,750	379,016	141,783	1,596,305
As at 31 December 2015	341,633	40,768	187,908	480,258	387,518	197,471	1,635,556

4. Plant and equipment (cont'd)

	Furniture US$	Computers US$	Total US$
Company			
Cost			
At 1 January 2015	4,651	3,889	8,540
Additions	–	1,462	1,462
At 31 December 2015, 1 January 2016 and 31 December 2016	4,651	5,351	10,002
Accumulated depreciation			
At 1 January 2015	290	3,681	3,971
Charge for the year	1,164	492	1,656
At 31 December 2015 and 1 January 2016	1,454	4,173	5,627
Charge for the year	1,163	487	1,650
At 31 December 2016	2,617	4,660	7,277
Net carrying amounts:			
As at 31 December 2016	2,034	691	2,725
As at 31 December 2015	3,197	1,178	4,375

Group

The leasehold land and building held by the Group as at 31 December 2016 is as follows:

Description and Location	Existing use	Tenure	Unexpired lease term
Jalan. P.B. Sudirman II No 4 Denpasar Bar. Kota Denpasar, Bali 80232, Indonesia	Commercial offices	Leasehold	28 years

5. Investment property

	Group 2016 US$	Group 2015 US$
Balance sheet:		
Cost		
At 1 January	1,077,986	1,199,218
Exchange differences	25,472	(121,231)
At 31 December	1,103,458	1,077,987
Accumulated depreciation		
At 1 January	106,230	50,647
Charge for the year	63,027	62,624
Exchange differences	1,619	(7,041)
At 31 December	170,876	106,230
Net carrying amount		
As at year ended 31 December	932,582	971,757
Statement of comprehensive income:		
Rental income from investment properties:		
- Minimum lease payments	95,550	94,938
Direct operating expenses arising from:		
- Rental generating properties	63,027	62,624

The fair value of the investment property held by the Group as at 31 December 2016 is approximately US$1,381,407 (2015: US$1,533,758). The fair valuations were performed by independent valuers with recognised and relevant professional qualification and experience in the location and category of property being valued.

The Group has no restriction on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property of for repairs, maintenance or enhancements.

The investment property held by the Group as at 31 December 2016 is as follows:

Description and Location	Existing use	Tenure	Unexpired lease term
Office building H.R Rasuna Said Kav. C-21, Kuningan Jakarta, Indonesia	Commercial office	Leasehold	15 years

6. Intangible assets

Group	Goodwill US$	Brand US$	Customer relationship US$	Total US$
Cost				
At 1 January 2015	946,440	668,554	417,982	2,032,976
Exchange differences	(74,321)	(67,586)	(18,954)	(160,861)
At 31 December 2015 and 1 January 2016	872,119	600,968	399,028	1,872,115
Exchange differences	7,777	14,203	4,000	25,980
At 31 December 2016	879,896	615,171	403,028	1,898,095
Accumulated amortisation and impairment				
At 1 January 2015	127,520	–	204,878	332,398
Amortisation for the year	–	–	80,930	80,930
Impairment loss for the year	–	–	91,777	91,777
Exchange difference	52	–	(12,554)	(12,502)
At 31 December 2015 and 1 January 2016	127,572	–	365,031	492,603
Amortisation for the year	–	–	35,172	35,172
Exchange difference	–	–	2,825	2,825
At 31 December 2016	127,572	–	403,028	530,600
Net carrying amounts:				
As at 31 December 2016	752,324	615,171	–	1,367,495
As at 31 December 2015	744,547	600,968	33,997	1,379,512

Brand and customer relationships

Brand relates to the "Asuransi Eka Lloyd" brand name for the Group's fire and motor insurance business that was acquired as part of the business combination. The brand is estimated to have an indefinite useful life.

Customer relationships are driven by the management's capability to preserve the existing clients. In the course of customer relationship valuation, the management takes into consideration the product characteristic of each line to determine which line possesses recurring feature attached to the business course. The useful life is estimated to be 5 years. The amortization of customer relationship is included in "Other operating and administrative expenses" line item in profit or loss.

6. Intangible assets (cont'd)

Impairment testing of goodwill and brand

Goodwill and brand acquired through business combination have been allocated to three cash-generating units ("CGU") for impairment testing. The carrying amounts of goodwill, brands and customer relationship allocated to the CGU are as follows:

	Insurance brokers (Singapore)		General insurance underwriting		Total	
	2016	2015	2016	2015	2016	2015
	US$	US$	US$	US$	US$	US$
Goodwill	211,889	216,587	540,435	527,960	752,324	744,547
Brand	–	–	615,171	600,968	615,171	600,968
Customer relationship	–	–	–	33,997	–	33,997

The recoverable amounts of the CGUs have been determined based on value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are as follows:

	Insurance brokers (Singapore)		General insurance underwritings	
	2016	2015	2016	2015
Pre-tax discount rates	13 - 14%	13 - 14%	13 - 14%	13 - 14%
Growth rates	0 - 20%	0 - 20%	0 - 20%	0 - 20%

Key assumptions used in the value in use calculations

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margin – Gross margins are based on average values achieved in the five years preceding the start of the budgeted period. These are increased over the budget period for anticipated efficiency improvements. An average of 7% and 20% per annum was applied for insurance brokers and general insurance underwritings respectively.

Pre-tax discount rates - Discount rate represent the current market assessment of the risk specific to each of the CGUs, regarding the time value of money and individual risks of the underlying asset which have not been incorporated in the cash flow estimates. The discount rates calculation is based on the specific circumstances of the Group and derived from its weighted average cost of capital (WACC). The WACC takes into account both the costs of debt and equity.

Growth rates – The forecasted growth rates are based on the management's assessment on the future business plan.

6. Intangible assets (cont'd)

Sensitivity to changes in assumptions

With regards to the assessment of value in use for insurance brokers and general insurance underwritings, management believes that no reasonably possible changes in any of the above key assumptions would cause recoverable amount to materiality fall below the carrying value of the unit.

7. Investment in subsidiaries

	Company	
	2016	**2015**
	US$	US$
Shares, at cost	34,211,752	34,211,752

(a) ***Composition of the Group***

The Group has the following investment in subsidiaries.

Name	**Country of incorporation**	**Principal activities**	**% of ownership interest 2016**	**% of ownership interest 2015**
Held by the Company:				
Citystate Insurance Holdings Pte. Ltd [i]	Singapore	Investment holding	100	100
Citystate Risk Solutions Pte. Ltd [i]	Singapore	Investment holding	100	100
Citystate Insurance Company Ltd [ii]	Sri Lanka	Dormant	100	100
PT CCA Indonesia [ii]	Indonesia	Investment holdings	50	50
Held through Citystate Risk Solutions Pte. Ltd.:				
Newstate Stenhouse (S) Pte Ltd [i]	Singapore	Insurance brokers	100	100
Citystate Risk Management (L) Bhd [ii]	Malaysia	Insurance brokers	100	100
Alpha Momentum Sdn Bhd [vi]	Malaysia	Insurance Agency	–	–
Newstate Stenhouse (M) Sdn Bhd [ii]	Malaysia	Insurance Agency	100	100
NSIA Sdn Bhd [iv]	Malaysia	Insurance Agency	100	100

7. Investment in subsidiaries (cont'd)

(a) *Composition of the Group (cont'd)*

Name	Country of incorporation	Principal activities	% of ownership interest 2016	2015
Held through Citystate Risk Solutions Pte. Ltd.:				
Newstate Stenhouse Limited [ii]	Hong Kong	Insurance brokers and consultants	–*	100
Newstate Stenhouse Insurance Services Limited [ii]	Hong Kong	Insurance brokers and consultants	–*	100
Newstate Stenhouse Agency Limited [vi]	Hong Kong	Insurance Agency	–	–
CRS Insurance Agency Pte Ltd [i]	Singapore	Insurance Agency	100	100
Held through Citystate Insurance Holdings Pte. Ltd:				
EQ Insurance Company Limited [i]	Singapore	General insurance underwriting	100	100
PT CCA Indonesia [v]	Indonesia	Investment holdings	50	50
Held through PT CCA Indonesia:				
PT Adicahya Bintang Semesta [v]	Indonesia	Investment holdings	100	100
PT Asuransi Eka Lloyd Jaya [iii]	Indonesia	General insurance underwriting	78	78

i. Audited by Ernst & Young LLP, Singapore
ii. Not audited by Ernst & Young LLP, Singapore or its member firms
iii. Audited by Ernst & Young LLP, Indonesia
iv. In the process of voluntary liquidation
v. Not required to be audited
vi. Struck-off in the prior year

* During the year, the Group disposed 75% interest in both Newstate Stenhouse Limited and Newstate Stenhouse Insurance Services Limited. Following the disposal, these investments would be accounted for associates thereon. (Note 8)

(b) *Interest in subsidiary with material non-controlling interest (NCI)*

The Group has the following subsidiary that has NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Loss allocated to NCI during the reporting period US$	Accumulated NCI at the end of reporting period US$	Dividends paid to NCI US$
PT Asuransi Eka Lloyd Jaya					
31 December 2016	Indonesia	22%	(104,980)	2,343,259	–
31 December 2015	Indonesia	22%	(65,565)	2,447,914	–

7. Investment in subsidiaries (cont'd)

(c) *Summarised financial information about subsidiaries with material NCI*

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiary with material non-controlling interest is as follows:

	PT Asuransi Eka Lloyd Jaya	
	2016	**2015**
Summarised balance sheets	US$	US$
Current		
Assets	8,585,055	8,528,407
Liabilities	(1,209,067)	(799,322)
Net current assets	7,375,988	7,729,085
Non-current		
Assets	4,401,640	3,115,886
Liabilities	(4,296,187)	(3,201,485)
Net non-current assets	105,453	(85,599)
Net assets	7,481,440	7,643,486
Summarised statement of comprehensive income		
Revenue	6,273,282	5,763,181
Loss before income tax	(476,491)	(429,757)
Income tax credit	143,286	208,564
Loss after net-tax,	(333,205)	(221,193)
Other comprehensive income for the year	(14,366)	(29,708)
Total comprehensive income	(347,571)	(250,091)
Other summarised information		
Net cash flows from operations	(493,071)	801,279

8. Investment in an associates

	Group	
	2016	**2015**
	US$	US$
Stenhouse Insurance Brokers Private Limited	250,158	243,553
Other associates	67,043	–
Impairment loss	(66,895)	–
	250,306	243,553

8. Investment in an associate (cont'd)

Name	Country of incorporation	Principal activities	% of ownership interest 2016	2015
Held through a subsidiary:				
Stenhouse Insurance Brokers Private Limited [i]	India	Insurance brokers	26	26
Newstate Stenhouse Limited [i]	Hong Kong	Insurance brokers	25	–
Newstate Stenhouse Insurance Services Limited [i]	Hong Kong	Insurance agency	25	–

i. Not audited by Ernst & Young LLP, Singapore or its member firms.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group is as follows:

	SIB		NSL		NSISL	
	2016 US$	**2015** US$	**2016** US$	**2015** US$	**2016** US$	**2015** US$
Assets and liabilities:						
Total assets	598,648	562,611	278,012	231,754	161,791	104,043
Total liabilities	237,057	217,461	241,868	196,183	142,638	84,247
Results:						
Revenue	470,246	408,977	335,315	271,832	104,861	102,181
Profit for the year	79,092	62,081	591	16,724	(637)	9,615

Impairment loss recognised

During the financial year, an impairment was recognised to fully write down the cost of investments in Newstate Stenhouse Limited and Newstate Stenhouse Insurance Services Limited. The impairment loss of US$66,895 has been recognized in profit or loss under the line item "other operating and administration expenses".

9. Investment securities

	Group 2016 US$	2015 US$
Current:		
Held for trading investments		
- Equity instruments (quoted)	5,175,488	3,863,455
Available-for-sale financial assets		
- Equity instruments (unquoted)	13,333	13,025
Total current investment	5,188,821	3,876,480

9. Investment securities (cont'd)

	Group 2016 US$	Group 2015 US$
Non-current:		
Available-for-sale financial assets		
- Equity instruments (quoted)	3,199,309	3,281,180
- Equity instruments (unquoted)	297,603	297,640
- Bonds (quoted)	1,437,601	1,640,098
	4,934,513	5,218,918
Held-to-maturity investments		
- Bonds (quoted)	19,836,233	18,543,412
- Bonds (unquoted)	690,942	2,118,785
	20,527,175	20,662,197
Total non-current investment	25,461,688	25,881,115
Total Investment securities	30,650,509	29,757,595

The fair value of the unquoted equity instruments is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed as used in estimating fair values. Consequently the investment is carried at cost less allowance for impairment.

Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Group	Quoted prices in active markets for identical instruments (Level 1) US$	Significant observable inputs other than quoted prices (Level 2) US$	Significant unobservable inputs (Level 3) US$	Total US$
2016				
Financial assets:				
Held for trading investments				
– Equity instruments (quoted)	5,175,154	–	–	5,175,154
Available-for-sale financial assets				
– Equity instruments (quoted)	3,199,060	–	–	3,199,060
– Bonds (quoted)	1,437,850	–	–	1,437,850
At 31 December 2016	9,812,064	–	–	9,812,064

9. Investment securities (cont'd)

Fair value of financial instruments that are carried at fair value (cont'd)

Group	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$	US$	US$	US$
2015				
Financial assets:				
Held for trading investments				
– Equity instruments (quoted)	3,862,455	–	–	3,862,455
Available-for-sale financial assets				
– Equity instruments (quoted)	3,281,180	–	–	3,281,180
– Bonds (quoted)	1,640,098	–	–	1,640,098
At 31 December 2015	8,783,733	–	–	8,783,733

Fair value hierarchy

The Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have 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), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Determination of fair value

Quoted equity instrument/corporate bonds: Fair value is determined directly by reference to their published market bid price at the balance sheet date.

Unquoted corporate bonds: Fair value is estimated by using a discounted cash flow model based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity.

9. Investment securities (cont'd)

Fair value of financial instruments that are carried at amortised cost

The following shows an analysis of financial instruments carried at amortised cost in the financial statements and their respective fair value:

Group	2016 Carrying value US$	2016 Market value US$	2015 Carrying value US$	2015 Market value US$
Quoted investment				
Corporate and Government bonds, at cost	19,875,317	19,724,692	18,580,329	18,448,965
Less: Amortisation of premiums	(39,384)	–	(36,917)	–
	19,835,933	19,724,692	18,543,412	18,448,965
Unquoted investments				
Corporate and Government bonds, at cost	690,942	693,706	2,118,785	2,117,372

10. Trade receivables

	Group 2016 US$	Group 2015 US$
Due from insured, agents, brokers and reinsurers	6,356,881	9,092,235
Due from cedants	210,610	214,976
Deposits of retrocessionairies	9,298	9,825
	6,576,789	9,317,036
Less : Allowance for doubtful receivables	(225,900)	(236,148)
	6,350,889	9,080,888

Receivables that are past due but not impaired

The aged analysis of the insurance receivables (exclude amount receivable from related parties and deposits of retrocessionaires) that are past due but not impaired is as follows:

	Group 2016 US$	Group 2015 US$
Receivables past due but not impaired:		
61 – 90 days	1,000,433	1,974,832
91 – 120 days	731,185	1,053,177
More than 120 days	949,236	1,013,929
	2,680,855	4,041,938

10. Trade receivables (cont'd)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

Receivables that are impaired

The Group has trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2016	2015
	US$	US$
Trade receivables – nominal amount	225,900	236,148
Movement in allowance accounts:		
At 1 January	236,148	253,667
Charge for the year	17,053	484
Write-back for the year	(22,425)	(1,608)
Foreign currency translation	(4,876)	(16,395)
At 31 December	225,900	236,148

Due from agents, broker and reinsurers are non-interest bearing and are generally on 60 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair value due to the short-term nature of these balances.

The trade receivables as at 31 December are denominated in the following currencies:

Singapore Dollar	5,071,293	6,517,459
Indonesia Rupiah	552,609	257,046
Hong Kong Dollar	–	159,770
Others	2,119	–

11. Other receivables

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$
Current receivables:				
Accrued interest income	486,903	455,264	8,606	1,319
Input tax	284,475	283,014	–	–
Due from related parties	130,197	48,403	–	–
Due from subsidiaries	287,349	264,964	–	–
Cashier's order pending refund from banks	36,243	–	–	–
Tax recoverable	–	25,842	–	–
Others	287,435	387,411	–	–
	1,512,602	1,464,898	8,606	1,319
Non-current other receivables:				
Security deposit	–	1,021	–	–
Due from subsidiaries	–	–	25,285,552	22,718,899
	–	1,021	25,285,552	22,718,899
Total other receivables	1,512,602	1,465,919	25,294,158	22,720,218

The amount due from subsidiaries and related parties (current) are unsecured, non-interest bearing and repayable on demand.

Due from subsidiaries (non-current) is unsecured, non-interest bearing and is not expected to be repaid substantially within 12 months from the balance sheet date.

12. Insurance contract liabilities and reinsurance assets

Group	Gross US$	Recoverable from reinsurers US$	Net US$
2016			
Claims reported and loss adjustment expenses	24,076,451	(3,805,959)	20,270,492
Claims incurred but not reported	11,631,401	(62,955)	11,568,446
	35,707,852	(3,868,914)	31,838,938
Premium liabilities	16,474,329	(2,709,596)	13,764,733
Total	52,182,181	(6,578,510)	45,603,671
2015			
Claims reported and loss adjustment expenses	23,267,465	(4,768,513)	18,498,952
Claims incurred but not reported	11,437,612	(28,975)	11,408,637
	34,705,077	(4,797,488)	29,907,589
Premium liabilities	17,557,412	(2,728,405)	14,829,007
Total	52,262,489	(7,525,893)	44,736,596

12. Insurance contract liabilities and reinsurance assets (cont'd)

(a) *Claims and loss adjustment expenses*

Group	Gross US$	Recoverable from reinsurers US$	Net US$
2016			
Notified claims	23,267,465	(4,768,513)	18,498,952
Incurred but not reported	11,437,612	(28,975)	11,408,637
Total at beginning of year	34,705,077	(4,797,488)	29,907,589
Cash paid for claims settled in the year	(23,082,654)	2,972,729	(20,109,925)
Increase in liabilities	24,889,058	(2,093,492)	22,795,566
Foreign currency translation	(803,649)	49,335	(754,314)
Total at end of year	35,707,832	(3,868,916)	31,838,916
Notified claims	24,076,451	(3,805,959)	20,270,492
Incurred but not reported	11,631,401	(62,955)	11,568,446
	35,707,852	(3,868,914)	31,838,938
2015			
Notified claims	21,698,399	(3,576,719)	18,121,680
Incurred but not reported	11,329,393	(38,638)	11,290,755
Total at beginning of year	33,027,792	(3,615,357)	29,412,435
Cash paid for claims settled in the year	(21,092,289)	3,498,763	(17,593,526)
Increase in liabilities	25,060,101	(4,974,010)	20,086,091
Foreign currency translation	(2,290,527)	293,116	(1,997,411)
Total at end of year	34,705,077	(4,797,488)	29,907,589
Notified claims	23,267,465	(4,768,513)	18,498,952
Incurred but not reported	11,437,612	(28,975)	11,408,637
	34,705,077	(4,797,488)	29,907,589

The table below shows the development of claims over a period of time on a net of reinsurance basis. It shows the cumulative incurred and notified claims, for each successive accident year at each balance sheet date, together with cumulative claims, payments and total IBNR claims as at the current balance sheet date.

Claims development is shown for the last five accident years, with the liability held as at the current balance sheet date for accident years 2009 and prior and IBNR claims being shown as a separate item.

12. Insurance contract liabilities and reinsurance assets (cont'd)

(a) *Claims and loss adjustment expenses – net of reinsurance (cont'd)*

Accident Year	2012 US$'000	2013 US$'000	2014 US$'000	2015 US$'000	2016 US$'000	Total US$'000
End of accident year						
1 year later	9,542	12,778	11,845	12,912	16,665	63,742
2 years later	14,034	16,317	15,669	16,646	–	62,666
3 years later	14,731	17,257	16,349	–	–	48,337
4 years later	15,071	17,558	–	–	–	32,629
5 years later	15,044	–	–	–	–	15,044
Current estimate of cumulative claims	15,044	17,558	16,349	16,646	16,665	82,262
Cumulative payments to date	(14,321)	(15,534)	(13,266)	(12,419)	(7,232)	(62,772)
Liability recognised in the balance sheet	723	2,024	3,083	4,227	9,433	19,490
Outstanding liability pertaining to accident year 2009 and before						779
IBNR						11,570
						31,839

(b) *Premium liabilities*

Group	Gross US$	Recoverable from reinsurers US$	Net US$
2016			
At beginning of the year	17,557,412	(2,728,405)	14,829,007
Decrease during the year	(874,676)	(4,370)	(879,046)
Foreign currency translation	(208,407)	23,179	(185,228)
At end of the year	16,474,329	(2,709,596)	13,764,733
2015			
At beginning of the year	18,785,257	(3,517,218)	15,268,039
Increase during the year	42,248	557,315	599,563
Foreign currency translation	(1,270,092)	231,498	(1,038,594)
At end of the year	17,557,413	(2,728,405)	14,829,008

13. Employment liability

The Group recognised liabilities for post-employment benefits based on the actuarial calculation by an independent actuary. The post-employment benefits arise from a subsidiary domiciled in Indonesia.

The present value of the defined post-employment benefit obligations, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used in determining post-employment benefits as at reporting date were as follows:

	Group	
	2016	**2015**
Discount rate per annum	8.49%	8.93%
Salary increase	10.00%	10.00%
Normal retirement age	55 years	55 years
Mortality table*	TMI III-2011	TMI III-2011

* Standard Ordinary Mortality table in Indonesia ("TMI").

The amount recognised in the balance sheets is determined as follows:

	Group	
	2016	**2015**
	US$	US$
Present value of defined benefit obligations and total post-employment benefits	333,351	228,439

Movements in the account are as follows:

At 1 January	228,439	149,647
Remeasurement recognized in other comprehensive income	19,154	27,333
Post-employment benefits expenses recognised in profit or loss	87,179	70,672
Benefit payment	(5,392)	(12,842)
Exchange difference	3,971	(6,371)
At 31 December	333,351	228,439

The components of post-employment benefits expense recognised in profit or loss:

	Group	
	2016	**2015**
	US$	US$
Current service cost	66,000	58,000
Interest cost	21,179	12,672
	87,179	70,672

Post-employment benefits expense is recognised in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

13. Employment liability (cont'd)

The following table summarises the components of post-employment benefits expense recognised in other comprehensive income:

	Group	
	2016	2015
	US$	US$
Before tax	19,154	27,333
Tax charge	(4,788)	2,378
After tax	14,366	29,711

The sensitivity analysis below has been determined based on reasonably possible changes of significant assumption on the post-employment benefits as of the end of the reporting period, assuming if all other assumptions were held constant.

	Present value of obligation	
	2016	2015
	US$	US$
Discount rate		
Increase by 1,000 basis point	(17,820)	(12,564)
Decrease by 1,000 basis point	20,832	14,587
Future salary		
Increase by 1,000 basis point	20,436	14,293
Decrease by 1,000 basis point	(17,853)	(12,556)

14. Deferred taxation

Group	Balance sheet 2016 US$	Balance sheet 2015 US$	Profit and loss account 2016 US$	Profit and loss account 2015 US$
Deferred tax assets				
Unutilised tax losses	554,013	345,358	(208,655)	(76,360)
Post-employment benefit	83,338	57,110	(26,228)	(20,264)
An excess of net book value over tax written down value of property, plant and equipment	(134,829)	(12,883)	121,946	3,013
Unearned premium reserves	254,628	67,525	(187,103)	(67,525)
Unabsorbed capital allowances	265,464	–	(265,464)	–
Unabsorbed donations	6,957	–	(6,957)	–
Provisions	14,815	–	(14,815)	–
Other items	(141,725)	27,999	163,182	(20,453)
Total deferred tax assets	902,661	485,109		
Deferred tax liabilities				
An excess of net book value over tax written down value of property, plant and equipment	(11,477)	(56,195)	(44,718)	13,064
Revaluations to fair value:				
- Fixed income loan stock	–	22,543	22,543	(83,196)
- Equity shares	–	(47,602)	(47,602)	(54,736)
Other item	(1,489)	(73,411)	(71,922)	11,600
Revaluation to fair value:				
- Available-for-sale financial assets	–	(25,912)	(25,912)	(22,154)
Total deferred tax liabilities	(12,966)	(180,577)		
Deferred tax (Note 23)			(591,705)	(317,011)

15. Cash and short-term deposits

Cash and short-term deposits comprise the following:

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$
Short-term bank deposits	52,492,975	52,999,310	3,103,732	5,404,656
Cash and bank balances	4,304,264	6,102,856	145,345	262,589
Cash and short term deposits	56,797,239	59,102,166	3,249,077	5,667,245
Less :				
- Deposits held on behalf of policyholders in respect of insurance business	(1,216,182)	(3,037,070)	–	–
- Restricted for Insurance Broking Premium Account	(725,784)	(1,104,086)	–	–
- Long duration bank deposits excluding those held on behalf of policyholders	(40,838,970)	(38,215,428)	–	–
- Statutory fund required by Regulation	(1,481,481)	–	–	–
Restricted cash	(44,262,417)	(42,356,584)	–	–
Cash and cash equivalents included in the consolidated cash flow statements	12,534,822	16,745,582	3,249,077	5,667,245

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$
Singapore dollar	41,130,922	42,920,456	94,056	201,145
Malaysian Ringgit	27,243	27,919	–	–
Indonesia Rupiah	7,298,373	7,380,083	–	–
Hong Kong Dollar	–	134,931	–	–

16. Trade payables

	Group	
	2016	**2015**
	US$	US$
Cash collateral placed by policyholders	1,216,183	1,554,946
Due to insured, agents, brokers and reinsurers	2,622,817	2,959,126
Amount due to reinsurers	742,266	1,734,789
Amount due to ceding companies	72,782	73,557
Cedant deposits	119,090	121,731
Amounts due to retrocessionaires	112,073	114,558
	4,885,211	6,558,707

The cash collateral obtained from policyholders are held in bank accounts or placed in fixed deposits with financial institutions.

The carrying amounts of trade payables approximate their fair values due to the short term nature of these balances. Trade payables are unsecured, non-interest bearing and subject to normal trade terms of generally 60 to 90 days' term and represent their fair value due to the short-term nature of these balances.

The trade payables denominated in foreign currencies at 31 December are as follows:

	Group	
	2016	**2015**
	US$	US$
Singapore Dollar	3,616,151	5,418,223
Indonesia Rupiah	424,048	527,169
Hong Kong Dollar	–	182,723

17. Other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$	US$	US$	US$
Provisions	1,347,663	1,378,696	–	–
Accrued expenses	260,099	102,090	69,613	70,162
Output GST	418,353	528,609	–	–
Due to related parties	33,866	26,792	–	–
Others	469,556	962,183	46,148	59,944
	2,529,537	2,998,370	115,761	130,106

The amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

The other payables denominated in foreign currencies at 31 December are as follows:

Singapore dollar	2,174,602	2,670,011	88,384	17,287
Indonesia Rupiah	270,720	215,585	–	–
Hong Kong Dollar	–	33,217	–	–
Others	10,116	–	–	–

18. Share capital

	Group and Company			
	2016		2015	
	No. of Shares	US$	No. of shares	US$
Issued and fully-paid ordinary shares :-				
At 1 January and 31 December	64,334,237	63,480,675	64,334,237	63,480,675

The holders of ordinary 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.

19. Other reserves

Merger reserve

Merger reserves represent the difference between the nominal value of share issued in exchange for the nominal value of shares and reserves of subsidiaries acquired under common control, in accordance with the principles of merger accounting.

Fair value reserve

Fair value reserves represent the cumulative fair value changes, net of tax, of available for-sale financial assets until they are disposed of or impaired.

Translation reserve

Translation reserves represent 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.

20. Net underwriting results from reinsurance business (in run-off)

	Group	
	2016 US$	2015 US$
Claims	23	–
Loss reserves :		
At beginning of financial year	434,047	467,969
Foreign currency translation	(2,011)	(36,595)
At end of financial year	(426,978)	(434,047)
Incurred claims	5,081	(2,673)
Net underwriting profit	5,081	(2,673)

21. Brokerage income and profit commission

	Group 2016 US$	Group 2015 US$
Brokerage income is analysed as follows:		
Brokerage income	1,560,309	1,663,748
Profit commission	152,991	124,272
	1,713,300	1,788,020

22. Investment and other income

	Group 2016 US$	Group 2015 US$
Interest income on :		
- short-term bank deposits	1,080,073	958,001
- government securities and fixed interest securities/ structured deposits	751,145	792,230
Dividend income	399,975	376,731
Rental Income	96,572	94,938
Net unrealised gain/(loss) on held-for-trading investments	179,878	(321,975)
Realised gains on sale of investment securitires	129,511	110,389
Foreign exchange gain	22,921	183,607
Others	422,250	438,684
	3,082,325	2,632,605

23. Loss before taxation

This is stated after charging/(crediting) the following :

	Group 2016 US$	Group 2015 US$
Director's fee	337,074	345,145
Chairman fees	109,659	122,019
Loss on disposal of property, plant and equipment	280	74,844
Depreciation on property, plant and equipment	474,489	427,406
Depreciation on investment property	63,027	62,624
Amortisation of premium on held-to-maturity investment	3,768	3,978
Amortisation of intangible assets	35,172	80,930
Foreign exchange (gain)/loss	(168,885)	(166,282)
Agency expenses	312,708	215,872
Rental expenses	1,171,431	1,227,412
Impairment of intangible assets	–	91,777
Allowance for doubtful trade receivable	17,053	2,543
Write-back of allowance for doubtful trade receivable	(22,425)	(1,608)
Employee benefit expenses		
- Salaries and bonuses	5,941,867	5,786,176
- Contribution to defined contribution plan	554,278	595,339
- Others	456,220	640,992

24. Taxation

(a) ***Major components of income tax for the year ended 31 December:***

	Group 2016 US$	Group 2015 US$
Current income tax:		
Current income taxation	6,304	1,236
(Over)/underprovision in respect of prior year	(5,113)	307
	1,191	1,543
Deferred tax:		
Origination and reversal of temporary differences	(591,705)	(317,011)
Tax credit	(590,514)	(315,468)

(b) ***Relationship between tax expense and accounting loss***

A reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate for the years ended 31 December is as follows:

	Group 2016 US$	Group 2015 US$
Loss before tax	(2,076,838)	(206,494)
Taxation at statutory rate of 17% (2015: 17%)	(353,062)	(35,104)
Adjustments :		
Effect of differences in tax rates in other countries	(39,290)	(29,289)
Effect of non-taxable income	(199,533)	(238,935)
Effect of non-deductible expenses	(111,106)	115,567
Effect of income brought to at 10%	(41,206)	(43,796)
Enhanced tax allowance	(10,649)	(18,409)
Tax exemption	(16,372)	(152,650)
Utilisation of capital allowance	(16,771)	(11,198)
Deferred tax assets not recognised	19,048	170,165
Underprovision in respect of prior year	128,303	307
Others	50,124	(72,126)
Tax expense	(590,514)	(315,468)

In 2016, the Company has unutilised tax losses of approximately US$4,055,000 (2015: $981,300) available for offset against future taxable profits. Deferred tax asset has been recognised on these tax losses as it has become probable that the future taxable profit will allow the deferred tax asset to be recovered. The use of these tax losses is subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation.

25. Related party transactions

An entity or individual is considered a related party of the Company for the purposes of the financial statements if (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Company or vice versa; or (ii) it is subject to common control or common significant influence.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties who are not members of the Company took place during the year at terms agreed between the parties:

	Group	
	2016	**2015**
	US$	US$
Related companies		
Income:		
Rental income	61,166	59,077
Fees for services rendered	396,249	420,787
Expenses:		
Commission & Insurance Premium	171,531	208,149
Payment towards operating expenses	(7,634)	27,335
Rental and utility charges of office premises	91,749	380,461
Secretarial fees	17,012	17,345
Travelling expenses	272,927	158,791
Insurance Premium	73,130	–
Purchase of Goods/Services	2,813	–
Key management remuneration		
Chairman's fee from subsidiary company	104,643	122,019
Director's fees	115,237	118,934
Salary and bonuses	94,832	43,232
CPF	14,939	19,201
Other benefits	12,110	13,203
	341,761	316,589

26. Financial risk management

Financial risk management objectives and policies

The Group is exposed to market risk, including primarily changes in interest rates and currency exchange rates and uses other instruments in connection with its risk management activities. The Group does not hold or issue derivative financial instruments for hedging and trading purposes.

The Group has risk management policies and guidelines which set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

26. Financial risk management (cont'd)

Insurance risk

The Group writes a book of general insurance business comprising mainly Motor, Workmen's Compensation and Property.

The Group purchases reinsurance coverage on both treaty and facultative basis. The Group's net retention varies according to product lines and loss experience.

The risk under insurance contract is the possibility of occurrence of insured event and uncertainty of the amount and timing of resulting claim. The principal risk the Group faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

Occurrence risk	–	the possibility that the number of insured events will differ from those expected
Severity risk	–	the possibility that the cost of the events will differ from those expected
Development risk	–	the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines.

The objective of the Group is to control and minimise insurance risk to reduce volatility of operating profits. The Group manages insurance risk through the following mechanism:

- Guidelines are issued for concluding reinsurance contracts and assuming reinsurance risks.
- Proactive claims handling procedures are followed to investigate and adjust claims, thereby preventing settlement of dubious or fraudulent claims.
- Reinsurance is used to limit the Group's exposure to large claims and catastrophes by placing risk with re-insurers providing high security.
- Diversification is accomplished by achieving sufficiently large population or risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk and industry.

The Group relies on its reinsurance arrangements for its liquidity and solvency where large loss arises. Its reinsurance placements are diversified and spread amongst selected reinsurers to avoid over reliance on any single reinsurer.

To mitigate the risk of reinsurance failure, the Group adopts a strict reinsurance management policy that is governed by two key criteria, namely reinsurance usage selection and reinsurance usage concentration. The Group monitors there indicators actively and takes corrective action whenever the need arises.

26. Financial risk management (cont'd)

Foreign currency risk (cont'd)

2015	SGD US$	RM US$	USD US$	IDR US$	HKD US$	Others US$	Total US$
Financial assets at fair value through profit and loss							
Equity Securities	3,863,455	–	–	–	–	–	3,863,455
Available-for-sale financial assets	4,922,973	–	–	13,026	–	295,945	5,231,944
Held-to-maturity financial assets	20,164,203	–	497,993	–	–	–	20,662,196
Due from insured, agents and brokers	6,517,459	–	672,691	257,046	159,770	994	7,607,960
Due from reinsurers	1,472,928	–	–	–	–	–	1,472,928
Cash and short-term deposits	42,920,455	27,919	8,638,778	7,380,083	134,931	–	59,102,166
Other assets	2,105,429	–	–	86,829	22,192	–	2,214,450
Total	81,966,902	27,919	9,809,462	7,736,984	316,893	296,939	100,155,099
Trade and other payables	8,088,235	–	499,450	742,754	215,940	10,698	9,557,077

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the SGD, IDR and HKD exchange rates against the respective functional currencies of the Group, with all other variables held constant.

	Profit before tax	
	2016 US$	2015 US$
SGD/USD		
strengthened 5% (2015: 5%)	12,810	11,122
weakened 5% (2015: 5%)	(12,810)	(11,122)
IDR/USD		
strengthened 5% (2015: 5%)	5,380	3,934
weakened 5% (2015: 5%)	(5,380)	(3,394)
HKD/USD		
strengthened 5% (2015: 5%)	1,362	1,396
weakened 5% (2015: 5%)	(1,362)	(1,396)

Credit risk

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group. It is the Group's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparties fail to perform their obligations as of 31 December 2015 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet.

26. Financial risk management (cont'd)

Credit risk (cont'd)

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect the counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified along industry, product and geographic lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

Reinsurance is placed with highly rated reinsurers and concentration of risk is monitored periodically. The Group reviews the creditworthiness of reinsurers before renewing the reinsurance arrangements annually, in accordance to the prevailing reinsurance strategy and guidelines.

The tables below indicate the credit risk exposure of the Group at 31 December 2015 by classifying financial assets according to cash ratings of the counterparties:

	AAA	AA	A	Others or not rated	Total
2016					
In United States dollars					
Financial assets at fair value through profit and loss	434,520	1,797,609	560,576	2,382,783	5,175,488
Equity Securities					
Available-for-sale financial assets					
Equity Securities	–	3,199,309	–	310,936	3,510,245
Debt Securities	–	914,765	–	522,836	1,437,601
Held-to-maturity financial assets	–	345,471	3,454,922	16,726,782	20,527,175
Due from insured, agents and brokers	–	–	15,947	6,168,680	6,184,627
Due from reinsurers	–	52,713	77,283	36,266	166,262
Cash and short-term deposits	2,090,741	15,652,661	35,729,753	3,324,084	56,797,239
Other assets	–	–	–	1,716,508	1,716,508
Total	2,525,261	21,962,528	39,838,481	31,188,875	95,515,145
Trade and other payables	–	92,125	478,961	6,843,662	7,414,748
2015					
In United States dollars					
Financial assets at fair value through profit and loss					
Equity Securities	724,914	243,765	539,252	2,355,524	3,863,455
Available-for-sale financial assets					
Equity Securities	–	3,281,180	–	310,666	3,591,846
Debt Securities	–	746,872	–	893,226	1,640,098
Held-to-maturity financial assets	–	353,130	2,825,313	17,483,753	20,662,196
Due from insured, agents and brokers	–	–	29,852	7,578,108	7,607,960
Due from reinsurers	–	331,878	1,122,594	18,456	1,472,928
Cash and short-term deposits	2,959,664	19,513,330	24,182,777	12,446,395	59,102,166
Other assets	–	–	–	2,214,450	2,214,450
Total	3,684,578	24,470,155	28,699,788	43,300,578	100,155,099
Trade and other payables	–	452,754	779,200	8,325,123	9,557,077

26. Financial risk management (cont'd)

Liquidity risk

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

As at the balance sheet date, all of the Company's financial liabilities will mature within one year. The following table sets out the carrying amount, by maturity of the Company's financial assets.

	Less than 1 year US$'000	**2 years – 5 years** US$'000	**Over 5 years** US$'000	**Total** US$'000
Investment securities				
31 December 2016	8,816	14,552	7,282	30,650
31 December 2015	5,289	12,187	12,281	29,757

27. Fair value of financial instruments

Fair values

The carrying amounts of trade and other receivables, trade and other payables, cash and marketable securities approximate their fair values due to their short-term nature.

28. Capital management

The Group has established a capital management policy to ensure that the Group maintains adequate capital to support business growth, taking into consideration regulatory requirements, and the underlying risks of the Group's business and operations. Capital includes equity attributable to the owners of the Group less the available-for-sale investment reserves.

The Group's capital management processes include the following key measures:

- observing an established dividend policy, which aims to support the Group's business needs, comply with regulatory requirements and reward shareholders reasonably;
- setting appropriate risk limits to control the Group's exposure in the underlying risks of its business and operations;
- investing the Group's funds in liquid and marketable securities and following an appropriate asset allocation strategy to maintain high liquidity and achieve the Group's objective in growth and preservation of capital; and
- stress-testing the Group's financial conditions and capital adequacy under various stress scenarios to assess and enhance the Group's financial stability.

28. Capital management (cont'd)

The Group is also required to maintain a minimum amount of capital and solvency requirements as prescribed under the Singapore Insurance Act (Chapter 142) and relevant Regulations. The Group has complied with such requirements during the financial year. The Group monitors its capital level on a regular basis to assess whether the capital adequacy requirements have been met.

The Group has no borrowings, contingent liabilities and loan capital as at 31 December 2015. There was no change in the Group's capital management objectives, policies and processes during the years ended 31 December 2016 and 31 December 2015.

29. Commitments

Operating lease commitments

As at the reporting date, the Group leases its office premises under lease agreements that are not cancellable. The leases contain renewable options.

Future minimum lease payments for the leases with initial or remaining terms of one year or more are as follows:

	Group	
	2016	**2015**
	US$	US$
Within 1 year	818,851	933,228
After 1 year but not more than 5 years	510,291	944,306
	1,329,142	1,877,534

Rental expenses recognised in income statement during the financial year is disclosed in Note 23.

30. Contingent liabilities - Litigation

In respect of insurance agreements entered into in the normal course of business, the Group will face legal actions and has contingent liabilities arising thereon, where proceedings have been brought on behalf of various alleged classes of claimants and certain of these claimants seek damages of unspecified amounts. Whilst the outcome of such matters cannot be predicted with certainty, it is the opinion of the management that the ultimate outcome of such litigation will not have a material adverse impact on the Group's financial conditions, results of operations or cash flows.

31. Dividends

	2016	**2015**
	US$	US$
Declared during the financial year:		
Dividends on ordinary shares:		
- Interim tax exempt (one-tier) dividend for 2016: US$0.00777 (2015: 0.00466) per share	500,000	300,000