Company Registration No. 200917889Z

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Annual Financial Statements
31 December 2017

Building a better working world

Citystate Capital Asia Pte. Ltd. and its subsidiaries

General Information

Directors

Ng Tee Chuan	
Leow Tze Wen	
Ho Hak Ean Peter	
Ho Lon Gee	(Appointed on 19 June 2017)
Tan Eng Seong Phillip	
Peter Schmidt	
Derrick A Irby	(Alternate director of Peter Schmidt)
Ng Tee Yen	(Alternate director of Ng Tee Chuan)
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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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 2017.

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 2017 and the financial performance, changes in equity and cash flow 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:

Ng Tee Chuan	
Leow Tze Wen	
Ho Hak Ean Peter	
Ho Lon Gee	
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				
Ng Tee Chuan	–	–	3,266,191	3,266,191
Leow Tze Wen	1,591,670	1,591,670	22,687,620	29,092,578
Ho Lon Gee	150,000	150,000	–	–
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 25 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 Philip
Director

Singapore
25 April 2018

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 2017, 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 2017 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 General Information and the Directors' statement set out on pages 1 to 2, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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.

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

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.

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

25 April 2018

Balance Sheets
As at 31 December 2017

(In United States dollars)

	Note	Group 2017 US$	Group 2016 US$	Company 2017 US$	Company 2016 US$
Non-current assets					
Property, plant and equipment	4	1,613,504	1,596,305	63,228	2,725
Investment property	5	865,828	932,582	–	–
Intangible assets	6	1,378,788	1,367,495	–	–
Investment in subsidiaries	7	–	–	34,211,750	34,211,750
Investment in an associate	8	246,049	250,306	–	–
Investment securities	9	25,215,904	25,461,688	–	–
Other receivables	11	39,685	–	25,601,762	25,285,554
Reinsurers' share of insurance contract liabilities	12	6,266,976	6,578,510	–	–
Deferred tax assets	14	1,661,537	902,661	–	–
		37,288,271	37,089,547	59,876,740	59,500,029
Current assets					
Investment securities	9	7,836,423	5,188,821	–	–
Prepayments and deposits		514,137	563,951	22,401	9,735
Trade receivables	10	8,326,081	6,350,889	–	–
Other receivables	11	1,325,508	1,512,602	3,497	8,606
Cash and short-term deposits	15	58,647,821	56,797,239	2,781,345	3,249,077
Loans and receivables		68,299,410	64,660,730	2,784,842	3,257,683
		76,649,970	70,413,502	2,807,243	3,267,418
Current liabilities					
Trade payables	16	3,990,222	4,885,211	–	–
Other payables	17	3,212,226	2,529,537	142,134	115,761
Financial liabilities carried at amortised costs		7,202,448	7,414,748	142,134	115,761
Tax payables		73,678	42,466	–	–
		7,276,126	7,457,214	142,134	115,761
Net current assets		69,373,844	62,956,288	2,665,109	3,151,657
Non-current liabilities					
Gross insurance contracts liabilities	12	56,061,140	52,182,181	–	–
Contingency reserves		26,261	13,869	–	–
Employment liability	13	417,290	333,351	–	–
Deferred tax liabilities	14	14,032	12,966	–	–
		56,518,723	52,542,367	–	–
Net assets		50,143,392	47,503,468	62,541,849	62,651,686
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)		5,668,076	5,860,278	(938,826)	(828,989)
Other reserves	19	(20,664,731)	(24,180,744)	–	–
		48,484,020	45,160,209	62,541,849	62,651,686
Non-controlling interests		1,659,372	2,343,259	–	–
Total equity		50,143,392	47,503,468	62,541,849	62,651,686

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 2017

(In United States dollars)

	Note	Group 2017 US$	Group 2016 US$
Gross written premium		37,834,399	40,323,913
Reinsurers' share of gross premiums written		(6,080,806)	(7,719,526)
Gross change in reserve for unexpired risk	12(b)	(2,139,912)	874,676
Reinsurers' share of gross change in reserve for unexpired risk	12(b)	(171,174)	4,370
Net earned premium		29,442,507	33,483,433
Gross claims paid	12(a)	(19,468,245)	(23,082,654)
Reinsurers' share of gross claims paid	12(a)	2,407	2,972,729
Gross change in loss reserves		2,163,945	(1,811,468)
Reinsurers' share of gross change in loss reserves		(552,579)	(879,240)
Net claims incurred		(17,854,472)	(22,800,633)
Commission expense		(6,746,563)	(6,812,366)
Commission income		1,542,386	1,665,900
Net commission		(5,204,177)	(5,146,466)
Other underwriting expenses		(1,502,689)	(1,050,303)
Underwriting profit from direct general insurance		4,881,169	4,486,031
Net underwriting results from reinsurance business (in run off)	20	–	5,081
Brokerage income and profit commission	21	1,368,439	1,488,382
Investment and other income	22	3,831,590	3,082,325
Other operating and administrative expenses		(11,124,834)	(11,145,487)
Share of associate's results		(4,229)	6,830
Loss before taxation	23	(1,047,865)	(2,076,838)
Taxation	24	759,754	590,514
Loss for the year		(288,111)	(1,486,324)
Other comprehensive income - net of tax			
Net loss on available-for-sale financial assets		(15,122)	(4,248)
Foreign currency translation		2,930,589	(567,310)
Merger reserve		7,521	(66,921)
Net actuarial loss on post-employment benefits		5,047	(14,366)
Other comprehensive income for the year		2,928,035	(652,845)
Total comprehensive income for the year		2,639,924	(2,139,169)
Profit for the year attributable to:			
Owners of the Company		(196,139)	(1,381,344)
Non-controlling interest		(91,972)	(104,980)
		(288,111)	(1,486,324)
Total comprehensive income attributable to:			
Owners of the Company		3,321,811	(2,034,514)
Non-controlling interests		(683,887)	(104,655)
Total comprehensive income for the year		2,639,924	(2,139,169)

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

Statements of Changes in Equity
For the financial year ended 31 December 2017

(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$
2017									
Balance as at 1 January 2017	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
Loss for the year	–	–	–	–	–	(196,139)	(196,139)	(91,972)	(288,111)
Other comprehensive income									
Net loss on available-for-sale financial assets	–	–	(15,122)	–	(15,122)	–	(15,122)	–	(15,122)
Disposal of subsidiaries	–	7,521	–	–	7,521	–	7,521	–	7,521
Foreign currency translation	–	–	–	3,523,614	3,523,614	–	3,523,614	(593,025)	2,930,589
Net actuarial loss on post-employment benefits	–	–	–	–	–	3,937	3,937	1,110	5,047
Other comprehensive income for the year, net of tax	–	7,521	(15,122)	3,523,614	3,516,013	3,937	3,519,950	(591,915)	2,928,035
Total comprehensive income for the year	–	7,521	(15,122)	3,523,614	3,516,013	(192,202)	3,323,811	(683,887)	2,639,924
Dividend on ordinary shares (Note 31)	–	–	–	–	–	–	–	–	–
Balance as at 31 December 2017	63,480,675	(18,499,804)	110,408	(2,275,335)	(20,664,731)	5,668,076	48,484,020	1,659,372	50,143,392
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
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

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 2017

(In United States dollars)

	Share Capital (Note 18) US$	Accumulated losses US$	Total US$
Company			
2017			
Balance 1 January 2017	63,480,675	(828,989)	62,651,686
Loss for the year	–	(109,837)	(109,837)
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	(938,826)	(938,826)
Dividend on ordinary shares (Note 31)	–	–	–
Balance as at 31 December 2017	63,480,675	(938,826)	62,541,849
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

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 2017

(In United States dollars)

	Group	
	2017	**2016**
	US$	US$
Cash flows from operating activities:		
Loss before taxation	(1,047,865)	(2,076,838)
Adjustments for :		
Increase in insurance contracts liabilities	4,190,494	867,075
Loss on disposal of property, plant and equipment	–	280
Depreciation of plant and equipment	480,625	474,489
Depreciation of investment property	62,695	63,027
Amortisation of intangible assets	–	35,172
Amortisation of premium on held-to-maturity investments, net	7,479	3,768
Interest income	(1,659,398)	(1,831,218)
Dividend income from investment securities	(403,415)	(399,975)
Net unrealised gain on held-for-trading investments	(951,383)	(179,878)
Net realised gains on sale of investment securities	(394,632)	(129,511)
Employee benefit expenses	86,938	100,940
Share of associate's results	4,229	(6,830)
Contingency reserve	12,391	8,244
Remeasurement on defined benefit plan	5,047	(14,366)
Struck off subsidiaries	7,520	(66,921)
Write-back of doubtful trade receivable, net	23,220	(5,372)
Operating cash flows before changes in working capital	423,945	(3,157,914)
Changes in working capital		
Increase in restricted cash	889,998	717,709
(Increase)/decrease in receivables	(1,801,189)	2,874,288
Decrease in payables	(212,300)	(2,142,329)
Cash used in operations	(699,546)	(1,708,246)
Income tax refund	33,031	19,581
Net cash used in operating activities	(666,515)	(1,688,665)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(415,466)	(461,936)
Proceeds from disposal of property, plant and equipment	476	18,769
Proceeds from disposal of investment securities - net	2,040,282	(254,729)
Interest received	1,390,223	1,380,036
Dividend received from investment securities	403,415	399,975
Placement in long duration bank deposits	(220,155)	(2,623,542)
Purchase of government bonds	(825,589)	(1,001,552)
Net cash generated from/(used in) investing activities	2,373,186	(2,542,979)
Cash flows from financing activity:		
Dividend paid	–	(500,000)
Net cash used in financing activity	–	(500,000)
Net increase/(decrease) in cash and cash equivalents	1,706,671	(4,731,644)
Effect of exchange rate changes on cash and cash equivalents	813,755	520,883
Cash and cash equivalents at beginning of year	12,534,822	16,745,583
Cash and cash equivalents at end of year (Note 15)	15,055,248	12,534,822

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 2017. 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*
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
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123 Uncertainty Over Income Tax Treatments	1 January 2019

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

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, Amendments to FRS 104 and FRS 116 are described below.

FRS 109 Financial Instruments

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 2017, 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.

Amendments to FRS 104 Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts

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 2017, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2017. 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 2018, 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's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised 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 investments. 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 on 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 derivatives) 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 entirety, 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*

(b) *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 derecognised 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") and 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 consequent 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.

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

2.24 *Contingencies (cont'd)*

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

Contingent liabilities and assets are not recognised on the 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 2017. An additional provision of approximately US$4,151,392 (2016: US$2,933,000) 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.

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)***

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.

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
2017		
Increase claims provision from best estimate to 75% adequacy level	4,019	(4,019)
Increase reported claims case reserves by 5%	1,009	(1,009)
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)

(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 2017 and 2016.

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 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 and 1 January 2017	374,326	79,016	262,334	1,717,619	604,282	250,505	3,288,082
Additions	–	1,923	–	327,712	85,831	–	415,466
Disposals	–	–	–	(13,979)	–	–	(13,979)
Write-off	–	–	–	(955)	–	–	(955)
Foreign currency translation	(1,984)	(446)	21,190	131,554	43,392	9,501	203,207
At 31 December 2017	372,342	80,493	283,524	2,161,951	733,505	260,006	3,891,821
Accumulated depreciation							
At 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 and 1 January 2017	36,224	59,458	119,238	1,142,869	225,266	108,722	1,691,777
Charge for the year	12,186	21,668	33,025	208,763	140,017	64,966	480,625
Disposals	–	–	–	(13,503)	–	–	(13,503)
Write-off	–	–	–	(955)	–	–	(955)
Foreign currency translation	(366)	(633)	10,609	85,195	19,266	6,302	120,373
At 31 December 2017	48,044	80,493	162,872	1,422,369	384,549	179,990	2,278,317
Net carrying amounts:							
As at 31 December 2017	324,298	–	120,652	739,582	348,956	80,016	1,613,504
As at 31 December 2016	338,102	19,558	143,096	574,750	379,016	141,783	1,596,305

4. Plant and equipment (cont'd)

Company	Furniture US$	Office equipment and computers US$	Renovation US$	Total US$
Cost				
At 1 January 2016	4,651	3,889	–	8,540
Additions	–	1,462	–	1,462
At 31 December 2016 and 1 January 2017	4,651	5,351	–	10,002
Additions	–	9,001	63,735	72,736
At 31 December 2017	4,651	14,352	63,735	82,738
Accumulated depreciation				
At 1 January 2016	1,454	4,173	–	5,627
Charge for the year	1,163	487	–	1,650
At 31 December 2016 and 1 January 2017	2,617	4,660	–	7,277
Charge for the year	1,162	1,511	9,560	12,233
At 31 December 2017	3,779	6,171	9,560	19,510
Net carrying amounts:				
As at 31 December 2017	872	8,181	54,175	63,228
As at 31 December 2016	2,034	691	–	2,725

Group

The leasehold land and building held by the Group as at 31 December 2017 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	27 years

5. Investment property

	Group	
	2017	**2016**
	US$	US$
Balance sheet:		
Cost		
At 1 January	1,103,458	1,077,986
Exchange differences	(5,854)	25,472
At 31 December	1,097,604	1,103,458
Accumulated depreciation		
At 1 January	170,876	106,230
Charge for the year	62,695	63,027
Exchange differences	(1,795)	1,619
At 31 December	231,776	170,876
Net carrying amount		
As at year ended 31 December	865,828	932,582
Statement of comprehensive income:		
Rental income from investment properties:		
- Minimum lease payments	36,817	95,550
Direct operating expenses arising from:		
- Rental generating properties	62,695	63,027

The fair value of the investment property held by the Group as at 31 December 2017 is approximately US$1,393,752 (2016: US$1,381,407). 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 2017 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	14 years

6. Intangible assets

Group	Goodwill US$	Brand US$	Customer relationship US$	Total US$
Cost				
At 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 and 1 January 2017	879,896	615,171	403,028	1,898,095
Exchange differences	14,557	(3,264)	(922)	10,371
At 31 December 2017	894,453	611,907	402,106	1,908,466
Accumulated amortisation and impairment				
At 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 and 1 January 2017	127,572	–	403,028	530,600
Amortisation for the year	–	–	–	–
Exchange difference	–	–	(922)	(922)
At 31 December 2017	127,572	–	402,106	529,678
Net carrying amounts:				
As at 31 December 2017	766,881	611,907	–	1,378,788
As at 31 December 2016	752,324	615,171	–	1,367,495

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 and was fully amortized by 2016.

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	
	2017	2016	2017	2016	2017	2016
	US$	US$	US$	US$	US$	US$
Goodwill	229,313	211,889	537,568	540,435	766,881	752,324
Brand	–	–	611,907	615,171	611,907	615,171
Customer relationship	–	–	–	–	–	–

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	
	2017	2016	2017	2016
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 2017 US$	Company 2016 US$
Shares, at cost	34,211,750	34,211,750

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

The Group has the following investment in subsidiaries.

Name	Country of incorporation	Principal activities	% of ownership interest 2017	% of ownership interest 2016
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
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 and consultants	100	100
CRS Insurance Agency Pte Ltd [i]	Singapore	Insurance Agency	100	100
Citystate Risk Management (L) Bhd[v]	Malaysia	Insurance brokers	100	100

7. Investment in subsidiaries (cont'd)

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

Name	Country of incorporation	Principal activities	% of ownership interest 2017	2016
Held through Citystate Insurance Holdings Pte. Ltd:				
EQ Insurance Company Limited [i]	Singapore	General insurance underwriting	100	100
PT CCA Indonesia [ii]	Indonesia	Investment holdings	50	50
Held through PT CCA Indonesia:				
PT Adicahya Bintang Semesta [iv]	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. Not required to be audited
v. Struck-off during the year

(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 2017	Indonesia	22%	(91,972)	1,657,151	–
31 December 2016	Indonesia	22%	(104,980)	2,343,259	–

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 are as follow:

	PT Asuransi Eka Lloyd Jaya	
	2017	**2016**
Summarised balance sheets	US$	US$
Current		
Assets	7,893,521	8,585,055
Liabilities	(889,076)	(1,209,067)
Net current assets	7,004,445	7,375,988
Non-current		
Assets	4,045,308	4,401,640
Liabilities	(4,028,284)	(4,296,187)
Net non-current assets	17,024	105,453
Net assets	7,021,469	7,481,441
Summarised statement of comprehensive income		
Revenue	6,297,383	6,273,282
Loss before income tax	(645,869)	(476,491)
Income tax credit	214,505	143,286
Loss after net-tax	(431,364)	(333,205)
Other comprehensive income for the year	5,047	(14,366)
Total comprehensive income	(426,317)	(347,571)
Other summarised information		
Net cash flows from operations	810,062	(493,071)

8. Investment in an associates

	Group	
	2017	**2016**
	US$	US$
Stenhouse Insurance Brokers Private Limited	245,617	250,158
Other associates	432	67,043
Impairment loss	–	(66,895)
	246,049	250,306

8. Investment in an associate (cont'd)

Name	Country of incorporation	Principal activities	% of ownership interest 2017	2016
Held through a subsidiary:				
Stenhouse Insurance Brokers Private Limited [i]	India	Insurance brokers and consultants	26	26
Newstate Stenhouse Limited [i]	Hong Kong	Insurance brokers and consultants	25	25
Newstate Stenhouse Insurance Services Limited [i]	Hong Kong	Insurance agency	25	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	
	2017 US$	**2016** US$	**2017** US$	**2016** US$	**2017** US$	**2016** US$
Assets and liabilities:						
Total assets	667,301	598,648	463,704	278,012	29,022	161,791
Total liabilities	299,861	237,057	426,691	241,868	26,951	142,638
Results:						
Revenue	401,907	470,246	251,996	335,315	42,711	104,861
Profit for the year	(13,254)	79,092	1,136	591	(16,984)	(637)

9. Investment securities

	Group	
	2017 US$	**2016** US$
Current:		
Held for trading investments		
- Equity instruments (quoted)	7,823,160	5,175,488
Available-for-sale financial assets		
- Equity instruments (unquoted)	13,263	13,333
Total current investment	7,836,423	5,188,821

9. Investment securities (cont'd)

	Group 2017 US$	Group 2016 US$
Non-current:		
Available-for-sale financial assets		
- Equity instruments (quoted)	3,446,651	3,199,309
- Equity instruments (unquoted)	297,740	297,603
- Bonds (quoted)	991,934	1,437,601
	4,736,325	4,934,513
Held-to-maturity investments		
- Bonds (quoted)	19,357,939	19,836,233
- Bonds (unquoted)	1,121,640	690,942
	20,479,579	20,527,175
Total non-current investment	25,215,904	25,461,688
Total Investment securities	33,052,327	30,650,509

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$
2017				
Financial assets:				
Held for trading investments				
– Equity instruments (quoted)	7,823,160	–	–	7,823,160
Available-for-sale financial assets				
– Equity instruments (quoted)	3,446,651	–	–	3,446,651
– Bonds (quoted)	991,934	–	–	991,934
At 31 December 2017	12,261,745	–	–	12,261,745

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) 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

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	2017 Carrying value US$	2017 Market value US$	2016 Carrying value US$	2016 Market value US$
Quoted investment				
Corporate and Government bonds, at cost	19,408,039	19,783,530	19,875,317	19,724,692
Less: Amortisation of premiums	(50,100)	–	(39,384)	–
	19,357,939	19,783,530	19,835,933	19,724,692
Unquoted investments				
Corporate and Government bonds, at cost	1,121,640	1,134,352	690,942	693,706

10. Trade receivables

	Group 2017 US$	Group 2016 US$
Due from insured, agents, brokers and reinsurers	8,358,792	6,356,881
Due from cedants	225,480	210,610
Deposits of retrocessionairies	9,384	9,298
	8,593,656	6,576,789
Less : Allowance for doubtful receivables	(267,575)	(225,900)
	8,326,081	6,350,889

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 2017 US$	Group 2016 US$
Receivables past due but not impaired:		
61 – 90 days	985,853	1,000,433
91 – 120 days	695,950	731,185
More than 120 days	1,102,192	949,236
	2,783,995	2,680,854

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	
	2017	**2016**
	US$	US$
Trade receivables – nominal amount	267,575	225,900
Movement in allowance accounts:		
At 1 January	225,900	236,148
Charge for the year	25,828	17,053
Write-back for the year	(2,608)	(22,425)
Foreign currency translation	18,455	(4,876)
At 31 December	267,575	225,900

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	6,388,648	5,071,293
Indonesia Rupiah	538,041	552,609
Others	7,491	2,119

11. Other receivables

	Group 2017 US$	Group 2016 US$	Company 2017 US$	Company 2016 US$
Current receivables:				
Accrued interest income	437,388	486,903	3,497	8,606
Input GST	480,282	284,475	–	–
Due from related parties	136,580	130,197	–	–
Due from subsidiaries	11,205	287,349	–	–
Cashier's order pending refund from banks	–	36,243	–	–
Tax recoverable	80	–	–	–
Others	259,973	287,435	–	–
	1,325,508	1,512,602	3,497	8,606
Non-current other receivables:				
Security deposit	–	–	–	–
Due from subsidiaries	–	–	25,601,762	25,285,550
Other assets	39,685	–	–	–
	39,685	–	25,601,762	25,285,550
Total other receivables	1,365,193	1,512,602	25,605,259	25,294,156

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$
2017			
Claims reported and loss adjustment expenses	24,831,403	(3,460,177)	21,371,226
Claims incurred but not reported	11,533,557	(135,618)	11,397,939
	36,364,960	(3,595,795)	32,769,165
Premium liabilities	19,696,180	(2,671,181)	17,024,999
Total	56,061,140	(6,266,976)	49,794,164
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

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

(a) *Claims and loss adjustment expenses*

Group	Gross US$	Recoverable from reinsurers US$	Net US$
2017			
Notified claims	24,076,451	(3,805,959)	20,270,492
Incurred but not reported	11,631,401	(62,955)	11,568,446
Total at beginning of year	35,707,852	(3,868,914)	31,838,938
Cash paid for claims settled in the year	(19,468,246)	2,407	(19,465,839)
Increase in liabilities	17,304,300	550,171	17,854,471
Foreign currency translation	2,821,054	(279,459)	2,541,595
Total at end of year	36,364,960	(3,595,795)	32,769,165
Notified claims	24,831,403	(3,460,177)	21,371,226
Incurred but not reported	11,533,557	(135,618)	11,397,939
	36,364,960	(3,595,795)	32,769,165
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

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 2012 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	2013 US$'000	2014 US$'000	2015 US$'000	2016 US$'000	2017 US$'000	Total US$'000
End of accident year						
1 year later	13,727	12,766	13,897	17,975	17,657	76,022
2 years later	17,542	16,891	17,932	21,108	–	73,473
3 years later	18,573	17,627	18,180	–	–	54,380
4 years later	18,900	17,289	–	–	–	36,189
5 years later	18,025	–	–	–	–	18,025
Current estimate of cumulative claims	18,025	17,289	18,180	21,108	17,657	92,259
Cumulative payments to date	(17,304)	(15,291)	(15,492)	(15,084)	(8,530)	(71,701)
Liability recognised in the balance sheet	721	1,998	2,688	6,024	9,127	20,558
Outstanding liability pertaining to accident year 2012 and before						814
IBNR						11,397
						32,769

(b) *Premium liabilities*

Group	Gross US$	Recoverable from reinsurers US$	Net US$
2017			
At beginning of the year	16,474,329	(2,709,596)	13,764,733
Increase during the year	2,139,912	171,174	2,311,086
Foreign currency translation	1,081,939	(132,759)	949,180
At end of the year	19,696,180	(2,671,181)	17,024,999
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

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	
	2017	**2016**
Discount rate per annum	7.26%	8.49%
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	
	2017	**2016**
	US$	US$
Present value of defined benefit obligations and total post-employment benefits	417,290	333,351

Movements in the account are as follows:

At 1 January	333,350	228,439
Remeasurement recognized in other comprehensive income	(6,729)	19,154
Post-employment benefits expenses recognised in profit or loss	98,151	87,179
Benefit payment	(4,484)	(5,392)
Exchange difference	(2,998)	3,971
At 31 December	417,290	333,351

13. Employment liability (cont'd)

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

	Group	
	2017	**2016**
	US$	US$
Current service cost	69,864	66,000
Interest cost	28,287	21,179
	98,151	87,179

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

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

	Group	
	2017	**2016**
	US$	US$
Before tax	(6,729)	19,154
Tax charge	11,776	(33,520)
Gain/(Loss) After tax	5,047	(14,366)

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	
	2017	**2016**
	US$	US$
Discount rate		
Increase by 1,000 basis point	(21,157)	(17,820)
Decrease by 1,000 basis point	24,855	20,832
Future salary		
Increase by 1,000 basis point	24,099	20,436
Decrease by 1,000 basis point	(20,997)	(17,853)

14. Deferred taxation

Group	Balance sheet 2017 US$	Balance sheet 2016 US$	Profit and loss account 2017 US$	Profit and loss account 2016 US$
Deferred tax assets				
Unutilised tax losses	811,791	554,013	(257,778)	(208,655)
Post-employment benefit	104,322	83,338	(20,984)	(26,228)
An excess of net book value over tax written down value of property, plant and equipment	(10,824)	(134,829)	(124,005)	121,946
Unearned premium reserves	461,460	254,628	(206,832)	(187,103)
Unabsorbed capital allowances	571,991	265,464	(306,527)	(265,464)
Unabsorbed donations	4,713	6,957	2,244	(6,957)
Provisions	3,397	14,815	11,418	(14,815)
Other items	(285,313)	(141,725)	143,588	163,182
Total deferred tax assets	1,661,537	902,661		
Deferred tax liabilities				
An excess of net book value over tax written down value of property, plant and equipment	(9,734)	(11,477)	(1,743)	(44,718)
Revaluations to fair value:				
- Fixed income loan stock	–	–		22,543
- Equity shares	–	–		(47,602)
Other item	(4,298)	(1,489)	2,809	(71,922)
Revaluation to fair value:				
- Available-for-sale financial assets	–	–		(25,912)
Total deferred tax liabilities	(14,032)	(12,966)		
Deferred tax (Note 24)			(757,810)	(591,705)

15. Cash and short-term deposits

Cash and short-term deposits comprise the following:

	Group		Company	
	2017 US$	2016 US$	2017 US$	2016 US$
Short-term bank deposits	50,640,959	52,492,975	1,413,799	3,103,732
Cash and bank balances	8,006,862	4,304,264	1,367,546	145,345
Cash and short term deposits	58,647,821	56,797,239	2,781,345	3,249,077
Less :				
- Deposits held on behalf of policyholders in respect of insurance business	(1,299,944)	(1,216,182)	–	–
- Restricted for Insurance Broking Premium Account	(865,098)	(725,784)	–	–
- Long duration bank deposits excluding those held on behalf of policyholders	(41,059,125)	(40,838,970)	–	–
- Statutory fund required by Regulation	(368,406)	(1,481,481)	–	–
Restricted cash	(43,592,573)	(44,262,417)	–	–
Cash and cash equivalents included in the consolidated cash flow statements	15,055,248	12,534,822	2,781,345	3,249,077

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

	Group		Company	
	2017 US$	2016 US$	2017 US$	2016 US$
Singapore dollar	42,960,827	41,130,922	145,829	94,056
Malaysian Ringgit	28,090	27,243	–	–
Indonesia Rupiah	6,846,987	7,298,373	–	–

16. Trade payables

	Group	
	2017	2016
	US$	US$
Cash collateral placed by policyholders	1,299,944	1,216,183
Due to insured, agents, brokers and reinsurers	1,324,617	2,622,817
Amount due to reinsurers	1,041,921	742,266
Amount due to ceding companies	73,565	72,782
Cedant deposits	128,884	119,090
Amounts due to retrocessionaires	121,291	112,073
	3,990,222	4,885,211

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	
	2017	2016
	US$	US$
Singapore Dollar	3,295,760	3,616,151
Indonesia Rupiah	385,415	424,048
Others	1,500	–

17. Other payables

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Provisions	1,278,359	1,347,663	–	–
Accrued expenses	773,148	260,099	108,985	69,613
Output GST	547,154	418,353	–	–
Due to related parties	900	33,866	–	–
Others	612,665	469,556	33,149	46,148
	3,212,226	2,529,537	142,134	115,761

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	2,865,479	2,174,602	142,134	88,384
Indonesia Rupiah	285,578	270,720	–	–
Others	10,948	10,116	–	–

18. Share capital

	Group and Company			
	2017		2016	
	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

	Group	
	2017	2016
	US$	US$
Merger reserves	(18,499,804)	(18,507,325)
Fair value reserves	110,408	125,530
Translation reserves	(2,275,335)	(5,798,949)
	(20,664,731)	(24,180,744)

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	
	2017	**2016**
	US$	US$
Claims	–	23
Loss reserves :		
At beginning of financial year	426,978	434,047
Foreign currency translation	–	(2,011)
At end of financial year	(426,978)	(426,978)
Incurred claims	–	5,081
Net underwriting profit	–	5,081

21. Brokerage income and profit commission

	Group	
	2017	**2016**
	US$	US$
Brokerage income is analysed as follows:		
Brokerage income	1,163,895	1,335,391
Profit commission	204,544	152,991
	1,368,439	1,488,382

22. Investment and other income

	Group	
	2017	**2016**
	US$	US$
Interest income on :		
- short-term bank deposits	966,418	1,080,073
- government securities and fixed interest securities/ structured deposits	692,981	751,145
Dividend income	403,415	399,975
Rental Income	40,907	96,572
Net unrealised gain/(loss) on held-for-trading investments	951,383	179,878
Realised gains on sale of investment securitires	304,701	129,511
Gain on maturity of fixed income bonds	89,932	–
Foreign exchange gain		22,921
Others	381,853	422,250
	3,831,590	3,082,325

23. Loss before taxation

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

	Group	
	2017	**2016**
	US$	US$
Director's fee	295,888	337,074
Chairman fees	109,659	109,659
Loss on disposal of property, plant and equipment	977	280
Depreciation on property, plant and equipment	480,625	474,489
Depreciation on investment property	62,695	63,027
Amortisation of premium on held-to-maturity investment	7,479	3,768
Amortisation of intangible assets	–	35,172
Foreign exchange (gain)/loss	394,269	(168,885)
Agency expenses	86,653	312,708
Rental expenses	1,084,994	1,171,431
Impairment of intangible assets	–	–
Allowance for doubtful trade receivable	25,828	17,053
Write-back of allowance for doubtful trade receivable	(2,608)	(22,425)
Employee benefit expenses		
- Salaries and bonuses	5,545,421	5,941,867
- Contribution to defined contribution plan	571,563	554,278
- Others	432,316	456,220

24. Taxation

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

	Group	
	2017	**2016**
	US$	US$
Current income tax:		
Current income taxation	(1,944)	6,304
(Over)/underprovision in respect of prior year	–	(5,113)
	(1,944)	1,191
Deferred tax:		
Origination and reversal of temporary differences	(757,810)	(591,705)
Tax credit	(759,754)	(590,514)

24. Taxation (cont'd)

(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	
	2017	**2016**
	US$	US$
Loss before tax	(1,047,865)	(2,076,838)
Taxation at statutory rate of 17% (2016: 17%)	(178,137)	(353,062)
Adjustments :		
Effect of differences in tax rates in other countries	(50,256)	(39,290)
Effect of non-taxable income	(184,392)	(199,533)
Effect of non-deductible expenses	(139,017)	(111,106)
Effect of income brought to at 10%	(37,380)	(41,206)
Enhanced tax allowance	(21,003)	(10,649)
Tax exemption	(18,216)	(16,372)
Utilisation of capital allowance	–	(16,771)
Utilisation of group tax losses	(12,868)	
Deferred tax assets not recognised	(29,185)	19,048
Underprovision in respect of prior year	(134,381)	128,303
Others	45,081	50,124
Tax expense	(759,754)	(590,514)

In 2017, the Company has unutilised tax losses of approximately US$6,589,000 (2016: US$4,055,000) 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	
	2017	2016
	US$	US$
Related companies		
Income:		
Rental income	9,458	61,166
Fees for services rendered	230,240	396,249
Expenses:		
Commission & Insurance Premium	287,351	171,531
Payment towards operating expenses	4,816	(7,634)
Rental and utility charges of office premises	100,301	91,749
Secretarial fees	16,852	17,012
Travelling expenses	182,604	272,927
Insurance Premium	75,232	73,130
Purchase of Goods/Services	8,696	2,813
Key management remuneration		
Chairman's fee from subsidiary company	113,248	104,643
Director's fees	108,874	115,237
Salary and bonuses	96,573	94,832
CPF	15,138	14,939
Other benefits	15,011	12,110
	348,845	341,761

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, Property and Personal Lines.

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 the indicators actively and takes corrective action whenever the need arises.

26. Financial risk management (cont'd)

Insurance risk (cont'd)

The table below sets out the concentration of the general insurance risk as at balance sheet date:

	Group			
	General insurance contract			
	2017		2016	
	US$	US$	US$	US$
	Net premium liabilities	Net claims liabilities	Net premium liabilities	Net claims liabilities
By class of business				
Cargo	38,879	143,616	50,803	119,202
Fire	538,326	926,686	591,616	991,751
Motor	8,681,729	15,143,684	5,869,554	13,733,611
Workmen's compensation	2,691,341	11,617,542	3,065,637	12,299,781
Personal accident	2,637,673	248,479	1,850,221	292,087
Health	1,162,829	1,940,570	949,929	1,653,632
Public liability	225,418	952,488	360,455	913,345
Bonds	618,558	438,105	656,815	288,874
Engineering	150,384	1,107,752	192,664	1,203,732
Professional indemnity	30,793	13,650	9,799	91,292
Trade Credit	141,274	54,118	35,299	30,912
Miscellaneous	107,795	182,475	131,941	220,719
	17,024,999	32,769,165	13,764,733	31,838,938

Insurance contract liabilities - assumptions and sensitivities

The Group's claims and premium liabilities are assessed and reviewed by external appointed actuaries, JP Wall Consulting Partners and PT Dayamandiri Dharmakonsilindo for the Singapore and Indonesian insurance businesses respectively.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's investment portfolio. The Group does not use derivative financial instruments to hedge its investment portfolio. The portfolio includes only debt securities with active secondary or resale markets to ensure portfolio liquidity. The Group does not have significant exposure to fluctuations in interest rates since almost all of its debt and securities are held until maturity.

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and are classified as held for trading or available-for-sale financial assets. The Group does not have exposure to commodity price risk.

26. Financial risk management (cont'd)

Market price risk (cont'd)

The Group's objective is to manage investment returns and equity price risk using investment grade shares with steady dividend yields. The Group's policy is to limit its interest in the held-for-trading equity shares to 20% (2016: 20%) of its entire investment portfolio.

At the balance sheet date, if the market prices of the equity investments had been 5% (2016: 5%) higher/lower with all other variables held constant, the Group's profit before tax would increase/decrease by US$391,157 (2016: US$258,774) as the Group held some equity investments classified as held for trading. The Group's equity would have been US$563,490 (2016: US$347,554) higher/lower, arising as a result of an increase/decrease in the fair value of held for trading and available-for-sale equity instruments.

The method used for deriving sensitivity analysis and significant variables did not change from the previous year.

Foreign currency risk

The Group underwrites its products in several countries and, as a result, is exposed to movements in foreign currency exchange rates.

The Group does not use foreign currency forward exchange contracts or purchased currency options for hedging and trading purposes.

The tables below show the foreign currency exchange position of the Group's financial assets and liabilities by major currencies:

2017	SGD US$	RM US$	USD US$	IDR US$	Others US$	Total US$
Financial assets at fair value through profit and loss Equity Securities	7,780,933	–	42,227	–	–	7,823,160
Available-for-sale financial assets	4,440,380	–	–	13,263	295,945	4,749,588
Held-to-maturity financial assets	18,152,703	–	499,735	1,827,141	–	20,479,579
Due from insured, agents and brokers	6,388,648	–	207,400	538,041	7,492	7,141,581
Due from reinsurers	1,184,500	–	–	–	–	1,184,500
Cash and short-term deposits	42,960,826	28,090	8,811,918	6,846,987	–	58,647,821
Other assets	1,448,234	–	32,039	74,607	–	1,554,880
Total	82,356,224	28,090	9,593,319	9,300,039	303,437	101,581,109
Trade and other payables	6,161,239	–	357,766	670,993	12,449	7,202,448

*Excluding prepayments amounting to US$284,765

26. Financial risk management (cont'd)

Foreign currency risk (cont'd)

2016	SGD US$	RM US$	USD US$	IDR US$	Others US$	Total US$
Financial assets at fair value through profit and loss						
Equity Securities	5,148,186	–	27,302	–	–	5,175,488
Available-for-sale financial assets	4,638,568	–	–	13,333	295,945	4,947,846
Held-to-maturity financial assets	19,026,453	–	499,169	1,001,553	–	20,527,175
Due from insured, agents and brokers	4,905,032	–	724,868	552,609	2,119	6,184,628
Due from reinsurers	166,261	–	–	–	–	166,261
Cash and short-term deposits	41,130,922	27,243	8,340,702	7,298,372	–	56,797,239
Other assets	1,625,013	–	22,012	69,483	–	1,716,508
Total	76,640,435	27,243	9,614,053	8,935,350	298,064	95,515,145
Trade and other payables	5,790,753	–	918,767	694,769	10,459	7,414,748

*Excluding prepayments amounting to US$360,045.

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 2017 US$	Profit before tax 2016 US$
SGD/USD		
strengthened 5% (2017: 5%)	6,325	12,810
weakened 5% (2017: 5%)	(6,325)	(12,810)
IDR/USD		
strengthened 5% (2017: 5%)	7,352	5,380
weakened 5% (2017: 5%)	(7,352)	(5,380)
MYR/USD		
strengthened 5% (2017: 5%)	1,405	1,362
weakened 5% (2017: 5%)	(1,405)	(1,362)

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 2017 and 31 December 2016 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 2017 by classifying financial assets according to cash ratings of the counterparties:

	AAA	AA	A	Others or not rated	Total
2017					
In United States dollars					
Financial assets at fair value through profit and loss					
Equity Securities	474,620	3,393,338	358,781	3,596,421	7,823,160
Available-for-sale financial assets					
Equity Securities	–	3,446,651	–	311,003	3,757,654
Debt Securities	–	991,934	–	–	991,934
Held-to-maturity financial assets	–	373,880	2,991,219	17,114,480	20,479,579
Due from insured, agents and brokers	–	–	34,092	7,107,489	7,141,581
Due from reinsurers	–	439,762	732,160	12,578	1,184,500
Cash and short-term deposits	1,364,574	14,440,321	38,890,674	3,952,252	58,647,821
Other assets	–	55,425	200,736	1,298,719	1,554,880
Total	1,839,194	23,141,311	43,207,662	33,392,942	101,581,109
Trade and other payables	–	43,640	612,807	6,546,001	7,202,448
2016					
In United States dollars					
Financial assets at fair value through profit and loss Equity Securities	434,520	1,797,609	560,576	2,382,783	5,175,488
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

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 2017	11,716	17,518	3,818	33,052
31 December 2016	8,816	14,552	7,282	30,650

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 monitors it subsidiaries capital level on a regular basis to assess whether the capital adequacy requirements are met.

The Group has no borrowings, contingent liabilities and loan capital as at 31 December 2017. There was no change in the Group's capital management objectives, policies and processes during the years ended 31 December 2017 and 31 December 2016.

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	
	2017	**2016**
	US$	US$
Within 1 year	888,755	818,851
After 1 year but not more than 5 years	1,123,427	510,291
	2,012,182	1,329,142

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

	2017 US$	2016 US$
Declared during the financial year:		
Dividends on ordinary shares:		
- Interim tax exempt (one-tier) dividend for 2017: NIL (2016: 0.00777) per share	NIL	500,000

32. Authorisation for issue

The financial statements of the Company were authorised for issue in accordance with a resolution of the Directors on 25 April 2018.