

Company Registration No. 200917889Z

Citystate Capital Asia Pte. Ltd.
and its subsidiaries

Annual Financial Statements
31 December 2019



Citystate Capital Asia Pte. Ltd. and its subsidiaries

General information

Directors

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)
(resigned on 31 December 2019)
Ng Tee Yen (alternate director of Ng Tee Chuan)

Company secretaries

Sharimala Rasanayagam
Sim Siew Kiang (resigned on 29 February 2020)
Shang Xinquan (appointed on 26 March 2020)

Registered office

11 Keppel Road #09-02 ABI Plaza
Singapore 089057

Auditor

Ernst & Young LLP

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Citystate Capital Asia Pte. Ltd. and its subsidiaries

Directors' statement

The directors present their statement together with the audited financial statements of Citystate Capital Asia Pte. Ltd. (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2019.

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 2019 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
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:

Name of director	Held in the name of director		Deemed interest	
	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	–	–	3,592,810	3,592,810
Leow Tze Wen	1,591,670	1,611,670	32,161,003	32,221,813
Ho Lon Gee	165,000	165,000	–	–
Tan Eng Seong Phillip	1,427,520	1,427,520	506,000	506,000

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Directors' statement

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 of directors,



Leow Tze Wen
Director



Tan Eng Seong Phillip
Director

Singapore
12 May 2020

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Independent auditor's report
For the financial year ended 31 December 2019**

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 2019, 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

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.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Independent auditor's report For the financial year ended 31 December 2019

Independent auditor's report to the members of Citystate Capital Asia Pte. Ltd.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Independent auditor's report
For the financial year ended 31 December 2019**

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
12 May 2020

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Balance sheets
As at 31 December 2019

(In United States dollars)

	Note	Group		Company	
		2019 US\$	2018 US\$	2019 US\$	2018 US\$
Non-current assets					
Property, plant and equipment	4	2,584,644	2,743,414	38,896	51,582
Investment property	5	–	–	–	–
Intangible assets	6	1,351,572	1,309,469	–	–
Investment in subsidiaries	7	–	–	34,779,033	34,779,033
Investment in associates	8	283,730	264,967	–	–
Investment securities	9	21,751,476	23,277,907	–	–
Other receivables	11	9,494	8,790	29,554,547	29,083,442
Reinsurers' share of insurance contract liabilities	12	12,345,760	12,262,561	–	–
Deferred tax assets	14	2,515,196	1,882,523	–	–
		40,841,872	41,749,631	64,372,476	63,914,057
Current assets					
Investment securities	9	8,800,030	7,981,760	–	–
Prepayments and deposits		549,820	493,786	40,114	23,595
Trade receivables	10	8,449,591	9,709,391	–	–
Other receivables	11	1,746,955	1,441,229	211,399	133,782
Cash and short-term deposits	15	67,423,949	65,557,027	1,939,550	2,297,137
Loans and receivables		77,620,495	76,707,647	2,150,949	2,430,919
		86,970,345	85,183,193	2,191,063	2,454,514
Current liabilities					
Trade payables	16	7,403,293	6,499,932	–	–
Other payables	17	2,911,484	3,143,580	223,627	164,958
HP creditors		17,253	–	–	–
Financial liabilities carried at amortised costs		10,332,030	9,643,512	223,627	164,958
Tax payables		49,712	42,026	–	–
		10,381,742	9,685,538	223,627	164,958
Net current assets		76,588,603	75,497,655	1,967,436	2,289,556
Non-current liabilities					
Gross insurance contracts liabilities	12	65,606,392	64,650,469	–	–
Contingency reserves		26,116	25,778	–	–
Employment liability	13	606,401	471,450	–	–
HP creditors		57,509	–	–	–
Deferred tax liabilities	14	–	13,775	–	–
		66,296,418	65,161,472	–	–
Net assets		51,134,057	52,085,814	66,339,912	66,203,613
Equity attributable to owners of the Company					
Share capital	18	67,175,900	67,175,900	67,175,900	67,175,900
Accumulated profits/(losses)		3,503,737	5,082,239	(835,988)	(972,287)
Other reserves	19	(21,079,677)	(21,810,171)	–	–
		49,599,960	50,447,968	66,339,912	66,203,613
Non-controlling interests		1,534,097	1,637,846	–	–
Total equity		51,134,057	52,085,814	66,339,912	66,203,613

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 2019**

(In United States dollars)

	Note	Group 2019 US\$	2018 US\$
Gross written premium		46,093,189	47,853,031
Reinsurers' share of gross premiums written		(5,288,302)	(6,683,789)
Gross change in reserve for unexpired risk	12(b)	(461,611)	(3,959,162)
Reinsurers' share of gross change in reserve for unexpired risk	12(b)	(369,223)	1,462,148
Net earned premium		39,974,053	38,672,228
Gross claims paid	12(a)	(31,693,575)	(24,159,107)
Reinsurers' share of gross claims paid	12(a)	3,723,639	2,287,834
Gross change in loss reserves		2,519,309	(5,943,677)
Reinsurers' share of gross change in loss reserves		(1,779,752)	4,759,305
Net claims incurred		(27,230,379)	(23,055,645)
Commission expense		(8,360,021)	(8,865,588)
Commission income		961,296	1,418,825
Net commission		(7,398,725)	(7,446,763)
Other underwriting expenses		(1,154,691)	(1,562,647)
Underwriting profit from direct general insurance		4,190,258	6,607,173
Net underwriting results from reinsurance business (in run off)	20	2,529	-
Brokerage income and profit commission	21	1,464,796	1,472,714
Investment and other income	22	3,872,422	1,722,343
Other operating and administrative expenses		(11,664,042)	(11,352,669)
Share of associate's results		18,828	18,704
Loss before taxation	23	(2,115,209)	(1,531,735)
Taxation	24	612,558	408,789
Loss for the year		(1,502,651)	(1,122,946)
Other comprehensive income - net of tax			
Net loss on available-for-sale financial assets		(14,033)	(78,151)
Foreign currency translation		759,789	(1,133,778)
Merger reserve		-	(29,363)
Net actuarial loss on post-employment benefits		5,138	16,968
Revaluation of assets		-	594,467
Other comprehensive income for the year		750,894	(629,857)
Total comprehensive income for the year		(751,757)	(1,752,803)
Profit for the year attributable to:			
Owners of the Company		(1,382,510)	(1,062,756)
Non-controlling interest		(120,141)	(60,190)
		(1,502,651)	(1,122,946)
Total comprehensive income attributable to:			
Owners of the Company		(648,008)	(1,731,277)
Non-controlling interests		(103,749)	(21,526)
Total comprehensive income for the year		(751,757)	(1,752,803)

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 2019**

(In United States dollars)

Group	Attributable to owners of the Company					Accumulated profits US\$	Total US\$	Non-controlling interests US\$	Total equity US\$
	Share capital (Note 18) US\$	Merger reserves (Note 19) US\$	Fair value reserves (Note 19) US\$	Translation reserves (Note 19) US\$	Other reserves, total US\$				
2019									
Balance as at 1 January 2019	67,175,900	(18,529,167)	32,257	(3,313,261)	(21,810,171)	5,082,239	50,447,968	1,637,846	52,085,814
Loss for the year	–	–	–	–	–	(1,382,510)	(1,382,510)	(120,141)	(1,502,651)
<u>Other comprehensive income</u>									
Net loss on available-for-sale financial assets	–	–	(14,033)	–	(14,033)	–	(14,033)	–	(14,033)
Foreign currency translation	–	–	–	744,527	744,527	–	744,527	15,262	759,789
Net actuarial loss on post-employment benefits	–	–	–	–	–	4,008	4,008	1,130	5,138
Other comprehensive income for the year, net of tax	–	–	(14,033)	744,527	730,494	4,008	734,502	16,392	750,894
Total comprehensive income for the year	–	–	(14,033)	744,527	730,494	(1,378,502)	(648,008)	(103,749)	(751,757)
Dividend paid	–	–	–	–	–	(200,000)	(200,000)	–	(200,000)
Balance as at 31 December 2019	67,175,900	(18,529,167)	18,224	(2,568,734)	(21,079,677)	3,503,737	49,599,960	1,534,097	51,134,057
2018									
Balance as at 1 January 2018	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
Loss for the year	–	–	–	–	–	(1,062,756)	(1,062,756)	(60,190)	(1,122,946)
<u>Other comprehensive income</u>									
Net loss on available-for-sale financial assets	–	–	(78,151)	–	(78,151)	–	(78,151)	–	(78,151)
Disposal of subsidiaries	–	(29,363)	–	–	(29,363)	–	(29,363)	–	(29,363)
Foreign currency translation	–	–	–	(1,037,926)	(1,037,926)	–	(1,037,926)	(95,852)	(1,133,778)
Net actuarial loss on post-employment benefits	–	–	–	–	–	13,235	13,235	3,733	16,968
Revaluation of assets	–	–	–	–	–	463,684	463,684	130,783	594,467
Other comprehensive income for the year, net of tax	–	(29,363)	(78,151)	(1,037,926)	(1,145,440)	476,919	(668,521)	38,664	(629,857)
Total comprehensive income for the year	–	(29,363)	(78,151)	(1,037,926)	(1,145,440)	(585,837)	(1,731,277)	(21,526)	(1,752,803)
Increased share capital (Note 18)	3,695,225	–	–	–	–	–	3,695,225	–	3,695,225
Balance as at 31 December 2018	67,175,900	(18,529,167)	32,257	(3,313,261)	(21,810,171)	5,082,239	50,447,968	1,637,846	52,085,814

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 2019**

(In United States dollars)

	Share capital (Note 18) US\$	Accumulated losses US\$	Total US\$
Company			
2019			
Balance 1 January 2019	67,175,900	(972,287)	66,203,613
Profit for the year, representing total comprehensive loss for the year	–	336,299	336,299
Dividend paid during the year (Note 30)	–	(200,000)	(200,000)
Balance as at 31 December 2019	67,175,900	(835,988)	66,339,912
2018			
Balance 1 January 2018	63,480,675	(938,826)	62,541,849
Loss for the year, representing total comprehensive loss for the year	–	(33,461)	(33,461)
Increase in share capital (Note 18)	3,695,225	–	3,695,225
Balance as at 31 December 2018	67,175,900	(972,287)	66,203,613

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 2019**

(In United States dollars)

	Group	
	2019	2018
	US\$	US\$
Cash flows from operating activities:		
Loss before taxation	(2,115,209)	(1,531,735)
Adjustments for :		
Increase in insurance contracts liabilities	872,724	2,593,744
Depreciation of property, plant and equipment	568,391	560,836
Amortisation of premium on held-to-maturity investments, net	8,479	10,931
Interest income	(2,062,566)	(1,743,136)
Dividend income from investment securities	(428,351)	(504,024)
Net unrealised (gain)/loss on held-for-trading investments	(888,137)	1,144,989
Net realised gains on sale of investment securities	(67,035)	(250,208)
Employee benefit expenses	115,820	78,657
Share of associate's results	(18,828)	(18,704)
Contingency reserve	338	(483)
Remeasurement on defined benefit plan	5,138	16,968
Struck off subsidiaries	-	(29,363)
Allowance for doubtful trade receivable, net	59,610	39,151
Revaluation of assets	-	594,467
Operating cash flows before changes in working capital	(3,949,626)	962,090
Changes in working capital		
Increase in restricted cash	(1,685,725)	(55,548)
Decrease/(increase) in receivables	837,726	(1,486,936)
Increase in payables	746,027	2,441,064
Cash flows from operations	(4,051,598)	1,860,670
Income tax refund	19,880	-
Net cash (used in)/generated from operating activities	(4,031,718)	1,860,670
Cash flows from investing activities:		
Purchase of property, plant and equipment	(350,969)	(926,813)
Proceeds from disposal of property, plant and equipment	14,976	3,016
Proceeds from disposal of investment securities - net	2,450,690	48,562
Interest received	1,512,951	1,296,970
Dividend received from investment securities	428,351	504,024
Placement in long duration bank deposits	(2,594,966)	(4,088,610)
Purchase of government bonds	-	(84)
Net cash generated from/(used in) investing activities	1,461,033	(3,162,935)
Cash flows from financing activity:		
Increase in share capital	-	3,695,225
Dividend paid	(200,000)	-
Net cash (used in)/generated from financing activity	(200,000)	3,695,225
Net (decrease)/increase in cash and cash equivalents	(2,770,685)	2,392,960
Effect of exchange rate changes on cash and cash equivalents	356,916	372,088
Cash and cash equivalents at beginning of year	17,820,296	15,055,248
Cash and cash equivalents at end of year (Note 15)	15,406,527	17,820,296

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

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

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 sheets 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 that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

(a) *FRS 116 Leases*

FRS 116 supersedes FRS 17 *Leases*, INT FRS 104 *Determining Whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases - Incentives and* INT 27 *Evaluating the Substance of Transactions Involving the Legal form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under FRS 116 is substantially unchanged from FRS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in FRS 17. Therefore, FRS 116 does not have an impact for leases where the Group is the lessor.

2.2 Changes in accounting policies (cont'd)

(a) FRS 116 Leases (cont'd)

The Group adopted FRS 116 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying FRS 17 and INT FRS 104 at the date of initial application.

The Group has lease contracts for office premises. Before the adoption of FRS 116, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.17 *Leases* for the accounting policy prior to adoption of FRS 116.

Upon adoption of FRS 116, the Group applied a single recognition and measurement approach for all leases except for short-term leases. Refer to Note 2.17 *Leases* for the accounting policy upon adoption of FRS 116. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

(b) Continuing adoption of 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 and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. If there is a change in the entity's activities:

- an entity that previously qualified for the temporary exemption from FRS 109 shall reassess whether its activities are predominantly connected with insurance at a subsequent annual reporting date and

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

2.2 Changes in accounting policies (cont'd)

(b) *Continuing adoption of Amendments to FRS 104, Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts (cont'd)*

- an entity that previously did not qualify for the temporary exemption from FRS 109 is permitted to reassess whether its activities are predominantly connected with insurance at a subsequent annual reporting date before 31 December 2018. 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.

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 the financial year, the Group applied the temporary exemption from FRS 109 *Financial Instruments* as permitted by the Amendments to FRS 104 *Insurance Contracts: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts* which is effective for annual periods beginning on or after 1 January 2018. The temporary exemption permits the Company to continue applying FRS 39 rather than FRS 109 for annual periods beginning before 1 January 2021.

The Group concluded that it qualified for the temporary exemption from FRS 109 as the Group has not previously applied any versions of FRS 109 and its activities are predominantly connected with insurance at annual reporting date that immediately precedes 1 April 2016 (i.e. 31 December 2015). As at 31 December 2015, the Group's gross liabilities arising from contracts within the scope of FRS 104 represented 96% of the total carrying amount of all its liabilities. Since 31 December 2015, there has been no change in the activities of the Group that requires reassessment of the use of the temporary exemption.

The table below presents an analysis of the fair value of classes of financial assets as at 31 December 2019 and 31 December 2018, as well as the corresponding change in fair value during the financial year. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest ("SPPI"), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and

All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

2.2 Changes in accounting policies (cont'd)

- (b) *Continuing adoption of Amendments to FRS 104, Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts (cont'd)*

The fair value and fair value change of the Group's financial assets during the year, based on the classification in accordance with FRS 109, is as follows:

31 December 2019	SPPI financial assets		Other financial assets	
	Fair value US\$	Fair value change US\$	Fair value US\$	Fair value change US\$
Investment securities	20,659,831	(140,926)	9,891,675	(1,197,196)
Trade receivables	8,449,591	–	–	–
Other receivables	1,280,953	–	–	–
Cash, bank balances and deposits	67,423,949	–	–	–
Total	97,814,324	(140,926)	9,891,675	(1,197,196)

31 December 2018	SPPI financial assets		Other financial assets	
	Fair value US\$	Fair value change US\$	Fair value US\$	Fair value change US\$
Investment securities	21,131,636	(142,525)	10,128,031	(1,210,773)
Trade receivables	9,709,391	–	–	–
Other receivables	974,604	–	–	–
Cash, bank balances and deposits	65,557,027	–	–	–
Total	97,372,658	(142,525)	10,128,031	(1,210,773)

Refer to the table as disclose in Note 26 that shows the carrying amount of the SPPI assets included in the table above by credit risk rating grades. The carrying amount is measured in accordance with FRS 39 although this is prior to any impairment allowance for those measured at amortised cost.

As at 31 December 2019, the fair value of financial assets that do not have low credit risk was US\$33,873,349 (2018: US\$32,589,536).

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Notes to the financial statements For the financial year ended 31 December 2019

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:

Descriptions	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in FRS Standards	1 January 2020
Amendments to FRS 103 <i>Definition of a Business</i>	1 January 2020
Amendments to FRS 1 <i>Presentation of Financial Statements</i> , and FRS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material</i>	1 January 2020
Amendments to FRS 109 <i>Financial Instruments</i> , FRS 39 <i>Financial Instruments: Recognition and Measurement</i> and FRS 107 <i>Financial Instruments: Disclosures, Interest Rate Benchmark Reform</i>	1 January 2020
FRS 117 <i>Insurance Contracts</i>	1 January 2021
Amendments to FRS 110 <i>Consolidated Financial Statements</i> , and FRS 28 <i>Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

Except for FRS 117, the directors expect that the adoption of the other standards 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 117 is described below.

FRS 117 Insurance Contracts

In March 2018, Accounting Standards Council Singapore (“ASC”) issued FRS 117 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. FRS 117 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short duration which typically applies to certain non-life insurance contracts.

The overall objective of FRS 117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in FRS 104, which are largely based on grandfathering previous local accounting policies, FRS 117 provides a comprehensive model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

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

FRS 117 Insurance Contracts (cont'd)

FRS 117 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies FRS 109 and FRS 115 on or before the date it first applies FRS 117. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

In November 2018, the IASB tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2022. The IASB also tentatively decided to allow insurers qualifying for the deferral of IFRS 9 an additional year of deferral, meaning they could apply both standards for the first time to reporting periods beginning on or after 1 January 2022. The proposed deferral is included in the Exposure Draft issued by the IASB on 26 June 2019. In March 2020, the IASB decided that the effective date of IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB also decided to extend the exemption currently in place for qualifying insurers regarding the application of IFRS 9 to enable them to implement both IFRS 9 and IFRS 17 at the same time.

It is expected that upon finalisation, any changes to the effective dates will also be adopted by the ASC to FRS 117 and the deferral of FRS 109, as above.

The Group is evaluating the impact of the new standard on its financial statements and related disclosures and plans to adopt the new standard on the required effective date together with FRS 109.

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.

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

2.4 Basis of consolidation (cont'd)

Business combinations and goodwill (cont'd)

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 in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. 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.

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.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

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

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.

2.7 *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 fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment upon loss of significant influence is recognised in profit or loss.

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

2.7 Associates (cont'd)

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

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 exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in 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 combination. 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 are 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. Summary of significant accounting policies (cont'd)

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").

2.16 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 Leases

(a) Operating leases (Policy applicable before 1 January 2019)

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) Right-of-use assets (Policy applicable beginning 1 January 2019)

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

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

Office premises - 3 years

If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.12.

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

2.17 Leases (cont'd)

(c) *Lease liabilities (Policy applicable beginning 1 January 2019)*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

(d) *Short-term leases and leases of low-value assets (Policy applicable beginning 1 January 2019)*

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.18 *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 contract 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. Summary of significant accounting policies (cont'd)

2.19 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.

(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.

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

2.19 Insurance contract liabilities (cont'd)

(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.

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 contracts.

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. Summary of significant accounting policies (cont'd)

2.20 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)

2.21 Revenue recognition

(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 policies 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) 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.

(c) Brokerage income

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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

2.22 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)

2.22 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)

2.22 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.

2.23 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.

2.24 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.

2.25 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)

2.25 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.

2.26 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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 2019. An additional provision of approximately US\$4,333,510 (2018: US\$4,580,333) 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 26. 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
2019		
Increase claims provision from best estimate to 75% adequacy level	4,333	(4,333)
Increase reported claims case reserves by 5%	1,229	(1,229)
<hr/>		
2018		
Increase claims provision from best estimate to 75% adequacy level	4,583	(4,583)
Increase reported claims case reserves by 5%	1,256	(1,256)
<hr/>		

(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 2019 and 31 December 2018.

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.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Notes to the financial statements
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4. Property, 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 2018	372,342	80,493	283,524	2,161,951	733,505	260,006	3,891,821
Additions	46,711	704,405	3,788	159,944	11,965	–	926,813
Transfer from investment property (Note 5)	–	1,047,041	–	–	–	–	1,047,041
Disposals	–	(287,543)	–	(19,437)	(501)	–	(307,481)
Write-off	–	–	–	978	–	–	978
Foreign currency translation	(21,610)	(20,797)	(5,117)	(55,336)	(15,505)	(16,567)	(134,932)
At 31 December 2018 and 1 January 2019	397,443	1,523,599	282,195	2,248,100	729,464	243,439	5,424,240
Additions	–	3,066	292	171,303	5,619	170,689	350,969
Disposals	–	–	–	(5,524)	–	(139,668)	(145,192)
Write-off	–	–	–	–	–	–	–
Foreign currency translation	14,351	55,075	3,593	40,056	10,747	10,676	134,498
At 31 December 2019	411,794	1,581,740	286,080	2,453,935	745,830	285,136	5,764,515
Accumulated depreciation							
At 1 January 2018	48,044	80,493	162,872	1,422,369	384,549	179,990	2,278,317
Transfer from investment property (Note 5)	–	221,099	–	–	–	–	221,099
Charge for the year	13,254	87,269	26,721	251,340	144,556	37,696	560,836
Disposals	–	(287,543)	–	(16,630)	(292)	–	(304,465)
Write-off	–	–	–	978	–	–	978
Foreign currency translation	(2,868)	(4,825)	(3,160)	(41,585)	(9,984)	(13,517)	(75,939)
At 31 December 2018 and 1 January 2019	58,430	96,493	186,433	1,616,472	518,829	204,169	2,680,826
Charge for the year	13,338	119,433	18,082	250,555	131,753	35,230	568,391
Disposals	–	–	–	(5,208)	–	(125,008)	(130,216)
Write-off	–	–	–	–	–	–	–
Foreign currency translation	2,351	5,657	2,627	32,654	9,714	7,867	60,870
At 31 December 2019	74,119	221,583	207,142	1,894,473	660,296	122,258	3,179,871
Net carrying amounts:							
As at 31 December 2019	337,675	1,360,157	78,938	559,462	85,534	162,878	2,584,644
As at 31 December 2018	339,013	1,427,106	95,762	631,628	210,635	39,270	2,743,414

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

4. Property, plant and equipment (cont'd)

Company	Furniture US\$	Office equipment and computers US\$	Renovation US\$	Total US\$
Cost				
At 1 January 2018	4,651	14,352	63,735	82,738
Additions	3,285	2,303	–	5,588
At 31 December 2018 and 1 January 2019	7,936	16,655	63,735	88,326
Additions	–	891	4,670	5,561
Disposal	–	(1,029)	–	(1,029)
At 31 December 2019	7,936	16,517	68,405	92,858
Accumulated depreciation				
At 1 January 2018	3,779	6,171	9,560	19,510
Charge for the year	872	3,615	12,747	17,234
At 31 December 2018 and 1 January 2019	4,651	9,786	22,307	36,744
Charge for the year	1,095	4,016	13,136	18,247
Disposal	–	(1,029)	–	(1,029)
At 31 December 2019	5,746	12,773	35,443	53,962
Net carrying amounts:				
As at 31 December 2019	2,190	3,744	32,962	38,896
As at 31 December 2018	3,285	6,869	41,428	51,582

Group

The leasehold land and building held by the Group as at 31 December 2019 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	25 years
H.R Rasuna Said Kav. C-21, Kuningan Jakarta, Indonesia	Commercial offices	Leasehold	12 years

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
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5. Investment property

	Group	
	2019	2018
	US\$	US\$
Balance sheet:		
Cost		
At 1 January	–	1,097,604
Transfer to property, plant and equipment (Note 4)	–	(1,047,041)
Exchange differences	–	(50,563)
	<hr/>	<hr/>
At 31 December	–	–
	<hr/>	<hr/>
Accumulated depreciation		
At 1 January	–	231,776
Transfer to property, plant and equipment (Note 4)	–	(221,099)
Exchange differences	–	(10,677)
	<hr/>	<hr/>
At 31 December	–	–
	<hr/>	<hr/>
Net carrying amount		
As at year ended 31 December	–	–
	<hr/> <hr/>	<hr/> <hr/>

The investment property held by the Group was transferred to property, plant and equipment during 2018.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

6. Intangible assets

Group	Goodwill US\$	Brand US\$	Customer relationship US\$	Total US\$
Cost				
At 1 January 2018	894,453	611,907	402,106	1,908,466
Write off	(127,572)	–	–	(127,572)
Exchange differences	(34,655)	(34,664)	–	(69,319)
At 31 December 2018 and 1 January 2019	732,226	577,243	402,106	1,711,575
Write off	–	–	–	–
Exchange differences	21,259	20,844	–	42,103
At 31 December 2019	753,485	598,087	402,106	1,753,678
Accumulated amortisation and impairment				
At 1 January 2018	127,572	–	402,106	529,678
Write off	(127,572)	–	–	(127,572)
At 31 December 2018 and 1 January 2019	–	–	402,106	402,106
Write off	–	–	–	–
At 31 December 2019	–	–	402,106	402,106
Net carrying amounts:				
As at 31 December 2019	753,485	598,087	–	1,351,572
As at 31 December 2018	732,226	577,243	–	1,309,469

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 amortised by 2016.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

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 follow:

	Insurance brokers (Singapore)		General insurance underwriting		Total	
	2019	2018	2019	2018	2019	2018
	US\$	US\$	US\$	US\$	US\$	US\$
Goodwill	228,055	225,110	525,430	507,116	753,485	732,226
Brand	-	-	598,087	577,243	598,087	577,243

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 follow:

	Insurance brokers (Singapore)		General insurance underwritings	
	2019	2018	2019	2018
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.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

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	
	2019 US\$	2018 US\$
Shares, at cost	34,779,033	34,779,033

(a) **Composition of the Group**

The Group has the following investment in subsidiaries.

Name	Country of incorporation	Principal activities	% of ownership interest	
			2019	2018
<i>Held by the Company:</i>				
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
<i>Held through Citystate Risk Solutions Pte. Ltd.:</i>				
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 Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

7. Investment in subsidiaries (cont'd)

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

Name	Country of incorporation	Principal activities	% of ownership interest	
			2019	2018
<i>Held through Citystate Insurance Holdings Pte. Ltd:</i>				
EQ Insurance Company Limited ⁱ	Singapore	General insurance underwriting	100	100
PT CCA Indonesia ⁱⁱ	Indonesia	Investment holdings	50	50
<i>Held through PT CCA Indonesia:</i>				
PT Adicahya Bintang Semesta ⁱⁱⁱ	Indonesia	Investment holdings	100	100
PT Asuransi Eka Lloyd Jaya ⁱⁱ	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. Not required to be audited

(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	Accumulated NCI at the end of reporting period	Dividends paid to NCI
			US\$	US\$	US\$
<i>PT Asuransi Eka Lloyd Jaya</i>					
31 December 2019	Indonesia	22%	(120,141)	1,534,097	–
31 December 2018	Indonesia	22%	(60,190)	1,637,846	–

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

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	
	2019	2018
	US\$	US\$
Summarised balance sheets		
Current		
Assets	9,595,150	8,716,888
Liabilities	(1,234,381)	(1,565,589)
Net current assets	8,360,769	7,151,299
Non-current		
Assets	7,532,363	9,213,043
Liabilities	(9,411,650)	(9,403,770)
Net non-current assets	(1,879,287)	(190,727)
Net assets	6,481,482	6,960,572
Summarised statement of comprehensive income		
Revenue	8,186,560	7,031,420
Loss before income tax	(767,487)	(349,405)
Income tax credit	234,729	89,071
Loss after net-tax	(532,758)	(260,334)
Other comprehensive income for the year	5,139	611,435
Total comprehensive income	(527,619)	351,101
Other summarised information		
Net cash flows from operations	601,701	850,340

8. Investment in associates

	Group	
	2019	2018
	US\$	US\$
Stenhouse Insurance Brokers Private Limited	282,997	258,219
Other associates	733	6,748
	283,730	264,967

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

8. Investment in associates (cont'd)

Name	Country of incorporation	Principal activities	% of ownership interest	
			2019	2018
<i>Held through a subsidiary:</i>				
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

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	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Assets and liabilities:						
Total assets	859,377	703,564	396,179	450,728	–	10,940
Total liabilities	387,673	318,034	357,715	388,535	–	11,975
Results:						
Revenue	593,755	447,848	338,414	295,285	–	364
Profit for the year	111,811	56,429	652	24,985	–	(3,098)

9. Investment securities

	Group	
	2019 US\$	2018 US\$
Current:		
<i>Held for trading investments</i>		
- Equity instruments (quoted)	8,787,067	7,969,248
Available-for-sale financial assets		
- Equity instruments (unquoted)	12,963	12,512
Total current investment	8,800,030	7,981,760

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

9. Investment securities (cont'd)

	Group	
	2019	2018
	US\$	US\$
Non-current:		
<i>Available-for-sale financial assets</i>		
- Equity instruments (quoted)	374,916	1,848,565
- Equity instruments (unquoted)	716,729	297,706
- Bonds (quoted)	951,583	945,651
	2,043,228	3,091,922
<i>Held-to-maturity investments</i>		
- Bonds (quoted)	19,336,420	19,084,906
- Bonds (unquoted)	371,828	1,101,079
	19,708,248	20,185,985
Total non-current investment	21,751,476	23,277,907
Total Investment securities	30,551,506	31,259,667

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\$
2019				
Financial assets:				
<i>Held for trading investments</i>				
- Equity instruments (quoted)	8,787,067	-	-	8,787,067
<i>Available-for-sale financial assets</i>				
- Equity instruments (quoted)	374,916	-	-	374,916
- Bonds (quoted)	951,583	-	-	951,583
At 31 December 2019	10,113,566	-	-	10,113,566

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

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\$
2018				
Financial assets:				
Held for trading investments				
– Equity instruments (quoted)	7,969,248	–	–	7,969,248
Available-for-sale financial assets				
– Equity instruments (quoted)	1,848,565	–	–	1,848,565
– Bonds (quoted)	945,651	–	–	945,651
At 31 December 2018	10,763,464	–	–	10,763,464

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.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

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	2019		2018	
	Carrying value US\$	Market value US\$	Carrying value US\$	Market value US\$
<u>Quoted investment</u>				
Corporate and Government bonds, at cost	19,406,104	19,507,985	19,145,197	19,215,667
Less: Amortisation of premiums	(69,684)	–	(60,291)	–
	<u>19,336,420</u>	<u>19,507,985</u>	<u>19,084,906</u>	<u>19,215,667</u>
<u>Unquoted investments</u>				
Corporate and Government bonds, at cost	371,828	373,948	1,101,079	1,113,558

10. Trade receivables

	Group	
	2019 US\$	2018 US\$
Due from insured, agents, brokers and reinsurers	8,580,470	9,781,842
Due from cedants	223,469	219,362
Deposits of retrocessionaries	5,954	8,879
	<u>8,809,893</u>	<u>10,010,083</u>
Less : Allowance for doubtful receivables	(360,302)	(300,692)
	<u>8,449,591</u>	<u>9,709,391</u>

Receivables that are past due but not impaired

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

	Group	
	2019 US\$	2018 US\$
Receivables past due but not impaired:		
61 – 90 days	843,937	1,222,607
91 – 120 days	837,093	1,241,941
More than 120 days	1,535,191	1,310,383
	<u>3,216,221</u>	<u>3,774,931</u>

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

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 follow:

	Group	
	2019	2018
	US\$	US\$
Trade receivables – nominal amount	362,690	300,692
<hr/>		
Movement in allowance accounts:		
At 1 January	300,692	267,575
Charge for the year	53,853	41,341
Write-back for the year	–	(2,190)
Foreign currency translation	5,757	(6,034)
<hr/>		
At 31 December	360,302	300,692
<hr/>		

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	6,313,164	7,564,713
Indonesia Rupiah	502,053	572,218
Others	34,497	32,311
<hr/> <hr/>		

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

11. Other receivables

	Group		Company	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Current receivables:				
Accrued interest income	577,277	475,225	4,113	4,113
Input GST	465,505	466,297	–	–
Due from related parties	194,861	131,425	207,286	129,669
Due from subsidiaries	296,924	73,332	–	–
Tax recoverable	497	328	–	–
Others	211,891	294,622	–	–
	<u>1,746,955</u>	<u>1,441,229</u>	<u>211,399</u>	<u>133,782</u>
Non-current other receivables:				
Security deposit	–	–	–	–
Due from subsidiaries	–	–	29,554,547	29,083,442
Other assets	9,494	8,790	–	–
	<u>9,494</u>	<u>8,790</u>	<u>29,554,547</u>	<u>29,083,442</u>
Total other receivables	<u>1,756,449</u>	<u>1,450,019</u>	<u>29,765,946</u>	<u>29,217,224</u>

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\$
2019			
Claims reported and loss adjustment expenses	31,055,578	(5,920,317)	25,135,261
Claims incurred but not reported	10,555,810	(2,663,451)	7,892,359
	<u>41,611,388</u>	<u>(8,583,768)</u>	<u>33,027,620</u>
Premium liabilities	23,995,004	(3,761,992)	20,233,012
Total	<u>65,606,392</u>	<u>(12,345,760)</u>	<u>53,260,632</u>
2018			
Claims reported and loss adjustment expenses	32,058,690	(6,447,838)	25,610,852
Claims incurred but not reported	9,505,756	(1,784,929)	7,720,827
	<u>41,564,446</u>	<u>(8,232,767)</u>	<u>33,331,679</u>
Premium liabilities	23,086,023	(4,029,794)	19,056,229
Total	<u>64,650,469</u>	<u>(12,262,561)</u>	<u>52,387,908</u>

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

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

(a) Claims and loss adjustment expenses

Group	Gross US\$	Recoverable from reinsurers US\$	Net US\$
2019			
Notified claims	32,058,690	(6,447,838)	25,610,852
Incurred but not reported	11,476,296	(3,755,469)	7,720,827
<hr/>			
Total at beginning of year	43,534,986	(10,203,307)	33,331,679
Cash paid for claims settled in the year	(31,693,575)	3,723,639	(27,969,936)
Increase in liabilities	29,171,737	(1,943,887)	27,227,850
Foreign currency translation	598,240	(160,213)	438,027
<hr/>			
Total at end of year	41,611,388	(8,583,768)	33,027,620
<hr/>			
Notified claims	31,055,578	(5,920,317)	23,135,261
Incurred but not reported	10,555,810	(2,663,451)	7,892,359
<hr/>			
	41,611,388	(8,583,768)	33,027,620
<hr/>			
2018			
Notified claims	24,831,403	(3,460,177)	21,371,226
Incurred but not reported	11,533,556	(135,618)	11,397,938
<hr/>			
Total at beginning of year	36,364,959	(3,595,795)	32,769,164
Cash paid for claims settled in the year	(24,159,107)	2,287,834	(21,871,273)
Increase in liabilities	30,102,784	(7,047,139)	23,055,645
Foreign currency translation	(744,190)	122,333	(621,857)
<hr/>			
Total at end of year	41,564,446	(8,232,767)	33,331,679
<hr/>			
Notified claims	32,058,690	(6,447,838)	25,610,852
Incurred but not reported	9,505,756	(1,784,929)	7,720,827
<hr/>			
	41,564,446	(8,232,767)	33,331,679
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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.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

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

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

Accident Year	2015	2016	2017	2018	2019	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
End of accident year						
1 year later	13,809	17,865	17,542	24,145	22,931	96,292
2 years later	17,603	20,980	21,467	28,543	–	88,593
3 years later	17,849	20,581	21,961	–	–	60,391
4 years later	17,738	20,516	–	–	–	38,254
5 years later	17,575	–	–	–	–	17,575
Current estimate of cumulative claims	17,575	20,516	21,961	28,543	22,931	111,527
Cumulative payments to date	(16,530)	(18,018)	(18,076)	(21,907)	(12,673)	(87,204)
Liability recognised in the balance sheet	1,046	2,497	3,885	6,637	10,258	24,323
Outstanding liability pertaining to accident year 2012 and before IBNR						812 7,893
						33,028

(b) Premium liabilities

Group	Gross	Recoverable from reinsurers	Net
	US\$	US\$	US\$
2019			
At beginning of the year	23,086,023	(4,029,794)	19,056,229
Increase during the year	461,611	369,223	830,834
Foreign currency translation	447,371	(101,422)	345,949
At end of the year	23,995,005	(3,761,993)	20,233,012
2018			
At beginning of the year	19,696,180	(2,671,181)	17,024,999
Increase during the year	3,959,161	(1,462,148)	2,497,013
Foreign currency translation	(569,318)	103,535	(465,783)
At end of the year	23,086,023	(4,029,794)	19,056,229

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

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	
	2019	2018
Discount rate per annum	7.70%	8.45%
Salary increase	10.00%	10.00%
Normal retirement age	56 years	56 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	
	2019	2018
	US\$	US\$
Present value of defined benefit obligations and total post-employment benefits	606,401	471,450

Movements in the account are as follow:

At 1 January	471,450	417,290
Remeasurement recognised in other comprehensive income	(6,851)	(22,620)
Post-employment benefits expenses recognised in profit or loss	128,776	109,541
Benefit payment	(6,105)	(8,264)
Exchange difference	19,131	(24,497)
At 31 December	606,401	471,450

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2019

13. Employment liability (cont'd)

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

	Group	
	2019	2018
	US\$	US\$
Current service cost	88,495	80,947
Interest cost	40,281	28,594
	<hr/>	<hr/>
	128,776	109,541

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	
	2019	2018
	US\$	US\$
Before tax	(6,851)	(22,620)
Tax charge	23,819	39,588
	<hr/>	<hr/>
Gain after tax	16,968	16,968

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	
	2019	2018
	US\$	US\$
<u>Discount rate</u>		
Increase by 1,000 basis point	(25,204)	(24,667)
Decrease by 1,000 basis point	29,690	28,793
<u>Future salary</u>		
Increase by 1,000 basis point	28,733	28,272
Decrease by 1,000 basis point	(24,926)	(24,746)

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

14. Deferred taxation

Group	Balance sheet	
	2019 US\$	2018 US\$
<i>Deferred tax assets</i>		
Unutilised tax losses	1,234,175	874,778
Post-employment benefit	151,600	117,862
An excess of net book value over tax written down value of property, plant and equipment	(34,053)	(106,790)
Unearned premium reserves	708,565	430,988
Unabsorbed capital allowances	610,748	579,710
Unabsorbed donations	8,729	6,471
Provisions	37,982	16,682
Other items	(202,550)	(37,178)
Total deferred tax assets	2,515,196	1,882,523
<i>Deferred tax liabilities</i>		
An excess of net book value over tax written down value of property, plant and equipment	–	(6,893)
Other item	–	(6,882)
Total deferred tax liabilities	–	(13,775)
Total net deferred tax assets	2,515,196	1,868,748

Movement in net deferred tax assets is as follows:

	2019 US\$	2018 US\$
At beginning of the year	1,868,749	1,647,505
Credited to profit or loss (Note 24)	581,013	432,521
Credited to other comprehensive income	65,434	(211,277)
At end of the year	2,515,196	1,868,749

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

15. Cash and short-term deposits

Cash and short-term deposits comprise the following:

	Group		Company	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Short-term bank deposits	57,392,833	53,942,032	20,344	1,005,878
Cash and bank balances	10,031,116	11,614,995	1,919,206	1,291,259
Cash and short term deposits	67,423,949	65,557,027	1,939,550	2,297,137
Less :				
- Deposits held on behalf of policyholders in respect of insurance business	(2,746,333)	(1,334,636)	-	-
- Restricted for Insurance Broking Premium Account	(1,168,302)	(906,824)	-	-
- Long duration bank deposits excluding those held on behalf of policyholders	(47,742,701)	(45,147,735)	-	-
- Statutory fund required by Regulation	(360,086)	(347,536)	-	-
Restricted cash	(52,017,422)	(47,736,731)	-	-
Cash and cash equivalents included in the consolidated cash flow statements	15,406,527	17,820,296	1,939,550	2,297,137

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

	Group		Company	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Singapore Dollar	50,904,029	51,117,765	1,071,585	1,044,505
Malaysian Ringgit	32,940	32,626	-	-
Indonesia Rupiah	8,032,008	7,038,651	-	-

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

16. Trade payables

	Group	
	2019	2018
	US\$	US\$
Cash collateral placed by policyholders	2,746,334	1,334,635
Due to insured, agents, brokers and reinsurers	3,342,111	3,671,432
Amount due to reinsurers	996,453	1,178,074
Amount due to ceding companies	120,623	119,067
Cedant deposits	124,798	126,521
Amounts due to retrocessionaires	72,974	70,203
	7,403,293	6,499,932

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 follow:

	Group	
	2019	2018
	US\$	US\$
Singapore Dollar	5,835,771	4,850,421
Indonesia Rupiah	205,714	419,160
Others	43,086	41,834

17. Other payables

	Group		Company	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
Provisions	1,349,708	1,190,250	120,346	98,634
Accrued expenses	557,604	566,874	42,493	66,324
Output GST	499,363	609,025	–	–
Due to related parties	1,533	4,311	767	–
Others	503,276	773,120	60,021	–
	2,911,484	3,143,580	223,627	164,958

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 follow:

Singapore Dollar	2,666,503	2,737,914	223,627	164,958
Indonesia Rupiah	244,981	405,664	–	–

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

18. Share capital

	Group and Company			
	2019		2018	
	No. of Shares	US\$	No. of shares	US\$
<i>Issued and fully paid ordinary shares</i>				
At 1 January	69,293,730	67,175,900	64,334,237	63,480,675
Shares issued during the year	–	–	4,959,493	3,695,225
At 31 December	69,293,730	67,175,900	69,293,730	67,175,900

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	
	2019 US\$	2018 US\$
Merger reserves	(18,529,167)	(18,529,167)
Fair value reserves	18,224	32,257
Translation reserves	(2,568,734)	(3,313,261)
	<u>(21,079,677)</u>	<u>(21,810,171)</u>

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.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

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

	Group	
	2019	2018
	US\$	US\$
Claims	–	–
Loss reserves :		
At beginning of financial year	437,106	426,978
Incurred claims	2,529	–
Foreign currency translation	(9,959)	10,128
At end of financial year	429,676	437,106
Net underwriting profit	2,529	–

21. Brokerage income and profit commission

	Group	
	2019	2018
	US\$	US\$
Brokerage income is analysed as follows:		
Brokerage income	1,353,602	1,368,585
Profit commission	111,194	104,129
	1,464,796	1,472,714

22. Investment and other income

	Group	
	2019	2018
	US\$	US\$
Interest income on :		
- short-term bank deposits	1,439,962	1,079,218
- government securities and fixed interest securities/ structured deposits	622,604	663,919
Dividend income	428,351	504,024
Rental Income	1,528	1,518
Net unrealised gain/(loss) on held-for-trading investments	888,137	(1,144,989)
Realised gains on sale of investment securities	67,035	250,208
Others	424,805	368,445
	3,872,422	1,722,343

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

23. Loss before taxation

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

	Group	
	2019	2018
	US\$	US\$
Directors' fees	312,329	282,146
Chairman fees	95,280	100,030
Loss on disposal of property, plant and equipment	(16,000)	3,394
Depreciation on property, plant and equipment	568,391	560,836
Amortisation of premium on held-to-maturity investment	8,479	5,550
Foreign exchange (gain)/loss	68,526	(84,172)
Agency expenses	60,010	76,292
Rental expenses	923,643	969,844
Allowance for doubtful trade receivable	52,921	41,341
Write-back of allowance for doubtful trade receivable	-	(2,190)
Employee benefit expenses		
- Salaries and bonuses	6,486,933	6,364,166
- Contribution to defined contribution plan	599,439	632,114
- Others	583,251	499,185

24. Taxation

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

	Group	
	2019	2018
	US\$	US\$
Current income tax:		
Current income taxation	(31,545)	23,732
(Over)/underprovision in respect of prior year	-	-
	(31,545)	23,732
Deferred tax:		
Origination and reversal of temporary differences	(581,013)	(432,521)
Tax credit	(612,558)	(408,789)

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

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	
	2019	2018
	US\$	US\$
Loss before tax	(2,115,209)	(1,531,735)
Taxation at statutory rate of 17% (2018: 17%)	(359,585)	(260,395)
Adjustments :		
Effect of differences in tax rates in other countries	(46,572)	(24,701)
Effect of non-taxable income	(207,632)	(191,650)
Effect of non-deductible expenses	16,369	319,268
Effect of income brought to at 10%	(33,783)	(34,895)
Enhanced tax allowance	(166)	(4,287)
Tax exemption	(23,803)	(23,384)
Utilisation of group tax losses	(19,209)	-
Deferred tax assets not recognised	81,468	(248,191)
Overprovision in respect of prior year	(32,004)	-
Others	12,359	59,446
Tax expense	(612,558)	(408,789)

In 2019, the Group has unutilised tax losses, capital allowances and donations of approximately US\$9,960,217 (2018: US\$7,581,109) available for offset against future taxable profits. Deferred tax asset has been recognised on these tax losses, capital allowances and donations amounting to US\$1,693,237 (2018: US\$1,288,789) 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 Group 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 Group 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 Group and related parties who are not members of the Group took place during the year at terms agreed between the parties:

	Group	
	2019	2018
	US\$	US\$
<i>Related companies</i>		
<i>Expenses:</i>		
Commission expense	116,680	172,291
Payment towards operating expenses	34,130	105,061
Rental and utility charges of office premises	92,782	164,377
Secretarial fees	16,837	21,301
Travelling expenses	134,064	172,291
Insurance premium	47,450	34,950
Purchase of goods/services	5,772	7,893
	<hr/>	<hr/>
<i>Key management remuneration</i>		
Chairman's fee from subsidiary company	95,280	100,030
Directors' fees	124,726	125,687
Salary and bonuses	163,955	139,871
CPF	17,825	14,840
Other benefits	17,736	13,992
	<hr/>	<hr/>
	419,522	394,420
	<hr/> <hr/>	<hr/> <hr/>

26. Financial risk management

Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include insurance risk, interest rate risk, market price risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments for hedging and trading purposes.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

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			
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
By class of business	Net premium liabilities	Net claims liabilities	Net premium liabilities	Net claims liabilities
Cargo	74,656	207,470	69,703	58,999
Fire	585,944	829,285	610,925	1,099,782
Motor	6,406,383	17,334,340	7,923,531	15,656,579
Workmen's compensation	3,940,513	8,620,985	3,110,617	10,756,170
Personal accident	4,845,716	497,874	2,886,543	444,618
Health	1,741,541	3,074,301	1,630,807	2,127,828
Public liability	849,729	849,736	979,471	771,128
Bonds	1,225,271	330,878	1,213,173	463,359
Engineering	330,782	591,677	271,745	1,482,810
Professional indemnity	14,000	3,408	18,519	6,653
Trade Credit	-	160,526	70,805	161,954
Miscellaneous	218,478	527,140	270,390	301,799
	20,233,013	33,027,620	19,056,229	33,331,679

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. Katsir Imam Sapto Sejahtera Aktuaria 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.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

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% (2018: 20%) of its entire investment portfolio.

At the balance sheet date, if the market prices of the equity investments had been 5% (2018: 5%) higher/lower with all other variables held constant, the Group's profit before tax would increase/decrease by US\$439,353 (2018: US\$398,462) as the Group held some equity investments classified as held for trading. The Group's equity would have been US\$458,099 (2018: US\$490,890) 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:

	SGD	USD	IDR	Others	Total
2019	US\$	US\$	US\$	US\$	US\$
Investment securities	28,151,482	–	1,685,079	714,945	30,551,506
Trade receivables	6,313,164	1,599,877	502,053	34,497	8,449,591
Cash and short-term deposits	50,904,029	8,454,972	8,032,008	32,940	67,423,949
Other receivables	1,195,830	28,244	56,879	–	1,280,953
Total	86,564,505	10,083,093	10,276,019	782,382	107,705,999
Trade and other payables	8,502,274	1,318,722	450,695	43,086	10,314,777

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

26. Financial risk management (cont'd)

Foreign currency risk (cont'd)

2018	SGD US\$	USD US\$	IDR US\$	Others US\$	Total US\$
Investment securities	29,310,968	–	1,652,754	295,945	31,259,667
Trade receivables	7,564,713	1,540,149	572,218	32,311	9,709,391
Cash and short-term deposits	51,117,765	7,367,985	7,038,651	32,626	65,557,027
Other receivables	890,327	28,087	56,190	–	974,604
Total	88,883,773	8,936,221	9,319,813	360,882	107,500,689
Trade and other payables	7,588,335	1,188,519	824,824	41,834	9,643,512

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

	Loss before tax	
	2019	2018
	US\$'000	US\$'000
<u>SGD/USD</u>		
strengthened 5% (2018: 5%)	3,903	4,065
weakened 5% (2018: 5%)	(3,903)	(4,065)
<u>IDR/USD</u>		
strengthened 5% (2018: 5%)	491	425
weakened 5% (2018: 5%)	(491)	(425)

26. Financial risk management (cont'd)

Foreign currency risk (cont'd)

The Company's foreign currency risk arose mainly as a result of its expenses incurred in Singapore dollars ("SGD"), which differs from its USD functional currency. Exposure to currency risk is monitored on an ongoing basis.

The Company's currency exposure to SGD is as follows:

	2019	2018
	US\$	US\$
<i>Financial assets</i>		
Other receivables	4,235,061	4,172,372
Cash and short-term deposits	1,071,853	1,044,505
	<u>5,306,914</u>	<u>5,216,877</u>
<i>Financial liabilities</i>		
Other payables	(223,627)	(164,958)
	<u>(223,627)</u>	<u>(164,958)</u>
Net financial assets	<u>5,083,287</u>	<u>5,051,919</u>
Currency exposure	<u>5,083,287</u>	<u>5,051,919</u>

As at 31 December 2019, if USD had strengthened/weakened by 5% against SGD, with all other variables including tax rate being held constant, the Company's loss after tax for the financial period would have been US\$254,164 (2018: US\$252,596) lower/higher and the Company's equity gains/losses on the remaining USD-denominated financial instruments.

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 2019 and 31 December 2018 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet.

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.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

**Notes to the financial statements
For the financial year ended 31 December 2019**

26. Financial risk management (cont'd)

Credit risk (cont'd)

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 2019 and 2018 by classifying financial assets according to cash ratings of the counterparties:

	AAA	AA	A	Others or not rated	Total
2019					
In United States dollars					
Investment securities	2,801,444	5,298,936	3,824,678	18,626,448	30,551,506
Trade receivables	–	284,362	691,899	7,473,330	8,449,591
Cash and short-term deposits	1,146,442	14,401,852	44,991,009	6,884,646	67,423,949
Other receivables	20,565	54,369	317,094	888,925	1,280,953
Total	3,968,451	20,039,519	49,824,680	33,873,349	107,705,999
Trade and other payables	–	129,790	611,456	9,573,531	10,314,777
2018					
In United States dollars					
Investment securities	2,700,949	6,542,860	3,766,398	18,249,460	31,259,667
Trade receivables	–	33,136	174,230	9,502,025	9,709,391
Cash and short-term deposits	696,462	17,667,969	43,018,036	4,174,560	65,557,027
Other receivables	20,299	53,369	237,445	663,491	974,604
Total	3,417,710	24,297,334	47,196,109	32,589,536	107,500,689
Trade and other payables	–	308,291	1,185,737	8,149,484	9,643,512

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

26. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities. The Group'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 Group's financial liabilities will mature within one year. The following table sets out the carrying amount, by maturity of the Group'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 2019	14,941	12,141	3,470	30,552
31 December 2018	10,840	15,572	4,848	31,260

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.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Notes to the financial statements For the financial year ended 31 December 2019

28. Capital management (cont'd)

The Group monitors its 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 2019. There was no change in the Group's capital management objectives, policies and processes during the years ended 31 December 2019 and 31 December 2018.

29. Commitments

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases contracted for the end of the reporting period but not recognised as liabilities are as follows:

	Group	
	2019	2018
	US\$	US\$
Within 1 year	273,884	843,962
After 1 year but not more than 5 years	107,260	288,604
	381,144	1,132,566

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

30. Dividends on ordinary shares

	2019	2018
	US\$	US\$
Declared and paid during the financial year: Interim exempt (one-tier) dividend for 2019	200,000	–

The holder of ordinary shares is 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.

31. 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.

32. Subsequent event

The extent of the impact of the coronavirus ("COVID-19") outbreak on the financial performance of the Company's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the financial markets and the overall markets and/or the overall economy are impacted for an extended period, the carrying value of the investments and the Company's investments result may be materially adversely affected.

As the pandemic only happened after year end, 31 December 2019, any impact is considered as an event that arose after the reporting period and therefore accordingly, no adjustments have been made to the financial statements as at 31 December 2019. The Group's Investment Committee has a program of measures in place to manage and respond to the risks as the situation evolves.

33. Authorisation for issue

The financial statements of the Company were authorised for issue in accordance with a resolution of the directors on 12 May 2020.