
JAHJA GUNAWAN, S.E., AK., CA, CPA

Registered Public Accountant

PT FIVE STAR TEXTILE INDONESIA

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2018 AND 2017**



BANDUNG - INDONESIA

PT FIVE STAR TEXTILE INDONESIA

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2018 AND 2017**



PT. Five Star Textile Indonesia

(Dalam Likuidasi)

21 January 2019

**MANAGEMENT'S STATEMENT
REGARDING THE RESPONSIBILITY FOR FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2018 AND FOR THE YEARS THEN ENDED
PT FIVE STAR TEXTILE INDONESIA**

We, the undersigned:

- | | |
|----------------|--|
| 1. Name | : Debashis Poddar |
| Office address | : Jl. Dewata Prana No. 16 Komplek Singgasana Pradana Bandung |
| Phone number | : 62 22 54413803 |
| Title | : President Director |

Declare that:

1. We are responsible for the presentation of PT Five Star Textile Indonesia financial statements;
2. a. All information in PT Five Star Textile Indonesia financial statements has been disclosed in a complete and truthful manner;
b. PT Five Star Textile Indonesia financial statements do not contain any incorrect information or material fact, nor do they omit any information or material fact;
3. We are responsible for PT Five Star Textile Indonesia's internal control system.

Thus, this statement is made truthfully.

For and on behalf of the Board of Management:

PT. FIVE STAR TEXTILE INDONESIA

Debashis Poddar
MATERAI
Tetapan Elektronik
No. 5339/0008
6000
ENAM RUPIAH

Debashis Poddar



JAHJA GUNAWAN, S.E., AK., CA, CPA

Registered Public Accountant

KEP - 788/KM 2017

INDEPENDENT AUDITORS' REPORT

Report No. 00002/00.788/AU.2/04/0470-2/1/I/2019

The Board of Directors and Stockholders
PT FIVE STAR TEXTILE INDONESIA

We have audited the balance sheets of PT Five Star Textile Indonesia as of December 31, 2018 and 2017, and the related statements of income, changes in Capital Deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Indonesia Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Jl. Sunda No. 1 - RT : 009 RW : 004

Phone & Fax : 022- 4205619

Email address : kap.jahjagunawan@gmail.com

Bandung 40261

Opinion

In our opinion the 2018 and 2017 financial statements referred to above present fairly, in all material respects, the financial position of PT Five Star Textile Indonesia as of December 31, 2018 and 2017 and the results of its operations changes in stockholders' equity and its cash flows for the years then ended in conformity with statements of Financial Accounting Standards for Entities Without Public Accountabilities.

JAHJA GUNAWAN SE., AK, CA, CPA
Registered Public Accountant


 **JAHJA GUNAWAN, SE, AK, CA, CPA**
Registered Public Accountant
Bandung

Jahja Gunawan, SE, Ak, CA, CPA
License No. AP 0470

January 21, 2019

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

PT FIVE STAR TEXTILE INDONESIA
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Presented in Rupiah)

	Notes	December 31, 2018	December 31, 2017
ASSETS			
CURRENT ASSETS			
Cash on hand and in banks	2,3	4.920.067.625	1.149.950.535
Accounts receivable -			
Trade	2,4	-	225.027.557
Others	2,4	28.902.396.002	28.801.747.419
Inventories	2,5	-	219.178.541
Advances and prepayments	6	-	3.855.009.280
Total Current Assets		<u>33.822.463.627</u>	<u>34.250.913.332</u>
NON - CURRENT ASSETS			
Property, plant and equipment - net of accumulated depreciation	2,7	-	125.480.514.770
Deferred charges		24.242.982.278	24.242.982.278
Total Non - Current Assets		<u>24.242.982.278</u>	<u>149.723.497.048</u>
TOTAL ASSETS		<u>58.065.445.905</u>	<u>183.974.410.380</u>
LIABILITIES AND STOCKHOLDERS' EQUITY / (CAPITAL DEFICIENCY)			
CURRENT LIABILITIES			
Taxes payable	8	106.617.614	123.805.329
Accrued expenses	9	1.821.385.812	4.070.426.111
Total Current Liabilities		<u>1.928.003.426</u>	<u>4.194.231.440</u>
LONG-TERM LOANS			
Loan from Promoters	2,10	-	253.047.923.169
		<u>-</u>	<u>144.009.357.477</u>
STOCKHOLDERS' EQUITY / (CAPITAL DEFICIENCY)			
Capital Stock			
A Shares - 415,000 (USD 1,000) par value			
Authorized, subscribed and fully paid - 5,542 shares	1,12	2.299.930.000	2.299.930.000
B Shares - 10,473,000 (USD 1,000) par value			
Authorized, subscribed and fully paid - 1,000 shares	1,11	10.473.000.000	10.473.000.000
C Shares - 15,000,000 (USD 1,000) par value			
Authorized, subscribed and fully paid - 28,200 shares		423.000.000.000	-
Capital paid-in excess of rupiah par value		32.293.902.500	32.293.902.500
Promoters' funds		10.336.616.094	10.336.616.094
Appraisal increment in property, plant and equipment - December 7, 2006	2,7	-	112.450.588.439
Appropriated retained earnings		200.000	200.000
Deficit		(422.266.206.115)	(385.131.338.739)
Total Stockholders' Equity / (Capital Deficiency)		<u>56.137.442.479</u>	<u>(217.277.101.706)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY)		<u>58.065.445.905</u>	<u>183.974.410.380</u>

*See accompanying Notes to Financial Statements
which are an integral part of the financial statements.*

PT FIVE STAR TEXTILE INDONESIA
STATEMENTS OF INCOME
DECEMBER 31, 2018 AND 2017
(Presented in Rupiah)

	Notes	2018	2017
NET SALES	12	239,909,042	24,898,349,903
COST OF GOODS SOLD	13	877,328,518	26,043,070,344
GROSS LOSS		(637,419,476)	(1,144,720,441)
OPERATING EXPENSES	14	3,120,884,975	4,178,360,483
LOSS FROM OPERATIONS		(3,758,304,451)	(5,328,080,924)
OTHER INCOME (CHARGES)			
Gain on sales of fixed asset		185,234,662,619	65,000,000
Other income		80,194,337	385,146,504
Loss on foreign exchange		(202,888,286,742)	-
Interest expense - Net		(10,530,950,943)	(15,054,521,363)
Other Tax expense		(4,858,523,250)	-
Other Charges - Net		(32,962,903,979)	(14,604,374,859)
Depreciation		(413,658,948)	(992,814,411)
LOSS BEFORE INCOME TAX		(37,134,867,378)	(20,920,270,194)
CORPORATE INCOME TAX		-	-
NET LOSS		(37,134,867,378)	(20,920,270,194)

*See accompanying Notes to Financial Statements
which are an integral part of the financial statements.*

PT FIVE STAR TEXTILE INDONESIA
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY)
 DECEMBER 31, 2018 AND 2017
 (Presented in Rupiah)

	Capital Paid in		Appraisal Increment		Appropriated Retained Earnings	Deficit	Stockholder's' Equity (Capital Deficiency) Net
	Capital Stock	Excess of Rupiah Par Value	Promoters' Funds	In Property, Plant and Equipment			
Balance December 31, 2016	12,772,930,000	32,293,902,500	10,336,616,094	112,472,924,540	200,000	(364,211,068,545)	(196,334,495,411)
Deletion of appraisal increment	-	-	-	(22,336,101)	-	-	(22,336,101)
Net loss 2017	-	-	-	-	-	(20,920,270,194)	(20,920,270,194)
Balance December 31, 2017	12,772,930,000	32,293,902,500	10,336,616,094	112,450,588,439	200,000	385,131,338,739	(217,277,101,706)
Conversion of long term debt to issued and fully paid	423,000,000,000	-	-	-	-	-	423,000,000,000
Deletion of appraisal increment	-	-	-	(112,450,588,439)	-	-	(112,450,588,439)
Net loss 2018	-	-	-	-	-	(37,134,867,378)	(37,134,867,378)
Balance December 31, 2018	435,772,930,000	32,293,902,500	10,336,616,094	-	200,000	(422,266,206,117)	56,137,442,477

*See accompanying Notes to Financial Statements
 which are an integral part of the financial statements.*

PT FIVE STAR TEXTILE INDONESIA
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2018 AND 2017
(Presented in Rupiah)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(37,134,867,378)	(20,920,270,194)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation - Net of assets retired from active use	-	(992,814,411)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	225,027,557	277,501,607
Inventories	219,178,541	2,012,065,887
Advances and prepayments	3,855,009,280	4,374,675,681
Increase (decrease) in:		
Accounts payable	-	(463,732,369)
Taxes payable	(117,836,298)	(80,889,549)
Accrued expenses	(2,249,040,299)	(4,265,364,476)
Net Cash Used in Operating Activities	<u>(35,202,528,597)</u>	<u>(18,073,199,002)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deletion of appraisal increment		
In property, plant and equipment - December 7, 2018	(112,450,588,439)	-
Sales of property, plant and equipment	125,480,514,770	-
Proceed of property, plant and equipment	-	(157,202,230)
Net Cash Provided by (Used in) Investing Activities	<u>13,029,926,331</u>	<u>(157,202,230)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Conversion of long term debt to issued and fully paid	423,000,000,000	-
Proceeds of long-term loan	(253,047,923,169)	(75,215,100,000)
Loan from promoters	(144,009,357,475)	87,524,756,577
Net Cash Provided by Operating Activities	<u>25,942,719,356</u>	<u>12,309,656,577</u>
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS	3,770,117,090	(5,920,744,655)
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	<u>1,149,950,535</u>	<u>7,070,695,190</u>
CASH ON HAND AND IN BANKS AT END OF YEAR	<u><u>4,920,067,625</u></u>	<u><u>1,149,950,535</u></u>

*See accompanying Notes to Financial Statements
which are an integral part of the financial statements.*

**PT FIVE STAR TEXTILE INDONESIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Presented in Rupiah)**

1. GENERAL

PT Five Star Industries Limited ("The Company") was incorporated on March 21, 1979 based on the notarial deed No. 202 of Kartini Muljadi, S.H. The deed of establishment was approved by the Ministry of Justice in its decision letter No. Y.A.5/461/16 dated November 17, 1979 and was published in the State Gazette No. 202 dated November 27, 1979. Its articles of association has been amended several times, the latest amendment of which is covered by the Notarial Deed No. 07 dated November 19, 2018 of Namira SH.,M.Kn., concerning change in the members of the boards of Commissioners and Directors and the changes of composition paid in capital (see Note 11).

The stockholders approved the amendment in Article 1 of the Company's Articles of Association in connection with the change in the Company's location, which was previously located in Jl Rancaekek Km 23 Kabupaten Sumedang to Komplek Singgasana Pradana, Jl Dewata Prana No 16 Cibaduyut Wetan, Bojongloa Kidul. The amendments had been approved by the Ministry of Laws and Human Rights of the Republic of Indonesia in its Decision Letter No AHU-0155916.AH.01.11 Year 2018.

According to Article 2 of the Company's articles of association, the scope of activities of the Company consists of the manufacture and sale of yarn, cloth and other textile products. The Company started its commercial operations on March 1, 1981.

As of December 31, 2018, and 2017, the members of the Company's Board of Commissioners and Directors are as follows:

2018			
Commissioners		Directors	
-		1. Debashis Poddar	Director
2017			
Commissioners		Directors	
1. S.S. Kelkar	- Commissioner	1. Debashis Poddar	President Director
2. S.L. Melwani	- Commissioner		

As of December 31, 2018, and 2017, the company has no permanent employees, and the obligation to pay severance pay for permanent employees has been paid.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Basis of Financial Statements

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles and practices in Indonesia which are the Statements of Financial Accounting Standards for Entities without Accountabilities.

PT FIVE STAR TEXTILE INDONESIA
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Presented in Rupiah)

Statements of cash flows present historical changes of information of cash on hand and in banks of the entity during a given period and classify into operating, investing and financing activities. The cash flows from operating activities are reported using the indirect method.

Allowance for Doubtful Accounts

The Company provides allowance for doubtful accounts based on a review of the status of the individual accounts at the end of the year.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted-average method.

Property, Plant and Equipment

Property, plant and equipment and the related depreciation are carried at their appraised values based on an appraisal made by an independent firm of appraisers on September 7, 1995. The increment resulting from such appraisal is credited to "Appraisal increment in property, plant and equipment – September 7, 1995" and is shown under Stockholders' Equity. Subsequently, on December 7, 2006. In 2016 all appraisal increment of September 7, 1995 and part of those of December 7, 2006 amounted to 6, 305, 717,480 and 101,573,589,134 respectively are deleted. Since the related assets of spinning division are retired from active use and sold, the related losses are charged to operations of 2016. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Land rights	30
Buildings and improvements	40
Machinery and installation	30
Furniture, fixtures, and office equipment	5
Motor vehicles	5

The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed off, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the year.

Deferred charges

This account represents deferred spinning division charges.

Revenue and Expense Recognition

Revenue from export sales is recognized when goods are shipped ex-factory. Revenue from domestic sales is recognized when goods are delivered to customers. Expenses are recognized when these are incurred.

PT FIVE STAR TEXTILE INDONESIA
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Presented in Rupiah)

Reporting Foreign Currency Transactions and Balances

The financial statements are presented in "Rupiah" which is the Company's functional and reporting currency. Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, assets and liabilities denominated in foreign currency are adjusted to reflect the rates of exchange prevailing at such date, and any resulting gains or losses are credited or charged to operations of the current year.

3. CASH ON HAND AND IN BANKS

This account consists of the following:

	2018	2017
Cash on hand	3,986,800	18,359,900
Cash in banks	4,916,080,825	1,131,590,635
Total	4,920,067,625	1,149,950,535

4. ACCOUNTS RECEIVABLE

The detail of account receivables are as follow:

	2018	2017
Local customers	-	225,027,557
Others receivable	28,902,396,002	28,801,747,419
Total	28,902,396,002	29,026,774,976

This account primarily represents receivables due from others sundry debtor amounting to 100,648,583 and others amounting to 28,801,747,419 in 2018.

5. INVENTORIES

In 2018, the company does not have inventory, both raw materials, work in process, spare parts and finished goods. Inventory balance only from December 31, 2017 consists of the following:

	Amount
Finished Goods	184,212,500
Work in process	-
Raw materials	20,504,875
Stores, spare parts and other materials	14,461,166
Total	219,178,541

PT FIVE STAR TEXTILE INDONESIA
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Presented in Rupiah)

6. ADVANCES AND PREPAYMENTS

In 2017 this account consists of advances relating to advances to employees, prepaid interest expenses and advances to third parties The Bombay Dyeing and Manufacturing. Co.Ltd amounted to 3,855,009,280, whereas in 2018 there were no advances prepayments from both consumers and third parties.

7. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

2018	Beginning Balance	Transactions during the year		Ending Balance
		Additions	Deductions	
<u>Cost</u>				
Land rights	29,474,471,796	-	29,474,471,796	-
Buildings and improvements	35,947,974,961	-	35,947,974,961	-
Machinery and installation	136,884,327,415	-	136,884,327,415	-
Furniture, fixtures and office equipment	1,227,134,611	-	1,227,134,611	-
Motor vehicles	880,455,051	-	880,455,051	-
Total Cost	205,609,469,717	-	205,609,469,717	-
<u>Accumulated Depreciations</u>				
Buildings and improvements	12,544,277,758	-	12,544,277,758	-
Machinery and installation	64,878,000,131	-	64,878,000,131	-
Furniture, fixtures and office equipment	1,200,378,395	-	1,200,378,395	-
Motor vehicles	916,103,301	-	916,103,301	-
Total Accumulated Depreciation	80,128,954,947	-	80,128,954,947	-
Net Book Value	125,480,514,770			

2017	Beginning Balance	Transactions during the year		Ending Balance
		Additions	Deductions	
<u>Cost</u>				
Land rights	29,474,471,796	-	-	29,474,471,796
Buildings and improvements	35,947,974,961	-	-	35,947,974,961
Machinery and installation	136,878,358,715	146,252,230	140,283,530	136,884,327,415
Furniture, fixtures and office equipment	1,216,184,611	10,950,000	-	1,227,134,611
Motor vehicles	880,455,051	-	-	880,455,051
Total Cost	205,592,551,018	157,202,230	140,283,530	205,609,469,717
<u>Accumulated Depreciations</u>				
Buildings and improvements	12,488,710,434	55,567,324	-	12,544,277,758
Machinery and installation	64,742,615,459	843,527,463	117,947,429	64,878,000,131
Furniture, fixtures and office equipment	1,165,810,771	34,567,624	-	1,200,378,395
Motor vehicles	856,951,301	59,152,000	-	916,103,301
Total Accumulated Depreciation	79,254,087,965	992,814,411	117,947,429	80,128,954,947
Net Book Value	126,338,463,053			125,480,514,770

PT FIVE STAR TEXTILE INDONESIA
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Presented in Rupiah)

8. TAXES PAYABLE

This account consists of the following:

	2018	2017
Income Tax Article 21	96,212,781	-
Income Tax Article 23	10,404,833	-
Value Added Tax - Output	-	123,805,329
Total	106,617,614	123,805,329

9. ACCRUED EXPENSES

Major portion of this account comprise reserve for employees' benefits, which are subsequently paid in the next following year. Since 2003, the Company has been consistently following the cash basis for the payment to commissioners and accounted in the books only when the payment is made.

10. LONG - TERM LOANS

In 2018, all long-term loans have been paid, and the company has no obligation to the bank, or to the promoters.

11. CAPITAL STOCK

The Company's stockholders as of December 31, 2018 and 2017 are as follows:

Name of Stockholders	2018		
	Number of Shares Subscribed and Fully Paid	Percentage of Ownership	Amount in Rupiah
A Shares			
The Bombay Dyeing & Manufacturing Co., Ltd., India	5,126	14.75	2,127,290,000
Restpoint Investments Limited, British Virgin Islands	416	1.20	172,640,000
Total A Shares	5,542	15.95	2,299,930,000
Name of Stockholders	Number of Shares Subscribed and Fully Paid	Percentage of Ownership	Amount in Rupiah
B Shares			
The Bombay Dyeing & Manufacturing Co., Ltd., India	500	1.44	5,236,500,000
Restpoint Investments Limited, British Virgin Islands ("Restpoint")	500	1.44	5,236,500,000
Total B Shares	1,000	2.88	10,473,000,000

PT FIVE STAR TEXTILE INDONESIA
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Presented in Rupiah)

Name of Stockholders	Number of Shares Subscribed and Fully Paid	Percentage of Ownership	Amount in Rupiah
C Shares			
The Bombay Dyeing & Manufacturing Co., Ltd., India	28,200	81.17	423,000,000,000
Total C Shares	28,200	81.17	423,000,000,000
2017			
Name of Stockholders	Number of Shares Subscribed and Fully Paid	Percentage of Ownership	Amount in Rupiah
A Shares			
Commonwealth Textiles (Jakarta) Limited, Hong Kong	2,633	40.25	1,092,695,000
The Bombay Dyeing & Manufacturing Co., Ltd., India	2,217	33.89	920,055,000
Restpoint Investments Limited, British Virgin Islands	416	6.36	172,640,000
PT Sudagu Dianta	138	2.11	57,270,000
PT Himpunan Primajaya	138	2.11	57,270,000
Total A Shares	5,542	84.72	2,299,930,000
Name of Stockholders	Number of Shares Subscribed and Fully Paid	Percentage of Ownership	Amount in Rupiah
B Shares			
Restpoint Investments Limited, British Virgin Islands ("Restpoint")	500	7.64	5,236,500,000
Dragon 128 Overseas Corporation, British Virgin Islands ("Dragon")	500	7.64	5,236,500,000
Total B Shares	1,000	15.28	10,473,000,000

Based on the Extraordinary General Meeting of Stockholders', as notarized in the Notarial Deed No. 7 dated November 19, 2018 of Namira SH., M.Kn., The stockholders approved the increase of the Company's authorized and paid up capital by converting the loan from The Bombay Dyeing & Manufacturing Co., Ltd amounting to US\$ 28.200.000 into 423,000,000,000. The deed of establishment was approved by the Minister of Law and Human Rights Republic of Indonesia in its decision letter No AHU-0026278.AH.01.02-year 2018.

Accordingly, the Company's authorized and paid up capital since that date consist of :

- A Shares : Rp 2,299,930,000 consisting of 5,542 shares with par value of Rp 415,000 per shares
- B Shares : Rp 10,473,000,000 consisting of 1,000 shares with par value of Rp 10,473,000 per shares
- C Shares : Rp 423,000,000,000 consisting of 28,200 shares with par value of Rp 15,000,000 per shares

PT FIVE STAR TEXTILE INDONESIA
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Presented in Rupiah)

On January 18, 2002 the Stockholders have resolved the conversion of loan from Rest point and Dragon amounted to USD 4,000,000 into the Company's capital, USD 1,000,000 of which was converted into 1000 shares and the differences of USD 3,000,000 is presented as part of "Capital paid in excess of rupiah par value" under Stockholders' Equity section of the balance sheet. The above resolution was notarized under Deed No. 14 dated April 4, 2002 of Singgih Susilo, S.H.

12. NET SALES

This account consists of the following:

	2018	2017
Export	-	4,034,009,180
Local	239,909,042	20,864,340,723
Total	239,909,042	24,898,349,903

Sales are within limit sanctioned by "Badan Koordinasi Penanaman Modal" (BKPM).

13. COST OF GOODS SOLD

The details of this account are as follows:

	2018	2017
Raw materials used	20,504,875	7,283,861,035
Indirect raw materials	259,029,856	4,582,599,527
Total raw materials	279,534,731	11,866,460,562
Direct labor	404,741,119	12,109,241,350
Fixed cost:		
Selling expenses	1,386,018	809,365,824
Insurance	7,454,150	164,374,128
Total fixed cost	8,840,168	973,739,952
Finished goods:		
Decrease in Stock	184,212,500	1,093,628,480
Cost of goods sold	877,328,518	26,043,070,344

PT FIVE STAR TEXTILE INDONESIA
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Presented in Rupiah)

14. OPERATING EXPENSES

In 2018 the details of this account are as follows:

	2018	2017
Professional Fee	1,520,957,676	387,188,531
Salaries	784,669,148	2,190,849,564
Rates, taxes, visas and permits	476,793,171	898,846,532
Vehicle repairs and maintenance	88,850,718	313,542,692
Travelling	62,434,100	151,822,242
Bank charges and related expenses	38,583,385	19,234,201
Postage, Telex and Telephone	29,330,774	67,950,564
Printing & stationery	15,120,100	99,634,273
Others	104,145,903	49,291,884
Total operating expenses	3,120,884,975	4,178,360,483

15. CURRENT ECONOMIC CONDITION AND PARTICULAR PLANS OF MANAGEMENT

Historical Background, Current economic situation and Future Plans:

The Company has had a chequered history. Set up in 1979 it was unable to secure local currency funding because of its foreign controlled status and thus constrained to borrow in US Dollars. On the other hand its revenues were mainly in local currency. It lost its entire capital in the first year of operation itself and given the devaluation of the Indonesian Rupiah coupled with sharp increases in US interest rates in the 1980's incurred heavy losses. These were financed by bank loans which reached a figure of USD 55 million at one time.

The Company has been incurring continuous losses since many years and shareholders as well as Management have been trying to adopt several innovative measures in the area of cost cutting, product development, market expansion & technology upgradation, apart from that the Shareholders and Management have been able to take loans from the Banks to keep the Company afloat all these years. But in spite of all best efforts by everyone the Company could not face the stiff competition from other Companies & as a result both top & bottom line of the Company has been going down year after year. As on 1-Jan-2018 the total Bank Loan of the Company was Rp. 253 billion & the Loan given by Shareholders was at Rp. 144 billion.

During the year 2018 the Shareholders & Management decided to finally stop the manufacturing activity & started looking for potential buyers for its core asset like Land & Building with the sole objective of Bank loan repayment. The Company got in touch with several internationally renowned real estate brokers like Knight Frank, Cushman & Wakefield, CBRE, JLL etc., as well as Company also got in touch with local brokers. The Company also published an advertisement for the sale of Land & Building in local newspaper through Knight Frank. However due to low sentiment of real estate market, Company got only few offers and finally sold the property to the highest bidder and realized the money on 24-Aug-2018.

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Subsequent to this The Company repaid its Bank Loan out of above-mentioned sale proceeds and also settled all its Workers/employees as per the law of the land.

On 17-Dec-2018 the Shareholders of the Company passed the resolution for the closure of the Company, the notarial deed for the Closure was done on 21-Dec-2018 subsequently as per the law the notice for closure of the Company has been published in local newspaper on 31-Dec-2018.

16. SUBSEQUENT EVENT

Following the above events of initial closure steps as mentioned in Note no. 13 the Company has now started the process of Final Closure as per the procedures and practices stipulated under the laws of Indonesia.

17. THE COMPLETION DATE OF THE FINANCIAL STATEMENT PREPARATION

The Management is responsible for the presentation and disclosure of the financial statement for the year ended December 31, 2018 which is completed on January 21, 2019.

18. RECLASSIFICATION OF ACCOUNT

Certain accounts in the 2017 financial statements have reclassified to conform to the presentation of accounts in the 2018 financial statement.