Company Registration No. 200901920D

Infraco Asia Development Pte. Ltd. and its subsidiaries

Annual Financial Statements
31 December 2018

Building a better
working world

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Directors' statement

The directors present their statement to the members together with the audited consolidated financial statements of Infraco Asia Development Pte. Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

Directors

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

John William Walker
Amy Lee Yuen Ying
Clive Watkin Turton
Michael Barry Chilton (Appointed on 1 April 2018)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

None of the directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

Share options

There were no options granted by the Group during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Group.

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

Auditor

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

On behalf of the board of directors:

John William Walker
Director

Clive Watkin Turton
Director

Singapore
2 8 MAR 2019

Independent auditor's report to the members of Infraco Asia Development Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Infraco Asia Development 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 2018, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and the 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 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 2018 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 Company 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.

Other information

Management is responsible for other information. The other information comprises the Directors' Statement set out on pages 1 to 2.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Independent auditor's report to the members of Infraco Asia Development 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 Company and 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 Company and 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 skepticism 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 Company and Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent auditor's report to the members of Infraco Asia Development Pte. Ltd.

Auditor's responsibilities for the audit of the financial statements (cont'd)

- 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 Company and 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

28 March 2019

Infraco Asia Development Pte. Ltd. and its subsidiaries

Consolidated statement of comprehensive income
For the financial year ended 31 December 2018

	Note	2018 US$	2017 US$
Other income	4	36,951	10,408
Finance income	5	896,201	400,676
Project related operating expenses		(17,584,539)	(10,063,531)
Administrative expenses		(3,842,293)	(2,630,219)
Gain on disposal of subsidiaries, associate and joint ventures	23	5,837,183	2,890,061
Finance costs	5	–	(726,263)
Share of results of joint ventures		(661,152)	5,628,298
Share of results of associate		866,426	808,812
Loss before tax	6	(14,451,223)	(3,681,758)
Income tax expense	8	(1,188,717)	(7,946)
Loss for the year		(15,639,940)	(3,689,704)
Attributable to:			
Owners of the Company		(15,288,107)	(5,039,272)
Non-controlling interests		(351,833)	1,349,568
		(15,639,940)	(3,689,704)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(83,533)	(539,035)
Share of other reserves		–	(14,654)
Total other comprehensive income, net of tax		(83,533)	(553,689)
Total comprehensive income for the year		(15,723,473)	(4,243,393)
Attributable to:			
Owners of the Company		(15,389,378)	(5,547,660)
Non-controlling interests		(334,095)	1,304,267
Total comprehensive income for the year		(15,723,473)	(4,243,393)

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

Infraco Asia Development Pte. Ltd. and its subsidiaries

Balance sheets
As at 31 December 2018

	Note	Group 2018	Group 2017	Company 2018	Company 2017
		US$	US$	US$	US$
ASSETS					
Non-current assets					
Plant and equipment	9	1,521,803	1,462,444	37,023	17,438
Investment in subsidiaries	10	–	–	26,401,089	12,347,483
Investments in joint ventures	11	10,720,900	3,894,063	–	–
Investment in associate	12	–	6,825,488	–	6,143,640
Loans and debentures	14	3,036,737	4,623,922	–	–
Other receivables	15	196,025	363,202	–	–
Advance to developers	15	801,340	1,030,294	801,340	1,030,294
Deferred tax asset		8,652	16,296	–	–
		16,285,457	18,215,709	27,239,452	19,538,855
Current assets					
Amounts due from subsidiaries	15	–	–	28,505	110,944
Amounts due from related parties	15	697,764	267,398	697,764	267,398
Amounts due from joint ventures	15	801,544	341,856	25,883	–
Other receivables	15	567,040	266,144	221,887	226,692
Prepayments		104,794	38,164	63,254	36,795
Deposits	15	146,509	63,662	135,290	52,377
Cash and cash equivalents	16	60,364,263	53,057,969	49,915,135	50,878,148
		62,681,914	54,035,193	51,087,718	51,572,354
Total assets		78,967,371	72,250,902	78,327,170	71,111,209

Infraco Asia Development Pte. Ltd. and its subsidiaries

Balance sheets
As at 31 December 2018

	Note	Group 2018 US$	Group 2017 US$	Company 2018 US$	Company 2017 US$
EQUITY AND LIABILITIES					
Non-current liability					
Deferred tax liability		33,263	15,290	–	–
Current liabilities					
Deferred capital grant	17	1,464,363	161,863	609,303	161,863
Amounts due to related parties	18	64,617	64	64,560	–
Trade and other payables	18	2,672,883	2,430,042	2,170,523	2,155,780
Provision for tax		4,850	2,637	–	–
		4,206,713	2,594,606	2,844,386	2,317,643
Total liabilities		4,239,976	2,609,896	2,844,386	2,317,643
Equity attributable to owners of the Company					
Share capital	19	130,074,041	122,070,041	130,074,041	122,070,041
Share application monies	20	18,912,800	5,461,020	18,912,800	5,461,020
Translation reserve		88,785	(203,311)	–	–
Reserve on changes in non-controlling interest		130,003	130,417	–	–
Other reserve		(85,831)	84,633	–	–
Accumulated losses		(74,914,874)	(58,711,997)	(73,504,057)	(58,737,495)
Reserve of disposal group classified as held for sale		–	–	–	–
		74,204,924	68,830,803	75,482,784	68,793,566
Non-controlling interests		522,471	810,203	–	–
Total equity		74,727,395	69,641,006	75,482,784	68,793,566
Total equity and liabilities		78,967,371	72,250,902	78,327,170	71,111,209

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

Statements of changes in equity
For the financial year ended 31 December 2018

	Share capital (Note 19)	Share application monies (Note 20)	Translation reserve	Share-based payment reserve	Reserve on changes in non-controlling interest	Other reserves	Accumulated losses	Total attributable to owners of the Company	Non-controlling interests	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Group										
2018										
Opening as at 1 January 2018 (As previously reported)	122,070,041	5,461,020	(203,311)	–	130,417	84,633	(58,711,997)	68,830,803	810,203	69,641,006
Effects of adopting FRS 109 (Note 2.2)	–	–	–	–	–	–	(914,770)	(914,770)	–	(914,770)
Opening as at 1 January 2018	122,070,041	5,461,020	(203,311)	–	130,417	84,633	(59,626,767)	67,916,033	810,203	68,726,236
Loss for the year	–	–	–	–	–	–	(15,288,107)	(15,288,107)	(351,833)	(15,639,940)
Other comprehensive income	–	–	(101,271)	–	–	–	–	(101,271)	17,738	(83,533)
Total comprehensive income for the year	–	–	(101,271)	–	–	–	(15,288,107)	(15,389,378)	(334,095)	(15,723,473)
Contributions by and distributions to owners										
Issuance of shares	8,004,000	(5,461,020)	–	–	–	–	–	2,542,980	–	2,542,980
Share application monies	–	18,912,800	–	–	–	–	–	18,912,800	–	18,912,800
Total contributions by and distributions to owners	8,004,000	13,451,780	–	–	–	–	–	21,455,780	–	21,455,780
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	45,949	45,949
Change in non-controlling interest without change of control	–	–	–	–	(414)	–	–	(414)	414	–
Disposal of associate (Note 23)	–	–	393,367	–	–	–	–	393,367	–	393,367
Total changes in ownership interest	–	–	393,367	–	(414)	–	–	392,953	46,363	439,316

Statements of changes in equity
For the financial year ended 31 December 2018

	Share capital (Note 19)	Share application monies (Note 20)	Translation reserve	Share-based payment reserve	Reserve on changes in non-controlling interest	Other reserves	Accumulated losses	Total attributable to owners of the Company	Non-controlling interests	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Group										
2018										
Total transactions with owners, recognised directly in equity	8,004,000	13,451,780	393,367	–	(414)	–	–	21,848,733	46,363	21,895,096
Others										
Share of other changes in equity of joint venture	–	–	–	–	–	(170,464)	–	(170,464)	–	(170,464)
At 31 December 2018	130,074,041	18,912,800	88,785	–	130,003	(85,831)	(74,914,874)	74,204,924	522,471	74,727,395

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

Statements of changes in equity
For the financial year ended 31 December 2018

	Share capital (Note 19)	Share application monies (Note 20)	Translation reserve	Share-based payment reserve	Reserve on changes in non-controlling interest	Other reserves	Accumulated losses	Reserve of disposal group classified as held for sale	Total attributable to owners of the Company	Non-controlling interests	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Group											
2017											
At 1 January 2017	88,767,760	9,717,981	297,657	1,383,700	1,043,138	99,287	(54,585,446)	(601,754)	46,122,323	5,797,189	51,919,512
Loss for the year	–	–	–	–	–	–	(5,039,272)	–	(5,039,272)	1,349,568	(3,689,704)
Other comprehensive income	–	–	(493,734)	–	–	(14,654)	–	–	(508,388)	(45,301)	(553,689)
Total comprehensive income for the year	–	–	(493,734)	–	–	(14,654)	(5,039,272)	–	(5,547,660)	1,304,267	(4,243,393)
<u>Contributions by and distributions to owners</u>											
Issuance of shares	33,302,281	–	–	–	–	–	–	–	33,302,281	–	33,302,281
Share application monies	–	(4,256,961)	–	–	–	–	–	–	(4,256,961)	–	(4,256,961)
Total contributions by and distributions to owners	33,302,281	(4,256,961)	–	–	–	–	–	–	29,045,320	–	29,045,320
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	230,134	230,134
Disposal of subsidiaries (Note 24)	–	–	(7,234)	(1,383,700)	(912,721)	–	912,721	601,754	(789,180)	(6,521,387)	(7,310,567)
Total changes in ownership interest	–	–	(7,234)	(1,383,700)	(912,721)	–	912,721	601,754	(789,180)	(6,291,253)	(7,080,433)
Total transactions with owners, recognised directly in equity	33,302,281	(4,256,961)	(7,234)	(1,383,700)	(912,721)	–	912,721	601,754	28,256,140	(6,291,253)	21,964,887
At 31 December 2017	122,070,041	5,461,020	(203,311)	–	130,417	84,633	(58,711,997)	–	68,830,803	810,203	69,641,006

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

Statements of changes in equity
For the financial year ended 31 December 2018

	Share capital (Note 19)	Share application monies (Note 20)	Accumulated losses	Total
	US$	US$	US$	US$
Company				
2018				
At 1 January 2018	122,070,041	5,461,020	(58,737,495)	68,793,566
Loss representing total comprehensive income for the year	–	–	(14,766,562)	(14,766,562)
Contributions by and distribution to owners:				
Issuance of shares	8,004,000	(5,461,020)	–	2,542,980
Share application monies	–	18,912,800	–	18,912,800
Total transactions with owners in their capacity as owners	8,004,000	13,451,780	–	21,455,780
At 31 December 2018	130,074,041	18,912,800	(73,504,057)	75,482,784
2017				
At 1 January 2017	88,767,760	9,717,981	(49,953,088)	48,532,653
Loss representing total comprehensive income for the year	–	–	(8,784,407)	(8,784,407)
Contributions by and distribution to owners:				
Issuance of shares	33,302,281	–	–	33,302,281
Share application monies	–	(4,256,961)	–	(4,256,961)
Total transactions with owners in their capacity as owners	33,302,281	(4,256,961)	–	29,045,320
At 31 December 2017	122,070,041	5,461,020	(58,737,495)	68,793,566

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

Consolidated cash flow statement
For the financial year ended 31 December 2018

	Note	2018	2017
		US$	US$
Operating activities			
Loss before tax		(14,451,223)	(3,681,758)
Adjustments for:			
Depreciation of plant and equipment	9	11,812	6,929
Provision for impairment loss on:			
- advance to developers		92,672	–
- investment in joint venture		3,727,487	1,070,000
- loans and debenture		2,700,511	–
- other receivables		278,453	230,000
Share of results of joint ventures		661,152	(5,628,298)
Share of results of associate		(866,426)	(808,812)
Gain on disposal of subsidiaries, associate and joint ventures	23	(5,837,183)	(2,890,061)
Finance costs	5	–	726,263
Finance income	5	(896,201)	(400,676)
Fair value adjustments on debt securities		168,765	–
Operating cash flows before changes in working capital		(14,410,181)	(11,376,413)
Changes in working capital:			
Increase in amounts due from joint ventures		(459,688)	(350,378)
Decrease in advance to developer		136,282	8,000
Decrease/(increase) in other receivables		1,138,910	(306,078)
Increase in prepayments		(66,630)	(7,880)
Increase in deposits		(82,847)	(13,048)
Increase in deferred capital grants		1,302,500	100,337
Increase in amount due from related parties		(365,812)	(35,571)
Increase in trade and other payables		242,841	1,047,351
Total changes in working capital		1,845,556	442,733
Cashflow from operations		(12,564,625)	(10,933,680)
Income taxes paid		(1,161,744)	–
Net cash flows used in operating activities		(13,726,369)	(10,933,680)

Consolidated cash flow statement
For the financial year ended 31 December 2018

	Note	2018	2017
		US$	US$
Investing activities			
Purchase of plant and equipment	9	(296,633)	(105,017)
Investments in joint ventures		(11,139,009)	(2,069,144)
Investments in loans and debentures		(2,196,861)	(2,658,995)
Proceeds from purchaser for repayment of loan from a related company in relation to subsidiaries disposed		–	16,853,234
Disposal of subsidiaries, net of cash disposed	23	–	16,145,563
Disposal of associate and joint venture	23	13,068,220	–
Net cash flows (used in)/generated from investing activities		(564,283)	28,165,641
Financing activities			
Issuance of share capital		2,542,980	33,302,281
Repayment of from loans from a related company		–	(16,853,234)
Share application monies		18,912,800	(4,256,961)
Contributions from non-controlling interest		45,949	210,134
Net cash flows generated from financing activities		21,501,729	12,402,220
Net increase in cash and cash equivalents		7,211,077	29,634,181
Foreign exchange		95,217	110,103
Cash and cash equivalents at beginning of the year		53,057,969	23,313,685
Cash and cash equivalents at end of the year		60,364,263	53,057,969

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

1. Corporate information

Infraco Asia Development Pte. Ltd. (the "Company") is a private limited company incorporated in Singapore.

The Company's immediate and existing joint shareholders are SG Hambros Trust Company Ltd, Multiconsult Trustees Ltd and Minimax Ltd as trustees of the Private Infrastructure Development Group Trust (PIDG Trust), a trust established under the laws of Mauritius. SG Hambros Trust Company Limited has retired as principal trustee of the PIDG Trust and is in the process of a transfer of shares in the Company to SG Kleinwort Hambros Trust Company (UK) Limited, Multiconsult Trustees Ltd and Minimax Ltd, as joint shareholders of the Company.

Upon completion of the share transfer, filing with the Accounting and Corporate Regulatory Authority, Singapore and update of the register of members of the Company, the immediate and joint shareholders of the Company will be SG Kleinwort Hambros Trust Company (UK) Limited, Multiconsult Trustees Ltd and Minimax Ltd as trustees of PIDG Trust.

The registered office and principal place of business of the Company are located at 10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315 and Level 18 Republic Plaza II, 9 Raffles Place, Singapore 048619, respectively.

The principal activity of the Company is that of developing infrastructure projects and investment holding. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

The financial statements are presented in United States Dollars ("USD" or "US$").

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the adoption of FRS 109 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

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

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

FRS 109 *Financial Instruments*

On 1 January 2018, the Group adopted FRS 109 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of FRS 109 have been applied retrospectively. The Group has elected not to restate comparative information in the year of initial application. The impact arising from FRS 109 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

FRS 109 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under FRS 109.

The Group currently measures its debt securities at amortised cost. Upon adoption of FRS 109, the Group measures the debt securities at FVTPL. The impact arising from this change resulted in a decrease in carrying value of $914,770 to the debt securities with a corresponding adjustment to retained earnings as at 1 January 2018.

FRS 109 requires all equity instruments to be carried at fair value through profit or loss unless an entity chooses on initial recognition to present fair value changes in other comprehensive income. For equity securities, the Group continues to measure its available-for-sale ("AFS") quoted equity securities at FVTPL.

Impairment

FRS 109 requires the Group to record expected credit losses on all of its financial assets measured at amortise cost or FVOCI. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of FRS 109, the Group calculated the expected credit losses (ECLs) on all receivables. There is no significant impact arising from the ECL model on these receivables under FRS 109.

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

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

FRS 109 *Financial Instruments* (cont'd)

The Group has assessed which business model apply to the financial assets held by the Group at 1 January 2018 and into the appropriate categories in accordance with FRS 109. The effects, before tax impact are as follows:

	Group				
Measurement category	**FRS 39 carrying amount as at 31 December 2017** US$	**Re-classification** US$	**Re-measurement** US$	**FRS 109 carrying amount on 1 January 2018** US$	**Retained earnings effect on 1 January 2018** US$
FVTPL	–	–	(914,770)	(914,770)	(914,770)
Reclassified from amortised costs	–	4,987,124	–	4,987,124	–
FVPL balances, reclassifications and re-measurements at 1 January 2018	–	4,987,124	(914,770)	4,072,354	(914,770)

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

2.3 *Standards issued but not yet effective*

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

Description	**Effective for annual periods beginning on or after**
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	To be determined

Except for FRS116 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 FRS116 is described below.

<u>FRS 116 *Leases*</u>

FRS 116 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. FRS 116 is effective for annual periods beginning on or after 1 January 2019. A commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt FRS 116 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

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

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

(b) *Business combinations*

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss or as a change to other comprehensive income.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. 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 2.8. In instances where the latter amount exceeds the former, the excess is recognized as gain on bargain purchase in profit or loss on the acquisition date.

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

2.5 *Transaction with non-controlling interests*

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

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

2.6 *Foreign currency*

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

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the 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 measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

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

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of 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 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)

2.7 *Plant and equipment*

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

All items of plant and equipment, except for construction in progress, are depreciated on a straight-line basis over the estimated useful life of the assets as follows:

Computer and software	–	3 years
Office equipment, furniture and fittings	–	3 to 5 years

Asset under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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 value, 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 profit or loss in the year the asset is derecognised.

2.8 *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 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 units to which goodwill have 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.

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

2.8 *Goodwill (cont'd)*

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.

2.9 *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 of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That 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.

2.10 *Subsidiaries*

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

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

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

2.11 *Joint arrangements*

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

2.12 *Joint ventures and 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 and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

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 or joint venture's profit or loss in the period in which the investment is acquired.

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

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

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 the associates or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

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

2.12 *Joint ventures and associates (cont'd)*

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

2.13 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

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

(i) Amortised cost

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

(ii) Fair value through profit or loss

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

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

2.13 *Financial instruments (cont'd)*

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

Derecognition

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

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.14 *Impairment of financial assets*

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

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

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

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

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

At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows

2.15 *Convertible instruments with embedded derivative*

Convertible instruments with conversion option are accounted for as financial assets with an embedded equity conversion derivative based on the terms of the contract.

The embedded option is recognised at its fair value through profit and loss as derivative asset with subsequent changes in fair value recognised in profit or loss.

The remainder of the proceeds is allocated to the asset component that is carried at amortised cost until the asset is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the asset component and the equity conversion option are derecognised with a corresponding recognition of investment in equity instrument.

2.16 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, and short-term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

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

2.17 *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 resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at 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.

2.18 *Capital grants*

Capital grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Capital grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss, as "Other income".

2.19 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.20 *Employee benefits*

(a) *Defined contribution plans*

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 as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting period.