

Company Registration No. 201135045H

Infraco Asia Investments Pte. Ltd.

Annual Financial Statements
31 December 2018



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Infraco Asia Investments Pte. Ltd.

Directors' statement

The directors are pleased to present their statement to the members together with the audited financial statements of Infraco Asia Investments Pte. Ltd. (the "Company") for the financial year ended 31 December 2018.

Opinion of the directors

In the opinion of the directors,

- (i) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows 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:

Amy Lee Yuen Ying	(appointed on 31 October 2018)
Clive Watkin Turton	(appointed on 31 October 2018)
John William Walker	(appointed on 31 October 2018)
Michael Barry Chilton	(appointed on 31 October 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 at the end of the financial year.

Infraco Asia Investments Pte. Ltd.

Directors' statement

Share options

There were no options granted by the Company 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 Company.

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

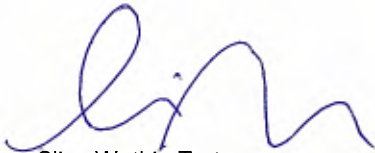
Auditor

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

28 MAR 2019

Infraco Asia Investments Pte. Ltd.

**Independent auditor's report
For the financial year ended 31 December 2018**

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Infraco Asia Investments Pte. Ltd. (the "Company"), which comprise the balance sheet of the Company as at 31 December 2018, the statement of changes in equity, the statement of comprehensive income and cash flow statement of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements 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 financial position of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows 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 the 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.

Infraco Asia Investments Pte. Ltd.

**Independent auditor's report
For the financial year ended 31 December 2018**

Independent auditor's report to the members of Infraco Asia Investments 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'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 Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company'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 Company'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 Company'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.

Infraco Asia Investments Pte. Ltd.

**Independent auditor's report
For the financial year ended 31 December 2018**

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

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

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 have been properly kept in accordance with the provisions of the Act.

Ernst & Young HF

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
28 March 2019

Infraco Asia Investments Pte. Ltd.

**Statement of comprehensive income
For the financial year ended 31 December 2018**

	Note	2018 US\$	2017 US\$
Revenue	4	934,623	1,060,911
Gain from disposal of investment		—	2,315,799
Administrative expenses		(661,000)	(703,562)
Profit before tax	5	273,623	2,673,148
Income tax expense	6	(45,471)	(39,623)
Profit for the year, net of tax		228,152	2,633,525
Profit for the year, representing total comprehensive income attributable to the owners of the Company		228,152	2,633,525

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

Infraco Asia Investments Pte. Ltd.

Balance sheet
As at 31 December 2018

	Note	2018 US\$	2017 US\$
ASSETS			
Non-current assets			
Loans receivable	7	11,287,479	2,337,795
Interest receivable	8	187,500	–
		<u>11,474,979</u>	<u>2,337,795</u>
Current assets			
Interest receivable	8	27,767	28,378
Amount due from a related company	9	63,021	63,904
Prepaid expenses and other receivables	10	38,913	78,944
Cash and cash equivalents	11	20,113,468	28,479,711
Total current assets		<u>20,243,169</u>	<u>28,650,937</u>
Total assets		<u>31,718,148</u>	<u>30,988,732</u>
EQUITY AND LIABILITIES			
Current liabilities			
Other payables and accruals	12	752,164	268,654
Provision for income tax		46,973	27,717
Total current liabilities		<u>799,137</u>	<u>296,371</u>
Net current assets		<u>19,444,132</u>	<u>28,354,566</u>
Non-current liability			
Deferred tax liability	6	2,671	4,173
		<u>2,671</u>	<u>4,173</u>
Total liabilities		<u>801,808</u>	<u>300,544</u>
Net assets		<u>30,916,340</u>	<u>30,688,188</u>
Equity attributable to owners of the Company			
Share capital	13	27,319,426	27,319,426
Retained earnings		3,596,914	3,368,762
Total equity		<u>30,916,340</u>	<u>30,688,188</u>
Total equity and liabilities		<u>31,718,148</u>	<u>30,988,732</u>

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

Infraco Asia Investments Pte. Ltd.

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

	Attributable to owners of the Company		
	Share capital (Note 13) US\$	Retained earnings US\$	Total equity US\$
2018			
Opening balance at 1 January 2018	27,319,426	3,368,762	30,688,188
Profit net of tax, representing total comprehensive income for the year	–	228,152	228,152
Closing balance at 31 December 2018	<u>27,319,426</u>	<u>3,596,914</u>	<u>30,916,340</u>
2017			
Opening balance at 1 January 2017	27,319,426	735,237	28,054,663
Profit net of tax, representing total comprehensive income for the year	–	2,633,525	2,633,525
Closing balance at 31 December 2017	<u>27,319,426</u>	<u>3,368,762</u>	<u>30,688,188</u>

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

Infraco Asia Investments Pte. Ltd.**Cash flow statement
For the financial year ended 31 December 2018**

	2018	2017
	US\$	US\$
Cash flows from operating activities		
Profit before tax	273,623	2,673,148
Adjustments for:		
- Interest income	(844,623)	(1,060,911)
- Gain from disposal of investment	–	(2,315,799)
- Unrealised exchange differences	55,806	–
Operating cash flows before changes in working capital	(515,194)	(703,562)
<u>Changes in working capital:</u>		
Decrease in prepaid expenses and other receivables	(1,076)	–
Decrease/(increase) in amounts due from related company	–	(119,577)
Increase/(decrease) in other payables and accruals	478,902	(4,023)
Net cash flows used in operations	(37,368)	(827,162)
Income tax paid	(27,717)	(246,119)
Interest received	698,842	2,633,233
Net cash flows generated from operating activities	633,757	1,559,952
Investing activities		
Loan to third party	(9,000,000)	–
Repayment of loans by related companies	–	18,420,000
Proceed from disposal of asset held for sale	–	6,315,799
Net cash flows (used in)/generated from investing activities	(9,000,000)	24,735,799
Net (decrease)/increase in cash and cash equivalents	(8,366,243)	26,295,751
Cash and cash equivalents at beginning of the year	28,479,711	2,183,960
Cash and cash equivalents at end of the year (Note 11)	20,113,468	28,479,711

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

Infraco Asia Investments Pte. Ltd.

**Notes to the financial statements
For the financial year ended 31 December 2018**

1. Corporate information

Infraco Asia Investments 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 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 activities of the Company are to seek, undertake due diligence in respect of, appraise and, if thought fit, invest in, manage and ultimately dispose of, interests in infrastructure projects which objectives are in line with the objectives set by the PIDG Trust.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements 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 Company has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2018. The adoption of these standards and interpretations did not have any material effect on the financial performance or position of the Company.

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

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
FRS 116 <i>Leases</i>	1 January 2019
INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 Foreign currency

The Company's financial statements are presented in United States Dollar, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company 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 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.

2.5 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Company 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.

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

2.5 Financial instruments (cont'd)

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

Subsequent measurement

Investments in debt instruments

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

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.

De-recognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition 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 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 plus in the case of non-derivative financial liabilities, directly attributable transaction costs.

Subsequent measurement

After initial recognition, non-derivative financial liabilities 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 amortisation process.

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. 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)

2.6 *Impairment of financial assets*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company 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.

ECLs are recognised in two stages. For credit exposures for which there has not been 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 receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company 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 Company reassesses the internal credit rating of the debt instrument.

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

2.7 *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.

2.8 *Provisions*

Provisions are recognised when the Company 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. Summary of significant accounting policies (cont'd)

2.9 Revenue

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.

Revenue of the Company comprise of interest income from loans which recognised in profit or loss using effective interest method.

2.10 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 at the end of the reporting period.

Current income taxes are recognised in 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.

(b) Deferred tax

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

Deferred tax liabilities are recognised for all 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.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits 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 credits and unused tax 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.

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

2.10 Taxes (cont'd)

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of 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.

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 taxes relate to the same taxable entity and the same taxation authority.

2.11 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.

3. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of the revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

Management is of the opinion that there is no significant judgement made in applying accounting that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Notes to the financial statements
For the financial year ended 31 December 2018

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

3.2 Key sources of estimation uncertainty

Provision for expected credit losses of loans receivables

The Company uses a provision matrix to calculate ECLs for loans receivables. The provision rates are based on credit ratings for groupings of various counterparty segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's loans is disclosed in Note 17(a).

4. Revenue

	2018	2017
	US\$	US\$
Interest income	844,623	1,060,911
Upfront fee	90,000	–
	<u>934,623</u>	<u>1,060,911</u>

Interest income relates to interest income arising from loans and bank deposits.

Upfront fee relates to income earned from borrower for the term loan facility (see Note 7) granted by the Company during the year.

5. Profit before tax

Profit before tax is arrived at after charging:

	2018	2017
	US\$	US\$
Insurance	18,907	17,655
Consultancy fees	16,236	41,084
Directors' fees	60,747	115,437
Legal fees	83,389	(33,610)
Rental	17,617	30,327
Salaries	332,811	523,867
Travelling expenses	1,173	18,595
Exchange differences (net)	<u>51,859</u>	<u>(66,657)</u>

Notes to the financial statements
For the financial year ended 31 December 2018

6. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	2018	2017
	US\$	US\$
Statement of comprehensive income:		
<i>Current income tax</i>		
- Current year	46,515	25,798
- Under provision in respect of prior years	458	1,919
	<u>46,973</u>	<u>27,717</u>
<i>Deferred income tax</i>		
- Origination and reversal of temporary differences	(1,502)	11,906
	<u>45,471</u>	<u>39,623</u>

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
	US\$	US\$
Profit before tax	<u>273,623</u>	<u>2,673,148</u>
Tax at applicable tax rate of 17% (2017: 17%)	46,516	454,436
Under provision in respect of prior years	458	1,919
Income not subjected to tax	–	(404,815)
Non-deductible expenses	26,612	1,482
Effect of tax exemptions and rebates	(28,115)	(13,399)
	<u>45,471</u>	<u>39,623</u>

Deferred tax as at 31 December relates to the following:

	2018	2017
	US\$	US\$
<i>Deferred tax liability</i>		
Provisions	<u>(2,671)</u>	<u>(4,173)</u>

Notes to the financial statements
For the financial year ended 31 December 2018

7. Loans receivable

	2018	2017
	US\$	US\$
Non-current		
Loan to a related company	–	2,337,795
Term loan A	9,000,000	–
Term loan B	2,287,479	–
	11,287,479	2,337,795

Term loan A

Term loan A was granted by the Company to a third party during the year. Term loan A bears interest at 10.0% per annum, repayable in two equal tranches at 24 months and 36 months from utilisation date on 18 October 2018, secured by a corporate guarantee from the holding company of the borrower and is expected to be settled in cash. This amount is denominated in USD.

Loan to related company / Term loan B

The loan was granted by the Company to a related company in the previous financial years. During the year, the related company ceased to be a related company. Consequently, the borrower was deemed as a non-related company as at 31 December 2018.

The loan bears interest ranging from 11.0% to 15.5% (2017: 11.0% to 15.5%) per annum, is repayable 72 months from utilisation date on 11 November 2014, secured by pledge of shares in the borrower's subsidiary and is expected to be settled in cash. This amount is denominated in Vietnam Dong.

8. Interest receivable

	2018	2017
	US\$	US\$
Current		
Interest receivable from:		
Term loan B	27,767	–
Non-current		
Interest receivable from:		
Loan to a related company	–	28,378
Term loan A	187,500	–
	187,500	28,378

Interest receivable that are denominated in foreign currency at 31 December is as follows:

	2018	2017
	US\$	US\$
Vietnam Dong	27,767	28,378

Notes to the financial statements
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9. Amount due from a related company

Amount due from a related company relates to payments made on behalf of a related company. The amounts are unsecured, interest-free, repayable on demand and are to be settled in cash.

10. Prepaid expenses and other receivables

	2018	2017
	US\$	US\$
Other receivables	29,010	70,117
Grant receivable from PIDG Trust	4,810	–
	<hr/>	<hr/>
	33,820	70,117
Prepaid expenses	5,093	8,827
	<hr/>	<hr/>
	38,913	78,944

Other receivables represent interest receivable on loans which has not been invoiced but recognised as revenue using the effective interest rate method.

11. Cash and cash equivalents

	2018	2017
	US\$	US\$
Cash at bank and on hand	18,113,468	1,479,711
Fixed deposits	2,000,000	27,000,000
	<hr/>	<hr/>
Total cash and cash equivalents	20,113,468	28,479,711

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one and six months and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2018 for the Company were 0.52% (31 December 2017: 0.45%).

The fixed deposits qualify as cash equivalents because there is effectively no penalty for early withdrawal as the interest earned is substantially consistent with what the Company would have earned on a similar deposit type for a similar term of less than three months.

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12. Other payables and accruals

	2018	2017
	US\$	US\$
Amounts due to a related company	655,559	—
Accruals	95,463	263,434
Other payables	1,142	5,220
	<u>752,164</u>	<u>268,654</u>

Amounts due to the related company are unsecured, interest-free, repayable on demand and are to be settled in cash.

13. Share capital

	2018		2017	
	No. of shares	US\$	No. of shares	US\$
Issued and fully paid ordinary shares:				
At 1 January and 31 December	<u>27,319,426</u>	<u>27,319,426</u>	<u>27,319,426</u>	<u>27,319,426</u>

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.

14. Related party transactions

(a) *Sales and purchases of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related companies took place at terms agreed between the parties during the financial year:

	2018	2017
	US\$	US\$
Recharge of expenses by a related company*:		
Salaries	(332,811)	(523,867)
Rental	(17,617)	(30,327)
Travelling expenses	(1,173)	(18,595)
Legal and consultancy fees	(12,701)	(5,659)
Miscellaneous	(33,028)	(38,960)
Interest income from loan to former related companies#	259,432	1,013,875
Grant received/receivable as reimbursement from shareholder	71,676	–
Administration charge paid/payable to a related company*	(76,317)	–

* This is an entity under common shareholders of the Company.

The former related companies refer to subsidiaries and associate of an entity under common shareholders of the Company which has been disposed in 2018 and 2017 respectively.

(b) *Compensation of key management personnel*

	2018	2017
	US\$	US\$
Directors' fees	60,747	115,437

15. Fair value of financial instruments

Fair value hierarchy

The Company categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- (a) Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date
- (b) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- (c) Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

15. Fair value of financial instruments (cont'd)

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Interest receivable (current) (Note 8), amount due from a related company (Note 9), other receivables (Note 10), cash and cash equivalents (Note 11) and other payables and accruals (Note 12)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values at the balance sheet date due to its short-term nature.

Fair value of financial instruments by classes that are not carried at fair value but for which fair value is disclosed

The fair value of the non-current loans receivable and interest receivable is approximately US\$11,140,000 (2017: US\$2,175,000). The fair value disclosed for the loans categorised as Level 2 of the fair value hierarchy. The fair value estimated by discounting expected cash flows at market lending rate for similar types of loans after adjusting for credit risk, at the end of the reporting period.

Carrying amounts of financial instruments by categories

	2018	2017
	US\$	US\$
<i>Financial assets measured at amortised cost</i>		
Loans receivables	11,287,479	2,337,795
Interest receivables	215,267	28,378
Amount due from a related company	63,021	63,904
Other receivables (excluding prepaid expense)	29,010	70,117
Cash and bank balances	20,113,468	28,479,711
	<u>31,708,245</u>	<u>30,979,905</u>
<i>Financial liabilities measured at amortised cost</i>		
Other payables and accruals	752,164	268,654
	<u>752,164</u>	<u>268,654</u>

16. Financial risk management policies and objectives

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. It is, and has been throughout the current financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from loans receivable and cash and cash equivalents. For loans, the Company manages credit risk by requiring security for such loans by way of guarantee and pledge of shares by the related companies. For cash and cash equivalents, the Company minimises credit risk by dealing exclusively with high credit rating counterparties where possible.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Company considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

The Company determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

16. Financial risk management policies and objectives (cont'd)

(a) Credit risk (cont'd)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Loans at amortised cost

The Company categorises the loans according to internal credit risk ratings which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are determined through incorporating both qualitative and quantitative information that builds on information from external credit rating companies, supplemented with information specific to the counterparty and other external information that could affect the counterparty's behaviour.

Where required, the Company compute expected credit loss for this group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the Company considers implied probability of default from external rating agencies where available and historical loss rates for each category of counterparty, and adjusts for forward looking macroeconomic data such as GDP growth and central bank base rates.

There are no significant changes to estimation techniques or assumptions made during the reporting period. No loss allowance provision for loans have been made as at 1 January and 31 December 2018.

Exposure to credit risk

At the end of the reporting period, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet.

Credit risk concentration profile

At balance sheet date, there were no significant concentrations of credit risk, except for the loans to related companies. These loans have been secured by way of guarantee and pledge of shares by the related companies.

Financial assets that are neither past due nor impaired

Cash and cash equivalents are placed with reputable financial institutions. Loans receivable are neither past due nor impaired as there is no history of default.

16. Financial risk management policies and objectives (cont'd)

(b) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Company's operation.

All of the Company's financial liabilities are payable within one year or less at the end of the reporting period based on contractual undiscounted repayment obligations.

(c) *Foreign currency risk*

The Company has transactional currency exposure arising from transactions that are denominated in a currency other than the functional currency of the Company. The foreign currency in which these transactions are denominated is mainly Vietnam Dong (VND).

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in the VND exchange rate against the functional currency of the Company, with all other variables held constant.

	2018	2017
	US\$	US\$
Vietnam Dong (VND)		
– Strengthened by 3% (2017: 3%)	69,457	70,985
– Weakened by 3% (2017: 3%)	(69,457)	(70,985)

(d) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their interest-bearing loans given to third party borrowers. The Company does not have interest rate exposure as the loans to third party borrowers are fixed rate loans.

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17. Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital structure in order to support its business and maximise shareholder value.

The Company manages its capital structure, defined as share capital and accumulated reserve, and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

18. Comparative information

The following comparative information have been represented to conform with current year's presentation:

	2017	
	As previously reported	As presented
	US\$	US\$
Balance sheet		
Amount due from related companies	92,282	63,904
Interest receivable	-	28,378
Cash flow statement		
Net cash flows in operating activities	(1,073,281)	1,559,952
Net cash flows generated from investing activities	27,369,032	24,735,799

19. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 28 March 2019.

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