

LANG CAPITAL FUND

(Constituted under a Trust Deed in the Republic of Singapore)

UNAUDITED FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

DIRECTORY

Manager

Atlas Asset Management Pte. Ltd.
80 Raffles Place
#57-01 UOB Plaza 1
Singapore 048624

Trustee, Administrator and Custodian

Asiaciti Trust Singapore Pte. Ltd.
61 Robinson Road
Robinson Centre #19-02
Singapore 068893

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For the financial year ended 31 December 2018

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REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and hold the assets of Lang Capital Fund (the "Fund") in trust for the unitholder. In accordance with the Securities and Futures Act (Cap. 289) (the "Act"), its subsidiary legislation and Trust Deed, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to the unitholder in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out on pages 3 to 29, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.



For and on behalf of the Trustee
Asiaciti Trust Singapore Pte. Ltd.

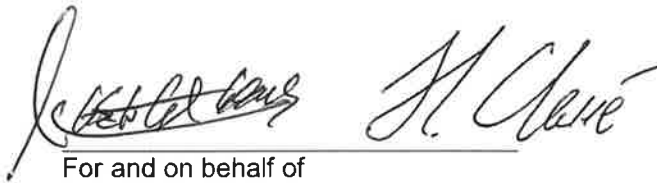
Date: 27 MAR 2019

LANG CAPITAL FUND

(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT BY THE MANAGER

In the opinion of the directors of Atlas Asset Management Pte. Ltd., the accompanying financial statements set out on pages 3 to 29, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholder's Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and portfolio holdings of Lang Capital Fund (the "Fund") as at 31 December 2018 and the financial performance and movements in unitholder's funds for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.



For and on behalf of
Atlas Asset Management Pte. Ltd.
As Investment Manager of
Lang Capital Fund

Date: 27/3/2019

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 31 December 2018*

	Notes	For the financial year ended 31 December 2018 US\$	As restated For the financial year ended 31 December 2017 US\$
Income			
Bank interest income		400	1,323
Other income		-	1
		<u>400</u>	<u>1,324</u>
Expenses			
Management fees	10, 11	1,041,036	1,158,662
Trustee, administrator and custodian fees	10, 11	120,000	96,365
Audit fee		53,184	62,014
Other professional fees	11	33,786	60,375
Legal fees	11	17,312	107,790
Listing fee		4,078	3,802
Bank charges		1,458	1,995
Loss on foreign currency transactions - net		792	3,493
Waiver of non-trade receivable		-	71,207
Others	11	5,102	3,888
		<u>1,276,748</u>	<u>1,569,591</u>
Net expenses		(1,276,348)	(1,568,267)
Net loss on value of investments	9, 11	(1,181,015)	(8,704,595)
Total deficit for the year before income tax		(2,457,363)	(10,272,862)
Less: Income tax	4	-	-
Total deficit for the year after income tax		(2,457,363)	(10,272,862)

The accompanying notes form an integral part of these financial statements.

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***STATEMENT OF FINANCIAL POSITION***As at 31 December 2018*

	Notes	2018 US\$	As restated 2017 US\$
ASSETS			
Cash at bank		7,659,181	12,045,437
Financial assets at fair value through profit or loss	5 , 11	34,414,712	32,611,490
Receivables	6	100,645	49,987
Total assets		42,174,538	44,706,914
LIABILITY			
Payables	7 , 11	206,746	281,759
Total liability		206,746	281,759
EQUITY			
Net assets attributable to unitholder	8 , 11	41,967,792	44,425,155

The accompanying notes form an integral part of these financial statements.

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***STATEMENT OF MOVEMENTS OF UNITHOLDER'S FUNDS***For the financial year ended 31 December 2018*

	Notes	For the financial year ended 31 December 2018 US\$	As restated For the financial year ended 31 December 2017 US\$
Net assets attributable to unitholder at beginning of the financial year	11	44,425,155	56,698,017
Operations			
Change in net assets attributable to unitholder resulting from operations	11	(2,457,363)	(10,272,862)
Unitholder's withdrawals			
Cancellation of units	8	-	(2,000,000)
Total decrease in net assets attributable to unitholder		(2,457,363)	(12,272,862)
Net assets attributable to unitholder at end of the financial year	11	41,967,792	44,425,155

The accompanying notes form an integral part of these financial statements.

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2018***Primary**

	Holdings at 31 December 2018 US\$	Fair value at 31 December 2018 US\$	Percentage of total net assets attributable to unitholder at 31 December 2018 %
By geography			
Unquoted			
Equities			
Hong Kong			
Kluisberg Investment Holdings Limited	19,634,715	18,967,687	45.20
United States of America			
Movencorp Inc.	687,631	2,914,671	6.95
Tinitell Inc.	440,270	-	-
CL SPV L.P.	N/A	1,010,129	2.41
Cyprus			
Faircorp Ventures Ltd	400	2,657,867	6.33
Singapore			
Project IV Holdings Pte. Ltd.	1	1	*
Healthifyme Pte Ltd	149,629	1,249,996	2.98
Mighty Bear Games Pte. Ltd.	53,763	399,997	0.95
United Kingdom			
Data Cloud Limited	1,081,081	1,376,649	3.28
Philippines			
Tier 1 Entertainment, Inc.	2,177,175	700,000	1.66
Russia			
Calldoc LLP	60,000	216,000	0.51
Samoa			
Brest Holdings Limited	1	1	*
		29,492,998	70.27
Debt securities			
Singapore			
Project IV Holdings Pte. Ltd.		1,912,732	4.56
British Virgin Islands			
Perlake Investments Ltd		1,000,000	2.38
Thailand			
Helpster Pte. Ltd.		1,000,000	2.38
Cyprus			
Medinform Holding Limited		576,000	1.38
Samoa			
Brest Holdings Limited		286,315	0.68
Hong Kong			
Kluisberg Investment Holdings Limited		146,667	0.35
		4,921,714	11.73
Portfolio of investments		34,414,712	82.00
Other net assets		7,553,080	18.00
Net assets attributable to unitholder		41,967,792	100.00

* below 0.01%

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***STATEMENT OF PORTFOLIO***As at 31 December 2018***Primary (continued)**

	Percentage of total net assets attributable to unitholder at 31 December 2018 %	As restated Percentage of total net assets attributable to unitholder at 31 December 2017 %
By geography (summary)		
Unquoted/Private		
Hong Kong	45.55	45.02
United States of America	9.36	8.83
Singapore	8.49	4.55
Cyprus	7.71	5.99
United Kingdom	3.28	3.28
British Virgin Islands	2.38	4.50
Thailand	2.38	-
Philippines	1.66	-
Samoa	0.68	0.65
Russia	0.51	0.59
Portfolio of investments	82.00	73.41
Other net assets	18.00	26.59
Net assets attributable to unitholder	100.00	100.00

Secondary

	Fair value at 31 December 2018 US\$	Percentage of total net assets attributable to unitholder at 31 December 2018 %
By industry		
Investment holding companies with equities in:		
Manufacturing	19,114,354	45.55
Hospitality	3,199,048	7.62
Investment holding	2,657,867	6.33
Business & domestic software development	700,001	1.67
Financial services	2,914,671	6.94
Business & domestic software development	2,260,125	5.39
Technology	1,776,646	4.23
Investment holding	1,000,000	2.38
Health	792,000	1.89
Portfolio of investments	34,414,712	82.00
Other net assets	7,553,080	18.00
Net assets attributable to unitholder	41,967,792	100.00

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Lang Capital Fund (the "Fund") is an open-ended Singapore unit trust constituted by a Deed of Trust dated 11 December 2014 (and as amended, restated and supplemented from time to time) (thereafter referred to as "Trust Deed"). The Trust Deed is governed in accordance with the laws of the Republic of Singapore. The Manager of the Fund is Atlas Asset Management Pte. Ltd. (the "Manager") and the Trustee is Asiatic Trust Singapore Pte. Ltd. (the "Trustee").

The Fund has 100% interest in Kluisberg Investment Holdings Limited, Faircorp Ventures Ltd, Project IV Holdings Pte. Ltd., and Brest Holdings Limited (collectively referred to as "Subsidiaries"), which are incorporated in Hong Kong on 17 July 2015, in Cyprus on 6 February 2014, in Singapore on 1 December 2017, and in Samoa on 4 January 2011, respectively. The principal activity of the Subsidiaries is investment holding.

The Fund and its Subsidiaries were established to pursue investment opportunities in listed securities and private equity investments on a global basis. The portfolio of the listed securities and private equity investments will be diversified on a global basis, with emphasis on Europe and the emerging markets.

The Fund was listed on the official list of Singapore Stock Exchange ("SGX") on 31 March 2015. The Fund will not be traded on SGX as the securities are not Central Depository eligible and hence unable to be settled through Central Depository.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis for preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets at fair value through profit or loss ("FVTPL") and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

On 1 January 2018, the Fund adopted the new or amended Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Fund's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.1 Basis for preparation (continued)

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Fund and had no material effect on the amounts reported for the current or prior financial year.

2.2 Recognition of income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

2.3 Distribution policy

The Manager of the Fund shall have the sole discretion to determine whether a distribution is to be made and, as and when the Manager shall decide, the Manager may distribute such part or all of the assets of the Fund pursuant to the terms of the Trust Deed.

Distribution is accrued for at the reporting date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

2.4 Cash and bank balances

Cash and bank balances include cash at bank. As at the end of the financial year, the carrying amount of cash and bank balances approximates its fair value.

2.5 Financial assets at FVTPL

(a) Classification

The Fund's investments and the underlying investments held by its subsidiaries have been designated at FVTPL at inception as they are managed as portfolio and their performance is evaluated on a fair value basis in accordance with the Fund's offering document.

(b) Recognition, measurement and derecognition

(i) *Initial recognition*

Purchase of investments is recognised on the trade date. Investments are recorded at fair value on initial recognition. Transaction costs, when incurred in the Statement of Total Return.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.5 Financial assets at FVTPL (continued)

(b) Recognition, measurement and derecognition (continued)

(ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in the fair value of investments is included in the Statement of Total Return in the period in which they arise.

(iii) *Derecognition*

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Gains and losses arising from changes in the fair value of the 'financial assets at FVTPL' category are presented in the Statement of Total Return within 'Net gain/(loss) on value of investments' in the period in which they arise.

(iv) *Transfers between levels of the fair value hierarchy*

Transfers between levels of the fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances that caused the transfer.

(v) *Fair value estimation*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of Subsidiaries are based on their net asset values while the fair value of financial assets at FVTPL is determined with reference to a valuation performed by an independent third party. The valuation methodology used by the independent third party was the comparable company/bond approach.

Interest income on debt securities at FVTPL is recognised in the Statement of Total Return within interest income on loan receivable based on the effective interest rate.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.6 Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due to be received. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument – or, when appropriate, a shorter period – to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Manager estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

As at the end of the financial year, the carrying amount of the receivables approximate their fair values.

2.7 Payables

Payables are initially recognised at their fair values, and subsequently carried at amortised cost, using the effective interest method.

2.8 Foreign currencies

(i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in United States Dollar (“US\$”), which is the Fund’s functional and presentation currency.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.8 Foreign currencies (continued)

(i) *Functional and presentation currency* (continued)

The Fund determines US\$ to be its functional currency due to the following:

- The contributions received from the investor are denominated in US\$.
- The performance of the Fund is measured and reported to the investors in US\$.
- The Manager considers US\$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

The presentation currency of the Fund and the functional currency of each subsidiary is the same as the functional currency of the Fund.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in the Statement of Total Return.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Foreign exchange gains and losses relating to the financial assets carried at FVTPL are presented in the Statement of Total Return within 'Net loss on value of investments'.

2.9 Investment entity and consolidation

These financial statements do not consolidate the financial performance and position of the Subsidiaries.

(a) *Investment entity*

The Fund's investor is not related to the Fund. The Fund holds multiple investments directly or indirectly through its Subsidiaries (Note 6). The Fund is deemed to meet the definition of an investment entity per FRS 110 as the following conditions exist:

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.9 Investment entity and consolidation (continued)

(a) *Investment entity* (continued)

- (i) The Fund has obtained funds for the purpose of providing investors with investment management services.
- (ii) The Fund's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income.
- (iii) The performance of investments made through the Subsidiaries are measured and evaluated on a fair value basis.

As such, consolidated financial statements have not been prepared by the Fund. These separate financial statements are the Fund's only financial statements where the Fund's investments in its Subsidiaries are carried as financial assets at FVTPL.

(b) *Subsidiaries*

The Fund does not have any other Subsidiaries other than those determined to be controlled subsidiary investments. Controlled subsidiary investments are measured at FVTPL and are not consolidated, in accordance with FRS 110. The fair value of controlled subsidiary investments is determined on a consistent basis to all other investments measured at FVTPL, and as described in the fair value estimation notes above.

Controlled subsidiary investments include holding companies over which the Fund has the power to govern the financial and operating policies generally accompanying a shareholding of an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. These holding companies are Subsidiaries that have been incorporated for the purpose of holding underlying investment on behalf of the Fund. The holding companies have no operations other than providing a vehicle for the acquisition, holding and onward sale of certain portfolio investment companies. The holding companies are also reflected at its fair value, with the key fair value driver thereof being the investment in the underlying portfolio company investments that the holding companies hold on behalf of the Fund. The holding companies require no consolidation as they are not deemed to be providing investment related services, as defined by FRS 110.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.9 Investment entity and consolidation (continued)

(b) *Subsidiaries* (continued)

Where the Fund is deemed to control an underlying portfolio company either directly or indirectly and whether the control be via voting rights or through the ability to direct the relevant activities in return for access to a significant portion of the variable gains and losses derived from those relevant activities, the underlying portfolio company and its results are also not consolidated and are instead reflected at fair value through the profit or loss. The Fund is directly invested in such portfolio company.

At 31 December 2018 and 2017, the Fund controlled various investments through its ownership in holding companies.

The Fund operates as an investment structure whereby the Fund invests and commits to invest into various portfolio companies. The Fund primarily invests into the portfolio companies by purchasing directly the unlisted /private equity and debt securities of these unlisted private companies. The portfolio companies repay debt based on the terms of the respective agreements. Cash dividends may be paid based on the portfolio company's operating results and are at the discretion of the Board of Directors of the respective portfolio companies which are then paid up to the Fund directly or through the relevant holding company. There are no amounts due or accrued for preferred dividend or in-kind returns based on any of the shareholder agreements.

Movements in the fair value of the Fund's portfolio companies and the existence of unfunded commitments may expose it to potential losses.

2.10 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

(a) restricted activities,

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.10 Structured entities (continued)

- (b) a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors,
- (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and
- (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Fund has determined that its investment in the Subsidiaries (Note 5) is an investment in unconsolidated structured entities. The Fund invests in the Subsidiaries whose objectives range from achieving medium to long term capital growth and applies various investment strategies to accomplish its investment objectives. The Subsidiaries finance its operations by issuing ordinary shares which entitles the holder to a proportionate stake in the Subsidiaries' net assets and shareholder loans. The maximum exposure to loss on these unconsolidated structured entities is the fair value of the investments listed on the Statement of Financial Position of US\$24,971,270 (2017: US\$26,968,704).

2.11 Transaction costs

Transaction costs are legal and professional fees incurred to structure a deal to acquire the Fund's investments designated as financial assets at fair value through profit or loss. They include the upfront fees and commissions paid to agents, advisers, brokers and dealers and due diligence fees. Transaction costs, when incurred, are immediately recognised in the Statement of Total Return as an expense.

3. Critical accounting estimates, assumptions and judgements

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. Critical accounting estimates, assumptions and judgements (continued)

Fair value of investments not quoted in an active market

The fair values of securities that are not quoted in an active market are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The models used to determine fair values are validated and periodically reviewed by the Manager. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. In discounted cash flow models, unobservable inputs are the projected cash flows of the relevant portfolio company and the risk premium for liquidity and credit risk that are incorporated into the discount rate. However, the discount rates used for valuing equity securities are determined based on historic equity returns for other entities operating in the same industry for which market returns are observable. Management uses models to adjust the observed equity returns to reflect the actual debt/equity financing structure of the valued equity investment.

Models are calibrated by back-testing to actual results/exit prices achieved to ensure that outputs are reliable.

Investment entity status

In determining the Fund's status as an investment entity in accordance with FRS 110, the Manager considered the following:

- (a) The Fund has raised capital from an investor to invest in private equity investments and debt instruments and to provide the investor management services with respect to these private equity investments and debt instruments;
- (b) The Fund intends to generate capital and income returns from its private equity investments and debt instruments which will, in turn, be distributed in accordance with the Trust Deed to the investor; and
- (c) The Fund evaluates its private equity investments' and debt instruments' performance on a fair value basis, in accordance with the policies set out in these financial statements.

Although the Fund does not meet all of the typical characteristics of an investment entity (namely, the Fund does not have multiple unrelated investors), it is nevertheless an investment entity because it was formed in conjunction with its Subsidiaries and effects multiple investments through its Subsidiaries. The Fund has only one investor but the Manager is actively seeking for new investors.

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2018***4. Taxation**

The Fund is approved under the section 13X of the Income Tax Act and the Income Regulations 2010 (Tax Exemption of Income Arising from Funds Managed in Singapore by Fund Manager) with effect from 2 March 2018 and meets the qualifying criteria set out in the Taxation section of the Information Memorandum.

5. Financial assets at fair value through profit or loss

	2018 US\$	2017 US\$
Equities:		
Subsidiaries	21,625,556	22,553,311
Unquoted/private	7,867,442	5,642,786
	<u>29,492,998</u>	<u>28,196,097</u>
Debt securities:		
Subsidiaries	3,345,714	4,415,393
Third parties	1,576,000	-
	<u>4,921,714</u>	<u>4,415,393</u>
	<u>34,414,712</u>	<u>32,611,490</u>

Equities

Equities						
Name of subsidiary	Principal activity	Country of incorporation/ place of business	Equity holdings		Net assets	
			2018 %	2017 %	2018 US\$	2017 US\$
<u>Subsidiary held by the Company</u>						
Kluisberg Investment Holdings Limited	Investment holding	Hong Kong	100	100	18,967,687	19,895,442
Faircorp Ventures Ltd	Investment holding	Cyprus	100	100	2,657,867	2,657,867
Project IV Holdings Pte. Ltd. ⁽¹⁾	Investment holding	Singapore	100	100	1	1
Brest Holdings Limited ⁽²⁾	Investment holding	Samoa	100	100	1	1
<u>⁽¹⁾ Subsidiary held by Project IV Holdings Pte. Ltd.</u>						
SN VENTURES AS	Investment holding	Norway	100	100	-	-
<u>⁽²⁾ Subsidiary held by Brest Holdings Limited</u>						
Perlake Investments Ltd	Investment holding	British Virgin Islands	100	100	-	-
Total					21,625,556	22,553,311

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2018***5. Financial assets at fair value through profit or loss (continued)****Debt securities**Loans to third parties***Helpster Pte. Ltd.***

The loan is non-trade, unsecured, bears interest at 5% per annum and collectible on or prior to 25 June 2019 together with its related interest.

As at 31 December 2018, interest earned and accrued on the loan amounted to US\$694 (31 December 2017: nil) (see Note 6).

Medinform Holding Limited

The loan is non-trade, secured by a promissory note, bears interest at 6% per annum, collectible on or prior to 31 July 2019 together with its related interest and convertible into shares.

As at 31 December 2018, interest earned and accrued on the loan amounted to US\$12,353 (31 December 2017: nil) (see Note 6) and US\$11,930 (31 December 2017: nil), respectively.

Others

During the year, the Fund also provided a loan to a third party which was also repaid during the same year. Interest income earned on the loan amounted to US\$1,956.

Loans to subsidiaries

	2018	2017
	US\$	US\$
Project IV Holdings Pte. Ltd.	1,912,732	2,022,411
Perlake Investments Ltd	1,000,000	2,000,000
Brest Holdings Limited	286,315	286,315
Kluisberg Investment Holdings Limited	146,667	106,667
	<u>3,345,714</u>	<u>4,415,393</u>

The loans to Project IV Holdings Pte. Ltd., Perlake Investments Ltd, Brest Holdings Limited, and part of the loan to Kluisberg Investment Holdings Limited, amounting to US\$80,000, are unsecured, non-trade, interest-free and repayable on demand. Part of the loan to Kluisberg Investment Holdings Limited amounting to US\$66,667 is repayable on pari passu basis.

The carrying amount of the loans approximate their fair values as at the end of the reporting date due to their short-term nature.

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2018***5. Financial assets at fair value through profit or loss (continued)**

The Fund's investments are denominated in the following currencies:

	2018 US\$	2017 US\$
United States Dollar	30,333,332	28,871,093
Norwegian Krone	1,912,732	2,022,411
British Pound	1,376,648	1,458,486
Russian Ruble	792,000	259,500
	34,414,712	32,611,490

6. Receivables

	2018 US\$	As restated 2017 US\$
Interest on loans receivable (Note 5)	12,624	-
Prepayments	1,125	1,125
Others	86,896	48,862
	100,645	49,987

7. Payables

	2018 US\$	2017 US\$
Management fees payable	150,080	176,538
Accruals	36,665	37,400
Trustee, administrator and custodian fees payable	20,000	20,000
Others	1	47,821
	206,746	281,759

The Fund's payables are denominated in the following currencies:

	2018 US\$	2017 US\$
United States Dollar	170,081	244,359
Singapore Dollar	36,665	37,400
	206,746	281,759

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2018***8. Units in issue**

The number of shares issued and outstanding are as follows:

	For the financial year ended 31 December 2018 Number of Units	As restated For the financial year ended 31 December 2017 Number of Units
Balance at beginning and of year	50,252,525	50,252,525
Redeemed on 31 August 2017	-	(1,666,667)
Balance at end of year	50,252,525	48,585,858

	For the financial year ended 31 December 2018 US\$	As restated For the financial year ended 31 December 2017 US\$
Balance at beginning of year	48,000,000	50,000,000
Redeemed on 31 August 2017	-	(2,000,000)
Balance at end of year	48,000,000	48,000,000
Net assets attributable to unitholder	41,967,792	44,425,155
Net asset value per unit	0.86	0.91

9. Financial risk management*Risk management objectives and policies*

The Fund's activities expose it to a variety of market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. The Manager will implement various procedures and controls to manage the risks associated with an investment in the units. The Manager will ensure that the risk management and compliance procedures and controls adopted are adequate and that it has the necessary expertise to control and manage the risks relating to investments in the respective types of instruments. The Manager may modify the risk management and compliance procedures and controls as it deems fit and in the interests of the Fund.

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2018***9. Financial risk management (continued)**

The following is a summary of the main risks and risk management policies:

(a) Market risk

Market risk is the risk of potential adverse changes to the value of financial instruments because of changes in market conditions such as interest rate and currency rate movements and volatility in security prices.

The Fund's investments are monitored by the Manager on a regular basis so as to assess changes in fundamentals and valuation. Although the Manager conducts detailed analysis before making investment decisions, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the net asset value of the Fund. The Manager may also select other financial instruments within the investment guidelines as set out in the Fund's Trust Deed. Guidelines are set to reduce the Fund's risk exposure to market volatility through diversifying the portfolio by investing across various geographies and industry sectors.

(i) Currency risk

The assets and income of the Fund may be substantially denominated in currencies other than US\$. Currency fluctuations between foreign currencies and US\$ may affect the income and valuation of the assets of the Fund in ways unrelated to business performance. The Manager generally does not hedge currency positions of the Fund unless exceptional circumstances require it to do so. In the event that the Manager does employ currency hedging techniques, it will be done so to minimise the impact of the exchange rate fluctuations on the Fund and/or for the purpose of efficient portfolio management.

The table below summarises the Fund's exposure to foreign currency:

	<u>NOK</u>	<u>GBP</u>	<u>RUB</u>	<u>SGD</u>
As at 31 December 2018				
Financial assets				
Financial assets at fair value				
through profit or loss	1,912,732	1,376,648	792,000	-
Financial liabilities				
Payables	-	-	-	(36,665)
Total	<u>1,912,732</u>	<u>1,376,648</u>	<u>792,000</u>	<u>(36,665)</u>

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2018***9. Financial risk management (continued)****(a) Market risk (continued)****(i) *Currency risk (continued)***

	<u>NOK</u>	<u>GBP</u>	<u>RUB</u>	<u>SGD</u>
As at 31 December 2017, as restated				
Financial assets				
Financial assets at fair value through profit or loss	2,022,411	1,458,486	259,500	-
Financial liabilities				
Payables	-	-	-	(37,400)
Total	<u>2,022,411</u>	<u>1,458,486</u>	<u>259,500</u>	<u>(37,400)</u>

The following table shows the Fund's sensitivity to key foreign currency exposures should the following increase/(decrease) by a reasonable possible shift with all other variables held constant.

	Reasonable possible foreign exchange increase/(decrease)		Impact of increase/ (decrease) in foreign exchange rates on the profit after tax to the Fund	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	%	%	US\$	US\$
NOK	5/(5)	5/(5)	95,637/(95,637)	101,121/(101,121)
GBP	5/(5)	5/(5)	68,832/(68,832)	72,924/(72,924)
RUB	5/(5)	5/(5)	39,600/(39,600)	12,975/(12,975)
SGD	5/(5)	5/(5)	(1,833)/1,833	(1,870)/1,870

(ii) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's exposure to interest rate arises primarily from the loans to its subsidiaries and a third party. The loans to the subsidiaries are interest free. The interest in loan receivable from the third party is a fixed interest rate. As such, the Fund is not exposed to significant cash flow interest rate risk on its debt investments.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Interest rate risk* (continued)

The Fund does not have significant exposure to interest rate risk arising from bank balances.

(iii) *Price risk*

The Fund's financial assets at FVTPL are affected by fair value movements. The impact of changes in fair value of the financial assets at FVTPL are disclosed under Note 9(e).

(b) Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due, including transactions with counterparties such as issuers, brokers, custodians and banks.

Impairment allowances are made for losses that have been incurred by the reporting date, if any. The Manager has in place procedures for proper credit screening and monitoring of credit risk, including the use of approved counterparties with credit limits set and subject to specified financial strength criteria. Exposure against all counterparties is then monitored on a regular basis.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets without taking into account the value of any collateral obtained. The Fund only deals with banks that have high credit-ratings assigned by international credit-rating agencies and a credit verification procedure is performed to counterparties who wish to engage in business with the Fund.

The Fund's cash account is held by a financial institution with a credit rating of AA-, as rated by Standard & Poor's. The credit rating refers to the long term default issuer rating of the financial institution.

As 31 December 2018 and 2017, financial assets that are exposed to credit risk, are neither past due nor impaired.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9. Financial risk management (continued)**(c) Liquidity risk**

The Fund's liquidity risk arises mainly from redemptions of units. To minimise this risk, redemption is subject to a minimum redemption amount with a corresponding minimum holding amount. Redemptions may, at the discretion of the Manager, be effected in cash or in specie by a transfer to the relevant unitholder of assets of the Fund or a combination of both. The Manager shall have the sole discretion to select the assets of the Fund to be transferred, the value of which shall be calculated as at the appropriate dealing day in accordance with the terms of the Trust Deed.

The Fund's financial liabilities are repayable within 12 months. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than <u>1 year</u> US\$
As at 31 December 2018	
Payables	<u>206,746</u>
As at 31 December 2017	
Payables	<u>281,759</u>

(d) Capital management

The Fund's capital is represented by the net assets attributable to unitholder. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the unitholder, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Manager may call for additional subscriptions or distribute funds to the unitholder.

The Manager monitors capital on the basis of the value of the net assets attributable to the unitholder.

(e) Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2018***9. Financial risk management (continued)****(e) Fair value estimation (continued)**

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value as at 31 December 2018 and 31 December 2017:

	<u>Level 1</u> US\$	<u>Level 2</u> US\$	<u>Level 3</u> US\$	<u>Total</u> US\$
As at 31 December 2018				
Asset				
Financial assets at FVTPL	-	-	34,414,712	34,414,712

As at 31 December 2017

Asset				
Financial assets at FVTPL	-	-	32,611,490	32,611,490

The Fund's investments in the Subsidiaries and financial assets at FVTPL are categorised as Level 3 investments. The fair value of Subsidiaries are based on their net asset values while the fair value of financial assets at FVTPL is determined with reference to a valuation performed by an independent third party.

Investments in Subsidiaries are valued at fair value based on the latest net asset value of the Subsidiaries' shares. The Manager reviews the details of the net asset value information obtained from the Administrator's Delegate and considers:

- The value date of the net asset value per share of the Subsidiaries, which is calculated by the Administrator's Delegate;
- The valuation model adopted by the Subsidiaries in fair valuing the underlying investments; and
- The liquidity of the Subsidiaries' underlying investments.

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2018***9. Financial risk management (continued)****(e) Fair value estimation (continued)**

If necessary, the Fund makes adjustments to the net asset value of the Subsidiaries to obtain the best estimate of fair value.

Investments in financial assets at FVTPL are valued at fair value based on a valuation performed by an independent third party. The valuation methodology used by the independent third party was the comparable company/bond approach. The following assumptions and inputs are used in the calculation:

- Forecast and actual revenue and earnings before interest, taxes, depreciation and amortisation ("EBITDA") of the investee's underlying investment as at acquisition date;
- Forecast and actual revenue and EBITDA of the investee's underlying investment as at reporting date; and
- Multiples for benchmark comparable companies/bonds.

The valuation used is as at 31 December 2017 as the latest valuation as at 31 December 2018 is not yet available at the time of the preparation of the financial statements.

The following table presents the movement in Level 3 investments for the year ended 31 December 2018:

	2018 US\$	2017 US\$
Financial assets at FVTPL		
Balance at beginning of financial year	32,611,490	48,549,066
Additions	3,999,239	9,372,952
Disposals	(1,000,000)	(15,665,233)
Unrealised loss in fair value of financial assets at FVTPL	(1,196,017)	(9,645,295)
Balance at end of financial year	<u>34,414,712</u>	<u>32,611,490</u>
Total loss recognised in profit or loss for financial assets held at the end of the financial year	<u>(1,181,015)</u>	<u>(8,704,595)</u>

Except for cash at bank which is classified as Level 1, the Fund's assets and liabilities not measured at fair value at 31 December 2018 have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9. Financial risk management (continued)

(e) Fair value estimation (continued)

During the year, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement. Transfers between levels of the fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances that caused the transfer.

10. Related-party transactions

Parties are considered to be related to the Fund if the Fund has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Fund and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties include the Manager and Trustee and parties by reason of their relationship with the Manager and Trustee.

The management fees paid to the Manager and the trustee, administrator and custodian fees charged by the Trustee are shown in the Statement of Total Return.

The Manager is entitled to receive a management fee equivalent to 2% per annum of the net asset value of the Fund (subject to a maximum of 3% of the net asset value of the Fund), calculated monthly in arrears. During the financial year ended 31 December 2018, management fees charged to the Fund amounted to US\$1,041,036 (2017: US\$1,158,662).

A single administration, trustee and custodian fee equivalent to 0.15% per annum of the net asset value of the Fund for the first US\$50 million, 0.10% per annum of the net asset value of the Fund on the next US\$50 million, and 0.05% of the net asset value of the Fund thereafter (subject to a maximum of US\$150,000 per annum and a minimum of US\$120,000 per annum) is calculated monthly in arrears and payable to the parties acting as Administrator, Trustee and Custodian of the Fund. During the financial year ended 31 December 2018, such fees charged to the Fund amounted to US\$120,000 (2017: to US\$96,365).

Other related-party transactions during the financial year ended 31 December 2018 and 2017 include loan arrangements with a subsidiaries and with an affiliate (see Note 5).

LANG CAPITAL FUND*(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2018***11. Restatements and reclassifications**

During the financial year ended 31 December 2018, the following accounts were restated/reclassified:

	As previously stated/classified US\$	As restated/ reclassified US\$
Income		
Interest income on loans receivable	882,614	-
Gain on value of loans receivable	149,575	-
Gain on sales of investment in shares	1,011	-
Expense		
Management fees	1,192,201	1,158,662
Trustee, administrator and custodian fees	97,176	96,365
Legal fees	89,543	107,790
Other professional fees	31,043	60,375
Others	3,657	3,888
Net loss on value of investments	9,654,400	(8,704,595)
Asset		
Financial assets at fair value through profit or loss	42,626,405	32,611,490
Liability		
Payables	251,874	281,759
Equity		
Net assets attributable to unitholder	54,469,955	44,425,155
Unitholder's funds		
Change in net assets attributable to unitholder resulting from operations	9,132,793	(10,272,862)

LANG CAPITAL FUND

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NOTES TO THE FINANCIAL STATEMENTS

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12. Financial ratios

Expense ratio ¹		Turnover ratio ²	
2018	2017	2018	2017
2.67%	2.86%	-2.09%	17.12%

¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio was based on operating expenses for the year of US\$1,275,956 (2017: US\$1,566,098) divided by the average net asset value for the financial year ended 31 December 2018 of US\$47,821,478 (2017: US\$54,675,807). The annualised operating expenses do not include (where applicable), brokerage and other transaction costs, performance fee, interest expense, distribution paid out to unitholder, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the month-end balances.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the value of the additions/disposals of the underlying investments divided by the average month-ended net asset value of US\$47,821,478 (2017: US\$54,675,807).

During the financial year ended 31 December 2018, the total value of disposals amounting to US\$1,000,000 is lower than the total value of additions amounting to US\$3,999,239. Therefore, the total value of disposals of US\$1,000,000 is used in the calculation of portfolio turnover ratio.

During the financial year ended 31 December 2017, the total value of additions amounting to US\$9,372,952 is lower than the total value of disposals amounting to US\$15,665,233. Therefore, the total value of additions of 9,372,952 is used in the calculation of portfolio turnover ratio.