

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

UNAUDITED FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

DIRECTORY

Manager

Abacus Capital (S) Pte Ltd
11 Beach Road
#06-01
Singapore 189675

Trustee, Administrator and Custodian

Asiaciti Trust Singapore Pte.Ltd.
163 Penang Road
#02-03 Winsland House II
Singapore 238463

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UNAUDITED FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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WHITE ORCHID FUND

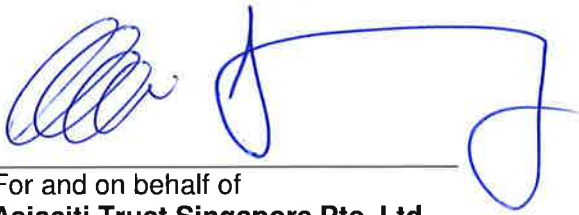
(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

REPORT OF THE TRUSTEE

For the financial year ended 31 December 2015

The Trustee is under a duty to take into custody and hold the assets of White Orchid Fund (the "Fund") in trust for the unitholder. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the "laws and regulations"), 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 the unaudited financial statements.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the period covered by these financial statements, set out on pages 3 to 26, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.



For and on behalf of
Asiaciti Trust Singapore Pte. Ltd.
As Trustee of the White Orchid Fund

Date: 29 February 2016

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

STATEMENT BY THE MANAGER

For the financial year ended 31 December 2015

In the opinion of the directors of Abacus Capital (S) Pte Ltd, the accompanying financial statements set out on pages 3 to 26, 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 of White Orchid Fund (the "Fund") as at 31 December 2015 and the total return and changes 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 directors of
Abacus Capital (S) Pte Ltd

Date: 29 February 2016

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

STATEMENT OF TOTAL RETURN*For the financial year ended 31 December 2015*

	Notes	2015 S\$	For the financial period from 20 December 2013 (date of constitution) to 31 December 2014 S\$
Income			
Other income		-	-*
		-	-*
Expenses			
Management fees		403,876	220,845
Other professional fees		42,054	-
Audit fee		36,412	35,000
Net foreign exchange losses		34,716	4,531
Trustee, administrator and custodian fees		34,354	18,523
Listing fees		18,279	-
Travel and accommodation expenses		9,405	-
Bank charges		510	110
Others		1,239	115
		<u>580,845</u>	<u>279,124</u>
Net expenses		(580,845)	(279,124)
Net gain or loss on value of investment			
Net gains on investment	5	<u>1,821,308</u>	<u>1,445,105</u>
Total return for the year/period		<u>1,240,463</u>	<u>1,165,981</u>

indicates amount less than S\$1The accompanying notes form an integral part of these financial statements.*

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 S\$	2014 S\$
ASSETS			
Bank balances	4	3,794	4,213
Financial assets at fair value through profit or loss	5	28,155,642	26,334,334
Prepayment		423	-
Total assets		28,159,859	26,338,547
LIABILITIES			
Payables	6	864,186	283,337
Total liabilities		864,186	283,337
EQUITY			
Net assets attributable to unitholder	7	27,295,673	26,055,210

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

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

STATEMENT OF MOVEMENTS OF UNITHOLDER'S FUNDS*For the financial year ended 31 December 2015*

	Note	2015 S\$	For the financial period from 20 December 2013 (date of constitution) to 31 December 2014 S\$
Net assets attributable to unitholder at beginning of the financial year/period		26,055,210	-
Operations			
Change in net assets attributable to unitholder resulting from operations		1,240,463	1,165,981
Unitholder's contribution			
Creation of units	7	-	24,889,229
Total increase in net assets attributable to unitholder		1,240,463	26,055,210
Net assets attributable to unitholder at end of the financial year/period		27,295,673	26,055,210

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

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

STATEMENT OF PORTFOLIO*As at 31 December 2015*

	Holdings at 31 December 2015	Fair value at 31 December 2015	Percentage of net assets attributable to unitholder at 31 December 2015
By geography		S\$	%
Unquoted			
Equity			
Hong Kong (country of domicile)			
Koi Investment Services Limited	1	-	-
Debt security			
Hong Kong (country of domicile)			
Koi Investment Services Limited		28,155,642	100
Portfolio of investments		28,155,642	100
Other net assets		-	-
Net assets attributable to unitholder		28,155,642	100

The Fund invests wholly into Koi Investment Services Limited which is registered in Hong Kong, hence no secondary classification has been presented.

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

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

STATEMENT OF PORTFOLIO*As at 31 December 2015*

	Holdings at 31 December 2014	Fair value at 31 December 2014	Percentage of net assets attributable to unitholder at 31 December 2014
By geography		S\$	%
Unquoted			
Equity			
Hong Kong (country of domicile)			
Koi Investment Services Limited	1	-	-
Debt security			
Hong Kong (country of domicile)			
Koi Investment Services Limited		26,334,334	100
Portfolio of investments		26,334,334	100
Other net assets		-	-
Net assets attributable to unitholder		26,334,334	100

The Fund invests wholly into Koi Investment Services Limited which is registered in Hong Kong, hence no secondary classification has been presented.

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

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

1. General information

White Orchid Fund (the "Fund") is an open-ended Singapore unit trust constituted by a Deed of Trust dated 20 December 2013 (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 Abacus Capital (S) Pte Ltd (the "Manager") and the Trustee is Asiatic Trust Singapore Pte. Ltd. (the "Trustee").

The Fund has 100% interest in Koi Investment Services Limited ("Koi" or the "Subsidiary"), a company incorporated in Hong Kong on 14 June 2013. The principal activity of Koi is investment holding (refer to Note 5).

The Fund and its Subsidiary were established to pursue investment opportunities in private investments which benefit from overall economic growth of Southern Africa and achieve long-term return on capital. The portfolio of the private investments will be broadly diversified across a range of industries, with primary focus on the infrastructure and energy related sectors.

The Fund was listed on the official list of Singapore Stock Exchange ("SGX") on 22 July 2015. The Fund will not be traded on SGX as the securities are not Central Depository eligible and, as a result, unable to be settled through Central Depository. The Fund's subscription of units is restricted to family members of the Principal Investor (as defined in the Information Memorandum) who are accredited investors only.

Platinum Bull Investment S.A. ("PB") holds 100% of the Fund's units.

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.

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.1 Basis for preparation (continued)

On 1 January 2015, 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.

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 Financial assets at FVTPL

(i) Initial recognition

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

(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 year in which they arise.

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.4 Financial assets at FVTPL (continued)

(iii) Derecognition

Investments are derecognised on the trade date of disposal. 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 or loss on value of investment' 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) Investment valuation

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

The investment in the Subsidiary is valued at fair value, which is based on the latest net asset value of the Subsidiary's shares. The Investment 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 Subsidiary, which is calculated by the Administrator's Delegate.
- The valuation model adopted by the Subsidiary in fair valuing the underlying investments.
- The liquidity of the Subsidiary's underlying investments.

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

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.5 Loans and receivables

Bank balances are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at the end of each reporting period whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significantly delay its payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These assets are presented as current assets except for those that are expected to be realised later than twelve (12) months after the end of each reporting period, which are presented as non-current assets.

2.6 Payables

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

2.7 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 Singapore Dollar ("S\$"), which is the Fund's functional and presentation currency.

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)**2.7 Foreign currencies (continued)****(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 and liabilities carried at FVTPL are presented in the Statement of Total Return within 'Net gains on investment'.

2.8 Investment entity and consolidation

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

Although the Fund's units are all held directly by PB, it indirectly has multiple ultimate beneficial owners. The Fund holds multiple investments indirectly through its Subsidiary (Note 5). The Fund is deemed to meet the definition of an investment entity per FRS 110 as the following conditions exist:

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

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.8 Investment entity and consolidation (continued)

Although the Fund does not meet all of the typical characteristics of an investment entity (namely, the Fund does not have multiple unrelated investors nor multiple direct investments), it is nevertheless an investment entity because it was formed in conjunction with its Subsidiary and effects multiple investments through its Subsidiary.

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 Subsidiary are carried at fair value.

2.9 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, (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 Subsidiary (Note 5) is an investment in an unconsolidated structured entity. The Fund invests in the Subsidiary whose objectives range from achieving medium to long term capital growth and applies various investment strategies to accomplish its investment objectives. The Subsidiary finances its operations by issuing ordinary shares which entitles the Fund to a proportionate stake in the Subsidiary's net assets and shareholder loans. The maximum exposure to loss is the fair value of the investments listed on the statement of financial position of S\$ 28,155,642 and S\$ 26,334,334 as at 31 December 2015 and 2014, respectively.

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(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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.

3.1 Critical accounting estimates and assumptions*Fair value of loans held in the Subsidiary*

The fair values of the loans extended to the intermediate/ultimate borrowers that are not quoted in an active market are determined by using valuation techniques, primarily the Liquidation / Net Realisable Value approach. The models used to determine fair values are validated and periodically reviewed by the Manager and approved by the Trustee. The inputs in the valuation model include observable data such as the loan amounts extended to the intermediate borrowers, and unobservable data, such as recovery rate of these borrowers.

3.2 Critical judgements in applying the Fund's accounting policies*Functional currency*

The Fund considers the S\$ to be the functional currency. The S\$ is the currency in which the Fund measures its performance and reports its results, as well as the currency in which the majority of expenses and future running costs will be incurred.

4. Bank balances

Cash at bank is denominated in the following currencies:

	2015 S\$	2014 S\$
Singapore Dollar	2,380	2,890
United States Dollar	1,414	1,323
	<u>3,794</u>	<u>4,213</u>

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 31 December 2015***5. Financial assets at FVTPL**

<u>Name of subsidiary</u>	<u>Type</u>	<u>Cost S\$</u>		<u>Fair value S\$</u>	
		2015	2014	2015	2014
Koi	Equity share	-*	-*	-	-
Koi	Shareholder loan	<u>24,889,229</u>	<u>24,889,229</u>	<u>28,155,642</u>	<u>26,334,334</u>
Investment in subsidiary		<u>24,889,229</u>	<u>24,889,229</u>	<u>28,155,642</u>	<u>26,334,334</u>

**indicates amount less than S\$ 1*

On 31 March 2014, the Fund acquired 1 ordinary share with a nominal value of HK\$ 1 of Koi. Koi is a wholly owned Subsidiary of the Fund. The Fund and its Subsidiary operate as an integrated structure whereby the Fund invests into the Subsidiary by subscribing to the Subsidiary's share and providing a shareholder loan.

The fair value of the investment in the Subsidiary (equity share and shareholder loan) is based on the fair value of the underlying loans held by the Subsidiary. As at 31 December 2015 and 2014, the Subsidiary only had the underlying loans as asset and shareholder loan from the Fund and accruals as liabilities, and no other assets or liabilities on its statement of financial position.

In 2014, the Fund had entered into a loan facility arrangement with the Subsidiary whereby the Subsidiary borrowed the amount of US\$ 19,905,014 (equivalent to S\$ 24,924,063) from the Fund. The amount was originated from the subscription of the sole unitholder to the Fund on 23 May 2014. The loan is denominated in US\$ and interest-free. The settlement of these amounts is neither planned nor likely to occur in the foreseeable future. In substance, the shareholder loan represents additional interest in the Subsidiary, therefore the amounts are accounted for as investment in subsidiary. The loan is carried at fair value as at 31 December 2015 and 2014.

The Subsidiary had borrowed the loan to invest into debt instruments of various other third parties. The debt instruments are secured by the third parties' own shares.

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 31 December 2015***6. Payables**

	S\$	S\$
Amount due to unitholder (Note 8)	556,041	72,939
Management fees payable	237,964	158,860
Accrued expenses	52,500	35,000
Trustee, administrator and custodian fees payable	17,681	16,538
	<u>864,186</u>	<u>283,337</u>

7. Units in issue

During the year/period, the number of shares issued and outstanding are as follows:

	2015 Number of Units	For the financial period from 20 December 2013 (date of constitution) to 31 December 2014 Number of Units
Balance at beginning of year/period	19,905	-
Issued on 23 May 2014	-	19,905
Balance at end of year/period	<u>19,905</u>	<u>19,905</u>
	S\$	S\$
Balance at beginning of year/period	24,889,229	-
Issued on 23 May 2014	-	24,889,229
Balance at end of year/period	<u>24,889,229</u>	<u>24,889,229</u>
Net assets attributable to unitholder	S\$ 27,295,673	S\$ 26,055,210
Net asset value per unit	S\$ 1,371.30	S\$ 1,308.98

There is no difference between the pricing NAV and accounting NAV of the Fund.

WHITE ORCHID FUND

(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. 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 1.50% of the net asset value of the Fund (subject to a maximum of US\$ 2.5 million per annum), calculated monthly in arrears. During the year/period ended 31 December 2015 and 2014, management fees charged to the Fund amounted to S\$ 403,876 and S\$ 220,845, respectively.

A single administration, trustee and custodian fee equivalent to 0.10% per annum of the net asset value of the Fund (subject to a minimum of US\$ 25,000 per annum and a maximum of US\$ 150,000 per annum) is calculated monthly in arrears and payable to the parties acting as Administrator, Trustee and Custodian of the Fund. During the year/period ended 31 December 2015 and 2014, such fees charged to the Fund amounted to S\$ 34,354 and S\$ 18,523, respectively.

The unitholder had made payments on behalf of the Fund. During the period, the sole unitholder paid management fees, trustee fees and initial deposit on behalf of the Fund. The payment made on behalf of the Fund is recorded as "Amount due to unitholder" (Note 6).

Other transactions with related party during the period is the loan agreement with the Subsidiary disclosed in Note 5.

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(Constituted under a Trust Deed in the Republic of Singapore on 20 December 2013)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 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.

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 in private companies in Southern Africa across a range of industry sectors.

(i) *Currency risk*

The assets and income of the Fund may be substantially denominated in currencies other than S\$. Currency fluctuations between foreign currencies and S\$ 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 do so to minimise the impact of the exchange rate fluctuations on the Fund and/or for the purpose of efficient portfolio management.

The Fund's transactional currency risk arises from its foreign currency denominated financial assets at FVTPL.

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NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 31 December 2015***9. Financial risk management (continued)**(a) Market risk (continued)(i) *Currency risk* (continued)

The Fund's currency exposure to the US\$ is as follows:

	2015 S\$	2014 S\$
Financial assets		
Bank balances	1,414	1,323
Financial assets at FVTPL	28,155,642	26,334,334
Financial liability		
Payables	570,722	86,477
Net financial assets	27,586,334	26,249,180

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

	Reasonable possible foreign exchange increase/(decrease) 31 December 2015 %	Impact of increase/(decrease) in foreign exchange rates on the profit after tax of the Fund 31 December 2015 S\$
US\$	5/ (5)	1,379,317 / (1,379,317)

	Reasonable possible foreign exchange increase/(decrease) 31 December 2014 %	Impact of increase/(decrease) in foreign exchange rates on the profit after tax of the Fund 31 December 2014 S\$
US\$	5/ (5)	1,312,459 / (1,312,459)

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. Financial risk management (continued)

(a) Market risk (continued)

(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 risk arises primarily from the Subsidiary's debt investment. This exposure is monitored and managed by the Fund's Manager. The Subsidiary's loans to intermediate borrowers have a fixed interest rate. As such, the Fund is not exposed to significant cash flow interest rate risk on its debt investment.

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

(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 provided loans to its subsidiary, which invested in debt instrument of various third parties. The debt instruments are secured by the third parties' own shares. For the loans extended to unrated ultimate borrowers (refer to Note 5), the Manager continues to monitor the creditworthiness of the underlying borrowers throughout the investment period by reviewing the underlying borrowers' management accounts on a periodic basis for unusual items. The Manager engages with the borrowers' management to review on the business, and seeks the repayment of these loans when the ultimate borrowers pay the intermediate borrowers.

WHITE ORCHID FUND

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NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 31 December 2015***9. Financial risk management (continued)****(b) Credit risk (continued)**

As at 31 December 2015, the Subsidiary's intermediate loans are not past due since the Original Loan Agreements were all terminated and replaced by New Loan Agreements in December 2014. The loans are secured by the intermediate borrowers' own shares.

The Fund only deals with banks that have high credit-ratings assigned by international credit-rating agencies. As at 31 December 2015 and 2014, the Fund's bank accounts are 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 at 31 December 2015 and 2014, other than the loans to the ultimate borrowers, all other financial assets that are exposed to credit risk are neither past due nor impaired.

(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 table below summarises the maturity profile of the Fund's financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted cash flows.

	Less than 1 year S\$	1 to 3 years S\$	4 to 5 years S\$	Total S\$
As at 31 December 2015				
Financial asset				
Financial assets at FVTPL	-	12,275,446	16,880,196	28,155,642
Financial liability				
Payables	864,186	-	-	864,186

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NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 31 December 2015***9. Financial risk management (continued)****(c) Liquidity risk (continued)**

	Less than 1 year S\$	1 to 3 years S\$	4 to 5 years S\$	Total S\$
As at 31 December 2014				
Financial asset				
Financial assets at FVTPL	-	10,546,070	15,788,264	26,334,334
Financial liability				
Payables	283,337	-	-	283,337

All proceeds recovered by the Subsidiary from its financial assets at FVTPL will be used to repay the outstanding loan payable to the Fund.

As at 31 December 2015 and 2014, the unitholder has undertaken to provide financial support to the Fund to enable it to meet its liabilities as and when they fall due. The unitholder further confirms that it will not request repayment of the amount due or the redemption of units until such time that the Fund is financially capable of doing so.

(d) Capital management

The Fund's capital is represented by the net assets attributable to unitholders. 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.

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NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 31 December 2015***9. Financial risk management (continued)****(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:

- 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 and liabilities (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
As at 31 December 2015	S\$	S\$	S\$	S\$
Asset				
Financial assets at FVTPL	-	-	28,155,642	28,155,642
As at 31 December 2014	Level 1	Level 2	Level 3	Total
	S\$	S\$	S\$	S\$
Asset				
Financial assets at FVTPL	-	-	26,334,334	26,334,334

During the period, there were no transfers of assets or liabilities between levels of the fair value hierarchy.

The Fund's investment in the Subsidiary is categorised as a Level 3 investment. The financial assets at FVTPL (equity share and shareholder loan) are valued based on the fair value of the underlying loans held by the Subsidiary (see Note 5).

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NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 31 December 2015***9. Financial risk management (continued)****(e) Fair value estimation (continued)**

The Subsidiary's financial assets at FVTPL amounting to S\$ 28,155,642 and S\$ 26,334,334, as at 31 December 2015 and 2014, respectively, are all in Level 3 of the fair value hierarchy. The fair value of financial instruments that are not traded in an active market are determined using valuation technique. The Subsidiary values these financial assets using their net realisable values as computed by an independent third party.

The following assumptions and inputs are used in the calculation:

- Outstanding loans (principal and interest) amount for each of the intermediate debt
- Seniority of loans to other third party liabilities
- Recovery rate based on a Moody's study
- Unaudited financial information of ultimate borrowers
- Loan amounts for each of the loans between intermediate borrowers and the Subsidiary.

The table below summarises the Subsidiary's financial assets whose fair values are recognised in whole or in part using valuation techniques based on assumptions that are not supported by prices or other inputs from observable current market transactions in the same instrument. The unobservable inputs which significantly impact the fair value have been presented.

Fair value	Valuation technique	Key unobservable inputs	Impact	Reasonable possible shift +/-	Change in valuation +/-
2015					
<u>Debt instruments</u>					
S\$ 28,155,642	Net realisable value	Recovery rate	12.3%*	5%	S\$ 1,407,782

*Recovery rate as determined by the independent third party.

Fair value	Valuation technique	Key unobservable inputs	Impact	Reasonable possible shift +/-	Change in valuation +/-
2014					
<u>Debt instruments</u>					
S\$ 26,334,334	Net realisable value	Recovery rate	12.3%*	5%	S\$ 1,316,717

*Recovery rate as determined by the independent third party.

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NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 31 December 2015***9. Financial risk management (continued)****(e) Fair value estimation (continued)**

The Subsidiary also considers other liquidity, credit and market risk factors, refinancing and recent transactions as benchmarks and adjusts the valuation model as deemed necessary.

The following table presents the movement in Level 3 investment for the year/period:

	2015 S\$	2014 S\$
Financial assets at FVTPL		
Balance at beginning of financial year/period	26,334,334	-
Additions	-	24,889,229
Unrealised gain in fair value of financial asset at FVTPL	1,821,308	1,445,105
Balance at end of financial year/period	<u>28,155,642</u>	<u>26,334,334</u>
 Total gain recognised in profit or loss for financial assets held at the end of the financial year/period	 <u>1,821,308</u>	 <u>1,445,105</u>

As at 31 December 2015 and 2014, the fair value of the financial assets at FVTPL has been estimated to be S\$ 28,155,642 and S\$ 26,334,334, respectively. The Fund recognised unrealised foreign exchange gains relating to the financial assets carried at FVTPL amounting to S\$ 1,821,308 and S\$ 1,445,105 in 2015 and 2014, respectively.

Except for bank balances which are classified as Level 1, the Fund's assets and liabilities not measured at fair value as at 31 December 2015 and 2014 have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the end of the reporting date.

During the financial period, there were no transfers of assets or liabilities between levels of the fair value hierarchy.

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10. Financial ratios

	2015	2014
Expense ratio ¹	2.16%	1.11%
Turnover ratio ²	92.69%	98.89%

¹The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore. The calculation of the expense ratio was based on total expenses of S\$ 580,845 (2014: S\$ 279,124), divided by the average net asset value of S\$ 26,888,551 (2014: S\$ 25,204,242) for the financial year/period ended 31 December 2015 and 2014. The average net asset value is based on the month-end balances.

²The 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 lower of the total value of purchases or sales of the underlying investments, divided by the average month-ended net asset value of S\$ 26,888,551 (2014: S\$ 25,204,242) for the financial year/period ended 31 December 2015 and 2014. There were no sales during the financial year/period ended 31 December 2015 and 2014. As a result, the total value of purchase of S\$ 24,924,063 is used in the calculation of the portfolio turnover ratio.