

WHITE ORCHID FUND

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

UNAUDITED FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

DIRECTORY

Manager

Abacus Capital (S) Pte Ltd
7 Temasek Boulevard
#11-04/05
Suntec Tower One
Singapore 038987

Trustee, Administrator and Custodian

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

WHITE ORCHID FUND

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

UNAUDITED FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

Contents

	Page
Report of the Trustee	1
Statement by the Manager	2
Statement of Total Return	3
Statement of Financial Position	4
Statement of Movements of Unitholder's Funds	5
Statement of Portfolio	6 - 7
Notes to the Financial Statements	8 - 27

WHITE ORCHID FUND

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

REPORT OF THE TRUSTEE

For the financial year ended 31 December 2018

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, 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 period covered by these financial statements, set out on pages 3 to 27, 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: 28 MAR 2019

WHITE ORCHID FUND

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

STATEMENT BY THE MANAGER

For the financial year ended 31 December 2018

In the opinion of the directors of Abacus Capital (S) Pte Ltd, the accompanying financial statements set out on pages 3 to 27, 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 the portfolio holdings of White Orchid 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 the directors of
Abacus Capital (S) Pte Ltd

Date: 28/03/2019

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

	Notes	2018 S\$	2017 S\$
Income			
Net foreign exchange gain		-	116,607
Expenses			
Management fees	10	373,126	387,056
Audit fee		40,660	17,500
Net foreign exchange loss		38,095	-
Trustee, administrator and custodian fees	10	34,014	55,312
Travel and accommodation expenses		11,388	-
Other professional fees		7,859	28,989
Listing fees		5,350	5,350
Bank charges		515	570
Others		3,525	5,820
		<u>514,532</u>	<u>500,597</u>
Net expenses		(514,532)	(383,990)
Net gain/(loss) on value of investment	6, 9	<u>530,854</u>	<u>(2,177,609)</u>
Total return/(deficit) for the year before income tax		16,322	(2,561,599)
Less: Income tax	4	-	-
Total return/(deficit) for the year after income tax		<u>16,322</u>	<u>(2,561,599)</u>

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

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

	Notes	2018 S\$	2017 S\$
ASSETS			
Cash at bank	5	2,148	2,637
Financial assets at fair value through profit or loss	6	27,202,675	26,603,051
Receivables		208,599	35,559
Prepayment		3,586	12,211
Total assets		27,417,008	26,653,458
LIABILITY			
Payables	7	2,548,757	1,832,951
Total liability		2,548,757	1,832,951
EQUITY			
Net assets attributable to unitholder	8	24,868,251	24,820,507

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

WHITE ORCHID 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*

	2018 S\$	2017 S\$
Net assets attributable to unitholder at beginning of the financial year	24,851,929	27,382,106
Operations		
Change in net assets attributable to unitholder resulting from operations	16,322	(2,561,599)
Adjustment to prior year net assets	-	31,422
Total increase/(decrease) in net assets attributable to unitholder	16,322	(2,530,177)
Net assets attributable to unitholder at end of the financial year	24,868,251	24,851,929

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

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

	Holdings at 31 December 2018	Fair value at 31 December 2018	Percentage of net assets attributable to unitholder at 31 December 2018
By geography		S\$	%
Unquoted			
Equities			
British Virgin Islands (country of domicile)			
Evora Business Inc.	50,000	68,160	0.27
Hong Kong (country of domicile)			
Koi Investment Services Limited	1	-*	**
Debt security			
Hong Kong (country of domicile)			
Koi Investment Services Limited		27,134,515	109.11
Portfolio of investments		27,202,675	109.38
Other net liabilities		(2,334,424)	(9.38)
Net assets attributable to unitholder		24,868,251	100.00

* amount is below S\$1

** below 0.01%

The Fund invests wholly into investment holding companies, 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)***STATEMENT OF PORTFOLIO***As at 31 December 2018*

	Holdings at 31 December 2017	Fair value at 31 December 2017	Percentage of net assets attributable to unitholder at 31 December 2017
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		26,603,051	107.18
Portfolio of investments		26,603,051	107.18
Other net liabilities		(1,782,544)	(7.18)
Net assets attributable to unitholder		24,820,507	100.00

* amount is below S\$1

** below 0.01%

The Fund invests wholly into investment holding companies, 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)

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

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") and Evora Business Inc. ("Evora") (collectively referred to as "Subsidiaries"), which are incorporated in Hong Kong on 14 June 2013 and in British Virgin Islands on 20 June 2018, respectively. The principal activity of the Subsidiaries is investment holding.

The Fund and its Subsidiaries 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.

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)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.1 Basis for preparation (continued)

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.

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.

WHITE ORCHID FUND

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

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

(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.

(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 (loss)/ gain 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 values of the Subsidiaries are based on its net asset value. The net asset value of investment in Koi is determined with reference to a valuation performed by an independent third party while the net asset value of Evora approximates its cost.

WHITE ORCHID FUND

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

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 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)

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 functional currency of the Subsidiaries is the same as the functional currency of the Fund.

The Fund determines S\$ to be its functional currency, even though the units issued by the Fund as well as the investments in the Subsidiaries were made in US\$. This is due to the following:

- All future subscriptions into the Fund will be accepted in S\$.
- The Fund's performance is tracked and reported to unitholders in S\$.

(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 gain/(loss) on investment'.

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 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:

WHITE ORCHID FUND

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

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)

- (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 at fair value.

(b) *Subsidiaries*

The Fund does not have any other subsidiary other than those determined to be controlled subsidiary investments. Controlled subsidiary investments are measured at fair value through profit or loss 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 fair value through profit or loss, 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.

WHITE ORCHID FUND

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

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 the Subsidiaries.

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,
- (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,

WHITE ORCHID FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.10 Structured entities (continued)

- (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 investments in the Subsidiaries (Note 6) are investments 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 Fund to a proportionate stake in the Subsidiaries' 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\$27,202,675 (2017: S\$26,603,051).

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.

Functional currency

The Manager considers the S\$ to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. 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.

WHITE ORCHID FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Fair values of investments held in the Subsidiaries

The fair values of the investments held in the Subsidiaries that are not quoted in an active market are determined by using valuation techniques, primarily the Net Realisable Value approach. The models used to determine fair values are validated and periodically reviewed by the Manager and approved by the Trustee.

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.

4. Taxation

Pursuant and subject to the conditions of Section 13G of the Income Tax Act, there shall be exempt from tax such income as the Minister may by regulations prescribe of such foreign trust as specified in those regulations and administered by a trustee company in Singapore.

The Fund qualifies as a foreign trust within the meaning of section 13G of the Income Tax Act and meets the qualifying criteria set out in the Taxation section of the Information Memorandum.

WHITE ORCHID 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. Cash at Bank**

Cash at bank is denominated in the following currencies:

	2018 S\$	2017 S\$
United States Dollar	1,363	1,337
Singapore Dollar	785	1,300
	<u>2,148</u>	<u>2,637</u>

6. Financial assets at FVTPL

<u>Name of subsidiary</u>	<u>Type</u>	<u>Cost S\$</u>		<u>Fair value S\$</u>	
		2018	2017	2018	2017
Koi	Equity	-*	-*	-*	-*
Evora	Equity	68,770	-	68,160	-
Koi	Debt	24,889,229	24,889,229	27,134,515	26,603,051
		<u>24,889,229</u>	<u>24,889,229</u>	<u>27,202,675</u>	<u>26,603,051</u>

indicates amount less than S\$1*Equities**

Equities						
<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation/ place of business</u>	<u>Equity holdings</u>		<u>Net assets</u>	
			<u>2018</u> %	<u>2017</u> %	<u>2018</u> S\$	<u>2017</u> S\$
<u>Subsidiaries held by the Company</u>						
Evora	Investment holding	British Virgin Islands	100	-	68,160	-
Koi ⁽¹⁾	Investment holding	Hong Kong	100	100	-*	-*
⁽¹⁾ <u>Subsidiaries held by Koi</u>						
Bartlow Limited	Investment holding	Bahamas	100	100	-	-
Elloway Marketing S.A.	Investment holding	British Virgin Islands	100	100	-	-
Jefton Limited	Investment holding	Bahamas	100	100	-	-
Lost World Limited	Investment holding	Bahamas	100	100	-	-
Marigold Ventures Limited	Investment holding	Bahamas	100	100	-	-
Total					68,160	-*

**indicates amount less than S\$1*

WHITE ORCHID FUND*(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2018***6. Financial assets at FVTPL (continued)**

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

	2018 US\$	2017 US\$
United States Dollar	68,160	-
Hong Kong Dollar	-*	-*
	<u>68,160</u>	<u>-*</u>

*indicates amount less than S\$1

The Fund and its Subsidiaries operate as an integrated structure whereby the Fund invests into the Subsidiaries by subscribing to their share(s) and providing shareholder loan.

The debt security in Koi pertains to a loan denominated in US\$ which is interest-free. The settlement of this amount is neither planned nor likely to occur in the foreseeable future. The carrying amount of the loan approximates its fair value as at the end of the reporting date due to its short-term nature.

7. Payables

	2018 S\$	2017 S\$
Amount due to unitholder (Note 10)	2,029,913	1,299,759
Management fees payable (Note 10)	331,279	440,119
Accrued expenses	91,935	51,275
Amount due to Evora (Note 10)	68,160	-
Trustee, administrator and custodian fees		
Payable (Note 10)	16,005	33,413
Others	11,465	8,385
	<u>2,548,757</u>	<u>1,832,951</u>

Payables are denominated in the following currencies:

	2018 S\$	2017 S\$
United States Dollar	2,453,822	1,778,676
Singapore Dollar	94,935	54,275
	<u>2,548,757</u>	<u>1,832,951</u>

WHITE ORCHID 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

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

	2018 Number of Units	2017 Number of Units
Balance at beginning and end of year	<u>19,905</u>	<u>19,905</u>
	S\$	S\$
Balance at beginning and end of year	<u>24,889,229</u>	<u>24,889,229</u>
Net assets attributable to unitholder	<u>S\$24,868,251</u>	<u>S\$24,820,507</u>
Net asset value per unit	<u>S\$1,249.35</u>	<u>S\$1,246.95</u>

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 program 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.

WHITE ORCHID 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)**

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.

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

	2018	2017
	S\$	S\$
Financial assets		
Cash at bank	1,363	1,337
Financial assets at FVTPL	27,202,675	26,603,051
Receivables	208,599	35,559
	27,412,637	26,639,947
Financial liabilities		
Payables	2,453,822	1,778,676
Net financial assets	24,958,815	24,861,271

WHITE ORCHID 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)**

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)		Impact of increase/(decrease) in foreign exchange rates on the profit after tax of the Fund	
2018	2017	2018	2017
%	%	S\$	S\$
US\$ 5/(5)	5/(5)	<u>1,247,941/(1,247,941)</u>	1,243,064/(1,243,064)

(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 debt investments held by investees in Koi. This exposure is monitored and managed by the Fund's Manager. The loans to borrowers held by investees held in Koi 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.

(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.

WHITE ORCHID 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)

(b) Credit risk (continued)

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.

As at 31 December 2018 and 2017, 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.

The Fund provided loans to Koi, which invested in debt instruments of various third parties. In 2017, the debt instruments were converted into equities of said third parties. The Manager continues to monitor the underlying investments resulting from the conversion throughout the investment period by reviewing the underlying investees' management accounts on a periodic basis for unusual items and engages with the investees' management to review on the business of the underlying investments.

As at 31 December 2018 and 2017, the Fund's 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.

WHITE ORCHID 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)****(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 2018				
Financial assets				
Financial assets at FVTPL	27,202,675	-	-	27,202,675
Financial liabilities				
Payables	2,548,757	-	-	2,548,757
	Less than 1 year S\$	1 to 3 years S\$	4 to 5 years S\$	Total S\$
As at 31 December 2017				
Financial assets				
Financial assets at FVTPL	26,603,051	-	-	26,603,051
Financial liabilities				
Payables	1,832,951	-	-	1,832,951

All proceeds recovered by Koi from its own investees will be used to repay the outstanding loan payable to the Fund.

As at 31 December 2018 and 2017, 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.

WHITE ORCHID 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)****(d) Capital management (continued)**

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:

- 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 2018	S\$	S\$	S\$	S\$
Assets				
Financial assets at FVTPL	-	-	27,202,675	27,202,675
As at 31 December 2017	Level 1	Level 2	Level 3	Total
	S\$	S\$	S\$	S\$
Assets				
Financial assets at FVTPL	-	-	26,603,051	26,603,051

The Fund's investments in the Subsidiaries are categorised as Level 3 investments. The financial assets at FVTPL are valued based on the fair value of the underlying investments held by the Subsidiaries (see Note 6).

The investments in the Subsidiaries are valued at fair value, which are the Subsidiaries' net assets attributable to the Fund. The Manager reviews the details of the net asset value information obtained from the Trustee and considers:

WHITE ORCHID 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)**

- the value date of the Subsidiaries' net assets attributable to the Fund;
- the valuation model adopted by the Subsidiaries in fair valuing the underlying investments; and
- the liquidity of the Subsidiaries' underlying investments.

Koi's financial assets at FVTPL as at 31 December 2018 amounting to S\$27,134,515 (2017: S\$26,603,051), 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 techniques. Koi 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 ultimate debt
- Seniority of loans to other third party liabilities
- Recovery rate based on a Moody's study
- Unaudited financial information of ultimate borrowers/underlying investees
- Loan amounts for each of the loans between the investees held by Koi and the ultimate borrowers.

The table below summarises Koi'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 +/-
2018					
<u>Equities</u>					
S\$27,134,515	Net realisable value	Recovery rate	12.3%*	5%	S\$1,356,726
Fair value	Valuation technique	Key unobservable inputs	Impact	Reasonable possible shift +/-	Change in valuation +/-
2017					
<u>Equities</u>					
S\$26,603,051	Net realisable value	Recovery rate	12.3%*	5%	S\$1,330,153

*Recovery rate as determined by an independent third party.

WHITE ORCHID 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)**

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

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

The fair value of investment in Evora approximates its cost.

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

	2018 S\$	2017 S\$
Financial assets at FVTPL		
Balance at beginning of financial year	26,603,051	28,780,660
Addition	68,770	-
Unrealised gain/(loss) in fair value of financial asset at FVTPL	530,854	(2,177,609)
Balance at end of financial year	<u>27,202,675</u>	<u>26,603,051</u>
 Total gain/(loss) recognised in profit or loss for financial assets held at the end of the financial year	 <u>530,854</u>	 <u>(2,177,609)</u>

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 2018 and 2017 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.

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.

WHITE ORCHID FUND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Related party transactions (continued)

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\$2,500,000 per annum), calculated monthly in arrears. During the year ended 31 December 2018, management fees charged to the Fund amounted to S\$373,126 (2017: S\$387,056).

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 ended 31 December 2018, such fees charged to the Fund amounted to S\$34,014 (2017: S\$55,312).

The unitholder makes payments on behalf of the Fund. These payments are recorded as "Amount due to unitholder" (Note 7).

Other transactions with related parties are the loans granted to Koi and the loan from Evora as disclosed in Notes 6 and 7, respectively.

11. Financial ratios

	2018	2017
Expense ratio ¹	1.92%	1.94%
Turnover ratio ²	0.28%	-

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 S\$476,437 (2017: S\$500,597) divided by the average net asset value for the financial year ended 31 December 2018 of S\$24,840,316 (2017: S\$25,771,525). 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 purchases/sales of the underlying investments divided by the average month-ended net asset value of S\$24,840,316 (2017: S\$25,771,525). The total value of investment purchased during the financial year ended 31 December 2018 amounted to S\$68,770 (2017: nil) while there were no sales during the years ended 31 December 2018 and 2017. Therefore, the total value of investment purchased was used in the calculation of portfolio turnover ratio.
