RELIANCE JIO INFOCOMM PTE LTD

Financial Statements

For the Year ended 31st December, 2018

Independent Auditor's Report to the Member of Reliance Jio Infocomm Pte. Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reliance Jio Infocomm Pte Ltd (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 32.

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at December 31, 2018 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Public Accountants and
Chartered Accountants
Deloitte & Touche LLP
Singapore

April 15, 2019

Statement of Financial Position December 31, 2018

	Note	**2018**	2017
		US$	US$
ASSETS			
Current assets			
Cash and cash equivalents	6	**9,679,527**	687,941
Trade and other receivables	7	**5,285,989**	9,886,012
Prepayments		**808,512**	212,755
Loan to related company	5	**35,000,000**	-
Total current assets		**50,774,028**	10,786,708
Non-current assets			
Plant and equipment	8	**68,044,772**	75,583,707
Intangible assets	9	**44,148,797**	47,006,034
Prepayments		**3,718,651**	-
Total non-current assets		**115,912,220**	122,589,741
Total assets		**166,686,248**	133,376,449
LIABILITIES AND EQUITY			
Current liabilities			
Contract liabilities	10	**2,344,663**	-
Trade and other payables	11	**8,110,144**	21,947,002
Deferred revenue		**-**	765,475
Total current liabilities		**10,454,807**	22,712,477
Non-current liabilities			
Deferred revenue		**-**	8,841,913
Contract liabilities	10	**27,372,031**	-
Total non-current liabilities		**27,372,031**	8,841,913
Capital and accumulated losses			
Share capital	12	**129,400,000**	104,000,000
Accumulated losses		**(540,590)**	(2,177,941)
Net equity		**128,859,410**	101,822,059
Total liabilities and equity		**166,686,248**	133,376,449

See accompanying notes to financial statements.

Statement of Comprehensive Income Year Ended December 31, 2018

	Note	**2018**	2017
		US$	US$
Revenue from operations	13	**52,360,813**	42,856,405
Other operating income	14	**639,656**	561
Changes in inventories		**-**	(11,117,170)
Purchases and related cost		**(15,066,687)**	(67,675)
Depreciation and amortisation		**(8,813,893)**	(6,554,416)
Employee benefits expense		**(312,089)**	(273,335)
Bandwidth charges		**(9,097,639)**	(11,730,615)
Repair and maintenance expenses		**(5,040,078)**	(4,277,007)
Voice charges		**(11,626,388)**	(6,324,832)
Other operating expenses	15	**(1,406,344)**	(1,463,349)
Profit before income tax	16	**1,637,351**	1,048,567
Income tax	17	**-**	-
Profit for the year, representing total comprehensive income for the year		**1,637,351**	1,048,567

See accompanying notes to financial statements.

Statement of Changes in Equity Year ended December 31, 2018

	Share capital	Accumulated losses	Net
	US$	US$	US$
At January 1, 2017	98,000,000	(3,226,508)	94,773,492
Profit for the year, representing total comprehensive income for the year	-	1,048,567	1,048,567
Shares issued during the year, representing transactions with owners recognised directly in equity	6,000,000	-	6,000,000
At December 31, 2017	104,000,000	(2,177,941)	101,822,059
Profit for the year, representing total comprehensive income for the year	-	1,637,351	1,637,351
Shares issued during the year, representing transactions with owners recognised directly in equity	25,400,000	-	25,400,000
At December 31, 2018	129,400,000	(540,590)	128,859,410

See accompanying notes to financial statements.

Statement of Cash Flows Year ended December 31, 2018

	2018	2017
	US$	US$
Operating activities		
Profit before income tax	**1,637,351**	1,048,567
Adjustments for:		
Depreciation and amortisation	**8,813,893**	6,554,416
Interest income	**(530,863)**	-
Operating cash flows before working capital changes	**9,920,381**	7,602,983
Trade and other receivables	**4,699,611**	112,926
Inventories	**9,167,765**	11,184,839
Prepayments	**(4,314,408)**	(118,808)
Trade and other payables	**(23,444,246)**	7,336,148
Contract liabilities	**29,716,693**	-
Net cash from operating activities	**25,745,796**	26,118,088
Investing activities		
Purchase of plant and equipment	**(6,585,486)**	(26,364,636)
Transfer of plant and equipment to immediate holding company	**-**	2,057,890
Payment for intangible assets	**(1,000,000)**	(9,053,043)
Loan to related company	**(35,000,000)**	-
Interest received	**431,276**	-
Net cash used in investing activities	**(42,154,210)**	(33,359,789)
Financing activity		
Proceeds from issuance of ordinary shares, representing net cash from financing activity	**25,400,000**	6,000,000
Net increase (decrease) in cash and cash equivalents	**8,991,586**	(1,241,701)
Cash and cash equivalents at the beginning of the year	**687,941**	1,929,642
Cash and cash equivalents at the end of the year	**9,679,527**	687,941

See accompanying notes to financial statements.

Notes on Financial Statements December 31, 2018

NOTES TO FINANCIAL STATEMENTS December 31, 2018

1 GENERAL

The Company (Registration No. 201303361N) is incorporated in the Republic of Singapore with its principal place of business and registered office at 250 North Bridge Road, #16-02A, Raffles City Tower, Singapore 179101.

The principal activities of the Company is to establish international connectivity and provision of services related to international and domestic Bandwidth, IP Transit, IP Peering, Internet Exchange, Voice and Data Roaming and Dark Fibre. The Company was granted a Licence on July 8, 2013 to provide Facilities - Based Operations ("FBO") by the Info-Communications Development Authority of Singapore (now known as Info-communications Media Development Authority of Singapore).

The financial statements of the Company for the financial year ended December 31, 2018 were authorised for issue by the Board of directors on April 15, 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – In the current financial year, the Company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual period beginning on or after January 1, 2018. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

<u>FRS 109 *Financial Instruments*</u>

FRS 109 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment of financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the financial statements are described below.

The Company applied FRS 109 with an initial application date of January 1, 2018. The Company has not restated the comparative information, which continues to be reported under FRS 39. Effects arising from the adoption of FRS 109 have been recognised directly in retained earnings.

The adoption of FRS 109 did not have a material impact on the Company's Statement of Financial Position for the year ended December 31, 2018.

Notes on Financial Statements December 31, 2018

The significant accounting policies for financial instruments under FRS 109 are disclosed in Note 2.

(a) Classification and measurement of financial assets and financial liabilities

The Company has applied the requirements of FRS 109 to instruments that have not been derecognised as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. The classification of financial assets is based on two criteria: the Company's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. There are no changes in classification and measurement of the Company's financial assets and financial liabilities.

(b) Impairment of financial assets

FRS 109 requires an expected credit loss model as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, FRS 109 requires the Company to recognise a loss allowance for expected credit losses on i) debt investments subsequently measured at amortised cost or at FVTOCI, ii) lease receivables, iii) contract assets and iv) loan commitments and financial guarantee contracts to which the impairment requirements of FRS 109 apply.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 Construction Contracts, FRS 18 Revenue and the related Interpretations. FRS 115 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Details of these new requirements as well as their impact on the financial statements are described below.

The Company has applied FRS 115 using the modified retrospective method with the cumulative effect of initially applying this Standard recognised at the date of initial application (January 1, 2018) as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under FRS 11, FRS 18 and the related Interpretations. The Company has elected to apply this Standard retrospectively only to contracts that are not completed contracts at the date of initial application.

FRS 115 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has adopted the terminology used in FRS 115 to describe such balances. The Company's significant accounting policies for its revenue streams are disclosed in Note 2. Apart from providing more extensive disclosures on the Company's revenue transactions, the amount of adjustment for each financial statement line item affected by the application of FRS 115 for the current year is illustrated below.

The effects of adopting FRS 115 under the modified retrospective approach are presented and explained below:

(A) Impact on the Statement of Financial Position as at January 1, 2018 (date of initial application)

	Previously reported as at December 31, 2017	Adoption of FRS 115	(Note)	Adjusted as at January 1, 2018
	US$	US$		US$
Current liabilities				
Deferred Revenue	765,475	(765,475)	(a)	-
Contract liabilities	-	765,475	(a)	765,475
Non-current liabilities				
Deferred revenue	8,841,913	(8,841,913)	(a)	-
Contract liabilities	-	8,841,913	(a)	8,841,913

Notes on Financial Statements December 31, 2018

(B) Impact of FRS 115 on the Statement of Financial Position as at December 31, 2018 (current reporting period)

	Under previous FRS	Adoption of FRS 115	(Note)	Under new FRS
	US$			US$
Current liabilities				
Deferred revenue	2,344,663	(2,344,463)	(a)	-
Contract liabilities	-	2,344,663	(a)	2,344,663
Non-current liabilities				
Deferred revenue	27,372,031	(27,372,031)	(a)	-
Contract liabilities	-	27,372,031	(a)	27,372,031

(a) Some services rendered are paid upfront as part of the initial sales transaction whereas revenue is recognised when services are provided to the customer. There has been an adjustment to reflect the change in accounting and the amount previously recognised as deferred revenue has been reclassified as a contract liability.

The adoption of FRS 115 did not have a material impact on the Company's operating, investing and financing cash flows, and Statement of Comprehensive Income for the year ended December 31, 2018.

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Company were issued but not effective:

FRS 116 *Leases*
(Applies to annual periods beginning on or after January 1, 2019)

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

As at December 31, 2018, the Company has non-cancellable operating lease arrangements of US$29,282 (2017 : US$62,280). FRS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases. A preliminary assessment indicates that these arrangements will meet the definition of a lease under FRS 116. The management is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the management completes the review.

Consequential amendments were also made to various standards as a result of these new/revised standards.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition.

Financial assets (before January 1, 2018)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction

Notes on Financial Statements December 31, 2018

costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Trade and other receivables, cash and bank balances

Trade and other receivables, cash and bank balances are subsequently measured at amortised cost using the effective interest method less impairment losses. Interest is recognised by applying the effective interest method, except for short-term balances when the effect of discounting is immaterial.

Impairment of financial assets

The amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount is reduced through the use of an allowance account. When the receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets (from January 1, 2018)

Classification of financial asset

Debt instruments mainly comprise cash and bank balances, loans, trade and other receivables that meet the following conditions and are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

Notes on Financial Statements December 31, 2018

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 365 days past due and it is established that debts are likely to be irrecoverable or that it is uneconomic to pursue further the debt, whichever occurs sonner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Notes on Financial Statements December 31, 2018

Measurement and recognition of expected credit losses

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

Derecognition of financialassets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognized on an effective yield basis, except for short-term payables when the effect of discounting is immaterial.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in-first-out basis. Cost comprises cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

PLANT AND EQUIPMENT -Plant and equipment are carried at cost, less accumulated depreciation and any accumulated impairment losses. Plant and equipment in the course of construction for production, supply and administrative purpose is carried at cost, less any recognised impairment loss.

Notes on Financial Statements December 31, 2018

Cost includes professional fees and, for qualifying assets, borrowing cost capitalised in accordance with Company's accounting policy. Depreciation commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following basis:

Plant and equipment - 5 to 15 years

The estimated useful lives, residual values and depreciation method are reviewed year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Fully depreciated assets still in use are retained in the financial statements.

INTANGIBLE ASSETS - Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

IMPAIRMENT OF NON-FINANCIAL ASSETS - At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flow shave not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in Statement of Profit or Loss.

PROVISIONS - Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Notes on Financial Statements December 31, 2018

REVENUE RECOGNITION (before January 1, 2018) - Revenue is measured at the fair value of the consideration received or receivables. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised over the period services are rendered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

REVENUE RECOGNITION (from January 1, 2018) - The Company recognises revenue from establishing international connectivity and providing services related to international and domestic Bandwidth, IP Transit, IP Peering, Internet Exchange, Voice and Data Roaming and Dark Fibre. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer. The Company has concluded that it is the principal in its revenue arrangements and records revenue on a gross basis because it typically controls the goods or services before transferring them to the customer.

Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration entitled in exchange for those services.

Rendering of services

Revenue from a contract to provide voice services and sale of ownership rights in submarine cable capacity is recognised at point in time and revenue from contracts to provide data services (including IP transit, sale of bandwidth on lease / IRU and Operation and Maintenance of network infrastructure) is recognised over time by measuring the progress towards complete satisfaction of performance obligations at the reporting period.

Revenue is measured at the amount of consideration which the Company expects to be entitled to in exchange for transferring distinct goods or services to a customer as specified in the contract, excluding amounts collected on behalf of third parties (for example taxes and duties collected on behalf of the government).

Consideration(net of any discounts, rebates, credits, price incentives or similar terms)is generally due upon satisfaction of performance obligations and a receivable is recognised when it becomes unconditional. Generally, the credit period varies between 30-60 days from the delivery of services.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all

Notes on Financial Statements December 31, 2018

taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when it relates to items charged or credited to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The financial statements of the Company are presented in United States dollars, the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. All exchange differences are recognised in profit or loss.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, management is of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements except for those involving estimates as indicated below.

<u>Impairment of plant and equipment and intangible assets</u>

The Company assesses annually whether plant and equipment and intangible assets have any indication of impairment in accordance with the accounting policy. If an indication of impairment is identified, the carrying amounts of the plant and equipment and intangible assets are determined on the basis of the net recoverable amounts. The net recoverable amount is determined based on higher of fair value less cost to sell and value-in-use. The carrying amount of plant and equipment and intangible assets are disclosed in Note 8 and 9 to the financial statements.

<u>Calculation of loss allowance</u>

When measuring ECL, the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Notes on Financial Statements December 31, 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The following table sets out the financial instruments as at the end of the reporting period:

	2018	2017
	US$	US$
Financial assets		
Financial assets at amortised cost	**49,965,516**	10,573,953
Financial liabilities		
Financial liabilities at amortised cost	**8,110,144**	21,947,002

a) Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting a loss to the Company.

Except for amount owing to immediate holding Company, the Company has no significant concentration of credit risk with third parties. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Cash is held with a reputable financial institution. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. Further, loan to a related company is to a company within the Ultimate holding company's group of subsidiaries, hence there is minimal risk.

The Company's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses (ECL)**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL -not credit-impaired
In default	Amount is > 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL -credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.	Amount is written off

b) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company has minimal interest rate risk as the cash and cash equivalents and loans to related company are placed on a short-term basis and the Company does not have any financial liabilities which are subject to interest payments at any time during the financial period.

c) Foreign exchange risk management

Foreign exchange risk is the risk that the values of a financial instrument will fluctuate due to changes in foreign exchange rates. Those exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

At the end of reporting period, the carrying amount of monetary assets and monetary liabilities denominated in currency other than the Company's functional currency is as follow:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	US$	US$	**US$**	US$
Singapore dollar	**12,704**	18,752	**14,838**	28
Great Britain Pound	**-**	-	**589,779**	1,444,189

No sensitivity analysis is prepared as the Company does not expect any material effect on the Company's profit or loss and equity arising from the effects of reasonably possible changes to foreign exchange rates at the end of the reporting period.

Notes on Financial Statements December 31, 2018

d) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company will ensure that sufficient liquidity is available to meet all of its commitments by raising loans or arranging other facilities as and when required. The management expects to remain liquid through positive operating cash flows in the next 12 months.

e) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents,loan to related party, other receivables, other payables and other accruals approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

f) Capital management policies and objectives

The Company's objectives while managing capital are to safeguard its ability to continue as a going concern. The Company is not a debt geared Company and the equity is attributable to the parents of the Company. The capital management process is determined and managed at the ultimate holding Company level. The Company's overall strategy remains unchanged from the previous financial year.

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a wholly-owned subsidiary of Reliance Jio Infocomm Limited, incorporated in India. The ultimate holding Company is Reliance Industries Limited, also incorporated in India. Related companies in these financial statements refer to members of the ultimate holding Company's group of companies.

Some of the Company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements.

Inter company balances are unsecured, interest-free and repayable on due dates as per the credit terms listed in the invoices. The average credit terms are 30 to 45 days (2017 : 30 to 45 days). The loan to Reliance Global Energy Services (Singapore) Pte Limited bears interest at 1 month LIBOR + 0.45% spread. The loan is due earlier of 12 months or repayable on demand.

All significant transactions with holding company and related companies:

	2018	2017
	US$	US$
Immediate holding Company		
Sale of goods and services	**37,435,978**	36,683,913
Transfer of fixed assets	**-**	2,057,890
Voice charges	**(9,579,708)**	(6,083,199)
Bandwidth Cost	**(4,453,250)**	-
Related companies		
IP Transit charges	**(6,281,722)**	(5,178,640)
Professional services received	**(302,490)**	(15,642)

For purpose of impairment assessment, the above loan due from related party is assessed to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on these amounts since initial recognition. Accordingly, for the purpose of impairment assessment for these loan receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the financial position of the related company, adjusted for factors that are specific to that related company and general economic conditions of the industry in which the respective related company

Notes on Financial Statements December 31, 2018

operates, in estimating the probability of default of the loan as well as the loss upon default. Arising from the assessment, no loss allowance was recognised in profit or loss for the year in respect of loan receivables from related company.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Compensation of key management personnel

There are no key management personnel apart from the Company's directors. Directors' remuneration is disclosed in Note 16 to the financial statements, which comprises of only short-term benefits.

6 CASH AND CASH EQUIVALENTS

	2018	2017
	US$	US$
Cash at bank	**1,679,527**	687,941
Deposits	**8,000,000**	-
	9,679,527	687,941

The interest rate of fixed deposits at the reporting date is 2.67% to 2.78% and for tenures of 3 to 6 months.

7 TRADEAND OTHER RECEIVABLES

	2018	2017
	US$	US$
Outside parties	**2,678,836**	8,641,786
Trade receivables due from immediate holding company	**2,598,390**	1,235,392
Rent deposit	**8,763**	8,834
	5,285,989	9,886,012

The average credit period on trade receivables is 30 to 60 days (2017 : 30 to 60 days). No interest is charged on overdue receivables.

Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The management concluded that the expected credit loss allowance is immaterial after applying lifetime ECL as the debtors are of good creditability. Thus, no allowance provision for the amounts was recognised.

<u>Previous accounting policy for impairment of trade receivables</u>

In 2017, doubtful debt allowances for trade receivables were determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. No allowances of were made based on collective assessment of receivables.

Included in the Company's trade receivables balance were debtors with a carrying amount of $2,548,079 which were past due at the end of reporting period for which the Company had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable.

Notes on Financial Statements December 31, 2018

The table below is an analysis of trade and other receivables as at the end of the reporting period:

	2017
	US$
Not past due and not impaired	7,337,933
Past due but not impaired [i]:	
1 to 30 days overdue	74,990
31 to 60 days overdue	9,265
> 90 days overdue	2,463,824
	9,886,012

8 PLANT AND EQUIPMENT

	Plant and machinery	Construction work-in-progress	Total
	US$	US$	US$
Cost:			
At January 1, 2017	22,171,977	32,854,220	55,026,197
Additions	-	26,364,636	26,364,636
Transfer to plant and machinery	57,030,683	(57,030,683)	-
Transfer to inventories[1]	-	(67,669)	(67,669)
Transfer to immediate holding Company	-	(2,057,890)	(2,057,890)
At December 31, 2017	79,202,660	62,614	79,265,274
Additions	-	6,585,486	6,585,486
Transfer to plant and machinery	5,462,801	(5,462,801)	-
Transfer to inventories [1]	(9,486,583)	-	(9,486,583)
At December 31, 2018	75,178,878	1,185,299	76,364,177
Accumulated depreciation:			
At January 1, 2017	559,073	-	559,073
Depreciation for the year	3,122,494	-	3,122,494
At December 31, 2017	3,681,567	-	3,681,567
Depreciation for the year	4,956,656	-	4,956,656
Transfer to inventories[1]	(318,818)	-	(318,818)
At December 31, 2018	8,319,405	-	8,319,405
Carrying amount:			
At December 31, 2018	66,859,473	1,185,299	68,044,772
At December 31, 2017	75,521,093	62,614	75,583,707

The Company has participated in consortium arrangements with various telecommunication companies for joint laying of cable systems and development of network infrastructure necessary for providing telecommunication services in Singapore. The amounts paid by the Company as part of the consortium arrangements are included under "Construction work-in-progress".

[1] The Company identified certain items of plant and machinery for transfer to inventories. During the respective financial years, all inventories transferred from plant and machinery during the respective reporting periods have been sold as at the end of the respective reporting periods.

Notes on Financial Statements December 31, 2018

9 INTANGIBLE ASSETS

	Rights-to-use capacity	Intangible assets under development	Total
	US$	US$	US$
Cost:			
At January 1, 2017	22,446,677	22,997,932	45,444,609
Additions	-	9,053,043	9,053,043
Transfer to Rights-to-use capacity	32,050,975	(32,050,975)	-
At December 31, 2017	54,497,652	-	54,497,652
Additions	-	1,000,000	1,000,000
Transfer to Rights-to-use capacity	1,000,000	(1,000,000)	-
At December 31, 2018	55,497,652	-	55,497,652
Accumulated amortisation:			
At January 1, 2017	4,059,696	-	4,059,696
Charge for the year	3,431,922	-	3,431,922
At December 31, 2017	7,491,618	-	7,491,618
Charge for the year	3,857,237	-	3,857,237
At December 31, 2018	11,348,855	-	11,348,855
Carrying amount:			
At December 31, 2018	44,148,797	-	44,148,797
At December 31, 2017	47,006,034	-	47,006,034

The “Rights-to-use capacity” has a useful life of 15 years from the date of agreement and is amortised over the balance useful life from the commencement of usage.

The amortisation expense has been included in the line item “depreciation and amortisation expense” in profit or loss.

10 CONTRACT LIABILITIES

The revenue are billed upfront as part of the initial sales transaction whereas revenue is recognized over the period when services are provided to the customers. A contract liability is recognised for revenue relating to the services at the time of the initial sales transaction and is released over the service period.

There were no significant changes in the contract liability balances during the reporting period.

The amount of revenue recognised in the current reporting period which relates to brought-forward contract liabilities is $765,475.

11 TRADE AND OTHER PAYABLES

	2018	2017
	US$	US$
Outside parties	**5,594,823**	16,592,661
Amount due to holding Company (Note 5)	**758,892**	3,083,451
Amount due to related companies(Note 5)	**1,699,250**	2,230,437
Accruals	**57,179**	40,453
	8,110,144	21,947,002

The credit period on purchases of goods range from 30 to 45 days (2017 : 30 to 45 days).
No interest is charged on overdue balances.

Notes on Financial Statements December 31, 2018

12 SHARE CAPITAL

	Number of ordinary shares	US$
Issued and fully paid:		
Balance at January 1, 2017	98,000,000	98,000,000
Shares issued during the year	6,000,000	6,000,000
Balance at December 31, 2017	104,000,000	104,000,000
Shares issued during the year	25,400,000	25,400,000
Balance at December 31, 2018	129,400,000	129,400,000

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

13 REVENUE FROM OPERATIONS

A disaggregation of the Company's revenue for the year is as follows:

	Network Connectivity
	US$
	2018
Types of goods and service	
Proxy Sale	16,334,032
Bandwidth Lease Charges	2,186,187
Bandwidth Services	2,364,784
IRU	1,480,627
NOC & NA	590,553
Voice Charges	12,048,981
Operational and Maintenance Service	2,066,812
IP Transit	15,288,837
	52,360,813

	Network Connectivity
Geographical Markets	US$
Asia & Middle East	49,351,216
Europe	1,395,527
USA	1,614,070
	52,360,813
Timing of revenue recognition	
At a point in time	28,383,013
Over time	23,977,800
	52,360,813

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for services as at the end of the reporting period is US$29,716,694. Management expects that US$2,344,663 will be recognised as revenue during the next reporting period. The remaining amounts would be recognised in future financial periods when all performance obligations have been fulfilled.

Notes on Financial Statements December 31, 2018

14 OTHER OPERATING INCOME

	2018	2017
	US$	US$
Interest income (Note 5)	530,863	561
Others	108,793	-
	639,656	561

15 OTHER OPERATING EXPENSE

	2018	2017
	US$	US$
Colocation charges	1,114,913	1,158,835
License fees	66,123	82,588
Professional fees	39,221	99,373
Rent expense	35,138	33,971
Others	150,949	88,582
	1,406,344	1,463,349

16 PROFIT BEFORE INCOME TAX

Profit before income tax includes the following charges:

	2018	2017
	US$	US$
Directors' remuneration	166,386	158,215
Employee benefits expenses (including directors' remuneration)	312,089	273,335
Net foreign exchange losses	63,898	16,338

17 INCOME TAX

The income tax expense varied from the amount of tax expense determined by applying the Singapore tax rate of 17% (2017 : 17%) to profit before income tax as a result of the following differences:

	2018	2017
	US$	US$
Profit before income tax	1,637,351	1,048,567
Income tax expense at statutory rate of 17% (2017 : 17%)	278,350	178,256
Effect of non-taxable income	(365,522)	(2,659)
Effect of taxes on expenses that was capitalised	-	-
Effect of utilisation of tax losses and tax offsets previously not recognised as deferred tax assets	-	(177,688)
Effect of unused tax losses not recognised as deferred tax assets	87,172	-
Others	-	2,091
Total income tax expense	-	-

The Company has deductible temporary differences arising from unutilised capital allowance, tax losses and excess of tax written down value over net book value of plant and equipment and intangible assets of approximately US$4,039,856(2017 : US$3,094,171) in respect of which no deferred tax benefit has been recognised due to uncertainty as to when the benefit will be realised. The use of these balances is subject to the agreement of the tax authorities and compliance with certain provisions of tax legislation.

Notes on Financial Statements December 31, 2018

18 OPERATING LEASE ARRANGEMENTS

The Company as lessee

At the reporting date, the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	US$	US$
Minimum lease payments paid under operating leases	**35,138**	33,971
Obligation on non-cancellable leases:		
Within one year	**29,282**	33,971
In the second to fifth year inclusive	**-**	28,309
	29,282	62,280

Operating lease arrangements are for rental of office space for 3years (2017 : 3 years) and rentals are fixed at the inception of the lease.

19 CAPITAL COMMITMENTS

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	2018	2017
	US$	US$
Commitments for the acquisition of plant and equipment	**1,361,652**	3,373,829