



Moving FORWARD

ANNUAL REPORT 2016



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CORPORATE PROFILE

DIRECTORS

Dato' Moehamad Izat Emir
Chairman

Wong Chin Yong
Managing Director & CEO

Ong Kah Hock
Independent Non-Executive Director

Arslan Koichiev
Independent Non-Executive Director

Yang Kiin *(Appointed on 15 November 2016)*
Independent Non-Executive Director

Bernard Ong *(Appointed on 31 March 2017)*
Independent Non-Executive Director

Jeremy Dyer *(Resigned on 4 November 2016)*
Independent Non-Executive Director

COMPANY SECRETARY

Stanley Chu Kam Po

AUDIT COMMITTEE

Ong Kah Hock *Chairman*

Dato' Moehamad Izat Emir

Arslan Koichiev *(Appointed on 15 November 2016)*

Jeremy Dyer *(Resigned on 4 November 2016)*

REMUNERATION COMMITTEE

Dato' Moehamad Izat Emir *Chairman*

Ong Kah Hock

Arslan Koichiev *(Appointed on 29 April 2016)*

Jeremy Dyer *(Resigned on 4 November 2016)*

NOMINATING COMMITTEE

Dato' Moehamad Izat Emir *Chairman*

Ong Kah Hock

Arslan Koichiev *(Appointed on 29 April 2016)*

Jeremy Dyer *(Resigned on 4 November 2016)*

COMPANY REGISTRATION NO

197301788K

REGISTERED AND BUSINESS OFFICE

190 Middle Road
#19-07 Fortune Centre
Singapore 188979

SHARES REGISTRAR & TRANSFER OFFICE

Intertrust Singapore Corporate Services Pte Ltd
77 Robinson Road #13-00 Robinson 77
Singapore 068896

WARRANT AGENT

B.A.C.S Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

AUDITORS

Moore Stephens LLP
Public Accountants and Chartered Accountants
(Appointed on 25 October 2012)
Partner in charge since financial year ended 2014:
Ms Lao Mei Leng

SOLICITORS

Robert Wang & Woo LLP
Straits Law Practice LLC

BANKERS

DBS Bank Ltd
United Overseas Bank Ltd

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

The year ended 31 December 2016 ("FY2016") has been a challenging year for Innopac Holdings Limited ("Innopac", "the Group", or "the Company"). The business environment was not favourable for the implementation of our business plans, and the volatility of the financial markets was not favourable for our investments in marketable securities and financial instruments.

However, we remain resilient and continue to focus our efforts on the future. The Company exercised strict financial discipline and spared no efforts to shed all superfluous expenses and to contain all expenses necessary for the operation of the Company.

Administrative expenses was reduced by 33.9 % from S\$2.4 million in FY2015 to S\$1.6 million in FY2016. As a result, our loss before income tax decreased from S\$35.7 million in FY2015 to S\$3.4 million in FY2016, partly due to the fact that there were no major impairments as in the previous financial year. All in, the loss attributable to shareholders decreased from S\$49.0 million to S\$3.4 million. Loss per ordinary share decreased from 1.12 Singapore cents in FY2015 to 0.08 Singapore cents in FY2016.

The Company's current ratio was 0.29 as at 31 December 2016 compared to 0.96 as at 31 December 2015. The gearing ratio as at 31 December 2016 was 51.3%. Cash of S\$4.8 million was generated from operation in 2016, as compared to use of S\$2.6 million in operation during 2015. Net asset value per ordinary share stood at 0.28 Singapore cents per ordinary share as at 31 December 2016, compared to 0.35 Singapore cents as at 31 December 2015.

FINANCIAL REVIEW

Financial performance

Revenue from continuing operations was S\$0.002 million in FY2016 mainly due to a net gain arising from trading of marketable securities, as compared to a net loss of S\$0.024 million in FY2015.

Revenue from discontinued operations was S\$0.486 million from the CNG refilling stations business in the PRC, in FY 2015. The Group ceased to derive income from this business since FY 2015.

Gross loss from discontinued operations was S\$0.1 million in FY 2015. There was an unrealised loss from investment trading activities of S\$0.1 million in FY 2016, as compared to an unrealised loss of S\$1.4 million in FY 2015. The unrealised fair value gain/(loss) reflected the changes in the market value of the Group's investments in marketable securities.

Net loss from derivative instruments and other assets/liabilities decreased to S\$0.2 million in FY 2016 from S\$1.2 million in FY 2015. The decrease was mainly due to fair value losses from the Group's investments in



derivative instruments. The net fair value loss reflected the changes in market value of the underlying assets.

Other income increased to S\$0.3 million in FY 2016 from S\$0.1 million in FY 2015, mainly due to the unrealised gain on investment property, but partly offset by a net realised loss in forex trading.

Administrative expenses decreased to S\$1.6 million in FY 2016 from S\$2.4 million in FY 2015. The decrease was mainly due to decrease of non-cash expenses arising from grant of share awards and share options.

Other expenses decreased to S\$1.8 million in FY 2016 from S\$30.9 million in FY 2015, mainly due to lower provision for impairment of receivables.

Finance income decreased to S\$0.1 million in FY 2016 from S\$0.2 in FY 2015, mainly due to decrease in interest income from the Company's investment in fixed income instruments.

Loss from continuing operations decreased to S\$3.4 million in FY 2016 from S\$35.7 million in FY 2015. The decrease was mainly due to lower provision for impairment of receivables.

There was no gain or loss from discontinued operations in FY 2016 as compared to a loss of S\$13.5 million in FY 2015 which was mainly due to an impairment of goodwill.

The exchange loss on translation of foreign operations decreased to S\$0.2 million in FY 2016 from S\$1.4 million in FY 2015. The exchange differences were mainly due to changes of the Malaysian Ringgit against the Singapore Dollar.

CHAIRMAN'S STATEMENT

Financial position

There was no material change for property, plant and equipment during FY 2016.

Investment properties comprising residential and commercial properties held for income and capital gain, increased to S\$9.7 million as at 31 December 2016 from S\$9.5 million as at 31 December 2015. The increase was mainly due to fair value gain.

Investment in a Joint Venture ("JV") which represents the Group's 50% equity and participating interest in a gold mining concession in the Kyrgyz Republic, increased to S\$0.8 million as at 31 December 2016 from S\$0.7 million as at 31 December 2015. The increase was mainly due to the Group's funding of the JV's development works program during FY 2016.

The Group's available-for-sale investments as at 31 December 2016 was S\$6.1 million, comprising:

- (i) the rights to receive the net proceeds of 60 finished lots of land situated at Sawyer Falls, Pierce County, Washington State, USA, amounting to S\$4.6 million; and
- (ii) an equity investment in Trackplus Sdn Bhd with a valuation of S\$1.5 million.

Current assets decreased to S\$4.1 million as at 31 December 2016 from S\$13.2 million as at 31 December 2015. The changes were due to:

- Investment held for trading decreased to S\$0.08 million as at 31 December 2016 from S\$0.3 million as at 31 December 2015, mainly due to disposal of investment held for trading and changes in fair value during FY 2016.
- Investment in fixed income instruments decreased to zero as at 31 December 2016 from S\$5.2 million as at 31 December 2015, due to redemption of fixed income instruments during FY 2016.
- Trade receivables decreased to zero as at 30 September 2016 from S\$1.3 million as at 31 December 2015, mainly due to settlement of S\$1.2 million by the trade debtor in FY 2016.
- Other receivables and prepayments decreased to S\$2.5 million as at 31 December 2016 from S\$3.7 million as at 31 December 2015. The decrease was mainly due to additional impairment provided for uncollectible receivables.
- Cash and cash equivalents decreased to S\$1.6 million as at 31 December 2016 from S\$2.6 million as at 31 December 2015, mainly due to the Group's operating activities.

As at 31 December 2016, current liabilities increased to S\$14.1 million from S\$13.7 million as at 31 December 2015. Current liabilities exceeded current assets by S\$10.0 million as at 31 December 2016.

CORPORATE DEVELOPMENTS**Use of proceeds from 2013 share placement and 2014 rights issue**

As at 31 December 2016, the use of proceeds from the 2014 rights issue and the 2013 share placement are as follows:

	2014 Rights Issue S\$'000	2013 Share Placement S\$'000
General working capital	1,022	2,500
Business Expansion	7,961	9,066
Investments at cost, and held in cash/cash equivalent	-	18,223
TOTAL	8,983	29,789

S\$18.2 million from the 2013 share placement was invested in marketable securities pending deployment for the intended purposes of the placement. As disclosed in the 2013, 2014, and 2015 Annual Reports, the Company had in 2013 contracted to sell certain marketable securities. The Company had been expecting to collect this trade receivable under the Sales and Purchase Agreement with the counterparty, and had this trade receivable been fully recovered, this S\$18.2 million investment in marketable securities would have been realised in cash and available for business expansion. The Company is not optimistic of further recoverability of the outstanding receivable and full provision had been made.

The Company had used S\$1.0 million from the 2014 rights issue proceeds for working capital. This was S\$0.1 million more than originally intended for working capital.

BUSINESS REVIEW

The Company has three main investments:

Microalgae cultivation and extraction of oil Joint Venture

The Company has a 70% equity interest in a joint venture with Primeforth Renewable Energy Limited ("Primeforth") for the commercial cultivation of microalgae. By-products extracted from the harvested microalgae by Primeforth's proprietary process include biofuel that is of fuel oil grade, and waste meal that can be sold as animal feed. The joint venture's first project was budgeted at US\$12.5 million, an amount which was to be provided by the Company, whilst Primeforth's contribution to the project will be its intellectual property, domain expertise and operational know-how.

The Company began to advance money for the first project in January 2016 and has so far advanced a total of S\$6.0 million. In May 2016 the Company informed Primeforth that it is unlikely to provide the full funding of US\$12.5 million as contemplated in the joint venture agreement by November 2016.

CHAIRMAN'S STATEMENT

Following discussions between the Company and Primeforth it was agreed that the first project will be implemented in three (3) phases. The budget for Phase 1 is S\$6.0 million and will be sufficient for the commencement of operation on a reduced scale, and the generation of revenue.

Site preparation which began in May 2016 is near completion, orders and supply of tanks, piping and other equipment which had to be re-negotiated and re-configured due to the down-sizing of the project have been finalised.

Barring any unforeseen circumstances the Company expects the joint venture company to commence commercial operations and generate revenue by mid-2017.

The profitability of this joint venture is subject to fluctuations in crude palm oil prices and foreign exchange rates as prices for crude microalgae oil is benchmarked to crude palm oil prices.

Kyrgyz Republic Gold Mining Joint Venture

The Company through its wholly-owned subsidiary, Golden Eagle Mining Pte Ltd, has a 50% equity and participating interest in Artel Trade LLC ("Artel"), a Kyrgyz company which has a 63.72 sq. km. gold exploration and exploitation concession in the Kyrgyz Republic.

In 2016, mapping work was conducted in the north-west sector of the concession. The work plan for 2017 is being prepared by a local geological consultancy for review by Artel and subsequent submission to the Geological Agency of the Kyrgyz Republic for approval. One of the 2017 work plan is to undertake a pilot mining programme for the alluvial gold deposit together with other exploration work. The main objective of the work programme would be to update the alluvial gold reserves for registration in gold reserves State balance of the Kyrgyz Republic. This would enable Artel to proceed to mining the alluvial gold. As at the date of writing of this Annual report, the Company has not yet ascertained the timing for the approval of the 2017 work programme. The profitability of this joint venture is dependent on the success of its exploration, gold prices and cost of gold production in the Kyrgyz Republic.

Recovered Carbon Black Joint Venture

The Company has 50% equity interest in Superior Carbontech & Solutions Sdn Bhd, a joint venture company with RC Carbon Sdn Bhd, to set up a Recovered Carbon Black ("rCB") production facility (the "Facility") in Malaysia. The Facility will produce rCB from waste end-of-life tyres char, and also provide waste management and recycling solutions including EPC (Engineering, Procurement, Construction) and project management, with the focus on recovery of valuable by-products and generation of renewable energy. The Facility would have a capacity of up to 28,800 MT per annum on a 24 hours x 300 days operations. The joint venture company's first year's planned production is 12,000 metric tonnes.

The Group has been seeking the necessary financing for the project. It is expected that the Facility will be

completed, commissioned and commence operations within 6 months from date of obtaining the necessary financing.

Other Business Developments

The Company is actively looking to the disposal of its investment properties in Malaysia, JV in China and the Sawyer Falls property rights in USA, and focus on the three abovementioned joint ventures. The Company is also looking for investment and acquisition opportunities in business that are profitable and generating cash flow.

OUTLOOK FOR THE YEAR AHEAD

The business environment for FY2017 is expected to remain challenging. Recent political and economic events such as Britain's exit from the Eurozone ("Brexit"), the new Presidency in the USA, conflict in the Middle East and political tensions in the South China Sea have created many unknowns and uncertainties for both the global and the Singapore economy for the year ahead.

However, I am optimistic that the business strategy we have embarked on will enable the Company to be well-positioned for recovery and enhancement of shareholder value. Barring the caveats mentioned in Business Review above, implementation of our development plans for our current portfolio of investments is expected to show positive progress during the coming year, and some investments will hopefully be able to begin generating a modest income stream.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank Mr Jeremy Dyer, who resigned on 4 November 2016, for his invaluable services as a director of your Company and also wish him success in his endeavours.

I am pleased to welcome our new director, Mr Bernard Ong, to your Company's Board of Directors. Mr Bernard Ong who was appointed on 31 March 2017 will serve as independent, non-executive director. Mr Ong brings to us a wealth of knowledge and experience in finance and banking, particularly financial structuring, M&A and strategic investments. He also has a wide network and contacts in the finance and banking, maritime, properties and development industries in the Asia.

I would also like to thank our shareholders for their patience and support as we continue to explore and evaluate business opportunities. To my fellow directors, I would like to thank you for your counsel and advice. Last, but not least, my gratitude and thanks to our business associates and partners for their confidence and trust in us, the management and staff for their hard work and dedication to the Company without which we would not be able to progress.

Dato' Moehamad Izat Emir

Chairman

8 April 2017

KEY PLAYERS

DIRECTORS' PROFILE

Dato' Moehamad Izat Emir, age 79, is the Chairman of Innopac Holdings Limited (Singapore). He was a director of the Company since November 1995 before he was appointed as Executive Chairman in August 2001. He relinquished his executive role in August 2002.

Dato' Izat is a prominent Malaysian businessman with extensive business and corporate experiences. Currently he is Deputy Chairman of SKB Shuttters Corporation Berhad, a Bursa Malaysia public listed company, Chairman of Emir Group of Companies, Deputy Chairman of Langkah Indera Properties Sdn Bhd and Executive Chairman of Imartek Sdn Bhd (formerly known as Impsa (Malaysia) Sdn Bhd), a hydro power plant company.

Dato' Izat is the President of Malay Businessmen and Industrialists Association Malaysia (PERDASAMA), an NGO with more than 18,000-strong members nation-wide since 1988. He is also appointed as Steering Committee for Malay Consultative Council, Malaysia since November 2014 and is also the Chairman of UMNO Setia Budi branch. Dato' Izat is a committee member on Economic Roundtable session with Prime Minister organised by Economic Planning Unit, Prime Minister's Office. He is also involved with the Malaysian Government's deliberation on dealing with the challenges facing the global halal industry.

Dato' Izat is active in connecting Malaysian businessmen and entrepreneurs with the local business council to collaborate and expand their businesses. He successfully collaborated with MCCC (Malaysia-China Chamber of Commerce) and Chinese Government in organising the Guangdong Maritime Silk Road International Expo for two consecutive years (2014 and 2015). This event is organised and held annually due to high demand from Malaysian businessmen and entrepreneurs.

He was appointed as MARDI (Ministry of Agriculture, Malaysia) Scientific Council member from June 2003 to 2013 and was also appointed as Chairman of Financial Committee Member of MTEM (Majlis Tindakan Ekonomi Melayu Bersatu) in December 2011. Formed in September 2011, MTEM is an NGO aimed to modernise the Malay economy, connecting the Malay Support Base to the Economic Transformation Program. He was also appointed as Advisory Council Member by Universiti Teknologi MARA (UiTM) from 2014 to 2016.

Dato' Izat has been actively involved in the promotion of international trade and was a committee member of the Malaysian-China Business Association, Malaysian-Thai Business Association and Chairman of the sub-committee for Economics-Trade and Investments of the Malaysia-Thailand Association. Dato' was also appointed by the Ministry of International Trade and Industry (MITI) Malaysia as a member of the Malaysia-Singapore Business Council in 2004. He was the Deputy President of the Malaysian-Finnish Business Council and was the Vice Chairman of the Malaysia-Cambodia Business Council. He had been invited thrice as the Malaysian representative observer in Uzbekistan elections.

Wong Chin Yong, age 65, is the Managing Director and Chief Executive Officer of the Company since 18 September 2001. Mr Wong is a Business Administration graduate from the University of Singapore. He has more than 40 years' experience in financial markets, investment banking, and management. Mr Wong spent his early career in treasury management with several international banks in Singapore before joining the Monetary Authority of Singapore as a senior officer. He also headed the Singapore branch of a U.S. investment bank in the 1980s. In the 1990s, Mr Wong was the chief executive of several public-listed companies in Canada, Hong Kong and Malaysia that were engaged in oil & gas exploration, gemstone mining, marketing and distribution.

Ong Kah Hock, age 63, has been a director of the Company since 31 August 2001. Mr Ong holds an MBA degree from University of Bradford, B.Sc. (Hons) degree from the University of Salford and Diploma in Marketing from Institute of Marketing, UK. He has more than 30 years' experience in marketing and general management in the shipbuilding, machinery and chemical industries. He is currently a director and general manager of a home appliances and hair care products distribution company.

Arslan Koichiev, age 52, was appointed as a director of the Company on 5 March 2014. Dr Koichiev holds a PhD in History from the Kyrgyz State University. He also attended the Master of Arts International and Comparative Legal Studies at the School of Oriental and African Studies, University of London. Currently, he is the director of Manas Resources LLC, a gold mining company in the Kyrgyz Republic. Dr Koichiev also headed Manas Coal LLC and Manas Minerals LLC, coal mining companies in the Kyrgyz Republic. From 2011 to 2012, he was the Country Consultant of Central Asia Resources, UK and a consultant to Premier Management Holdings, UK. From 1996 to 2011, he was a Radio Producer with the BBC World Service, London. Since 1994, Dr Koichiev has been a Political Columnist for "Kutbilim", a newspaper in the Kyrgyz Republic. He was also a Bishkek-based correspondent for Radio Free Europe and Radio Liberty of Munich, Germany from 1994 to 1996. Dr Koichiev has written and published three books in Kyrgyz, "The Disappearance: The Curse On The Bedel Pass", "Let My Words Reach Them" - which won him a second place in the national contest of writers in 2012 and "The Shaman and Genghis Khan", which he won the first place in the national contest of writers in 2014. Dr Koichiev is currently translating the late Mr Lee Kuan Yew's book - "From Third World to First: The Singapore Story, 1965-2000" into the Kyrgyz language.

KEY PLAYERS

Yang Kiin, age 39, was appointed as a director of the Company on 15 November 2016. Mr Yang holds a BSc (honours) degree in Applied Management Studies from University of Birmingham, Birmingham UK and a Finance degree from George Mason University, Va, USA. Since entering the Biomass industries in 2011, Mr Yang has worked in partners with numerous private companies and government sectors from Malaysia, Indonesia, Thailand, United Kingdom and Korea. Besides specialising in the trading side of this market, he is also knowledgeable in the technologies in setting up biomass plants, refinery systems, and waste to energy (“WTE”) plants. He also specialises in structuring and organising joint venture projects and products commercialisation.

Currently, Mr Yang is the Managing Director of RC Carbon Sdn Bhd, a company incorporated in Malaysia which is a customised business model for the production of recovered carbon black from waste tires. RC Carbon is developing projects in Malaysia, Vietnam, and the Middle East and is the project consultant for recycling and WTE. He was also the Managing Director of Gentech Innovation Limited from Jan 2014 to Jan 2016, a Hongkong EPC project development and consulting company focusing exclusively on the marketing and sales for torrefaction and gasification projects. From 2014 to 2015, he was the Managing Director of Enerlix Technology Sdn Bhd, a Malaysian company which develops and manufactures gasification and Co-Current Triple Pass Dryer as well as research and development for biomass solid fuel production.

Mr Yang was a panel speaker at the 4th International Conference on Oil Palm Biomass in May 2014, Indonesia – delivering a paper on “Torrefaction on Empty Fruit Bunch: A Reality Journey from R&D to Commercialisation”. He was also a speaker at the International Special Session: “Application Of Energy Sources Biomass” – “Issues with Oil Palm Waste to Energy: Influencing Factors and Solution” in Nov 2014 Autumn Meeting and Academic Research Presentation / Special Symposium I, II/Special Session I, II, III, IV and V held in Korea.

Mr Yang is also the Managing Director and CEO of Superior Carbontech & Solutions Sdn Bhd, as joint-venture with the Company to recover carbon black from end-of-life tires char.

Bernard Ong Kheng Chye, age 52, was appointed as a director of the Company on 31 March 2017. Mr Ong is a Business Administration graduate from the National University of Singapore. Currently, he is the Group Managing Director of Edge Capital Group, a financial services and family office provider in Singapore, Vietnam and the region. Edge Capital has multiple businesses mainly in real estate and food & beverages as well as strategic investments in various companies. Prior to this he was the Managing Director of the Glowtec Environmental Group, a regional environmental engineering group specializing in the provision of water and waste water treatment solutions within the region and also served as a Director of various companies including, SNF Ltd a public listed company on the SGX Main board.

Mr. Ong also served as a Council Member of the Maritime Port Authority’s – MERIT Committee for over 6 years as well as various other committees including that of the Services Committee of the Singapore Shipping Association. He was previously in the finance and banking industry for over 20 years and held managerial positions within HSBC’s corporate and investment banking as well as commercial banking divisions, (wherein he was credited for being a key driver and revenue contributor of the respective businesses). His finance and banking industry career spans several banks including the United Overseas Banking Group and the Oversea-Chinese Banking Group. His experience covers the breath of the financial sector with extensive experience in retail / consumer banking as well as local and regional transactions covering mergers and acquisitions, capital markets and syndicated transactions within the shipping, real estate, construction and oil & gas industries.

KEY EXECUTIVES’ PROFILE

Jenny Soh Woon Chuen is General Manager for Corporate Affairs of the Company. She is responsible for the day to day operations, administration, human resource and corporate affairs of the Singapore office. Ms. Soh joined the Company in January 1988 as Accounts Executive. After leaving the Group for a short period of six months for an executive search company as Finance and Administration Manager, she re-joined the Company in February 1993 as Assistant Manager (Finance). Ms. Soh was promoted to Corporate Manager in September 1996 where she was in charge of the Group’s various fund raising and corporate exercises. Due to her vast experience and knowledge of the Group, Ms. Soh was promoted to her current position in July 2001.

Stanley Chu Kam Po is the Group Financial Controller and Company Secretary. He joined the Company in June 2007 and took on the primary responsibility of overseeing the day to day operations of the finance department as well as the group accounts, finance, taxation, secretarial and other related functions. Mr. Chu holds a MBA degree from the Chinese University of Hong Kong, a Master degree in Information Systems from the Hong Kong Polytechnic, a Bachelor of Business degree from Curtin University of Technology, Western Australia and Bachelor of Laws degree from the University of Wolverhampton. He attained membership of the Chartered Institute of Management Accountants in 1985. Before assuming his current role, he was a director of an accounting and consulting service company for 5 years. Prior to this, he had over 20 years working experience in several corporations based in Hong Kong and Singapore, engaged in manufacturing, technology and ship repairing.

REPORT ON CORPORATE GOVERNANCE

Innopac Holdings Limited (the “Company”) and its subsidiaries (the “Group”) is committed to achieving and maintaining a high standard of corporate governance in complying with the Code of Corporate Governance 2012 (the “Code”), which forms part of the continuing obligations of SGX-ST listing rule. The Group has complied with all principles and guideline as set out in the Code during the financial year ended 31 December 2016 (“FY 2016”).

This Report describes the Group’s corporate governance practices with specific reference to the Code, pursuant to Rule 710 of the Listing Manual of SGX-ST.

BOARD MATTERS

Principle 1: The Board’s conduct of affairs

Principle 1 – Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with the Management to achieve this objective and Management remains accountable to the Board.

The Board of Directors (the “Board”) oversees the Group’s business affairs, sets broad and overall business objectives, provides guidance to and monitors the performance of Management.

The Board reviews and approves the Group’s strategic plans, key operational initiatives, major investments and funding decisions, identifies principal risks and ensures the implementation of internal control procedures to manage these risks and the performance of the Group.

The Board had delegated certain matters to specialised committees of the Board. The committees include the Audit Committee (the “AC”), the Nominating Committee (the “NC”) and the Remuneration Committee (the “RC”) (collectively, the “Board Committees”) whose actions are reported to and monitored by the Board. They assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively. The effectiveness of each Board Committee is also constantly reviewed by the Board.

All directors exercise diligence and independent judgment and make decisions objectively in the best interest of the Group and are fully cognizant of their responsibilities as fiduciaries of the Company.

The Board met regularly and as warranted during the year. Ad hoc meetings were also held to deliberate on significant transactions or issues where necessary. Attendance at Board meetings by telephone and video conferencing via audio-visual communication are allowed under the Constitution of the Company.

Since 7 April 2016, the number of meetings held and the attendance report of the Board and Board Committees are as follows:

Meeting of	Board		Audit Committee		Nominating and Remuneration Committee	
	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended
Dato’ Moehamad Izat Emir	6	6	4	4	1	1
Wong Chin Yong ¹	6	5	4	2	1	1
Ong Kah Hock	6	6	4	4	1	1
Arslan Koichiev	6	6	4	3	1	1
Jeremy Dyer ²	6	3	4	1	1	–
Yang Kiin ³	6	2	4	1	1	1
Bernard Ong Kheng Chye ⁴	6	–	4	–	1	–

¹ Mr Wong Chin Yong was invited to attend all the meetings.

² Mr Jeremy Dyer resigned on 4 November 2016.

³ Mr Yang Kiin was appointed on 15 November 2016 and he was invited to attend all the meetings.

⁴ Mr Bernard Ong Kheng Chye was appointed on 31 March 2017.

REPORT ON CORPORATE GOVERNANCE

Furthermore, Board approvals are required for all material matters, the release and announcement of the quarterly and full year results and all announcements on the SGXNet portal. A transaction, other than the ordinary course of business, is considered material if its value exceeds 5% of the Group's net tangible assets.

The Company does not have a formal training program for new directors. However, all newly appointed directors are fully apprised of the Group's business strategies, operations and organisation structure as well as Directors' fiduciary responsibilities and obligations. During the financial year reported on, the Board had received updates on regulatory changes to the rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual ("Listing Manual") and changes to the accounting standards. The Company also arranges and pays for directors' attendance and participation in directors training seminars and courses organised by external parties.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this report, the Board comprises six directors. Excluding the Chief Executive Officer ("CEO") all directors are independent non-executive directors (including the Chairman).

The directors of the Company are:

Dato' Moehamad Izat Emir (*Chairman*)
Wong Chin Yong (*Managing Director and CEO*)
Ong Kah Hock
Arslan Koichiev
Yang Kiin (*Appointed on 15 November 2016*)
Bernard Ong Kheng Chye (*Appointed on 31 March 2017*)

The NC adopts the Code's definition of an independent director in its annual review. Each member of the NC had abstained from deliberations in respect of the assessment on his own independence. As 83% of the Board comprised of independent and non-executive directors, the NC is of the view that the non-executive directors are independent directors and that no individual or small group of individuals dominates the Board's decision making process.

Two of the directors, namely Dato' Moehamad Izat Emir and Ong Kah Hock have served for more than 9 years. The Board had considered and determined their continued independence. The Board had determined that the directors concerned remained independent of character and judgment and there are no factors which are likely to affect, or could appear to affect, the directors' judgment. The Board is satisfied that the independence of character and judgment of each of the directors concerned was not in any way affected or impaired by the length of service and they can continue to discharge their duties objectively. The Board does not consider it to be in the interests of the Company or shareholders to require all directors who have served for more than 9 years to retire. The Board is also of the view that the in-depth understanding of the Group's business and operations gained by these directors will contribute to continuity and stability.

The Board is of the view that given the nature and scope of the Group's operations, the present Board size is optimal for effective decision-making. The Board composition is reviewed by the NC to ensure that the Board has the appropriate mix of expertise and experience. The NC is satisfied that the current Board members have the vast business and management experience, industry knowledge and strategic planning experience to provide core competencies and attributes for an effective Board. The directors' profiles are presented in pages 6 and 7 of the Annual Report.

All the directors of the Company constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting, agreed goals and objectives, and monitor the reporting of performance. The Independent Directors meet amongst themselves without the presence of the Management when necessary.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles and responsibilities of the Chairman and CEO are separated. There is no relationship between the Chairman and the CEO.

REPORT ON CORPORATE GOVERNANCE

The Chairman manages the business of the Board and Board Committees which assist in ensuring compliance with the Company's guidelines on corporate governance. In consultation with the CEO, the Chairman sets Board and Board Committee meetings at appropriate intervals during the year. He reviews and exercises control over the quality, quantity and timeliness of information flow between the Board and Management thereby setting constructive relationship and ensure that each member of the Board works well together with the Management.

The CEO leads the Management team and is responsible for the day-to-day operations of the Group. Besides creating business opportunities and driving the Group's growth and development, he also implements the Board's decisions. In assuming their roles and responsibilities, the Chairman and the CEO consult the Board and the Board Committees on major issues.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC which was reconstituted on 15 November 2016, comprises the following independent directors:

Dato' Moehamad Izat Emir (*Chairman*)
Ong Kah Hock
Arslan Koichiev

The NC carries out its duties in accordance with a set terms of reference which include the following:

- (a) making recommendations to the Board on all board appointments, including re-nomination of directors, having regard to each director's contribution and performance;
- (b) determining annually whether or not a director is independent;
- (c) deciding whether or not a director is able to and has adequately carried out his duty as a director;
- (d) deciding on how the Board's performance may be evaluated and to propose objective criteria for evaluation and assessment of the effectiveness and performance of the Board as a whole and for evaluation and assessment of the contribution by each individual director; and
- (e) review of training and professional development programs for the Board.

In the search, nomination and selection process for new directors, the NC identifies the key attributes that an incoming director should have based on a matrix of the attributes of the existing Board and the requirements of the Group. The NC then submits recommendations to the Board on all nominations for appointments to the Board and the Board Committees. Under the Constitution of the Company, such new directors appointed must submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company.

The Constitution of the Company requires one third of the Board, except the Managing Director, to retire by rotation once every three years at the AGM and shall then be eligible for re-election at the meeting at which he retires. In assessing the directors for re-appointment, the NC evaluates several criteria including, qualifications, expertise and contributions of the directors before recommending to the Board. Each member of the NC will abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as director.

The NC also determines annually whether or not a director is independent, based on guidelines in the Code. In determining whether each director is able to devote sufficient time to discharge his duty, the NC is of the view that its assessment should not be restricted to the number of board representations of each director and his respective principal commitments. It is best to have each director determine his own ability to commit time to the Company.

REPORT ON CORPORATE GOVERNANCE

Board of Directors	Board Membership	Date of 1st appointment	Date of last re-election	Audit Committee	Nominating Committee	Remuneration Committee
Dato' Moehamad Izat Emir	Non-executive/Independent	1 Nov 1995	29 Apr 2016	Member	Chairman	Chairman
Wong Chin Yong	Executive/Non-Independent	8 Aug 2001	-	-	-	-
Ong Kah Hock	Non-executive/Independent	31 Aug 2001	30 Apr 2015	Chairman	Member	Member
Arslan Koichiev	Non-executive/Independent	5 Mar 2014	29 Apr 2016	Member	Member	Member
Yang Kiin	Non-executive/Independent	15 Nov 2016	-	-	-	-
Bernard Ong Kheng Chye	Non-executive/Independent	31 Mar 2017	-	-	-	-

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC is responsible for evaluating the performance of the Board and Board Committees. Some of the criteria in its evaluation include the size and composition of the Board, the Board's access to information, participation and contributions at Board and Committee meetings, communications and guidance given to the Management.

In FY2016, as there were only five Board members, interaction and communications between each member was easy. With the approval of the Board, each of directors were peer assessed on foregoing criteria, industry knowledge and experience, networking and investments opportunities origination.

The results of assessment are submitted to the NC and subsequently presented to the Board, and the key areas for improvement are discussed at the Board meeting. The above criteria may be changed when it is deemed necessary and approved by the Board. The Chairman may act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors. The criteria for directors' evaluation will also be applicable for appointment of new directors.

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

On an on-going basis and prior to Board meetings, members of the Board are provided with appropriate relevant materials to facilitate the Board to make informed decisions.

The directors also have unrestricted access to the Company Secretary and Management at all times. Directors are entitled to request from Management and are provided with such additional information as needed to make informed and timely decisions. The Board is informed on all material events and transactions as and when they occur.

The Company Secretary attends all Board and Board Committee meetings and is responsible to ensure that Board procedures are followed and recorded and the circulation of the agenda, minutes and all papers of all Board and Board Committees meetings to members. The Company Secretary also advises the Board on legal and regulatory issues when required. The appointment and removal of the Company Secretary is undertaken by the Board.

Should directors, whether as a group or individually, need independent professional advice, the Company Secretary will upon direction by the Board, appoint a professional advisor selected by the group or the individual and approved by the Chairman to render advice at the Company's expenses.

REPORT ON CORPORATE GOVERNANCE

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") which was reconstituted on 15 November 2016, comprises the following directors:

Dato' Moehamad Izat Emir (*Chairman*)
Ong Kah Hock
Arslan Koichiev

The principal responsibilities of the RC include the following:

- (a) reviewing and recommending to the Board for endorsement, a framework for computation of directors' fees of the Board (non-executive directors). For executive directors and other senior management, the framework covers all aspects of executive remuneration and the implementation of any appropriate performance-related elements to be incorporated in the remuneration framework;
- (b) administering the Innopac Share Option Scheme and Innopac Performance Share Scheme; and
- (c) carrying out its duties in the manner that it deems expedient, subject always to any restrictions that may be imposed upon the RC by the Board from time to time.

The RC ensures that a formal and transparent procedure is in place for fixing all aspects of remuneration, including, but not limited to, salaries, allowances, bonuses, options and benefits-in-kind for the remuneration package of the executive director, key management executives of the Group and directors' fees for non-executive directors.

The RC reviews and recommends to the Board such remuneration packages for endorsement. Each member of the RC shall abstain from voting on any resolutions in respect of his own remuneration package.

The RC is provided with access to expert professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company.

The RC also reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Director and key management executives to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Group's remuneration policy is to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate directors and key management executives with the required experience and expertise. The Company has only 1 executive director (the CEO) whose remuneration is as per his service contract dated 17 December 2004. As an executive director, the CEO does not receive directors' fees.

The Company's compensation framework comprises fixed pay and short-term and long-term incentives that are linked to the performance of the Group and the individual. The performance-related component of remuneration is designed to motivate and reward employees and align their interests with those of the shareholders and to give recognition for past contributions and services.

REPORT ON CORPORATE GOVERNANCE

The RC administers the Company's share-based remuneration incentive plans, namely, the Innopac Share Option Scheme ("Share Options") and Innopac Performance Share Scheme ("Share Awards") (collectively, "the Schemes").

The non-executive directors receive directors' fees in accordance with their contributions, taking into account factors such as effort and time spent and at the same time, ensures that the compensation commensurate with the responsibilities and risks involved in being a director. The directors' fees are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at AGMs. In addition, non-executive directors who in the opinion of RC have contributed or will contribute to the success of the Group, are also eligible to participate in the Schemes so as to better align the interests of such non-executive directors with the interests of shareholders.

The Company does not have contractual provisions for the Group to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The remuneration of each individual director and CEO on named basis (to the nearest thousand dollars) and the breakdown (in percentage terms) of their remuneration for the year ended 31 December 2016 was as follows:-

Name of Director	Basic Salary %	Bonus %	Benefits in kind %	Directors' fees %	Total S\$'000
<i>Chief Executive Officer</i> Wong Chin Yong	92	7	1	-	491
<i>Non-Executive Directors</i>					
Dato' Moehamad Izat Emir	-	-	-	100	50
Ong Kah Hock	-	-	-	100	35
Arslan Koichiev	-	-	-	100	20
Yang Kiin (<i>Appointed on 15 Nov 2016</i>)	-	-	-	100	2
Jeremy Dyer (<i>Resigned on 4 Nov 2016</i>)	-	-	-	100	23

At the 42nd AGM of the Company, held on 29 April 2016, shareholders approved directors' fees of up to S\$150,000 for 2016. The final amount of directors' fees for 2016 amounted to only S\$130,204. The RC has proposed the payment of directors' fees of up to S\$150,000 for the financial year ending 31 December 2017 which the Board would table at the forthcoming AGM for shareholders' approval.

The Company has only two key executives (who are not directors), and the breakdown of their remuneration in percentage terms for the year ended 31 December 2016 was as follows:-

Name of Key Executives	Basic Salary %	Bonus %	Total %
Below S\$250,000			
Jenny Soh Woon Chuen	92	8	100
Stanley Chu Kam Po	92	8	100

There are no termination, retirement and post-employment benefits that may be granted to directors and key executives. The Company has not disclosed exact details of the remuneration of each key executive as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such

REPORT ON CORPORATE GOVERNANCE

information. In aggregate the total remuneration paid to the two key executives (who are not directors) in FY2016 was S\$294,450.

There are no employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the financial year.

On 28 April 2015, the Company granted a total of 95,000,000 Share Awards and 95,000,000 Share Options pursuant to the rules of the Schemes to directors and employees. 1,000,000 Share Awards and 3,500,000 Share Options had lapsed. The Share Options has an exercise price of S\$0.008 each. A total of 64,000,000 Share Awards were vested and issued on 19 April 2016. There were 30,000,000 Share Awards outstanding as at 31 December 2016 (2015: 94,000,000 outstanding). There were 91,500,000 Share Options outstanding as at 31 December 2016 (2015: 93,500,000 outstanding).

The Share Awards were determined at the discretion of the Board and granted principally on performance-based, incorporating performance targets for directors, senior executives and staff aiming at delivering long-term shareholders' value. Share Awards represent the right to receive fully paid shares, free of charge and will be released to participants when prescribed performance targets have been achieved and within the vesting period.

The fair values of Share Options and Share Awards granted are recognised as an employee expense with a corresponding increase in equity. The fair value of Share Options is measured at date of grant and spread over the period. The fair value of the Share Awards is recognised upon meeting the performance targets. Further details are in the Directors' Statement of this Annual Report.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Management is committed to provide prompt and thorough disclosures and provides all members of the Board with balanced and understandable accounts of the Company's performance in a timely manner. The Board aims to provide shareholders with a balanced and comprehensive assessment of the Group's financial position, performance and prospects.

The financial statements for the first three quarters and full financial year with performance review, detailed analysis and commentaries on prospects by the Management were reviewed by the Board and provided to shareholders within the timeframe of the Listing Manual. In preparing the financial statements, the Board has ensured consistent application of applicable accounting policies and where necessary, makes judgments and estimates that are reasonable.

The Management also provides other relevant disclosure documents, explanations and information to the Board prior to meetings and on an on-going basis.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board assumes the responsibility of the risk management function. The Board assisted by the AC, reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. The AC reviews all significant policies and procedures and highlights all significant matters to the Board and the management. The Board determines the nature and extent of the significant risks which the Group is willing to take in achieving its objectives. In view of the Group's manageable size, the Board is of the view that a separate risk committee is not required for the time being.

REPORT ON CORPORATE GOVERNANCE

The Board's objectives in its oversight of risk governance and risk management of the Company and its subsidiaries include the following:

- Oversee the Group's risk exposure, risk appetite and risk strategy;
- Review and guide Management in the formation of the Group's risk policies and in the execution of risk assessment processes and mitigation strategies; and
- Review the effectiveness of the Group's risk management to align it to the changing needs and risk profile of the Group's activities.

The Group Financial Controller is tasked to implement the Group's risk management policies and processes, and develops the framework to assist the subsidiaries and units in identifying, monitoring and managing the risks within the Group. The AC also reviews and ensures that the Group's system of internal controls provides reasonable assurance on:

- compliance with applicable laws, regulations, policy and procedures;
- reliability and integrity of information; and
- safeguarding of assets.

The Board has received assurance from the CEO and the Group Financial Controller that:

- (a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances and are in accordance with the relevant accounting standards; and
- (b) they have evaluated the effectiveness of the Group's internal controls and have discussed with the Group's external auditors of their reporting points and note that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise or report financial data.

The Group's external auditors had reviewed the internal accounting controls that are relevant to their audit. Any non-compliance and recommendation for improvement were reported to the AC who will monitor and ensures that necessary corrective actions are taken on a timely basis. The AC has also reviewed the adequacy and effectiveness of the Group's internal controls and risk management systems.

Based on reviews conducted by the management, work performed by the external auditors, the above assurances from the CEO and Group Financial Controller on the financial records and effectiveness of the Company's internal controls and risk management systems, the Board, with the concurrence of the AC, is of the opinion that the internal controls and risk management systems in place are adequate and effective in addressing the Group's financial, operational, compliance and information technology risks as at 31 December 2016.

The Board notes that the system of internal controls provides reasonable, but not absolute assurance that the Group will not be affected by any event that could reasonably be foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, fraud or other irregularities.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The Audit Committee ("AC") which was reconstituted on 15 November 2016, currently comprises three (3) independent non-executive directors:

Ong Kah Hock (Chairman)
Dato' Moehammad Izat Emir
Arslan Koichiev

REPORT ON CORPORATE GOVERNANCE

The members of the AC have sufficient accounting and related financial management expertise or experience, as assessed by the Board in its business judgment, to discharge the AC's functions. The AC is authorised to investigate any matter and has full access to, and the co-operation of the Management with full discretion to invite the executive officers to attend its meetings. The AC meets regularly as and when deemed appropriate to carry out its functions which are set out in the Directors' Statement of this report.

The AC has conducted an annual review of the performance of the external auditor and as there is no other non-audit related work carried out by the external auditors during the financial year, the AC is satisfied with their independence. Details of the aggregate amount of fees paid to the external auditors for the financial year, and a breakdown of the fees paid in total for audit services, can be found in the Notes to the Financial Statements.

The AC has also put in place a whistle-blowing policy whereby staff of the Group or anyone may, in confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and for appropriate follow up actions. There were no whistle-blowing letters received during the year and until the date of this report.

The quarterly and full year financial statements and the accompanying announcements are presented to the AC for review to ensure the integrity of information prior to their recommendations to the Board for approvals for their release.

During the financial year, the AC reviewed and discussed with the Management:

- (a) the scope and results of the audit, including the external auditors' findings, the cost effectiveness, their independence while seeking to balance the maintenance of their objectivity and ability to provide value-for-money professional services;
- (b) the three quarterly and full year unaudited results announcements and all related disclosures to shareholders before recommending to the Board for approval;
- (c) the adequacy of the Group's internal controls and procedures;
- (d) the appointment and re-appointment of auditors and the approval of the remuneration and terms of engagement of the auditors;
- (e) the auditors' significant audit observations, together with the Management's responses and actions to correct any deficiencies so that an effective system of control is maintained in the Group;
- (f) the internal audit plans and report of the Group and follow up actions for effective internal control functions of the Group;
- (g) legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- (h) the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, and by such amendments made thereto from time to time; and
- (i) interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST.

To keep abreast of the changes in accounting standards and issues which have a direct impact on financial statements, advice is sought from the external auditors when they attend the AC meetings.

The Company confirms compliance with rule 712 and 715 of the Listing Manual in engaging Moore Stephens LLP ("MSLLP"), which is registered with the Accounting and Corporate Regulatory Authority as the external auditors of the Company.

Except as indicated in the Notes to the Financial Statements, MSLLP is the external auditor of the Company and all its Singapore incorporated subsidiaries while Moore Stephens Associates & Co., Chartered Accountant, Malaysia, is the external auditor of the Company's Malaysia-incorporated subsidiaries. In the opinion of the directors, the Group has complied with the Code's guidelines on audit committees as well as rule 716 of the Listing Manual.

REPORT ON CORPORATE GOVERNANCE

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

During FY2015, the Group outsourced its internal audit function to Foo Kon Tan Advisory Services Pte Ltd, an accounting firm that is not affiliated to the external auditors. The internal audit function is independent of the activities it audits. The internal auditors reports primarily to the Chairman of the AC and has unrestricted access to the documents, records, properties and personnel of the Company and of the Group. The findings of the internal auditors for FY2015 were discussed in details at the AC meeting including any internal control weaknesses, non-compliance of policy and procedures as well as follow-up actions required to strengthen the internal control system of the Group.

The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the internal auditors is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas.

The AC is satisfied that the internal audit function is adequately resourced to perform its function effectively and is staffed by suitably qualified and experienced professionals with the relevant experience. As a member of The Institute of Internal Auditors, the internal auditors are guided by the International Professional Practices Framework for Internal Auditing set by The Institute of Internal Auditors.

The internal audit function plans its internal audit schedules in consultation with, but independent of the Management and submits to the AC for approval prior to the commencement of the internal audit work. The scope of work for FY2016 relates to the Group's joint venture projects which has not started and accordingly the internal auditors has not commenced any internal audit work.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Board's policy is to ensure that all shareholders should be equally informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

The Constitution of the Company allows a shareholder to appoint up to two proxies to attend and vote in his place at general meetings. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors. The Company's general meetings procedures provide shareholders the opportunity to ask questions relating to each resolution tabled for approval.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Communication with shareholders is managed by the Board. The Company does not practise selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Listing Manual in public announcements via SGXNet portal.

Such announcements including the quarterly and full year results and annual reports are issued within the mandatory period and are also available on the Company's website – www.innopacific.com. All shareholders of the Company receive the full annual report accompanied by the notice of AGM. Notice of all general meetings is also advertised in the Business Times.

REPORT ON CORPORATE GOVERNANCE

As the Company still has accumulated losses as at 31 December 2016 and its current priority is to achieve long-term growth for the benefit of its shareholders, any future profits shall therefore be retained for investment in the future. The Board would consider establishing a dividend policy at the appropriate time.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company fully supports shareholders participation at general meetings. The Company's principal forum for dialogue and interaction with shareholders takes place at its AGM, where members of the Board and Management are present and available to address shareholders' queries. The external auditors are present to address shareholders' queries on the conduct of audit and the auditors' report. The Company issues the notice of general meeting at least 14 days before the scheduled date of such meetings.

All resolutions, as far as possible, are structured separately and may be voted on independently. Thus all resolutions are single item resolutions and set out in the agenda of the notice of general meeting. In the 2016 AGM, all resolutions were put to vote by electronic polling and the detailed results showing the number of votes cast for and against each resolution and the respective percentage were announced to shareholders immediately at the meeting. The results of the general meeting were released on SGXNet on the same day.

Shareholders or those who are not able to attend the general meetings may contact the Company through the Company's website, email or fax, to contribute their feedback and inputs. Detailed minutes, which include comments and the questions received from shareholders, together with the responses from the Board and the Management, are available upon request by shareholders.

OTHER CORPORATE GOVERNANCE MATTERS

MATERIAL CONTRACTS (RULE 1207(8) OF THE SGX-ST LISTING MANUAL)

There was no material contract entered into by the Company and its subsidiaries in the financial year 2016 in which the CEO, any Director or controlling shareholder of the Company had an interest.

INTERESTED PERSON TRANSACTION (RULE 1207(17) OF THE SGX-ST LISTING MANUAL)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders.

There was no interested person transaction in the financial year 2016 entered into by the Company and its subsidiaries as defined under rule 907 of the SGX-ST Listing Manual.

DEALINGS IN SECURITIES (RULE 1207(19) OF THE SGX-ST LISTING MANUAL)

In compliance with rule 1207(19) of the Listing Manual, the directors, officers and employees are advised not to deal in the Company's shares during the period commencing (i) two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and (ii) one month before the announcement of full year results, and ending on the date of such announcements. They are also expected to observe the insider trading laws and to avoid potential conflicts of interest at all times when dealing in securities. All officers of the Company have been advised not to deal in the securities of the Company on short-term considerations.

On behalf of the Board,

Wong Chin Yong
Managing Director & Chief Executive Officer

Ong Kah Hock
Director

8 April 2017

DIRECTORS' STATEMENT

For The Financial Year Ended 31 December 2016

The directors present their statement to the members together with the audited consolidated financial statements of Innopac Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2016, and the balance sheet of the Company as at 31 December 2016 and statement of changes in equity of the Company for the financial year then ended.

In the opinion of the directors:

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1. Directors

The directors of the Company in office at the date of this statement are:

Dato' Moehamad Izat Emir	<i>Non-Executive Chairman</i>
Wong Chin Yong	<i>Chief Executive Officer</i>
Ong Kah Hock	<i>Independent Director</i>
Arslan Koichiev	<i>Independent Director</i>
Yang Kiin	<i>Independent Director (appointed on 15 November 2016)</i>
Bernard Ong Kheng Chye	<i>Independent Director (appointed on 31 March 2017)</i>

2. Arrangements to Enable Directors to Acquire Shares or Debentures

Except as described under "Share Options and Share Awards Schemes" in this report on page 21, neither at the end of nor at any time during the financial year, was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT**For The Financial Year Ended 31 December 2016****3. Directors' Interests in Shares and Debentures**

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director and corporation in which interest are held	Holdings at the beginning of the year	Holdings at the end of the year
<i><u>Dato' Moehamad Izat Emir</u></i>		
Company		
Innopac Holdings Limited		
Interests held		
- ordinary shares	5,000,000	20,000,000
- share options	10,000,000	10,000,000
Subsidiary		
Awana Rentak Sdn Bhd		
Interests held		
- ordinary shares of RM1 each	1*	1*
<i><u>Wong Chin Yong</u></i>		
Company		
Innopac Holdings Limited		
Interests held		
- ordinary shares	54,000,000	74,000,000
- warrants	19,500,000	19,500,000
- share options	50,000,000	50,000,000
<i><u>Ong Kah Hock</u></i>		
Company		
Innopac Holdings Limited		
Interests held		
- ordinary shares	7,509,000	22,509,000
- warrants	2,503,000	2,503,000
- share options	10,000,000	10,000,000
<i><u>Arslan Koichiev</u></i>		
Company		
Innopac Holdings Limited		
Interests held		
- ordinary shares	-	2,000,000
- share options	2,000,000	2,000,000

* held in trust for the Company

DIRECTORS' STATEMENT

For The Financial Year Ended 31 December 2016

3. Directors' Interests in Shares and Debentures (cont'd)

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2017.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related companies, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

4. Share Options and Share Awards Schemes

The Innopac Share Options Scheme (the "IPSO") and Innopac Share Performance Scheme (the "PSS") (collectively, "the Schemes") were approved by shareholders of the Company at an Extraordinary General Meeting on 29 April 2005. The Schemes are available to all employees and non-executive directors of the Group except for controlling shareholders or associates of such controlling shareholders [as defined in the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST")].

The Schemes which expired on 28 April 2015, are administered by the Remuneration Committee of the Company comprising three independent directors, Dato' Moehamad Izat Emir (Chairman), Mr Ong Kah Hock and Dr Arslan Koichiev who were authorised and appointed by the Board of Directors.

Share Options

All options that were granted under IPSO to employees and executive directors have a life span of ten (10) years, while those granted to Non-Executive Directors have a life span of five (5) years from the date of grant. The options may be exercised in full or in part on the payment of the exercise price. The exercise price is based on the average last done prices for the shares of the Company on the SGX-ST for the five market days preceding the date of grant. As such, an option may be exercised at any time after one year but no later than the expiry date.

No share options were granted in the financial year ended 31 December 2016. As at 31 December 2016, 3,500,000 (31 December 2015: 1,500,000) of the share options granted on 28 April 2015 had lapsed.

As at the end of the financial year, unissued shares of the Company under the IPSO were as follows:

	Date granted	As at 1 January 2016	Lapsed	As at 31 December 2016	Exercise price S\$	Exercise period
Employees and executive director	28.04.2015	69,500,000	-	69,500,000	0.008	28.04.2015 to 27.04.2025
Non-executive directors	28.04.2015	24,000,000	(2,000,000)	22,000,000	0.008	28.04.2015 to 27.04.2020
		93,500,000	(2,000,000)	91,500,000		

DIRECTORS' STATEMENT

For The Financial Year Ended 31 December 2016

4. Share Options and Share Awards Schemes (cont'd)

Share Options (cont'd)

Details of the options to subscribe for ordinary shares of the Company granted to directors under the IPSO are as follows:

<u>Name of director</u>	Options granted during 2016	Aggregate options granted since commencement of the IPSO to 31 December 2016	Aggregate options exercised since commencement of the IPSO to 31 December 2016	Aggregate options lapsed since commencement of the IPSO to 31 December 2016	Aggregate options outstanding as at 31 December 2016
Dato' Moehamad Izat Emir	-	15,000,000	(5,000,000)	-	10,000,000
Wong Chin Yong	-	60,000,000	(10,000,000)	-	50,000,000
Ong Kah Hock	-	12,500,000	(2,500,000)	-	10,000,000
Arslan Koichiev	-	2,000,000	-	-	2,000,000
Jeremy Dyer	-	2,000,000	-	(2,000,000)	-

Details of the options to subscribe for ordinary shares of the Company granted to participants of the Company which exceeded 5% of the total number of options granted under the IPSO are as follows:

<u>Name of participants</u>	Options granted during 2016	Aggregate options granted since commencement of the IPSO to 31 December 2016	Aggregate options exercised since commencement of the IPSO to 31 December 2016	Aggregate options lapsed since commencement of the IPSO to 31 December 2016	Aggregate options outstanding as at 31 December 2016
Soh Woon Chuen	-	11,000,000	(3,000,000)	-	8,000,000
Chu Kam Po	-	10,000,000	(2,000,000)	-	8,000,000

Share Awards

Under the PSS, fully paid shares of the Company may be awarded free of charge to employees and directors. Awards are vested once the Board is satisfied that the prescribed performance target(s) have been achieved. The vesting periods may be extended beyond the performance achievement periods as set out by the Remuneration Committee.

DIRECTORS' STATEMENT

For The Financial Year Ended 31 December 2016

4. Share Options and Share Awards Schemes (cont'd)

Share Awards (cont'd)

On 19 April 2016, 64,000,000 shares were allotted and issued upon vesting of share awards under the PSS. Share awards that remain unvested as at 31 December 2016 were as follows:

Date of grant	As at 1 January 2016	Vested	Lapsed	As at 31 December 2016
28.04.2015	94,000,000	(64,000,000)	–	30,000,000

Details of the share awards granted to directors under the PSS are as follows:

Name of director	Awards granted during 2016	Aggregate awards granted since commencement of the PSS to 31 December 2016	Aggregate awards exercised since commencement of the PSS to 31 December 2016	Aggregate awards lapsed since commencement of the PSS to 31 December 2016	Aggregate awards outstanding as at 31 December 2016
Dato' Moehamad Izat Emir	-	15,000,000	(15,000,000)	-	-
Wong Chin Yong	-	50,000,000	(20,000,000)	-	30,000,000
Ong Kah Hock	-	15,000,000	(15,000,000)	-	-
Arslan Koichiev	-	2,000,000	(2,000,000)	-	-
Jeremy Dyer	-	2,000,000	(2,000,000)	-	-
	-	84,000,000	(54,000,000)	-	30,000,000

No other employee of the Company or employee of related corporations has received 5% or more of the total number of share awards granted under the PSS. The share awards granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other Company.

5. Audit Committee

At the date of this Statement, the Audit Committee ("AC") of the Company comprises three independent/non-executive directors:

Ong Kah Hock	<i>Chairman of Committee, Independent/Non-Executive</i>
Dato' Moehamad Izat Emir	<i>Independent/Non-Executive</i>
Arslan Koichiev	<i>Independent/Non-Executive (effective from 15 November 2016)</i>

The AC carried out its functions in accordance with Section 201B(5) of the Act, Cap. 50, the SGX-ST Listing Manual and the Code of Corporate Governance, including a review of the financial statements of the Group and of the Company for the financial year and the reports of the external and internal auditors thereon.

DIRECTORS' STATEMENT

For The Financial Year Ended 31 December 2016

5. Audit Committee (cont'd)

The AC has held four meetings during the year and has reviewed the following, where relevant, with the external and internal auditors of the Company:

- (a) the audit plans;
- (b) the scope and results of the internal control procedures;
- (c) evaluation of the system of internal controls;
- (d) the Group's financial and operating results and accounting policies;
- (e) the balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group and external auditors' report on those financial statements before their submission to the directors of the Company;
- (f) the first quarter, half-yearly, third quarter and annual announcements on the results of the Group and financial position of the Group and Company, consolidated statement of cash flows and changes in equity of the Group and Company;
- (g) the co-operation and assistance given by the management to the external auditors; and
- (h) the appointment of the external auditors of the Company.

Based on the internal controls established and maintained by the Group, work performed by the auditors and Company staff, and reviews performed by management, Board Committees and the Board, with the concurrence of the AC, after carrying out a review, is of the opinion that the Group's internal controls, addressing financial, operational, compliance, and information technology risks, were adequate and effective as at 31 December 2016.

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The AC also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees. The auditors have unrestricted access to the AC.

The external auditors have not provided any non-audit services to the Group. The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the external auditors, Moore Stephens LLP, be nominated for re-appointment as the external auditors at the forthcoming Annual General Meeting of the Company.

In appointing auditors for the Company and subsidiaries, the Group has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual.

DIRECTORS' STATEMENT

For The Financial Year Ended 31 December 2016

6. Independent Auditors

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,

WONG CHIN YONG
Director
Singapore
8 April 2017

ONG KAH HOCK
Director

INDEPENDENT AUDITOR'S REPORT

To The Members Of Innopac Holdings Limited

Report on the Audit of the Financial Statements

We were engaged to audit the financial statements of Innopac Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Disclaimer of Opinion

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Recoverability of Other Receivables - Amount Due from Non-controlling Shareholder of Dezhou Sheng Rong Gas Co Ltd ("Sheng Rong")

As disclosed in Note 21 to the financial statements, included in the Group's other receivables is an amount of S\$2,300,000 due from a shareholder of Sheng Rong, a subsidiary of the Company, as at 31 December 2016. Assigned debts totalling S\$1,300,000 and a property worth S\$104,000 have since been transferred to Sheng Rong and a trustee appointed by the Group respectively, in consideration of the repayment of this amount. Other properties forming part of the collateral to the debt have yet to be transferred. The recoverability of the amount due from this shareholder of Sheng Rong is dependent on the realisation of the assigned debt and the property already transferred and other properties yet to be transferred to the Group as full settlement of the amount outstanding. We are unable to obtain sufficient appropriate audit evidence, nor are we able to carry out alternative audit procedures, to satisfy ourselves regarding the certainty of the recoverability of the aforesaid amount. Consequently, we are unable to determine whether any adjustment to the financial statements was necessary.

2. Recoverability of Investments in Joint Ventures – Malaysian Microalgae Enterprise Sdn. Bhd. ("Malaysian Microalgae") and Artel Trade LLC ("Artel")

As disclosed in Note 16 to the financial statements, included in the Group's and Company's balance sheets is an investment in joint venture, Malaysian Microalgae, of S\$6,000,000. In addition, included in the Group's investments in joint ventures of S\$6,767,000, is an investment in joint venture, Artel, of S\$767,000 as at 31 December 2016.

Management has prepared discounted cash flows ("Forecasts") to determine the recoverable amount of the investments in Malaysian Microalgae and Artel, and is of the view that no allowance for impairment for these investments is necessary.

However, as the management was unable to provide sufficient documentary support for certain key assumptions made in the Forecasts, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverable amounts of the investments in Malaysian Microalgae and Artel. Consequently, we are unable to determine whether any adjustment to the financial statements was necessary.

INDEPENDENT AUDITOR'S REPORT

To The Members Of Innopac Holdings Limited

Basis for Disclaimer of Opinion (cont'd)

3. Recoverability of Amount Due from a Subsidiary – Golden Eagle Mining Pte Ltd (“GEM”)

As at 31 December 2016, included in the amounts due from subsidiaries (Note 21) is an amount due from GEM of S\$802,000. Management has assessed the recoverability of this amount and is of the view that no allowance for impairment is necessary.

However, we are not able to obtain sufficient appropriate audit evidence to support management's view in this regard. Consequently, we are unable to determine whether any adjustment to the financial statements was necessary.

4. Appropriateness of Going Concern Assumption

As disclosed in Note 2(b) to the financial statements, the Group incurred a total loss of S\$3,361,000 and a total comprehensive loss of S\$3,533,000 for the financial year ended 31 December 2016. As at 31 December 2016, the Group's and the Company's current liabilities exceeded their current assets by S\$10,029,000 and S\$5,487,000 respectively.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concern and to realise their assets and discharge their liabilities in the ordinary course of business.

Management has prepared the financial statements on a going concern basis on the assumption that the Group and the Company will continue as going concerns. The ability of the Group and the Company to continue as going concerns is dependent on certain assumptions and the successful outcome of the various efforts by the Group disclosed in Note 2(b) to the financial statements, the outcome of which is inherently uncertain.

In the light of the material uncertainties discussed above, we do not have sufficient audit evidence regarding the use of the going concern assumption in the preparation of the financial statements. Consequently, we are unable to form a view as to the use of the going concern assumption in the preparation of these financial statements.

In the event the Group and the Company are unable to continue in existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

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 Singapore Companies Act, Chapter 50 (the “Act”) and Financial Reporting Standards in Singapore (the “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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

To The Members Of Innopac Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company in accordance with Singapore Standards on Auditing ("SSAs") and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the effects of matters described in the *Basis for Disclaimer of Opinion* section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lao Mei Leng.

Moore Stephens LLP

Public Accountants and
Chartered Accountants

Singapore
8 April 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2016

	Note	Group	
		2016	2015
		S\$'000	S\$'000
<u>Continuing Operations</u>			
Net gains/(losses) on trading of marketable securities	4	2	(24)
Other operating (expenses)/income			
- Net losses from investment trading activities	5	(112)	(1,408)
- Net losses from derivative instruments and other assets/liabilities	5	(165)	(1,237)
Other income	6	320	132
Administrative expenses		(1,619)	(2,449)
Other expenses		(1,848)	(30,912)
Finance income	7	96	219
Finance costs		(2)	(5)
Share of loss of joint venture		(22)	-
Loss before tax	8	(3,350)	(35,684)
Tax expenses	9	(11)	(13)
Loss for the financial year		(3,361)	(35,697)
<u>Discontinued Operations</u>			
Loss for the year from discontinued operations	10	-	(13,465)
Total loss for the year		(3,361)	(49,162)
Other comprehensive loss, net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	11	(172)	(1,419)
Total comprehensive loss for the financial year		(3,533)	(50,581)
(Loss)/profit attributable to:			
Owners of the Company		(3,404)	(48,984)
Non-controlling interests		43	(178)
		(3,361)	(49,162)
Total comprehensive (loss)/profit attributable to:			
Owners of the Company		(3,576)	(50,403)
Non-controlling interests		43	(178)
		(3,533)	(50,581)
Loss per share			
From continuing and discontinued operations		Cents	Cents
Basic	12	(0.08)	(1.12)
Diluted	12	(0.08)	(1.12)
From continuing operations			
Basic	12	(0.08)	(0.81)
Diluted	12	(0.08)	(0.81)

BALANCE SHEETS

As at 31 December 2016

		Group		Company	
	Note	2016	2015	2016	2015
		S\$'000	S\$'000	S\$'000	S\$'000
ASSETS					
Non-Current Assets					
Investments in subsidiaries	13	-	-	4,607	10,765
Plant and equipment	14	30	64	30	31
Investment properties	15	9,707	9,540	-	-
Investments in joint ventures	16	6,767	707	6,000	-
Available-for-sale investments	17	6,142	6,142	6,142	6,142
		22,646	16,453	16,779	16,938
Current Assets					
Investments held for trading	18	83	308	66	111
Investment in fixed income instruments	19	-	5,213	-	5,213
Trade receivables	20	-	1,332	-	1,331
Other receivables and prepayments	21	2,451	3,720	2,846	3,051
Cash and cash equivalents	22	1,584	2,578	136	954
		4,118	13,151	3,048	10,660
TOTAL ASSETS		26,764	29,604	19,827	27,598
LIABILITIES AND EQUITY					
Non-Current Liabilities					
Deferred tax liabilities	23	378	376	-	-
		378	376	-	-
Current Liabilities					
Trade and other payables	24	13,801	13,494	8,189	8,138
Derivative payables and other liabilities	25	6	-	6	-
Provision for directors' fees	26	340	211	340	211
Finance lease liabilities	27	-	21	-	-
		14,147	13,726	8,535	8,349
Equity and Reserves					
Share capital	29	121,571	121,571	121,571	121,571
Asset revaluation reserve	30	3,099	3,099	-	-
Share awards reserve	31	752	678	752	678
Share options reserve	32	1,154	958	1,154	958
Foreign currency translation reserve	33	(743)	(571)	-	-
Accumulated losses		(114,210)	(110,806)	(112,185)	(103,958)
Equity attributable to owners of the Company		11,623	14,929	11,292	19,249
Non-controlling interests		616	573	-	-
Total equity		12,239	15,502	11,292	19,249
TOTAL LIABILITIES AND EQUITY		26,764	29,604	19,827	27,598

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2016

Note	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share awards reserve	Share options reserve	Foreign currency translation reserve	Accumulated losses	Asset revaluation reserve	Equity attributable to owners of the Company		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group									
Balance as at 1 January 2016	121,571	678	958	(571)	(110,806)	3,099	14,929	573	15,502
(Loss)/profit for the financial year	-	-	-	-	(3,404)	-	(3,404)	43	(3,361)
Other comprehensive loss:									
Exchange differences on translation of foreign operations	-	-	-	(172)	-	-	(172)	-	(172)
Total other comprehensive loss for the financial year, net of tax	-	-	-	(172)	-	-	(172)	-	(172)
Total comprehensive (loss)/ profit for the financial year	-	-	-	(172)	(3,404)	-	(3,576)	43	(3,533)
Grant of share awards	31	-	74	-	-	-	74	-	74
Grant of share options	32	-	-	196	-	-	196	-	196
Balance as at 31 December 2016	121,571	752	1,154	(743)	(114,210)	3,099	11,623	616	12,239

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2016

	Note	Attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Share awards reserve	Share options reserve	Foreign currency translation reserve	Accumulated losses	Asset revaluation reserve	Equity attributable to owners of the Company		
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group (cont'd)										
Balance as at 1 January 2015		121,571	-	546	848	(61,765)	3,046	64,246	751	64,997
Loss for the financial year		-	-	-	-	(48,984)	-	(48,984)	(178)	(49,162)
Other comprehensive loss:										
Exchange differences on translation of foreign operations		-	-	-	(1,419)	-	-	(1,419)	-	(1,419)
Total other comprehensive loss for the financial year, net of tax		-	-	-	(1,419)	-	-	(1,419)	-	(1,419)
Total comprehensive loss for the financial year		-	-	-	(1,419)	(48,984)	-	(50,403)	(178)	(50,581)
Reclassification of reserves		-	-	-	-	(57)	53	(4)	-	(4)
Grant of share awards	31	-	678	-	-	-	-	678	-	678
Grant of share options	32	-	-	412	-	-	-	412	-	412
Balance as at 31 December 2015		121,571	678	958	(571)	(110,806)	3,099	14,929	573	15,502

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2016

	Note	Share capital S\$'000	Share awards reserve S\$'000	Share options reserve S\$'000	Accumulated losses S\$'000	Total S\$'000
Company						
Balance as at 1 January 2016		121,571	678	958	(103,958)	19,249
Loss for the financial year		-	-	-	(8,227)	(8,227)
Other comprehensive loss for the financial year		-	-	-	-	-
Total comprehensive loss for the financial year		-	-	-	(8,227)	(8,227)
Grant of share awards	31	-	74	-	-	74
Grant of share options	32	-	-	196	-	196
Balance as at 31 December 2016		121,571	752	1,154	(112,185)	11,292
Balance as at 1 January 2015		121,571	-	546	(57,939)	64,178
Loss for the financial year		-	-	-	(46,019)	(46,019)
Other comprehensive loss for the financial year		-	-	-	-	-
Total comprehensive loss for the financial year		-	-	-	(46,019)	(46,019)
Grant of share awards	31	-	678	-	-	678
Grant of share options	32	-	-	412	-	412
Balance as at 31 December 2015		121,571	678	958	(103,958)	19,249

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 December 2016

	Group	
	2016	2015
	S\$'000	S\$'000
Cash Flows from Operating Activities		
Loss for the year	(3,361)	(49,162)
Adjustments for:		
Tax expenses recognised in profit or loss	11	13
Share of loss of joint ventures	22	-
Fair value gain on investment properties	(383)	(43)
Impairment loss of plant and equipment written back	-	(12)
Provision for unutilised leave	48	46
Net losses from derivative instruments and other assets/liabilities	165	1,237
Net losses from investments held for trading	112	1,408
Impairment of trade and other receivables	1,014	29,524
Impairment of goodwill	-	13,709
Write off of plant and equipment	-	2
Write off of inventories	-	7
Loss on disposal of plant and equipment	-	10
Depreciation of plant and equipment	36	82
Write off of other debtor, deposit & prepayment	4	-
Write back of losses on assets classified as held for sale	-	(244)
Directors' fees	129	125
Net unrealised foreign exchange loss	147	617
Trade and other creditors written back	(1)	(3)
Share awards	74	678
Share options	196	412
Finance income	(96)	(219)
Finance costs	2	5
Operating cash outflows before working capital changes	(1,881)	(1,808)
Investments held for trading	113	5,350
Investment in fixed income instruments	5,000	(5,000)
Trade and other receivables and prepayments	1,484	(854)
Derivative payables and other liabilities	6	-
Trade and other payables	102	(162)
Provision for directors' fees	-	(110)
Cash generated from/(used in) operations	4,824	(2,584)
Interest paid	(2)	(5)
Tax paid	(1)	(2)
Net cash generated from/(used in) operating activities	4,821	(2,591)

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 December 2016

	Group	
	2016	2015
	S\$'000	S\$'000
Cash Flows from Investing Activities:		
Interest received	291	6
Purchase of plant and equipment	(3)	(3)
Proceeds from disposal of plant and equipment	-	2
Investments in joint ventures	(6,082)	(707)
Proceeds from sale of investment properties	-	758
Net cash (used in)/generated from investing activities	(5,794)	56
Cash Flows from Financing Activities:		
Repayment of finance lease	(21)	(51)
Net cash used in financing activities	(21)	(51)
Net decrease in cash and cash equivalents	(994)	(2,586)
Cash and cash equivalents at the beginning of the financial year	2,578	5,164
Cash and cash equivalents at the end of the financial year (Note 22)	1,584	2,578

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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

1 General

Innopac Holdings Limited (the “Company”) is a public limited liability company incorporated and domiciled in Singapore with its principal place of business and registered office at 190 Middle Road #19-07 Fortune Centre Singapore 188979. The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activities of the Company are those of investments, investment holding and provision of management services to related companies. The principal activities of its subsidiaries are stated in Note 13 to the financial statements.

The financial statements for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors on the date of the Directors’ Statement.

2 Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (“FRSs”) and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet and the statement of changes in equity of the Company are presented in Singapore dollar, which is the functional currency of the Company. All values presented are rounded to the nearest thousand (“S\$’000”) unless otherwise stated.

(i) Adoption of New/Revised FRS

The accounting policies adopted are consistent with those of the previous year except that in the current year, the Group and the Company adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

(ii) New/Revised FRS issued but not yet effective

The Group and the Company have not adopted the following standards that have been issued but are not yet effective:

Description		Effective for annual periods beginning on or after
Amendments to FRS 7	<i>Statement of Cash Flows</i>	1 January 2017
Amendments to FRS 12	<i>Income taxes - Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 115	<i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109	<i>Financial Instruments</i>	1 January 2018
FRS 116	<i>Leases</i>	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

(ii) *New/Revised FRS issued but not yet effective (cont'd)*

Except for FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will not have material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments).

FRS 115 replaces the previous revenue standards, FRS 18 *Revenue* and FRS 11 *Construction Contracts*, and the related interpretations on revenue recognition, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers*, and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied. Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress towards satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

FRS 109 was introduced to replace FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. FRS 109 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies.

The standard is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 116 *Leases*

FRS 116 *Leases* sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

(ii) *New/Revised FRS issued but not yet effective (cont'd)*

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

FRS 116 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also applies FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of FRS 116.

The Group is currently evaluating the impact of the new standard and assessing the impact on the financial statements.

(b) Going Concern Assumption

The Group incurred a total loss of S\$3,361,000 (2015: S\$49,162,000) and a total comprehensive loss of S\$3,533,000 (2015: S\$50,581,000) for the financial year ended 31 December 2016. As at 31 December 2016, the Group's and the Company's current liabilities exceeded current assets by S\$10,029,000 (2015: S\$575,000) and S\$5,487,000 (2015: current assets exceeded current liabilities by S\$2,311,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concern and therefore they may not be able to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, in the preparation of the financial statements, management believes that the use of the going concern assumption is appropriate after taking into consideration the following factors:

The Board of Directors (the "Board") has reviewed the Group's financial position, and in particular the valuation of its assets. The Group has been in negotiations with potential buyers and property agents to sell these assets in 2016. The Board believes that it will not be in the best interest of the Group to put these assets on fire sale under the current market condition, but expects that these assets can be sold at or close to their fair value in due course to raise cash for the Group's operation.

The Group has also applied to banks and financial institutions for financing facility against the assets pending their sale. At this stage, there is no written commitment from any of these banks or financial institutions that such facility will be granted. It is unlikely that these applications will be completed in the near term. The Board is also pursuing alternative sources of funding in the event that the financing facility is not forthcoming but have not secured any commitment yet.

The Board believes that the Group can commence operations of its joint ventures with the necessary finance raised. The joint ventures should then generate positive cash flows for the Group.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(b) Going Concern Assumption (cont'd)

The Board is also in discussion with one of its major creditors to defer settlement of the Group's outstanding liabilities. As at 31 December 2016, the Group owes this creditor S\$12.3 million which is classified as current liabilities. This S\$12.3 million liability is the major factor that resulted in the Group's balance sheet to be in a net current liability position. This creditor has been very supportive and has not demanded settlement for the last three years. Based on their past behaviour and the Group's on-going communication with them, the Board is confident that this creditor will not demand account settlement within 12 months from the date of this Report. Had this liability of S\$12.3 million been reclassified under non-current liabilities, the Group would have been in a net current assets position of S\$2.3 million instead. The discussion is on-going, and the Board is optimistic that a mutually agreeable solution can be concluded.

Meanwhile, the Company has also instituted measures to preserve cash.

Based on the Group's total assets and total liabilities of S\$26.8 million and S\$14.5 million respectively as at 31 December 2016 and the above-mentioned measures the Group is taking, the Board has reasonable grounds to believe that the Group shall have adequate resources to continue its operations for the foreseeable future. For these reasons, the Company continues to adopt the going concern basis of accounting in the preparation of the annual financial statements.

(c) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity: (i) when they have power over the entity, (ii) when it is exposed to, or have rights to, variable returns from its involvement with the entity, and (iii) when they have the ability to use their power to affect those returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(c) Basis of Consolidation (cont'd)

(i) *Subsidiaries (cont'd)*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(c) Basis of Consolidation (cont'd)

(ii) Joint Arrangements

Joint arrangements are contractual arrangements whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint arrangements are classified either as joint operations or joint ventures, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangements provide the Group with rights to the assets and obligations for the liabilities relating to the arrangements, the arrangements are joint operations. To the extent the joint arrangements provide the Group with rights to the net assets of the arrangement, the arrangements are joint ventures.

The Group reassesses whether the type of joint arrangements in which it is involved has changed when facts and circumstances changed.

(d) Investments in Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the balance sheet of the Company.

On disposal of investments in subsidiaries, the differences between the net disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

(e) Investments in Joint Ventures

Investments in joint ventures are carried at cost less accumulated impairment losses in the balance sheet of the Company. On disposal of investments in joint ventures, the differences between the net disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

The Group recognises its interests in joint ventures as investments and accounts for the investments using the equity method.

The accounting policies of the joint ventures are adjusted when necessary to ensure consistency with those of the Group, from the date that significant influence or joint control commences.

Under the equity method, the investments are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of joint ventures. The Group's investments in joint ventures include goodwill identified on acquisition.

When the Group's share of losses exceeds its interests in an equity-accounted joint venture, the carrying amounts of the investments, together with any long-term interests that form part thereof, are reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the joint ventures' operations or has made payments on behalf of the joint ventures.

When the Group disposes of only part of its investments in joint ventures that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)**(e) Investments in Joint Ventures (cont'd)**

Interests in joint ventures are assessed at the end of each reporting period to determine whether there is objective evidence that they are impaired. Interests in joint ventures are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the recoverable amount of the assets. The assessment of impairment loss will be carried out in accordance with Note 2(h).

(f) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

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

Plant and equipment	10% to 20% per annum
Furniture and fittings	10% to 33% per annum
Other assets	10% to 100% per annum

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on 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.

(g) Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are stated at fair value determined annually by independent professional valuers on the highest-and-best use basis, with any change therein recognised in profit or loss for the period in which they arise.

The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

When the use of a property changes such that it is reclassified as plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvements are charged to profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(g) Investment Properties (cont'd)

On disposal or retirement of the investment properties, the differences between the net disposal proceeds and the carrying amounts of the assets are recognised in profit or loss.

(h) Impairment of Non-Financial Assets

Plant and equipment, investments in subsidiaries and investments in joint ventures

Plant and equipment, investments in subsidiaries and investments in joint ventures are tested for impairment whenever there is any objective evidence or indications that these assets may be impaired.

At the end of each financial year, the Group and the Company review the carrying amounts of its non-financial assets to determine whether there is any indication or objective evidence that those assets have suffered an impairment loss. If any such indication or objective evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

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 flows have 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

(i) Financial Instruments

Financial assets and financial liabilities are recognised on the Group's and the Company's balance sheets when the Group and the Company become party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocates the 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 costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument on initial recognition. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(i) Financial Instruments (cont'd)

Financial assets

All financial assets are recognised on a trade date where the purchase of financial assets are under contracts whose terms require delivery of the financial assets within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale investments and loans and receivables. The classification depends on the nature and purpose of these financial assets and is determined at the time of initial recognition. The Group and Company do not have any held-to-maturity investments.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL if the financial asset is either held for trading or is designated at fair value through profit or loss at inception.

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling in the short term; or if they are part of an identified portfolio of financial instruments with recent actual patterns of short-term profit-taking and which are managed by the Group; or if they are derivatives that are not designated and effective as hedging instruments or financial guarantee contracts.

Financial assets which are not classified as held for trading may be designated as FVTPL upon initial recognition if the financial assets are managed as part of a group of financial instruments, with its performance being evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

FVTPL are stated at fair value, with any resultant gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in active markets are classified as loans and receivables. Loans and receivables are measured at amortised cost, where applicable, using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Loans and receivables are classified within trade receivables, other receivables and prepayments and cash and cash equivalents on the Group's and the Company's balance sheets.

Available-for-sale investments

Certain financial assets held by the Group and the Company are classified as available-for-sale investments if they are not classified in any of the other categories. Available-for-sale investments are stated at fair value, with any resultant gain or loss recognised in other comprehensive income, and accumulated in the fair value reserve, together with the related currency translation differences, with the exception of impairment losses. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Available-for-sale investments whose fair values cannot be reliably measured are measured at cost less impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(i) Financial Instruments (cont'd)

Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment losses directly with the exception of trade receivables where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

In respect of available-for-sale investments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

De-recognition of financial assets

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

Equity instruments and financial liabilities

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group and 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 Group and the Company after deducting all their liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(i) Financial Instruments (cont'd)

Financial liabilities

An entity shall recognise a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

De-recognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative receivables/payables and other assets/liabilities

All derivative receivables and other assets are recognised at fair value on the balance sheet and classified as derivative receivables when their fair value is favourable and as derivative payables when their fair value is unfavourable.

The Group enters into derivative transactions for trading purposes and the realised and unrealised gains and losses are recognised in profit or loss.

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and deposits with banks and other financial institutions which are subject to insignificant risk of changes in value.

(k) Leases

When the Group is the lessee

Finance leases

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(k) Leases (cont'd)

Operating leases (cont'd)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised 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.

(l) Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of a past event, it is probable that the Group and 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 financial year, 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.

(m) Share-Based Payments

For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. For transactions with parties other than employees, there is a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. That fair value is measured at the date the entity obtains the goods or the counterparty renders service. In rare cases, if the presumption is rebutted, the transaction is measured by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

For equity-settled share-based payments to employees and directors, the Group measures the fair value of the equity instruments granted, because it is not possible to estimate reliably the fair value of services received from employees and directors. The Group measures the fair value of its equity instruments granted to be based on market prices and to take into account the terms and conditions upon which those equity instruments were granted.

The fair value determined at the grant date of the equity-settled share-based payments to employees and directors is expensed on a straight-line basis over the vesting period, based on the Group's and the Company's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non-market-based vesting conditions. At the end of each financial year, the Group and the Company revise the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the equity-settled employee benefits reserve. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(n) Warrants

Proceeds from the issuance of warrants, net of issue costs, are recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(o) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of investments held for trading

Revenue from sale of investments held for trading is recognised upon confirmation of the contract.

(p) Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's and the Company's obligations under the plans are equivalent to those arising in defined contribution retirement plans.

The Group and the Company are required to contribute a specified percentage of payroll costs to the retirement benefit plans, the Central Provident Fund Board and the Employees Provident Fund, operated by the Government of Singapore and Malaysia respectively, to fund the benefits. The only obligation of the Group and the Company with respect to the retirement benefit plans is to make the specified contributions. The Group and Company's obligations end when the employee ceases to be under the employment of the Group and Company.

(q) Employee Leave Entitlement

Employee entitlements to annual leave are recognised as liabilities when they accrue to the employee. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the end of the financial year.

(r) 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 year. Taxable profit differs from profit as reported in profit or loss 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 Group's and the Company's liabilities for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the temporary difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method.

Deferred tax liabilities are generally recognised for all 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(r) Income Tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each financial year 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: (i) 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 financial year; and (ii) based on the tax consequence that will follow from the manner in which the Group expects at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment properties measured at fair value are presumed to be recovered entirely through sale.

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 Group and the Company intend to settle their current tax assets and liabilities on a net basis.

Current and deferred taxes are recognised as expenses or income in the profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

(s) Foreign Currency Transactions and Translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of transactions. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

2 Significant Accounting Policies (cont'd)

(s) Foreign Currency Transactions and Translation (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities) are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(t) Borrowing Costs

Interest expense and similar charges are expensed in profit or loss in the financial year in which they are incurred. The interest component of finance lease payments is recognised in profit or loss at the applicable effective interest rate.

(u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive officers and the chief executive officer who make strategic decisions.

(v) Non-Current Assets Held-For-Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as held-for-sale are measured at the lower of the assets' previous carrying amount and fair value less cost of disposal.

The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and;

- i. represents a separate major line of business or geographical area of operations; or
- ii. is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- iii. is a subsidiary acquired exclusively with a view to resale.

When a component of an entity qualifies as a discontinued operation, the comparative statement of comprehensive income is retrospectively restated to segregate the results of all operations that have been discontinued by the end of the latest reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

3 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's and the Company's accounting policies, management made judgments, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These 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.

(a) Critical Judgments made in Applying the Accounting Policies

The following are the critical judgments, apart from those involving estimations that management has made in the process of applying the Group's and the Company's accounting policies and that have significant effects on the amounts recognised in the financial statements:

(i) Allowance for impairment of trade and other receivables

The policy for impairment of debts of the Group and the Company is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the assessment of the creditworthiness and the past payment history of each customer. If the financial conditions of these customers were to deteriorate, and resulted in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2016 were S\$2,385,000 (2015: S\$4,962,000) and S\$2,803,000 (2015: S\$4,339,000) respectively. The related impairment allowance is disclosed in Notes 20 and 21.

(ii) Investments in joint ventures

As disclosed in Note 16, the Group entered into contractual arrangements to form joint ventures. Based on the contractual arrangements between the Group and the other investors, the arrangements provide joint control to the Group and the other investors, and that any decision about the relevant activities requires unanimous consent of the parties sharing control. Therefore, management has concluded that the investments in Malaysian Microalgae Enterprise Sdn Bhd, Artel Trade LLC and Superior Carbontech & Solutions Sdn Bhd are joint ventures (Note 16).

Management has assessed that the joint arrangements are classified as joint ventures as the joint arrangements provide the Group with rights to the net assets of the arrangements.

(b) Key Sources of Estimation Uncertainty

(i) Impairment of investments in subsidiaries

The management follows the guidance of FRS 36 *Impairment of Assets* in determining whether investments in subsidiaries are impaired, which requires the assumption made regarding the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

During the financial year, the Company made an allowance for impairment of S\$6,158,000 (2015: S\$13,739,000) for its investments in subsidiaries and the Company's carrying amount of investments in subsidiaries as at 31 December 2016 was S\$4,607,000 (2015: S\$10,765,000) (Note 13).

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

3 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (cont'd)

(b) Key Sources of Estimation Uncertainty (cont'd)

(ii) *Impairment of investments in joint ventures*

The management follows the guidance of FRS 36 *Impairment of Assets* in determining whether investments in joint ventures are impaired, which requires the assumption made regarding the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Management has also prepared discounted cash flows to determine the recoverable amount of the Group's and the Company's investments in Malaysian Microalgae Enterprise Sdn. Bhd. and the Group's investment in Artel Trade L.L.C. ("Artel").

During the financial year, the Group made an allowance for impairment of S\$Nil (2015: S\$Nil) for its investments in joint ventures and the Group's carrying amount of investments in joint ventures as at 31 December 2016 was S\$6,767,000 (2015: S\$707,000) (Note 16).

(iii) *Impairment and classification of available-for-sale investments*

Available-for-sale investments are measured in accordance with the accounting policy as set out in Note 2(i) to the financial statements.

Available-for-sale investments represents the Group's and the Company's interests in the net proceeds of 60 finished lots of land situated at Sawyer Falls, Pierce County, Washington State, United States of America and the Group's equity interest in Grand Prosper Group Limited ("Grand Prosper") and Trackplus Sdn Bhd ("Trackplus").

The Group and the Company have used the "lot/home value ratio method" valuation for the 60 finished lots of land in Sawyer Falls carried out by an independent valuer on 10 June 2016. The valuation compares the average lot values as a percentage of the average home value. The valuation conforms to International Valuation Standards. During the financial year ended 31 December 2016, by using recent sales transaction records of adjacent finished land lots situated at Sawyer Falls, the Group and the Company have considered and determined that the estimated fair value approximates its carrying amount of S\$4,600,000 as at 31 December 2016 (2015: S\$4,600,000).

If the fair value for the Group's interest in the 60 finished lots of land decreases by 5%, the effect on other comprehensive income would be approximately S\$230,000 (2015: S\$230,000).

Net proceeds of 60 finished lots of land situated at Sawyer Falls, Pierce County, Washington State, United States of America

The Group and the Company own 66.7% equity interest in Sawyer Falls Co, LLC ("SFC") as disclosed in Note 17.

Although the Company acquired and holds more than 50% and 20% equity interest in SFC, this investment has been classified as an available-for-sale investment instead of investment in subsidiary or investment in associate as the Company has no power to exercise significant influence in its financial and operating policy decisions as defined in FRS 28 *Investments in Associates and Joint Ventures*, FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

3 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (cont'd)

(b) Key Sources of Estimation Uncertainty (cont'd)

(iii) Impairment and classification of available-for-sale investments (cont'd)

Investment in Grand Prosper and in Trackplus

As disclosed in Note 17, the Group's and the Company's investment in Grand Prosper has been fully impaired in prior years.

The Group and the Company own 35% equity interest in Trackplus as disclosed in Note 17. Although the Company acquired and holds more than a 20% equity interest in Trackplus, this investment has been classified as an available-for-sale investment instead of investment in associate as the Company has no power to exercise significant influence in its financial and operating policy decisions as defined in FRS 28 *Investments in Associates and Joint Ventures*.

Trackplus is a special purpose vehicle company and its only significant asset is a piece of land at Shah Alam, Selangor, Malaysia. On 4 December 2015, Trackplus entered into a joint venture agreement with a developer in Malaysia to carry out residential and commercial development on the land (Note 17).

The land's fair value is approximately S\$8,060,000 [equivalent to RM25,000,000] (2015: S\$5,699,000 [equivalent to RM 17,300,000]). The valuation of the land was carried out by an independent professional valuer based on the available records of recent transactions of comparable properties in the locality. The carrying amount of the Company's investment in Trackplus was S\$1,542,000 as at the end of December 2016 (2015: S\$1,542,000). There will be no impact (2015: Nil) on the loss before income tax if the fair value for the land changes by 5% as the carrying value of Trackplus is lower than the Company's share of the fair value of the land.

(iv) Valuation of investment properties

The valuation of the Tanjong Malim land in Malaysia was carried out by an independent professional valuer. The valuation report issued by the independent valuer dated 13 January 2017 confirms that the land's market value as at 31 December 2016 was approximately S\$7,093,000 [equivalent to RM22,000,000] (2015: S\$7,247,000 [equivalent to RM22,000,000]). The Comparison Method of valuation is used which compares the value of a property by comparing it to the prices of like-kind properties sold in similar locations within a recent period of time. The fair value of the investment property is further discussed in Note 15.

If the fair value for the Group's interest in the Tanjong Malim land falls by 5%, the effects on loss before income tax would increase by S\$355,000 (2015: S\$362,000).

(v) Valuation of share options

The Group measures the cost of equity-settled transactions with employees with reference to the fair value of the share options at the date at which the options are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about these inputs. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS**For The Financial Year Ended 31 December 2016****4 Net gains/(losses) on trading of marketable securities**

	Group	
	2016	2015
	S\$'000	S\$'000
<u>Continuing operations</u>		
Net gains/(losses) on trading of marketable securities	2	(24)

5 Other Operating Expenses

	Group	
	2016	2015
	S\$'000	S\$'000
<u>Continuing operations</u>		
Net losses from investment trading activities (Note 18)	112	1,408
Net losses from derivative instruments and other assets/liabilities	165	1,237
	277	2,645

6 Other Income

	Group	
	2016	2015
	S\$'000	S\$'000
<u>Continuing operations</u>		
Net losses from trading of foreign exchange	(107)	(174)
Fair value gain on investment properties (Note 15)	383	43
Gain from investment held for trading	-	262
Others	44	1
	320	132

7 Finance Income

	Group	
	2016	2015
	S\$'000	S\$'000
<u>Continuing operations</u>		
Interest on fixed income instruments (Note 19)	76	213
Others	20	6
	96	219

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

8 Loss before Tax

The Group's loss before income tax is arrived at after charging/(crediting) the following:

	Group	
	2016	2015
	S\$'000	S\$'000
<u>Continuing operations</u>		
<u>Administrative expenses</u>		
Directors' remuneration other than fees:		
- Directors of the Company	508	504
- Directors of the subsidiary	-	-
Directors' fees	129	125
Audit fees		
- Auditors of the Company	124	137
- Other auditors	4	11
Employee benefit expense (excluding directors' remuneration)	473	483
Costs of defined contribution plans:		
- Directors	9	7
- Other employees	49	48
Share awards	74	678
Share options	196	412
<u>Other expenses</u>		
Depreciation of plant and equipment	36	82
Loss on disposal of plant and equipment	-	10
Impairment loss of plant and equipment written back	-	(12)
Write off of other debtor, deposits and prepayments	4	-
Write off of inventories	-	7
Write off of plant and equipment	-	2
Land and properties tax	39	38
Professional and legal fees	131	88
Rental expense – operating leases	133	133
Rental expense – land	8	9
Repairs and maintenance	17	31
Transportation and travel	58	98
Trade and other creditors written back	(1)	(3)
Net unrealised foreign exchange loss	147	617
Impairment loss of trade and other receivables	1,014	29,524

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

9 Tax Expenses

	Group	
	2016	2015
	S\$'000	S\$'000
Foreign Tax (Real Property Gains Tax)	1	2
Deferred tax – transferred to deferred tax liabilities (Note 23)	10	11
Tax expenses	11	13

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2015: 17%) to loss before income tax as a result of the following differences:

	Group	
	2016	2015
	S\$'000	S\$'000
Loss before tax from continuing operations	3,350	35,684
Tax expense calculated at the appropriate tax rate of 17% (2015: 17%)	570	6,066
Adjustments:		
Expenses not deductible for tax purposes*	(226)	(2,841)
Tax effect of losses from investments held for trading and derivative instruments	(19)	(239)
Effect of different tax rates of subsidiaries operating in other jurisdictions	24	36
Movement in unrecognised deferred tax assets	(359)	(3,033)
Foreign Tax (Real Property Gains Tax)	(1)	(2)
	(11)	(13)

As at 31 December 2016, the Group has unutilised tax losses amounting to approximately S\$110,666,000 (2015: S\$108,554,000) and unutilised capital allowances amounting to approximately S\$1,396,000 (2015: S\$1,393,000) available for offset against future profits subject to approval by the relevant tax authorities. The deferred tax benefit relating to these unutilised tax losses and unutilised capital allowances of approximately S\$19,051,000 (2015: S\$18,691,000) has not been recognised in the financial statements as the Group cannot be certain that there will be taxable profit in the future to utilise this tax benefit. The tax losses may be carried indefinitely subject to the conditions imposed by the relevant tax regulations.

* attributable mainly to impairment loss of other receivables and losses from non-income generating subsidiaries (2015: impairment of goodwill and losses from non-income generating subsidiaries) recognised by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

10 Discontinued Operations

In financial year 2015, the Group decided to exit the CNG refilling station business in the People's Republic of China ("PRC"). Accordingly, the results of the business are presented separately on profit or loss as "Loss for the year from discontinued operations" as follows:

Loss for the year from discontinued operations

	Group	
	2016	2015
	S\$'000	S\$'000
Write back of losses on assets classified as held-for-sale	-	244
Impairment of goodwill	-	(13,709)
	-	(13,465)
Loss for the year from discontinued operations (attributable to owners of the Company)	-	(13,465)

11 Other Comprehensive Loss

	Group					
	2016			2015		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Exchange differences on translation of foreign operations	(172)	-	(172)	(1,419)	-	(1,419)

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

12 Loss per share

Basic loss per share is calculated by dividing the Group's loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

Basic loss per share is calculated as follows:

	Group	
	2016	2015
<u>Loss</u>		
Loss from continuing operations	(S\$3,361,000)	(S\$35,697,000)
Loss from discontinued operations	-	(S\$13,465,000)
Loss from continuing operations and discontinued operations	(S\$3,361,000)	(S\$49,162,000)
Weighted average number of ordinary shares	4,441,690,036	4,396,750,145
<u>Basic and diluted loss per share</u>		
- from continuing operations	(0.08) cents	(0.81) cents
- from discontinued operations	-	(0.31) cents
Total basic loss per share	(0.08) cents	(1.12) cents

Diluted loss per share is calculated based on the weighted average number of ordinary shares adjusted for the effects of all dilutive potential ordinary shares. Share awards of 30,000,000 (2015: 94,000,000) granted but not vested at the end of the year 2016, share options of 91,500,000 (2015: 93,500,000) granted but not exercised at the end of the year 2016 and warrants of 465,783,822 (2015: 465,783,822) in issue at the end of the year 2016, were excluded from the calculation of the diluted weighted average number of ordinary shares, as their effects are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

13 Investments in Subsidiaries

	Company	
	2016	2015
	S\$'000	S\$'000
Unquoted equity shares	27,851	27,851
Less: Allowance for impairment	(23,244)	(17,086)
	<u>4,607</u>	<u>10,765</u>

Movement in unquoted equity shares:

	2016	2015
	S\$'000	S\$'000
Balance as at 1 January	27,851	27,866
Voluntary winding up of a subsidiary	-	(15)
Balance as at 31 December	<u>27,851</u>	<u>27,851</u>

Movement in allowance for impairment are as follows:

	2016	2015
	S\$'000	S\$'000
Balance as at 1 January	(17,086)	(3,362)
Impairment loss	(6,158)	(13,739)
Reversal of impairment loss of subsidiary wound up	-	15
Balance as at 31 December	<u>(23,244)</u>	<u>(17,086)</u>

The Company has provided full allowance for impairment on its investments in certain subsidiaries, namely Jadenworth Holdings Pte Ltd, PG Communications Pte Ltd, Shakey's Holdings Pte Ltd, Wang Da Investments Limited and Inno-Pacific Realty Sdn Bhd and Heritage Investment Corporation in prior years. Shakey's Holdings Pte Ltd has been dormant while Jadenworth Holdings Pte Ltd, PG Communications Pte Ltd, Wang Da Investments Limited and Inno-Pacific Realty Sdn Bhd and Heritage Investment Corporation had been making recurring losses.

The Company has provided an allowance for impairment of S\$750,000 (2015: S\$13,739,000), S\$9,000 (2015: S\$nil) and S\$5,399,000 (2015: S\$nil) to write down its investments in Extera Pte Ltd, Enigma Venture (M) Sdn Bhd and Heritage Investment Corporation respectively to their recoverable amounts. The recoverable amounts of the investment in those subsidiaries have been determined based on management's estimation of the fair value of the subsidiaries' net assets as at the financial year end. The measurement was categorised as a Level 3 fair value, as defined in Note 38(d) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For The Financial Year Ended 31 December 2016****13 Investments in Subsidiaries (cont'd)**

Details of the subsidiaries are as follows:

Name of Subsidiary/ country of incorporation	Principal activities	Group's effective equity interest	
		2016	2015
<u>Held by the Company</u>		%	%
Awana Rentak Sdn Bhd ^(a) ("ARSB") Malaysia	Investment holding	100.0	100.0
Enigma Venture (M) Sdn Bhd ^(a) Malaysia	Investment holding	100.0	100.0
Heritage Investment Corporation ^(b) British Virgin Islands	Investment holding and investment trading	100.0	100.0
Golden Eagle Mining Pte Ltd Singapore	Investment holding	100.0	100.0
Inno-Pacific Realty Sdn Bhd ^(a) Malaysia	Investment property holding	100.0	100.0
Jadensworth Holdings Pte Ltd Singapore	Investment holding and investment trading	100.0	100.0
PG Communications Pte Ltd Singapore	Dormant	100.0	100.0
Shakey's Holdings Pte Ltd ^(c) Singapore	Dormant	88.9	88.9
Wang Da Investments Limited ^(b) British Virgin Islands	Investment holding and investment trading	100.0	100.0
Extera Pte Ltd ("Extera") Singapore	Investment holding	81.8	81.8

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

13 Investments in Subsidiaries (cont'd)

Name of Subsidiary/ country of incorporation	Principal activities	Group's effective equity interest	
		2016	2015
		%	%
<i>Held by Extera Pte Ltd</i>			
Dezhou Sheng Rong Gas Co Ltd ("Sheng Rong") (德州胜荣燃气有限公司) ^(b) People's Republic of China	Energy and fuel distribution including compressed natural gas ("CNG") service provider	73.6	73.6
<i>Held by PG Communications Pte Ltd</i>			
PG Communications Sdn Bhd ^(a) Malaysia	Dormant	100.0	100.0
<i>Held by Inno-Pacific Realty Sdn Bhd</i>			
Megan Midas Sdn Bhd ^(a) Malaysia	Investment property holding	100.0	100.0

Notes on subsidiaries:

All the companies are audited by Moore Stephens LLP except for the subsidiaries that are indicated below:

- (a) Audited by Moore Stephens Associates & Co, Chartered Accountants, Malaysia.
- (b) No audit requirement in the country of incorporation. Audited by Moore Stephens LLP for consolidation purposes.
- (c) Exempted from audit under Section 205B of the Companies Act.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

13 Investments in Subsidiaries (cont'd)Interest in subsidiaries with material non-controlling interests

The Group has the following subsidiaries that have material non-controlling interests:

Name of Subsidiary/ country of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit /(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2016	2015	2016	2015	2016	2015
	%	%	S\$'000	S\$'000	S\$'000	S\$'000
Dezhou Sheng Rong Gas Co Ltd (德州胜荣燃气有限公司) People's Republic of China	10.0	10.0	30	(38)	30	-
Extera Pte Ltd Singapore	18.2	18.2	13	(140)	586	573
			43	(178)	616	573

As disclosed in Note 21, in 2015, the non-controlling shareholder of Sheng Rong had agreed to liquidate its 10% equity interests in Sheng Rong by transferring it to an unrelated third party to be nominated by Sheng Rong.

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts before intragroup elimination:

	2016	2015
	S\$'000	S\$'000
<u>Sheng Rong</u>		
Current assets	3,716	3,968
Non-current assets	-	1
Current liabilities	(3,377)	(3,471)
Equity attributable to owners of the Company	309	498
Non-controlling interests	30	-
<u>Extera</u>		
Current assets	1	640
Non-current assets	3,200	3,466
Current liabilities	(42)	(45)
Equity attributable to owners of the Company	2,573	3,488
Non-controlling interests	586	573

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

13 Investments in Subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interests (cont'd)

	2016	2015
	S\$'000	S\$'000
<u>Sheng Rong</u>		
Revenue	-	-
Expenses	-	(872)
Loss for the year	(137)	(872)
Loss attributable to owners of the Company	(167)	(834)
Profit/(loss) attributable to the non-controlling interests	30	(38)
Total comprehensive loss for the year	(137)	(872)
Total comprehensive loss attributable to owners of the Company	(167)	(834)
Total comprehensive profit/(loss) attributable to the non-controlling interests	30	(38)
Dividends paid to non-controlling interests	-	-
Net cash outflow from operating activities	(136)	(411)
Net cash outflow from investing activities	-	-
Net cash inflow from financing activities	-	-
Net cash outflow	(136)	(411)
<u>Extera</u>		
Revenue	-	-
Expenses	(902)	(321)
Loss for the year	(902)	(321)
Loss attributable to owners of the Company	(915)	(181)
Profit/(loss) attributable to the non-controlling interests	13	(140)
Total comprehensive loss for the year	(902)	(321)
Total comprehensive loss attributable to owners of the Company	(915)	(181)
Total comprehensive profit/(loss) attributable to the non-controlling interests	13	(140)
Dividends paid to non-controlling interests	-	-
Net cash outflow from operating activities	(10)	-*
Net cash outflow from investing activities	-	-
Net cash inflow from financing activities	-	-
Net cash outflow	(10)	-*

*Below S\$1,000.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

14 Plant and Equipment

	Plant and equipment	Furniture and fittings	Other assets	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
2016				
<u>Cost</u>				
At 1 January	-	200	557	757
Additions	-	3	-	3
Disposals	-	(2)	(3)	(5)
At 31 December	-	201	554	755
<u>Allowance for impairment</u>				
At 1 January	-	5	5	10
Disposals	-	(1)	(2)	(3)
At 31 December	-	4	3	7
<u>Accumulated depreciation</u>				
At 1 January	-	175	508	683
Disposals	-	(1)	(1)	(2)
Depreciation	-	1	35	36
Foreign currency translation differences	-	-	1	1
At 31 December	-	175	543	718
<u>Net book value</u>				
At 31 December	-	22	8	30

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

14 Plant and Equipment (cont'd)

	Plant and equipment	Furniture and fittings	Other assets	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
2015				
<u>Cost</u>				
At 1 January	-	217	574	791
Additions	-	-	3	3
Written-off	-	(3)	(18)	(21)
Disposals	-	(14)	(2)	(16)
At 31 December	-	200	557	757
<u>Allowance for impairment</u>				
At 1 January	-*	16	6	22
Write back of impairment loss	-*	(11)	(1)	(12)
At 31 December	-	5	5	10
<u>Accumulated depreciation</u>				
At 1 January	-	178	447	625
Depreciation	-	2	80	82
Written-off	-	(2)	(17)	(19)
Disposals	-	(3)	(1)	(4)
Foreign currency translation differences	-	-	(1)	(1)
At 31 December	-	175	508	683
<u>Net book value</u>				
At 31 December	-	20	44	64

* Below S\$1,000

The write back of impairment loss of S\$12,000 in 2015 was due to disposal of furniture and fittings and other assets.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

14 Plant and Equipment (cont'd)

	Furniture and fittings	Other Assets	Total
	S\$'000	S\$'000	S\$'000
Company			
2016			
<u>Cost</u>			
At 1 January	61	137	198
Additions	3	-	3
At 31 December	64	137	201
<u>Accumulated depreciation</u>			
At 1 January	42	125	167
Depreciation	-	4	4
At 31 December	42	129	171
<u>Net book value</u>			
At 31 December	22	8	30
2015			
<u>Cost</u>			
At 1 January	61	136	197
Additions	-	1	1
At 31 December	61	137	198
<u>Accumulated depreciation</u>			
At 1 January	41	124	165
Depreciation	1	1	2
At 31 December	42	125	167
<u>Net book value</u>			
At 31 December	19	12	31

The Group's other assets include a motor vehicle with a carrying amount of S\$Nil (2015: S\$32,000) registered in the name of a director and is held in trust for the Group.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

15 Investment Properties

	Group	
	2016	2015
	S\$'000	S\$'000
Fair Value		
As at 1 January	9,540	11,803
Disposal	-	(201)
Fair value gain	383	43
Foreign currency translation difference	(216)	(2,105)
As at 31 December	9,707	9,540

- (a) As disclosed in Notes 3(b)(iv), the fair value of the Tanjong Malim land as at 31 December 2016 was determined by an independent professional valuer with recent experience in the locale and type of the investment properties on 13 January 2017. The valuation was arrived at by reference to market evidence of transaction prices for similar properties, and was performed in accordance with International Valuation Standards. In estimating the fair value of the properties, the valuer adopted the Comparison Method of Valuation. There has been no change to the valuation technique during the year. The land is a 99 years leasehold property expiring on 12 February 2106. There is no significant change in the fair value since 31 December 2015.
- (b) The Group had acquired certain residential and commercial properties as investment properties. The Group's investment properties are held for income and capital gain. The fair value of the Group's residential and commercial properties as at 31 December 2016 has been arrived at based on valuations carried out by independent professional valuers. The valuer adopted the Comparison Method in valuing the properties and the valuation was based on the recent transaction records of comparable properties in the locality and was performed in accordance with International Valuation Standards. There is no significant change in the fair value since 31 December 2015.

The fair value of investment properties is classified under Level 2 of the fair value hierarchy, as defined in Note 38(d) to the financial statements.

No significant direct operating expenses have been incurred for these investment properties.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

15 Investment Properties (cont'd)

Descriptions of the investment properties are as follows:

	Name of property	Area	Existing use	Tenure
(a)	Tanjong Malim Land, Malaysia	2,103,948 sq. ft.	Industrial	99 year lease (unexpired term 90 years)
(b)	Unit 33-02 Cendana Condominium, Kuala Lumpur, Malaysia	4,488 sq. ft.	Residential	Freehold
(c)	Unit 18-03 Clear Water Residence, Kuala Lumpur, Malaysia	3,283 sq. ft.	Residential	Freehold
(d)	Lot A-2, Tamam Sungai Mas, Sabah, Malaysia	1,070 sq. ft.	Shop	999 year lease (unexpired term 899 years)
(e)	Lot A-3A, Tamam Sungai Mas, Sabah, Malaysia	1,070 sq. ft.	Shop	999 year lease (unexpired term 899 years)

16 Investments in Joint Ventures

Details of the Group's and Company's joint ventures at the end of the reporting period are as follows:

Name of joint venture/ country of incorporation	Principal activities	Group's effective equity interest	
		2016	2015
		%	%
<i>Held by the Company</i>			
Malaysian Microalgae Enterprise Sdn Bhd ^(a) , Malaysia	Commercial cultivation of microalgae and its downstream activities	70.0	70.0

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

16 Investments in Joint Ventures (cont'd)

Name of joint venture/ country of incorporation	Principal activities	Group's effective equity interest	
		2016	2015
		%	%
Held by the Golden Eagle Mining Pte Ltd			
Artel Trade LLC ^(b) The Kyrgyz Republic	Minerals exploration and mining	50.0	50.0
Held by the Awana Sdn Bhd			
Superior Carbontech & Solutions Sdn Bhd ^(c) , Malaysia	Recovery of valuable by-products and generation of renewable energy	50.0	-

These joint ventures have yet to commence operations as at 31 December 2016.

The above joint ventures are accounted for using the equity method in these consolidated financial statements.

- (a) On 22 September 2015, the Company entered into a Joint Venture Agreement with Primeforth Renewable Energy Limited ("Primeforth"), to establish a microalgae cultivation and oil extraction project through a Singapore-incorporated company. Subsequently, the Company acquired an equity interest in Malaysian Microalgae Enterprise Sdn Bhd ("Malaysian Microalgae") (with no assets and no liabilities) with the intended principal business in the commercial cultivation of microalgae and related downstream activities in Malaysia. On 21 January 2016, the Company signed a supplemental agreement with Primeforth to provide that a private limited company be incorporated in Singapore or in Malaysia as the case may be, and that the first facility shall be located in Malaysia. Malaysian Microalgae is envisaged to be the entity to undertake the microalgae cultivation and oil extraction project. On 11 October 2016, the Company had signed an engineering, procurement and construction ("EPC") agreement with Primeforth for the construction of the microalgae facility. In the agreement, it is stated that the project is to be rolled out in three phases with the Company committed to invest and fund of US\$4.5 million, US\$3.0 million and US\$5.0 million for Phase 1, 2 and 3 of the project respectively. Accordingly, the Group has funded S\$6.0 million for Phase 1 of the project. This funding has been used for land and site preparation, purchase of microalgae seeds, tanks, piping and other equipment for the microalgae facility.
- (b) On 15 April 2015, Golden Eagle Mining Pte Ltd ("Golden Eagle Mining"), a wholly owned subsidiary of the Company, acquired a 50% interest in an unincorporated joint venture ("UJV") in the gold exploration and exploitation concession which is owned by Artel Trade LLC ("Artel") for US\$400,000 from an unrelated Kyrgyz person who was the sole shareholder of Artel, a company incorporated in the Kyrgyz Republic. Artel is the owner of a gold exploration and exploitation concession and the exploration licences in the Kyrgyz Republic. Subsequently, in 2016, the Group's 50% interest in the UJV was converted into the issued share capital of Artel. As at 31 December 2016, Golden Eagle Mining owned 50% of the issued share capital in Artel. Golden Eagle Mining has funded US\$150,000 of Artel's 2015 work program as of 31 December 2016 (31 December 2015: US\$100,000). Artel is 50% owned by Golden Eagle Mining, 25% is owned by Mr Wong Chin Yong, CEO of the Company, with the balance 25% owned by the unrelated Kyrgyz person. Artel's work program in financial year 2016 has been limited to mapping and data analysis by Artel's local geologist, who has identified two areas within the concession for further exploration in 2017.
- (c) On 2 June 2016, Awana Rentak Sdn Bhd ("Awana"), a wholly owned subsidiary of the Company, entered into a joint venture agreement with RC Carbon Sdn Bhd to set up a Recovered Carbon Black ("rCB") production facility to produce rCB from waste, end-of-life tyres char through a joint venture company in Malaysia. During the financial year 2016, Awana acquired a 50% equity interest in Superior Carbontech & Solutions Sdn Bhd ("Superior Carbontech"), a joint venture company with RC Carbon Sdn Bhd. The management expects Superior Carbontech to begin operation in 2017. The Group has been seeking for the necessary financing for the project. It is expected that the Facility will be completed, commissioned and should commence operations within 6 months after the necessary financing has been obtained.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

16 Investments in Joint Ventures (cont'd)

These investments have been accounted for as joint arrangements as decisions relating to the joint arrangement activities require unanimous consent from all parties. They are classified as joint ventures as the joint arrangements provide the Group with rights to the net assets of the arrangements.

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Cost of investments in joint ventures	6,789	707	6,000	*
Share of losses of joint ventures	(22)	-	-	-
Interests in joint ventures	6,767	707	6,000	*

*Less than S\$1,000

As Malaysian Microalgae has not commenced its operation in 2016, apart from the S\$6,000,000 funding for phase 1 of the project provided by the Group, its financial information is not material to be disclosed.

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with International Financial Reporting Standards.

Artel Trade LLC

Summarised statement of financial position

	2016	2015
	S\$'000	S\$'000
Current assets	217	141
Total assets	217	141
Current liabilities	(257)	(168)
Total liabilities	(257)	(168)
Net liabilities	(40)	(27)

Summarised statement of comprehensive income

	2016	2015
	S\$'000	S\$'000
Revenue	-	-
Operating expenses	(12)	(25)
Interest expense	-	-
Loss before tax	(12)	(25)
Other comprehensive income	-	-
Total comprehensive loss	(12)	(25)

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

16 Investments in Joint Ventures (cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2016	2015
	S\$'000	S\$'000
Net liabilities of the joint venture	(40)	(27)
Proportion of the Group's ownership interest in the joint venture	50%	~*
Share of net liabilities of the joint venture	(20)	-
Cost of acquisition paid to owners of the Company	546	546
Funding provided	243	161
Carrying amount of the Group interest in the joint venture	769	707

* No share of results is recognised in 2015 as the Group's interest in Artel was only converted to shares of Artel in 2016.

17 Available-for-Sale-Investments

	Group and Company	
	2016	2015
	S\$'000	S\$'000
As at 1 January	17,852	17,852
Allowance for impairment	(11,710)	(11,710)
As at 31 December	6,142	6,142

Movement in allowance for impairment is as follows:

	Group and Company	
	2016	2015
	S\$'000	S\$'000
As at 1 January and 31 December	11,710	11,710

Available-for-sale investments comprise the following:

	Group and Company	
	2016	2015
	S\$'000	S\$'000
Right to receive net proceeds from 60 finished lots of land [Note (i)]	4,600	4,600
Investment in unquoted shares [Notes (ii), (iii)]	1,542	1,542
	6,142	6,142

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

17 Available-for-Sale-Investments (cont'd)

- (i) the Group's and the Company's rights to receive the net proceeds of 60 finished lots of land situated at Sawyer Falls, Pierce County, Washington State, United States of America amounts to S\$4,600,000;
- (ii) the Group and the Company had made full allowance for impairment of S\$1,400,000 for its investment in Grand Prosper as its operations in the PRC has not been successful; and
- (iii) the Group's and the Company's equity investment in Trackplus was previously classified as asset held-for-sale but since the Group has not sold Trackplus, it was re-classified to available-for-sale investments in 2012.

Net proceeds of 60 finished lots of land situated at Sawyer Falls, Pierce County, Washington State, United States of America

On 18 July 2001, the Company entered into an agreement to purchase 16.7% of the common equity in SFC from 2 of SFC's shareholders for a total consideration of US\$1.2 million. SFC is a special purpose vehicle company and owns only the rights to net proceeds of 85 finished lots of property in Falling Water District, Pierce County, Washington. As at 31 December 2016, the Company owns 67% (2015: 66.7%) equity interest in SFC.

Although the Company acquired and holds more than 50% equity interest in SFC, this investment has been classified as an available-for-sale investment instead of investment in subsidiary or investment in associate as the Company has no power to exercise significant influence in its financial and operating policy decisions as defined in FRS 28 *Investments in Associates and Joint Ventures*, FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*.

On 23 April 2002, SFC entered into a Vacant Land Sale and Purchase Agreement ("VLSPA") to sell the Falling Water raw land to Capri Investment L.L.C. The sales consideration for the raw land was US\$3,500,000 and net proceeds of 85 finished lots from the property, less the customary costs of sale and closing costs as well as, the traffic, park schools mitigation fees and related utility fees allocable to each of the lots.

On 26 February 2004, the Company, SFC and its members entered into an agreement whereby SFC agreed to distribute the net proceeds from the first 35 lots of the 85 lots that SFC is entitled to, under the VLSPA to the Company as settlement of promissory notes issued by SFC to the Company. In addition, it was also agreed on 16 March 2004, that the Company will be entitled to a further 25 lots in SFC. Consequently, the Company has a right to receive the net proceeds from the sale of 60 finished lots.

On 16 March 2004, SFC had confirmed to the Company that the net proceeds from the distribution of the remaining lots (which is 25 lots) to the Company will be without any deductions for the creditors of SFC or advances made by members of SFC after the date of the VLSPA.

Investment in Grand Prosper

The Company had acquired 25% of the issued and paid-up share capital in Grand Prosper for S\$1.4 million. Grand Prosper's only investment is its 90% shareholding in Deshi Oil and Gas Exploration Co. Ltd. The Company had fully impaired its investment in Grand Prosper.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

17 Available-for-Sale-Investments (cont'd)

Investment in Trackplus

The Company acquired on 9 September 2011 a 35% interest in the issued and paid-up share capital of Trackplus whose principal activity is property development in Malaysia. Although the Company acquired and holds more than 20% equity interest in Trackplus, the Company has classified it as an available-for-sale investment instead of investment in associate as the Company has no power to exercise significant influence in its financial and operating policy decisions as defined in FRS 28 *Investments in Associates and Joint Ventures*.

As disclosed in Note 3(b)(iii), Trackplus is a special purpose vehicle company and owns only a parcel of land with an area of approximately 7,863 square metres at Section 13, Town of Shah Alam, Selangor, Malaysia.

The land which is on a leasehold title for 99 years and expiring on 22 January 2102, was valued at approximately S\$8,060,000 [equivalent to RM25,000,000] (2015: S\$5,699,000 [equivalent to RM17,300,000]). The valuation of the land was carried out by an independent registered valuer based on the available records of recent transactions of comparable properties in the locality.

Trackplus had on 4 December 2015 entered into a joint venture agreement with a developer in Malaysia to carry out residential and commercial development on the land. Under this agreement, the Developer shall pay Trackplus (i) 20% of the total sales price of the net saleable area from the development on the land, or (ii) the Guaranteed Minimum Consideration of S\$8,060,000 [equivalent to RM25,000,000], whichever is higher.

18 Investments Held for Trading

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Marketable securities:				
As at 1 January	308	7,066	111	6,330
Additions	-	490	-	490
Disposal	(113)	(840)	(33)	(668)
Reinvested to investment in fixed income instruments (Note 19)	-	(5,000)	-	(5,000)
Net losses from investment trading activities (Note 5)	(112)	(1,408)	(12)	(1,041)
As at 31 December	83	308	66	111

Investments held for trading pertains to investments in listed marketable securities and unquoted equity funds which offer the Group and the Company the opportunity for return through dividend income and fair value gains. The fair values of the listed equity securities are based on closing bid prices on the last market day of the financial year.

The Group's and the Company's investments held for trading include investments with the carrying amount of S\$83,000 (2015: S\$263,000) and S\$66,000 (2015: S\$66,000) respectively, are pledged as security for trading accounts with financial institutions.

Investments held for trading are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

19 Investment in Fixed Income Instruments

	Group and Company	
	2016	2015
	S\$'000	S\$'000
As at 1 January	5,213	-
Addition (Note 18)	-	5,000
Interest income (Note 7)	76	213
Redemption	(5,289)	-
As at 31 December	-	5,213

The investment in fixed income instruments as at 1 January 2016 pertains to the Group's unquoted investment in short-term interest bearing instrument. The instrument carries a coupon at the rate of 0.6% per month from the issued date up to and including the maturity date or the day of early redemption. The instrument had been redeemed by the issuer in 2016.

20 Trade Receivables

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Third parties	56,308	57,509	56,308	57,508
Less: Allowance for impairment	(56,308)	(56,177)	(56,308)	(56,177)
	-	1,332	-	1,331

Trade receivables from third parties are non-interest bearing and repayable within the normal trade credit term of 30 days (2015: 30 days). Included in the trade receivables is the amount due from the counterparty on the sale of securities.

In 2013, the Company entered into a Sale and Purchase Agreement ("S&P") to sell certain marketable securities for S\$65,460,000. The counterparty paid S\$7,200,000 in cash. The completion of the S&P was to take place on or before 31 December 2013. The completion did not take place by 31 December 2013 and the Group did not deliver the securities to the counterparty by 31 December 2013.

On 31 December 2014, the Company entered into a further agreement with the counterparty to repurchase the securities for S\$752,500. The balance of receivable was S\$57,507,500 as at 31 December 2014. The counterparty provided collaterals by way of third party pledged shares in a Singapore listed company ("Pledged Shares") but these were returned to the counterparty in 2014 and the counterparty provided a Deed of Shares Pledge for 25,000 shares, representing 50% of the issued share capital, of an overseas private company held under an escrow arrangement in favour of the Company as additional collateral until the settlement of the S\$57,507,500. The Company was of the opinion that these 25,000 shares have a value in excess of the estimated value of the Pledged Shares as at 31 December 2014. The counterparty agreed to settle in cash the balance of the receivable by 30 September 2015. On 30 September 2015, the Company entered into an agreement with the counterparty to extend the settlement date to 30 September 2016.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

20 Trade Receivables (cont'd)

Though the Pledged Shares had not been returned to the Company by 31 December 2015, and the Company continued to hold the 25,000 shares in an overseas private company as collateral for the debt as at 31 December 2015, the Company had always considered the Pledged Shares as the primary collateral for the debt owed by the counterparty. The management estimated that the value of the Pledged Shares as at 31 December 2015 amounted to S\$1,331,000 and made a further allowance of impairment of S\$29,524,000, resulting in a total allowance of impairment against this receivable of S\$56,176,500, which represented the uncollateralised portion of receivable due from the counterparty. The Company had not taken into consideration the value of the 25,000 shares in the overseas private company in its financial statements as there was limited marketability for these shares.

Subsequent to 31 December 2015, the counterparty returned the Pledged Shares to the Company in addition to the 25,000 shares of the overseas private company as collaterals. The Pledged Shares and the 25,000 shares in the overseas private company were held under escrow arrangements in favour of the Company.

In September 2016, the counterparty proposed to the Company to make a further payment of S\$1,200,000 for the release and return of the Pledged Shares and the 25,000 shares of the overseas private company, and the termination of the escrow arrangement and the Deed of Shares Pledge in respect of the 25,000 shares of an overseas private company. The market value of the Pledged Shares in September 2016 had declined to around S\$700,000.

After taking into consideration the payment of S\$7,200,000 that the counterparty had made under the S&P, the continued decline in value of the Pledged Shares, and the slim prospect of recovering further payment from the counterparty, the Company agreed to the proposal.

Upon the direction of the Company, the counterparty paid the S\$1,200,000 to Primeforth Renewable Energy Limited towards the Company's investment in the microalgae cultivation and oil extraction joint venture project.

The balance of trade receivable due from the counterparty was reduced from S\$57,507,500 to S\$56,307,500.

Trade receivables that are less than five months past due are not considered as impaired. As at 31 December 2016, the Company has provided a further impairment of S\$131,000 (2015: S\$29,524,000) for trade receivable related to the S&P, thereby bringing the total impairment to S\$56,307,500 (2015: S\$56,176,500) which represents the amount of trade receivable not secured by collateral.

Movements in allowance for impairment on trade receivables are as follows:

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 January	56,177	26,653	56,177	26,653
Addition during the financial year	131	29,524	131	29,524
As at 31 December	56,308	56,177	56,308	56,177

Trade receivables are mainly denominated in Singapore dollar (2015: Singapore dollar).

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

21 Other Receivables and Prepayments

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Other receivables				
- third parties	3,418	3,783	342	604
- joint ventures	3	-	3	-
Allowance for impairment	(1,036)	(153)	(269)	-
	2,385	3,630	76	604
Amounts due from subsidiaries	-	-	29,266	30,190
Allowance for impairment	-	-	(26,539)	(27,786)
	-	-	2,727	2,404
Deposits	36	51	33	33
Prepayments	30	39	10	10
	2,451	3,720	2,846	3,051

Other receivables include an amount of S\$2,300,000 (equivalent to RMB11,000,000) due from the non-controlling shareholder of Sheng Rong pursuant to the recovery of payments made by Sheng Rong for the CNG station. In 2015, the non-controlling shareholder had agreed to pay Sheng Rong by transferring several properties in the PRC totalling S\$1,000,000 (equivalent to RMB5,000,000) and assignment of debts totalling S\$1,300,000 (equivalent to RMB6,000,000). The non-controlling shareholder also agreed to surrender its 10% equity interest in Sheng Rong (Note 13). The receivable is personally guaranteed by the owner of the non-controlling shareholder. In May 2016, Sheng Rong had initiated legal action against various parties including the non-controlling shareholder of Sheng Rong and owners of properties (which are pledged as collaterals for the receivables) for enforcement of recovery of the receivables. In Dec 2016, the Chinese Court ruled in favour of Sheng Rong's application requiring these various parties to fulfil their obligations and penalty payment for delay in transfer of properties to Sheng Rong. The non-controlling shareholder appealed the court decision on late payment penalty. The resolution of the lawsuit is currently pending the appeal process.

As at 31 December 2016 and 2015, the assignment of debts totalling S\$1,300,000 (equivalent to RMB 6,000,000) and only one property worth S\$104,000 (RMB500,000) have been transferred to Sheng Rong and a trustee appointed by the Group respectively.

Other receivables and amounts due from subsidiaries are interest-free, unsecured and repayable on demand.

Movements in allowance for impairment on other receivables are as follows:

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 January	153	153	-	-
Addition during the year	883	-	269	-
As at 31 December	1,036	153	269	-

An allowance for impairment is made for estimated irrecoverable amounts from other receivables and amount due from subsidiaries and determined by reference to the financial position and repayment capability of the other receivables and subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

21 Other Receivables and Prepayments (cont'd)

Other receivables which are less than 1 year are not considered as past due.

Movements in allowance for impairment on amounts due from subsidiaries are as follows:

	Company	
	2016	2015
	S\$'000	S\$'000
As at 1 January	27,786	28,546
Addition during the year	272	106
Written off during the year as uncollectible	(1,450)	-
Reversal during the year	(69)	(866)
As at 31 December	26,539	27,786

During the financial year 2016, S\$1,450,000 (2015: S\$Nil) due from a subsidiary has been waived, and there was a reversal of S\$69,000 (2015: S\$866,000) arising from settlement by a subsidiary of debts previously considered as impaired.

Receivables that are impaired

At the end of the financial year, the Company has provided impairment loss of S\$26,539,000 (2015: S\$27,786,000) for advances due from its subsidiaries. Its subsidiaries have been suffering financial losses for the current and past financial years.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. Except as disclosed in Note 20, the Group does not hold any collateral.

Other receivables and prepayments are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore Dollar	122	560	2,846	2,451
Chinese Renminbi	2,309	2,545	-	-
United States Dollar	-	600	-	600
Malaysian Ringgit	20	15	-	-
	2,451	3,720	2,846	3,051

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

22 Cash and Cash Equivalents

Cash and cash equivalents per the consolidated statement of cash flows are as follows:

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Cash and bank balances	1,584	2,578	136	954

Cash and bank balances do not bear any interest.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore Dollar	1,504	2,454	132	953
Chinese Renminbi	61	105	-	-
United States Dollar	15	12	4	-
Malaysian Ringgit	4	7	-	1
	1,584	2,578	136	954

No cash at the bank accounts or stock brokerage accounts have been pledged as collateral.

23 Deferred Tax Liabilities

Deferred tax liabilities arise when the Group accounts for the difference between the carrying amount of the revalued leasehold land and its cost as the Group deems the future recovery of the carrying amount of the revalued asset will result in a taxable flow of economic benefits to the Group and the expected deductible amount for tax purposes will differ from the amount of the economic benefits. A deferred tax liability is computed in respect of the revaluation surplus at the tax rate of the country in which the subsidiary concerned is domiciled. Any actual tax liability will crystallise upon disposal of the revalued asset.

Movements in deferred tax liabilities are as follows:

	Group	
	2016	2015
	S\$'000	S\$'000
As at 1 January	376	428
Recognised in the profit or loss (Note 9)	10	11
Foreign currency translation differences	(8)	(63)
As at 31 December	378	376

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

24 Trade and Other Payables

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Trade payables (current):				
- bank and stock brokerage trading accounts	12,339	12,183	-	-
Other payables (current):				
Amounts due to subsidiaries	-	-	7,272	7,311
Accrued operating expenses	243	161	133	101
Accrual of unutilised leave	549	501	549	501
Other payables	670	649	235	225
	13,801	13,494	8,189	8,138

Bank and stock brokerage trading accounts were non-interest bearing and are repayable within 30 days (2015: 30 days). No cash at the bank accounts or stock brokerage accounts have been pledged as collateral.

Amounts due to subsidiaries which comprise advances are non-trade, interest-free, unsecured and repayable on demand.

The accrued operating expenses principally comprise amounts outstanding for on-going operating costs.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore Dollar	13,188	12,913	8,068	8,020
Chinese Renminbi	473	446	-	-
United States Dollar	122	119	121	118
Malaysian Ringgit	18	16	-	-
	13,801	13,494	8,189	8,138

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

25 Derivative Payables and Other Liabilities

The derivative payables and other liabilities shown in the following tables are held for trading purposes. The contractual or underlying principal amounts of these derivative payables and other liabilities and their corresponding gross negative (derivative payables) fair values at the end of the financial year are analysed below:

	Notional Amount		Derivative Payables	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Group and Company				
<u>Equity derivative</u>				
Fair value of equity derivatives	6	-	6	-

	Group and Company	
	2016	2015
	S\$'000	S\$'000
Derivative payables:		
<u>Analysed by counterparty:</u>		
Bank	6	-
<u>Analysed by geography:</u>		
Singapore	6	-

The analysis by geography is determined based on where the counterparty risk resides.

26 Provision for Directors' Fees

Provision for directors' fees is denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

27 Finance Lease Liabilities

	Minimum Lease payments		Present value of Minimum lease payments	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
Amounts payable under finance lease:				
Within one financial year	-	23	-	21
In the second to fifth financial year	-	-	-	-
	-	23	-	21
Future finance charges	-	(2)		
Present value of lease obligations	-	21		
Due for settlement within 12 months	-	(21)		
Due for settlement after 12 months	-	-		

The carrying amount of finance lease liabilities approximates its fair value.

There was no outstanding finance lease at the end of this year.

28 Retirement Benefit Obligations

The total retirement benefit expense recognised in profit or loss of S\$49,000 (2015: S\$48,000) represents contributions payable by the Group to the state-managed retirement benefit plans at rates specified in the rules of the plans. Contributions of S\$9,000 (2015: S\$10,000) due in respect of the current financial year has been paid to the plan subsequent to the end of financial year.

29 Share Capital

	Group and Company			
	Number of ordinary shares		Amount	
	2016	2015	2016	2015
			S\$'000	S\$'000
Issued and paid-up, no par value				
As at 1 January	4,396,750,145	4,396,750,145	121,571	121,571
Issue of ordinary shares relating to:				
- issuance of shares upon vesting of share awards	64,000,000	-	-	-
As at 31 December	4,460,750,145	4,396,750,145	121,571	121,571

30 Asset Revaluation Reserve

The asset revaluation reserve which is non-distributable arises from the revaluation of a leasehold land.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

31 Share Awards Reserve

Share awards reserve represents the value of share-based payment in the form of equity-settled share awards granted to directors and employees. The reserve is made up of the cumulative value of share-based payment received from directors and employees recorded on the grant of equity-settled share awards.

The Innopac Performance Share Scheme (the "PSS")

On 28 April 2015, the Company granted 95,000,000 share awards to directors and staff under the PSS. The market price of the Company's shares on the date of the grant was S\$0.008. As at 31 December 2016, 1,000,000 of the said share awards has lapsed upon cessation of staff employment. 64,000,000 of the said share awards have been allotted and issued as at the end of the financial year ended 31 Dec 2016. The balance of 30,000,000 share awards will be released once the RC is satisfied that the prescribed performance targets have been achieved.

The following share awards have been granted to the directors on 28 Apr 2015:

	<u>No. of shares</u>
Dato' Moehamad Izat Emir	15,000,000
Wong Chin Yong	50,000,000
Ong Kah Hock	15,000,000
Arslan Koichiev	2,000,000
Jeremy Dyer (resigned on 4 November 2016)	2,000,000

64,000,000 shares have been issued upon vesting of share awards on 19 Apr 2016. Information in respect of the share awards issued to the directors is as follows:

	<u>No. of shares</u>
Dato' Moehamad Izat Emir	15,000,000
Wong Chin Yong	20,000,000
Ong Kah Hock	15,000,000
Arslan Koichiev	2,000,000

Information in respect of the share awards granted under the PSS is as follows:

	Number of share awards	
	2016	2015
Outstanding as at 1 January	94,000,000	68,300,000
Granted during the year	-	95,000,000
Cancelled during the year	-	(68,300,000)
Issue of shares upon vesting of share awards	(64,000,000)	-
Lapsed during the year	-	(1,000,000)
Outstanding as at 31 December	30,000,000	94,000,000

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

32 Share Options Reserve

Share options reserve represents the value of share-based payments in the form of equity-settled share options granted to directors and employees. The reserve is made up of the cumulative value of share-based payments received from directors and employees recorded on the grant of equity-settled share options.

The Innopac Share Option Scheme (the "IPSO")

On 28 April 2015, the Company granted a total of 95,000,000 share options at the exercise price of S\$0.008 to directors and staff under the IPSO. The market price of the Company's shares on the date of the grant was S\$0.008. Options granted to Group Directors and Group Executives have a life span of ten years (28 April 2015 to 27 April 2025), while those granted to Non-Executive Directors shall have a life span of five years (28 April 2015 to 27 April 2020). As at 31 December 2016, 3,500,000 (2015: 1,500,000) of the said options lapsed upon cessation of staff employment. None of the said options were exercised as at the end of the financial year.

The following share options have been granted to the directors:

Dato' Moehamad Izat Emir	10,000,000
Wong Chin Yong	50,000,000
Ong Kah Hock	10,000,000
Arslan Koichiev	2,000,000
Jeremy Dyer (resigned on 4 November 2016)	2,000,000

Information in respect of the share options granted under the Company's IPSO is as follows:

	Weighted average exercise price 2016	Number of options 2016	Weighted average exercise price 2015	Number of options 2015
	S\$		S\$	
Outstanding as at 1 January	0.008	93,500,000	-	-
Granted during the year	0.008	-	0.008	95,000,000
Lapsed during the year	0.008	(2,000,000)	0.008	(1,500,000)
Outstanding as at 31 December		<u>91,500,000</u>		<u>93,500,000</u>
Exercisable as at 31 December	0.008	<u>91,500,000</u>	0.008	<u>93,500,000</u>

The options outstanding as at 31 December 2016 have an exercise price of S\$0.008. The estimated fair value of each share option is S\$0.008.

The fair value of share options as at the date of grant is estimated by using the Binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The significant inputs into the model were share prices at date of grant, exercise price, dividend yield, expected volatility, risk-free interest rate and expected option life.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

32 Share Options Reserve (cont'd)

Volatility, measured as the standard deviation of expected share price returns, was based on volatility range during the past year in accordance with convention laid down by Bloomberg. The inputs to the model used are shown below:

Date of grant	Number of options granted	Expected dividend yield (%)	Expected volatility (%)	Risk-free interest rate (%)	Expected life of options (years)	Exercise price (\$\$)	Share price at date of grant (\$\$)
28 Apr 2015	24,000,000	Nil	178.04	1.58	5	0.008	0.008
28 Apr 2015	71,000,000	Nil	178.04	1.58	10	0.008	0.008

33 Foreign Currency Translation Reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of the foreign operations where the functional currencies are different from that of the Group's presentation currency. This is non-distributable.

34 Operating Lease Commitments

As at the end of financial year, the commitments in respect of non-cancellable operating leases of office premises were as follows:

	Group	
	2016	2015
	S\$'000	S\$'000
Future minimum lease payments payable:		
Within one year	109	138
In the second to fifth financial year	-	109
	109	247

The above operating lease commitments are based on the contracted rental charges as specified in the lease agreements.

The Group has renewed its lease for a two-year term for its office premises in financial year 2015, with an option to renew the lease for another two years, after the expiry of the previous lease agreement, at revised terms mutually agreed between the Company and the landlord. There are no contingent rentals.

35 Segment Information

(a) Analysis by Business Segment

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's operating businesses are organised and managed separately according to the nature of products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Chief Executive Officer ("CEO"), designated as the Chief Operating Decision Maker, monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue and operating profit, as included in the management reports reviewed by the CEO.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

35 Segment Information (cont'd)

(a) Analysis by Business Segment (cont'd)

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's statement of comprehensive income that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and plant and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade and other payables.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments. The unallocated finance costs relate to the finance lease liability allocated to the investment trading segment.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss. The Group accounts for inter-segment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These inter-segment transactions are eliminated on consolidation.

The information of each segment is as follows:

- (i) Products trading segment: The revenue from this segment was derived from products trading.
- (ii) Investment trading segment: This represents investments in marketable securities, which are classified as financial assets at fair value through profit or loss.
- (iii) Investment holding segment: This mainly consists of the principal activities of the Company and some of its subsidiaries, which are investment holding and rendering management services to subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

35 Segment Information (cont'd)

(a) Analysis by Business Segment (cont'd)

	Products trading	Investment trading	Investment holding	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
2016				
Segment revenue	-	2	-	2
Segment results	1,096	(1,017)	(3,405)	(3,326)
Share of loss of joint venture	-	-	(22)	(22)
Finance costs				(2)
Tax expenses				(11)
Loss for the financial year				(3,361)
Segment assets	4,333	113	22,318	26,764
Segment liabilities	(498)	(12,368)	(1,281)	(14,147)
Deferred tax liabilities				(378)
Total liabilities				(14,525)
Other information				
Capital expenditure	-	-	3	3
Depreciation of plant and equipment	1	32	3	36
Impairment loss of trade and other receivables	-	1,014	-	1,014
2015				
Segment revenue	-	(24)	-	(24)
Segment results	(793)	(32,271)	(16,080)	(49,144)
Finance costs				(5)
Tax expenses				(13)
Loss for the financial year				(49,162)
Segment assets	7,997	1,708	19,899	29,604
Segment liabilities	(461)	(12,223)	(1,042)	(13,726)
Deferred tax liabilities				(376)
Total liabilities				(14,102)
Other information				
Capital expenditure	2	-	1	3
Depreciation of plant and equipment	2	77	3	82
Impairment loss of trade and other receivables	-	29,524	-	29,524

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

35 Segment Information (cont'd)

(b) Analysis by Geographical Segment

Segment revenue is analysed based on the location of customers regardless of where the services are provided. In the case of revenue from investment trading, segment revenue is analysed based on the location where the shares are listed.

Segment non-current assets and capital expenditure are analysed based on the location of those assets. In the case of investment trading, segment assets are analysed based on the location where the shares are listed. Capital expenditure includes the total cost incurred to acquire plant and equipment.

	Group	
	2016	2015
	S\$'000	S\$'000
Segment revenue by geographical market:		
Singapore	2	(24)
Total	2	(24)
Segment non-current assets by geographical location:		
Singapore	6,797	771
Other Asian countries	9,707	9,540
Total	16,504	10,311
Segment capital expenditure by geographical location:		
Singapore	3	1
Other Asian countries	-	2
Total	3	3

36 Contingent Liabilities and Commitments

Continuing financial support

As at the end of the financial year, the Company has given undertakings to provide continued financial support to certain subsidiaries to enable them to operate as going concerns and to meet their obligations as and when they fall due for at least 12 months from the financial year end.

At the end of the financial year, these subsidiaries had capital deficiencies totalling S\$40,090,000 (2015: S\$41,106,000) including amounts due by these subsidiaries to the Company totalling S\$27,342,000 (2015: S\$28,505,000). See Note 13 for impairment loss in subsidiaries.

In the opinion of the directors of the Company, no loss is anticipated from these contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

36 Contingent Liabilities and Commitments (cont'd)*Capital commitment*

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

	Group	
	2016	2015
	S\$'000	S\$'000
Commitments in respect of financing the capital investment and working capital requirements of an investment in joint venture	11,570	17,674

37 Related Parties Transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
- (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

37 Related Parties Transactions (cont'd)

The Company has transactions with related parties and the effect of these transactions is reflected in these financial statements.

In addition to the information disclosed elsewhere in the financial statements, the Company has provided general and administrative services to certain subsidiaries at no charge (2015: no charge). Certain subsidiaries are using the same premises leased by the Company at no charge (2015: no charge).

As disclosed in Note 16 (b), Mr Wong Chin Yong, CEO of the Company, has a 25% (2015: 25%) interest in Artel.

Remuneration of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise directors of the Company and a subsidiary and executives of the Company.

The remuneration of directors of the Company during the financial year was as follows:

	Company	
	2016	2015
	S\$'000	S\$'000
Directors' fees	129	125
Post-employment benefits	9	7
Short-term benefits	508	504
Share awards	66	606
Share options	155	326

The remuneration of key executives of the Company during the financial year was as follows:

	Company	
	2016	2015
	S\$'000	S\$'000
Post-employment benefits	21	16
Short-term benefits	284	268

NOTES TO THE FINANCIAL STATEMENTS**For The Financial Year Ended 31 December 2016****37 Related Parties Transactions (cont'd)**

Number of directors of the Company in the following remuneration bands was as follows:

	Company	
	2016	2015
S\$500,000 and above	-	-
S\$250,000 to S\$499,999	1	1
Below S\$250,000	4	4
	5	5

Number of key management personnel (who are not directors of the Company) of the Group and the Company in remuneration bands was as follows:

	Group		Company	
	2016	2015	2016	2015
Below S\$250,000	2	2	2	2

38 Financial Risk Management

The Group and the Company are exposed to a variety of financial risks: market risk (including foreign exchange risk, marketable securities price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance. The Group and the Company have established risk management policies and guidelines, which set out its overall risk management strategies.

The Group and the Company manage their exposure to financial risks using a variety of techniques and instruments. The Finance Department of the Group identifies, and evaluates financial risks in close co-operation with the Group's and the Company's operating units.

(a) Market Risks**(i) Foreign exchange risk**

The Group and the Company operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar, the Chinese Renminbi and the Malaysian Ringgit.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

38 Financial Risk Management (cont'd)

(a) Market Risks (cont'd)

(i) Foreign exchange risk (cont'd)

The Group's foreign operations are managed primarily through the engagement of services and purchases denominated in the respective functional currencies of the foreign subsidiaries. These risks are managed through natural hedges arising from a matching sale, purchase or a matching of assets and liabilities of the same currency. Foreign exchange risk arising from currency trading is managed through capping the maximum amount of trading loss at the ceiling of US\$250,000 per year. The Group has set up a policy to monitor its trading positions in the forex market on a daily basis. Management will review the trading results on a continuous basis.

Management has set up a policy to manage their foreign exchange risk against their functional currency. To manage the Group's and the Company's foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Finance Department of the Group would assess the need to hedge the foreign exchange risk, and make the necessary arrangements accordingly. The Finance Department of the Group will arrange for conversion into foreign currency at the time when market rates become favourable to manage foreign exchange risk.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2016	2015	2016	2015	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Chinese Renminbi	2,351	2,620	473	446	-	-	-	-
Euro	-	-	-	-	-	-	-	-
United States Dollar	15	612	122	119	4	600	121	118
Malaysian Ringgit	23	7	21	16	-	1	-	-

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to foreign exchange translation risk.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

38 Financial Risk Management (cont'd)

(a) Market Risks (cont'd)

(i) *Foreign exchange risk (cont'd)*

At 31 December 2016, if the Singapore dollar had weakened/strengthened by 10% against the Malaysian Ringgit with all other variables held constant, pre-tax loss for the year would have been S\$200 (2015: S\$900) higher/lower.

At 31 December 2016, if the Singapore dollar had weakened/strengthened by 10% against the United States Dollar with all other variables held constant, pre-tax loss for the year would have been S\$11,000 (2015: S\$49,000) lower/higher.

At 31 December 2016, if the Singapore dollar had weakened/strengthened by 10% against the Chinese Renminbi with all other variables held constant, pre-tax loss for the year would have been S\$188,000 (2015: S\$217,000) lower/higher.

(ii) *Marketable securities price risk*

The Group is exposed to equity price risk because of its investments in marketable securities. The Group manages its equity price risk through a diverse portfolio. The Group's investment in marketable securities are companies listed in Singapore Exchange Securities Trading Limited.

If prices for the Group's marketable securities change by 10%, the effects on loss before income tax would be approximately S\$8,000 (2015: S\$31,000).

(iii) *Cash flow and fair value interest rate risk*

The Group's and the Company's interest rate risks relate to interest bearing assets and interest bearing liabilities. The Group's and the Company's income and operating cash flows are not affected by changes in market interest rates. The Group and the Company have no significant exposure to market interest rate risks. As such interest rate sensitivity analysis is not deemed necessary.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

38 Financial Risk Management (cont'd)

(b) Credit Risk

Credit risk refers to the risk that a counterparty would default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group and the Company perform ongoing credit evaluations of its counterparties' financial condition.

The Group's and the Company's major classes of financial assets are investments held for trading, investment in fixed income instruments, trade and other receivables and bank deposits. Investments held for trading are mainly marketable securities held with securities trading companies which are subsidiaries of well-established banks. Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies. The Group does not expect any losses from non-performance by these counterparties. The Group's trade receivables and investment in fixed income instruments are mainly due from one counterparty.

The Company has no other significant concentration of credit risk except for the amounts due from subsidiaries, net of allowance, and trade receivable due from one counterparty.

The credit quality of financial assets that are either current or past due but not impaired can be assessed by reference to historical information about counterparty default rates.

(c) Liquidity Risk

The Group and the Company ensure availability of funds through an adequate amount of cash and marketable securities and where necessary, fund raising will be considered via rights issues, private placements, or other equity-related exercise.

Prudent liquidity risk management requires maintenance of sufficient cash flow for daily operations.

The management monitors its expected cash flow requirement on a weekly basis.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

38 Financial Risk Management (cont'd)

(c) Liquidity Risk (cont'd)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of financial year to the contractual maturity date (except for derivative payables and other liabilities which are based on expected maturities). The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not expected to be significant.

	Effective interest rate	Less than 1 year S\$'000	Between 1 year and 2 years S\$'000
Group			
At 31 December 2016			
Financial Liabilities			
Trade payables and other payables	-	13,252	-
Provision for directors' fees	-	340	-
Total		13,592	-
At 31 December 2015			
Financial Liabilities			
Trade payables and other payables	-	12,993	-
Provision for directors' fees	-	211	-
Finance lease liabilities	3.9%	23	-
Total		13,227	-
Company			
At 31 December 2016			
Financial Liabilities			
Trade payables and other payables	-	7,640	-
Provision for directors' fees	-	340	-
Total non-derivatives		7,980	-
At 31 December 2015			
Financial Liabilities			
Trade payables and other payables	-	7,637	-
Provision for directors' fees	-	211	-
Total non-derivatives		7,848	-

The Group's operations are financed mainly through equity.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

38 Financial Risk Management (cont'd)

(d) Fair Value of Financial Assets and Financial Liabilities

Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

The fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair values of financial assets and financial liabilities with standard terms and conditions and trade in active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy);
- (ii) in the absence of quoted market prices, the fair values of the other financial assets and financial liabilities (excluding derivative instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability (Level 2 of fair value hierarchy); and
- (iii) in the absence of observable inputs, the fair values of the remaining financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (Level 3 of fair value hierarchy).

The financial assets measured at fair value in the balance sheets are grouped into the fair value hierarchy as follows:

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Group				
2016				
<u>Assets</u>				
Investments held for trading (Note 18)	83	-	-	83
2015				
<u>Assets</u>				
Investments held for trading (Note 18)	308	-	-	308
Company				
2016				
<u>Assets</u>				
Investments held for trading (Note 18)	66	-	-	66
2015				
<u>Assets</u>				
Investments held for trading (Note 18)	111	-	-	111

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

38 Financial Risk Management (cont'd)

(d) Fair Value of Financial Assets and Financial Liabilities (cont'd)

Fair value of financial assets and liabilities that are measured at fair value on a recurring basis (cont'd)

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the end of the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. These financial instruments are included in Level 1.

The fair values of the financial instruments that are not traded in an active market is determined by reference to quoted market prices or dealer quotes for similar instruments. These financial instruments are classified as Level 2.

Fair value of financial assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosure is required)

Other financial assets and liabilities

As at 31 December 2016, the carrying amount of cash and cash equivalents, trade and other receivables, and trade and other payables, approximate their respective fair values due to the relative short-term maturity of these financial instruments.

As at 31 December 2015, the carrying amount of cash and cash equivalents, trade and other receivables, unquoted investment in fixed income instruments and trade and other payables, approximate their respective fair values due to the relative short-term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

39 Capital Management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's abilities to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group and the Company may return capital to shareholders, issue new shares, sell assets to reduce debt, or adjust the amount of dividends paid to shareholders.

The Group's and the Company's overall strategy in capital management remains unchanged from financial year 2015.

Management also monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (less deferred tax liabilities and provision for directors' fees) less cash and cash equivalents. Total capital is calculated as equity attributable to owners of the Company plus net debt.

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Net debt	12,223	10,937	8,059	7,184
Total equity	11,623	14,929	11,292	19,249
Total capital	23,846	25,866	19,351	26,433
Gearing ratio	51.26%	42.28%	41.65%	27.18%

The Group and the Company are not subject to any externally imposed capital requirements for financial years ended 31 December 2016 and 31 December 2015.

40 Other Matters

The Company on 3 April 2014 and 11 April 2014 announced that the Company, certain subsidiaries and a former associate company, and Mr Wong Chin Yong, the Managing Director and Chief Executive Officer ("CEO") of the Company, had received orders from the Commercial Affairs Department of the Singapore Police Force ("CAD") to assist with the CAD's investigations into an alleged offence under the Securities and Futures Act, Chapter 289.

The CAD has not provided any further information on their investigation or on the alleged offence (if any). The Board understands that the CAD investigation may be protracted until such time that the investigations are completed and the results known, Mr Wong shall continue as the CEO of the Company.

The Board of Directors of the Company is of the opinion that the business and operations of the Group are not unduly affected by the investigation and the Company will continue to monitor the progress of the investigation.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

41 Prior Year Reclassification

A change of presentation of the revenue from trading of marketable securities has been made in 2016 for better clarity of the nature of balances.

The items were reclassified as follows:

	Group	
	2015	2015
	Restated	Previously reported
	S\$'000	S\$'000
<u>Continuing operations</u>		
Revenue	-	817
Cost of sales	-	(841)
Net losses on trading of marketable securities	(24)	(24)

STATISTICS OF SHAREHOLDINGS

As At 27 March 2017

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 - 99	84	0.57%	1,468	0.00%
100 - 1,000	715	4.87%	652,278	0.01%
1,001 - 10,000	6,142	41.85%	34,706,870	0.78%
10,001 - 1,000,000	7,201	49.06%	1,151,597,073	25.82%
1,000,001 and above	535	3.65%	3,273,792,456	73.39%
	14,677	100.00%	4,460,750,145	100.00%

Number of shares : 4,460,750,145
Class of shares : ordinary shares
Voting rights : one vote per share

Based on information available to the Company as at 27 March 2017, approximately 71.20% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS

No.	Name	No. of Shares	Percentage
1	CIMB Securities (Singapore) Pte Ltd	315,100,027	7.06%
2	Lim & Tan Securities Pte Ltd	310,925,000	6.97%
3	DBS Vickers Securities (Singapore) Pte Ltd	264,133,000	5.92%
4	Raffles Nominees (Pte) Ltd	126,094,100	2.83%
5	Phillip Securities Pte Ltd	104,944,048	2.35%
6	Wong Chin Yong	73,000,000	1.64%
7	Maybank Kim Eng Securities Pte Ltd	65,653,900	1.47%
8	United Overseas Bank Nominees Pte Ltd	62,915,995	1.41%
9	OCBC Securities Private Ltd	61,264,155	1.37%
10	UOB Kay Hian Pte Ltd	57,262,000	1.28%
11	RHB Securities Singapore Pte Ltd	54,759,000	1.23%
12	ESA Electronics Pte Ltd	40,000,000	0.90%
13	DBS Nominees Pte Ltd	39,170,563	0.88%
14	Phua Meng Thong	38,999,000	0.87%
15	Low Woo Swee @ Loh Swee Teck	33,441,000	0.75%
16	Morgan Stanley Asia (Singapore) Securities Pte Ltd	33,003,000	0.74%
17	OCBC Nominees Singapore Pte Ltd	30,553,500	0.69%
18	Lee Teck Gee	25,000,000	0.56%
19	Citibank Nominees Singapore Pte Ltd	23,605,000	0.53%
20	Ong Kah Hock	22,509,000	0.51%
		1,782,332,288	39.96%

STATISTICS OF SHAREHOLDINGS

As At 27 March 2017

SUBSTANTIAL SHAREHOLDERS

(As Recorded in the Register of Substantial Shareholders)

No.	Name	Direct Interest	Deemed Interest	Percentage
1	Joseph Isaac Gutnick	2,220,000	300,000,000 ⁽¹⁾	6.73%
2	Jollyboat Management Ltd	-	300,000,000 ⁽²⁾	6.73%
3	Rubic Prize Limited	300,000,000	-	6.73%
4	Foo Seng Ngan	-	295,318,000 ⁽³⁾	6.62%
5	Clear Water Development Sdn Bhd	-	268,487,800 ⁽⁴⁾	6.02%

Note:

- (1) Joseph Isaac Gutnick is deemed interested through Jollyboat Management Ltd
- (2) Jollyboat Management Ltd is deemed interested pursuant to a Sale & Purchase Agreement
- (3) Foo Seng Ngan is deemed interested through a nominee account
- (4) Clear Water Development Sdn Bhd is deemed interested through assignment of shares

STATISTICS OF WARRANT HOLDINGS

As At 27 March 2017

DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	Percentage	No. of Warrants	Percentage
1 - 99	4	0.28	97	0.00
100 - 1,000	13	0.90	6,905	0.00
1,001 - 10,000	223	15.51	1,499,309	0.32
10,001 - 1,000,000	1,147	79.76	160,692,976	34.50
1,000,001 and above	51	3.55	303,584,535	65.18
	1,438	100.00	465,783,822	100.00

TOP TWENTY WARRANT HOLDERS

No.	Name	No. of Warrants	Percentage
1	Lim & Tan Securities Pte Ltd	75,618,000	16.23
2	DBS Vickers Securities (Singapore) Pte Ltd	34,230,000	7.35
3	Raffles Nominees (Pte) Ltd	21,520,000	4.62
4	Wong Chin Yong	19,500,000	4.19
5	Low Woo Swee @ Loh Swee Teck	11,147,000	2.39
6	RHB Securities Singapore Pte Ltd	10,858,000	2.33
7	Phillip Securities Pte Ltd	10,510,010	2.25
8	Tok Boon Seong	8,232,000	1.77
9	United Overseas Bank Nominees (Pte) Ltd	7,072,525	1.52
10	Gan Eng Thye	6,831,000	1.47
11	Khoo Hwee San	6,000,000	1.29
12	Tan Ong Huat	5,000,000	1.07
13	UOB Kay Hian Pte Ltd	4,990,000	1.07
14	Lee Teck Gee	4,854,000	1.04
15	Khoo Thomas Clive	4,700,000	1.01
16	Tan Jui Yak	4,096,100	0.88
17	Maybank Kim Eng Securities Pte Ltd	3,807,500	0.82
18	OCBC Securities Private Ltd	3,610,000	0.78
19	Chik Chooi Wah	3,500,000	0.75
20	DBS Nominees Pte Ltd	3,326,500	0.71
		249,402,635	53.54

INNOPAC HOLDINGS LIMITED

(Company Registration No.: 197301788K)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 43rd Annual General Meeting of the Company will be held at Ibis Singapore On Bencoolen, Level 1 Jasmine 1 & 2, 170 Bencoolen Street, Singapore 189657, on 28 April 2017 at 10.00a.m. to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors' Statement of the Company and the Group for the financial year ended 31 December 2016 together with the Auditors' Report thereon.
(Resolution 1)
2. To pass the following resolutions on the recommendation of the Nominating Committee and endorsement of the Board of Directors in respect of appointment of Directors:
 - (a) "That Mr Yang Kiin, who will retire pursuant to Clause 90 of the Constitution of the Company and who, being eligible, has offered himself for election, be and is hereby re-appointed as a Director of the Company." [See Explanatory Note (i)]
(Resolution 2)
 - (b) "That Mr Bernard Ong Kheng Chye, who will retire pursuant to Clause 90 of the Constitution of the Company and who, being eligible, has offered himself for election, be and is hereby re-appointed as a Director of the Company." [See Explanatory Note (ii)]
(Resolution 3)
 - (c) "That Mr Ong Kah Hock, who will retire by rotation pursuant to Clause 106 of the Constitution of the Company and who, being eligible, has offered himself for re-election, be and is hereby re-appointed as a Director of the Company." (See Explanatory Note (iii))
(Resolution 4)
3. To approve the payment of Directors' fees of up to S\$150,000 for the year ending 31 December 2017. [2016: S\$130,204]
(Resolution 5)
4. To re-appoint Messrs Moore Stephens LLP, Public Accountants and Chartered Accountants, as Auditors and to authorise the Directors to fix their remuneration.
(Resolution 6)

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolutions, with or without any modifications:

5. **Authority to Directors to issue Shares**

"That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall be limited as follows:
 - (A) by way of renounceable rights issue on a pro rata basis to shareholders of the Company ("Renounceable Rights Issues") shall not exceed 100 per centum (100%) of the total number of issued shares excluding treasury shares (as calculated in paragraph (3) below);
 - (B) otherwise than by way of Renounceable Rights Issues ("Other Share Issues") shall not exceed 50 per centum (50%) of the total number of issued shares excluding treasury shares (as calculated in paragraph (3) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares excluding treasury shares (as calculated in paragraph (3) below);
- (2) renounceable Rights Issues and Other Share Issues shall not, in aggregate exceed 100 per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in paragraph (3) below);
- (3) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1)(A) and (1)(B) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (5) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." [See Explanatory Note (iv)]

(Resolution 7)

6. Authority to issue shares under the Innopac Share Option Scheme and the Innopac Performance Share Scheme

“That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be and are hereby empowered to allot and issue shares in the capital of the Company to the holders of options and awards granted by the Company under the Innopac Share Option Scheme and the Innopac Performance Share Scheme respectively (collectively known as the “Schemes”) established by the Company upon the exercise of such options or vesting of such share awards in accordance with the terms and conditions of the Schemes provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Schemes shall not exceed 15% of the total number of the issued shares in the capital of the Company from time to time.”
[See Explanatory Note (v)] **(Resolution 8)**

BY ORDER OF THE BOARD

STANLEY CHU KAM PO
Company Secretary

Singapore, 13 April 2017

EXPLANATORY NOTES ON ORDINARY RESOLUTIONS TO BE PASSED

- (i) Resolution 2 is to elect Mr Yang Kiin (who was appointed on 15 November 2016) pursuant to Clause 90 of the Constitution of the Company and if he is elected, he is considered a Non-Executive Independent Director.
- (ii) Resolution 3 is to elect Mr Bernard Ong Kheng Chye (who was appointed on 31 March 2017) pursuant to Clause 90 of the Constitution of the Company and if he is elected, he is considered a Non-Executive Independent Director.
- (iii) Resolution 4 is to re-elect Mr Ong Kah Hock pursuant to Clause 106 of the Constitution of the Company and if he is re-elected, he will continue to serve as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He is considered a Non-Executive Independent Director.
- (iv) Resolution 7, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting (“AGM”) until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding (i) 100% for Renounceable Rights issue and (ii) 50% for Other Share Issues, of which up to 20% may be issued other than on a pro-rata basis to shareholders, provided that the total number of shares that may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares).

For the purpose of determining the aggregate number of shares that may be issued, the total number of shares (excluding treasury shares) will be calculated based on the total number of shares issued (excluding treasury shares) at the time Resolution 7 is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

The authority for the 100% Renounceable Rights Issue (“Enhanced Rights Issue Limit”) is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 and will expire on 31 December 2018, by which date no further shares shall be issued pursuant to this Resolution. Unless renewed, this mandate sought at this AGM shall expire at the next AGM of the Company, or by which the next AGM of the Company is required by law to be held, whichever is earlier.

The Board is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders as it provides the Company with the ability to raise additional funds expeditiously for expansion activities or working capital in the event that such a need arises.

The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be to the benefit of the Company and the Group and in the best interest of shareholders as a whole.

- (v) Resolution 8, if passed, will empower the Directors of the Company, from the date of this AGM until the date of the next AGM, to allot and issue shares in the Company of up to a number not exceeding in total 15% of the total number of issued shares in the capital of the Company for the time being pursuant to the exercise of the options or the vesting of the awards under the Schemes.

Notes:

1. *A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead.*
2. *A member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend, speak and vote at the meeting but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.*

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies (Amendment) Act 2014.
3. *Where a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.*
4. *A proxy need not be a member of the Company.*
5. *A corporation, which is a member of the Company, may authorise by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting.*
6. *The instrument appointing a proxy must be deposited at the registered office of the Company, at 190 Middle Road, #19-07 Fortune Centre, Singapore 188979 not less than 48 hours before the time appointed for holding the meeting.*

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

INNOPAC HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197301788K)

PROXY FORM ANNUAL GENERAL MEETING

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies (Amendment) Act 2014 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For Investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them. They should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of General Meeting dated 13 April 2017.

I/We _____, (NRIC/Passport/Co.Reg.No.) _____

of _____

being a member/members of **Innopac Holdings Limited** (the “**Company**”), hereby appoint:-

Name	NRIC / Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC / Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the 43rd Annual General Meeting (the “**Meeting**”) of the Company to be held on 28 April 2017, at 10.00a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions	For	Against
1	Adoption of the Audited Financial Statements and Directors' Statement for the financial year ended 31 December 2016		
2	Election of Mr Yang Kiin as Director		
3	Election of Mr Bernard Ong Kheng Chye as Director		
4	Re-election of Mr Ong Kah Hock as Director		
5	Approve payment of Directors' fees of up to S\$150,000 for the year ending 31 December 2017		
6	Re-appointment of Auditors and fixing their remuneration		
7	Authority to Directors to issue shares		
8	Authority to issue shares under the Innopac Share Option Scheme and Innopac Performance Share Scheme		

(Please indicate your vote “For” or “Against” with a tick [✓] within the box provided.)

Dated this _____ day of _____ 2017.

Total number of shares in	No. of Shares
1. CDP Register	
2. Register of Members	

Signature of Shareholder(s) or
Common Seal of Corporate Shareholder

IMPORTANT : PLEASE READ NOTES OVERLEAF

Notes to Proxy Form:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless the member specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend, speak and vote at the meeting but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies (Amendment) Act 2014.
5. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 190 Middle Road, #19-07 Fortune Centre, Singapore 188979 at least forty-eight (48) hours before the time appointed for the Meeting.

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Affix
Postage
Stamp

The Company Secretary
Innopac Holdings Limited
190 Middle Road
#19-07 Fortune Centre
Singapore 188979

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6. The instrument appointing a proxy or proxies shall be in writing and signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised by the corporation.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
9. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company may reject an instrument of proxy lodged if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time set for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company



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