InnoPac

Holdings Limited

# A FRESH BEGINNING

ANNUAL REPORT 2018


# CONTENTS


| | |
|---|---|
| 2 | CORPORATE PROFILE |
| 3 | CHAIRMAN'S & CEO'S STATEMENT |
| 5 | KEY PLAYERS |
| 7 | REPORT ON CORPORATE GOVERNANCE |
| 18 | DIRECTORS' STATEMENT |
| 23 | INDEPENDENT AUDITOR'S REPORT |
| 26 | CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME |
| 27 | BALANCE SHEETS |
| 28 | CONSOLIDATED STATEMENT OF CHANGES IN EQUITY |
| 30 | STATEMENT OF CHANGES IN EQUITY |
| 31 | CONSOLIDATED STATEMENT OF CASH FLOWS |
| 33 | NOTES TO THE FINANCIAL STATEMENT |
| 81 | STATISTICS OF SHAREHOLDINGS |
| 83 | NOTICE OF ANNUAL GENERAL MEETING |
| | PROXY FORM |

# CORPORATE PROFILE

## BOARD OF DIRECTORS

**Wong Chin Yong**
*Chairman & CEO*
*(appointed as Chairman on 28 Apr 2017)*

**Leng Yew Chee Philip**
*Lead Independent Non-Executive Director*
*(appointed on 5 Mar 2018)*

**Dato' Moehamad Izat Emir**
*Independent Non-Executive Director*
*(relinquished Chairmanship on 28 Apr 2017)*

**Ong Kah Hock**
*Independent Non-Executive Director*

**Arslan Koichiev**
*Independent Non-Executive Director*

**Chong Eng Wee**
*Independent Non-Executive Director*
*(appointed on 27 Apr 2018)*

## COMPANY SECRETARY

**Priscilla Tan Sock Kheng**
*(appointed on 1 Dec 2017)*

## AUDIT COMMITTEE

**Leng Yew Chee Philip**
*(Chairman effective 23 Jun 2018)*

**Ong Kah Hock** *

**Chong Eng Wee** *(appointed on 27 Apr 2018)*

* *Ong Kah Hock has been a member of the AC since 31 Aug 2001. He was the Chairman from 1 Sep 2011 to 28 Apr 2017 and reappointed on 20 Oct 2017 as Chairman until relinquishment on 23 Jun 2018.*

## REMUNERATION COMMITTEE

**Dato' Moehamad Izat Emir** *(Chairman)*

**Ong Kah Hock**

**Arslan Koichiev**

**Leng Yew Chee Philip**
*(appointed on 25 Sep 2018)*

## NOMINATING COMMITTEE

**Dato' Moehamad Izat Emir** *(Chairman)*

**Ong Kah Hock**

**Arslan Koichiev**

**Leng Yew Chee Philip**
*(appointed on 25 Sep 2018)*

## 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

## AUDITORS

**Baker Tilly TFW LLP**
*Public Accountants and Chartered Accountants*
*(appointed on 17 Aug 2018)*

Partner-in-charge for the financial period ended 30 Jun 2018:
**Gilbert Lee Chee Sum**

## SOLICITORS

**Robert Wang & Woo LLP**

**Straits Law Practice LLC**

## BANKERS

**DBS Bank Ltd**

**United Overseas Bank Ltd**

Dear Shareholders,

The eighteen months ended 30 Jun 2018 ("**FP2018**") had been a challenging period for your Company, its management and the Board of Directors.

The business environment was difficult for the implementation of our business plans, and the volatility of the financial markets was not favourable for investments in marketable securities and financial instruments.

In order to strengthen the financial position of the Company, after the cancellation of the proposed Rights Issue in Jun 2017, we were placing out 5,000,000,000 new ordinary shares at $0.001 per share to raise $5,000,000 in Apr 2018. We received confirmation for full subscription of this placement at the end of May 2018. However, on 1 Jun 2018, the Company received a letter of demand from the solicitors acting on behalf of Saxo Bank A/S claiming the amount of $14,689,028 from the Company ("Saxo Claims"). The Company having obtained legal advice, is of the view that the claim by Saxo Bank A/S against the Company is without merit and the Company's lawyers have responded accordingly. The liabilities forming the subject matter of the Saxo Claims were incurred by the Company's subsidiaries, namely Heritage Investment Corporation and Wang Da Investments Limited (the "relevant subsidiaries"), and not by the Company itself.

To-date, no legal proceeding has been commenced by Saxo Bank A/S against the Company or the relevant subsidiaries. The amount of the Saxo Claims was materially different from the amount on our records and the Company proceeded to suspend the trading of its shares on the SGX-ST, on 7 Jun 2018, as the quantum of the Saxo Claims had cast doubt on the accuracy and reliability of our previous years' financial statements. I am pleased to report that our investigations and verifications have shown our records and previous years' financial statements to be accurate and correct.

The Company has also obtained a legal opinion and advice on the Saxo Claims which reinforces the earlier advice of our lawyers who responded to Saxo Bank A/S in Jun 2018. We are discussing with our lawyers on the appropriate actions to take regarding the Saxo Claims.

Due to the Saxo Claims, the share placement could not proceed and lapsed on 27 Jun 2018, and we have been diligently seeking other potential investors and funding to carry out our business plans with the aim towards meeting the financial criteria Watch List.

As you may be aware from our previous announcements, the Company was placed on the financial criteria Watch-List by the SGX-ST with effect from 3 Jun 2016. The deadline to exit this Watch-List is 2 Jun 2019.

On 6 Oct 2018, the Company entered into 3 transactions, namely (A) a short-term loan of up to $2,500,000; (B) the Proposed Disposal of certain Non-Performing Assets for a total consideration of $100,000 and (C) the Proposed Share Placement of up to 8,400,000,000 new ordinary shares at $0.001 per new share in the Company for a total gross proceeds of $8,400,000.

Transaction (A) will provide the funding for the Company and the Group's working capital needs for the next 12 months.

Transaction (B) and (C) requires your approval at an Extraordinary General Meeting ("EGM") to be convened in due course and are inter-conditional. With your support at the EGM and upon completion of these 2 transactions, the financial position of the Group will be considerably strengthened, and enable the Company to grow the Group's business and investments and to seek new investment opportunities that can provide the Group with a consistent income stream.

We are working very hard to hold the EGM in the fastest time conceivable such that you can vote for Transaction (B) and (C) and begin our journey towards a brighter future for the Company and for your investment.

## FINANCIAL REVIEW

### Financial performance

Due to the change of the financial period ending from 31 Dec to 30 Jun, the Group results cover an 18-month period from 1 Jan 2017 to 30 Jun 2018.

Revenue in the 18-month ended 30 Jun 2018 ("FP2018") increased by 180% to $0.14 million from $0.05 million in the 18-month ended 30 Jun 2017 ("FP2017"), mainly due to an increase in rental income from the Group's investment properties.

The net losses from investment trading activities improved by 85% due to a smaller loss of $0.02 million for FP2018 as compared to a loss of $0.13 million for FP2017.

The net gains from derivative instruments and other assets/liabilities in FP2018 were $0.006 million, an improvement of 104% compared to the net losses of $0.16 million in FP2017. These net (losses)/gains are unrealised gains/(losses) arising from the changes in the fair value of the Group's investments in derivative instruments and other assets/liabilities.

Other income decreased by 98% from $0.28 million in FP2017 to $0.005 million in FP2018, due to decrease in fair value gain (losses) arising from investment properties.

Administrative expenses decreased by 26% to $1.7 million in FP2018 from $2.3 million in FP2017. The decrease was mainly due to absence of non-cash expenses arising from the grant of share award and share options, write back of other creditors and accrual and decrease in staff cost as compared to FP2017.

# CHAIRMAN'S & CEO'S STATEMENT

Other expenses increased 243% to $7.9 million in FP2018 from $2.3 million in FP2017, mainly due to provision on the impairment loss of investment in joint venture of $6 million.

Loss for the period increased 111% to $9.5 million in FP2018 from $4.5 million for period ended FP2017.

**Financial position**

Investment properties comprised residential and commercial properties which were held for income and capital gain, decreased by 7% from $9.7 million as at 31 Dec 2016 to $9 million as at 30 Jun 2018. The decrease was mainly due to disposal of a property in the period ended 30 Jun 2018.

Investments in joint venture decreased to $0.8 million as at 30 Jun 2018 from $6.8 million as at 31 Dec 2016. The decrease in investment in joint venture of $6 million was due to impairment loss of investment in microalgae cultivation and extraction of oil project. The remaining investment in joint venture represents its investment in the gold exploration and exploitation project.

Current assets decreased by 12% to $3.6 million as at 30 Jun 2018 from $4.1 million as at 31 Dec 2016. The changes were due to:

Trade and other payables increased by 4% to $14.4 million from $13.8 million as at 30 Jun 2018. The increase was due to increase in unpaid expenses and provision for a professional firm services fees.

As at 30 Jun 2018, the Group's current ratio was 0.24 times, as compared to 0.29 times as at 31 Dec 2016.

Total equity decreased by 75% to $3.0 million as at 30 Jun 2018 from $12.2 million as at 31 Dec 2016.

## LOOKING AHEAD

The three transactions entered on 6 Oct 2018 represents a comprehensive exercise for the Group and the Company to return to financial stability and growth. I am optimistic that following these transactions, the Group and the Company will be well positioned to grow and enhance shareholders' value.

## ACKNOWLEDGEMENTS

I am pleased to welcome our new directors, Mr Leng Yew Chee Philip and Mr Chong Eng Wee, to your Company's Board of Directors. Mr Leng and Mr Chong, who were appointed on 5 Mar 2018 and 27 Apr 2018 respectively, have given the Board fresh perspectives and contributed immensely especially in our trying past few months.

I would also like to thank our 15,000-odd shareholders for their past support and in the future. To all my fellow directors, I would like to thank you for your valuable 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.

Sincerely,

**Wong Chin Yong**
*Chairman & CEO*

12 Oct 2018

## DIRECTORS' PROFILE

**Wong Chin Yong,** *age 66,* has been the Managing Director and Chief Executive Officer since 18 Sep 2001 and was appointed as Chairman of the Board on 28th Apr 2017. Mr Wong graduated from the University of Singapore with a Bachelor's degree in Business Administration. He has more than 40 years of 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.

**Leng Yew Chee Philip,** *age 67,* Mr Leng was appointed as director on 5 Mar 2018. Mr Leng holds a professional degree from the Chartered Institute of Management Accountants, UK. He is a chartered accountant of the Institute of Chartered Accountants of Singapore and also member of the Singapore Institute of Directors. He has more than 30 years of experience in general management, finance and accounting in the manufacturing, hospitality, aviation, education, construction and investment industries. He is currently finance director of a private company providing consultancy services to the oil and gas industry.

**Dato' Moehamad Izat Emir,** *age 80,* has been a director of the Company since 1 November 1995. He was appointed as Executive Chairman on 10 Aug 2001 and relinquished his executive role on 23 Aug 2002 but remains as Chairman of the board until 28 Apr 2017.

Dato' Izat is a prominent Malaysian businessman with extensive business and corporate experiences. Currently he is the Deputy Chairman of SKB Shutters Corporation Berhad, a Bursa Malaysia public listed company, Chairman of his family-owned Emir Group of Companies and Imartek Sdn Bhd (formerly known as Impsa (Malaysia) Sdn Bhd), a hydro power plant company. Dato' Izat is the President of the Asean Traders' Association (Persatuan Pedagang ASEAN) since 17 Apr 2018 and President Representative of the Mercosur Asean Chamber of Commerce for Malaysia since 11 Apr 2018. Dato' Izat was the President of the Malaysian Malay Businessmen and Industrialists Association (PERDASAMA) from its founding in Dec 1998 until 10 Dec 2017. PERDASAMA is a national association with more than 25,000 members.

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 the Chairman of the sub-committee for Economics-Trade and Investments of the Malaysia-Thailand Association. Dato' Izat was also appointed by the Ministry of International Trade and Industry (MITI), Malaysia as a member of the Malaysia-Singapore Business Council in 2004. Currently he is Deputy President of the Malaysian-Finnish Business Council and more recently, he was appointed Vice Chairman of the Malaysia-Cambodia Business Council. He had been invited thrice as a Malaysian representative observer in Uzbekistan elections. Dato' Izat had also served in various public organizations such as Chairman, National Consumer Affairs of Malaysia (1995-2000), Chairman (1984-1997) and Deputy Chairman (1974-1984), Malay Chamber of Commerce, Selangor. Dato' Izat was also active in the Subang Jaya Municipal Council (MPSJ) (1996-1998) and Petaling Jaya Municipal Council (MPPJ) (1992-1994). Dato' Izat is the Chairman of UMNO Setia Budi branch. He had previously been with the UMNO Puchong Division and lastly as its Vice-Chairman (1991-1994), UMNO Subang Divison (1994-1996) and also the Permanent Chairman of UMNO Youth of the Petaling Jaya Selatan Division (1998-2001). Dato' Izat was appointed as a MARDI (Ministry of Agriculture, Malaysia) Scientific Council member from Jun 2003 to 2013. Dato' Izat was appointed as the Chairman of Financial Committee Member of MTEM (Majlis Tindakan Ekonomi Melayu Bersatu) in Dec 2011. Formed in Sep 2011, MTEM is a NGO 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 from 2014-2016. Dato' Izat is active in connecting Malaysian businessmen and entrepreneurs with the local business council to collaborate and expand their businesses. Dato' Izat successfully collaborated MCCC (Malaysia-China Chamber of Commerce) and the Chinese Government in organising the Guangdong Maritime Silk Road International Expo for 2 consecutive years (2014 and 2015). This event is being organized and held annually due to high demand from Malaysian businessmen and entrepreneurs. Recently, Dato' Izat was appointed as a committee member on Ministerial Roundtable session by the Ministry of International Trade and Industry (MITI) on the Trans-Pacific Partnership Agreement (TPPA), and concurrently the Malaysian Government's deliberation for a common platform to deal with the challenges facing the global halal industry.

**Ong Kah Hock,** *age 64,* has been a director of the Company since 31 Aug 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.

**Chong Eng Wee,** *age 38,* Mr Chong was appointed as director on 27 Apr 2018. He is currently a Partner at Kennedys Legal Solutions Pte Ltd, a joint law venture between international firm, Kennedys Law LLP and Singapore firm, Legal Solutions LLC. He is an Advocate and Solicitor in Singapore, Lawyer of the Supreme Court of New South Wales, and a Barrister and Solicitor of the High Court of New Zealand. Mr Chong is currently also an Independent Non-Executive Director at Heatec Jietong Holdings Limited, a SGX-ST Catalist listed company. Prior to joining Kennedys Legal Solutions, Mr Chong practised at a leading joint law venture firm and leading local law firms in Singapore and worked as in-house legal counsel at several major companies listed on the main board of Singapore Exchange Securities Trading Limited. Mr Chong was also the Representative for the Shanghai Representative Office of the joint law venture and possesses a good working knowledge of foreign investment laws in the People's Republic of China ("PRC"). Mr Chong was also the joint Company Secretary for 3 SGX-ST main board listed companies. Mr Chong is a corporate practitioner whose areas of practice include capital markets, corporate and securities laws, mergers and acquisitions, private equity, corporate restructuring, joint ventures, corporate and commercial contracts, regulatory compliance, corporate governance advisory and corporate secretarial work. Mr Chong has advised companies on a range of corporate finance and capital markets transactions such as initial public offerings, pre-IPO investment, reverse take-overs, rights issues and placements, acquisitions and disposals of shares and assets, joint ventures, private equity, and corporate restructuring transactions. He has also acted as counsel for clients in various cross border transactions with PRC elements, and frequently advises listed companies on their regulatory compliance and corporate governance issues. Mr Chong was ranked as Singapore's Top 40 Most Influential Lawyers aged 40 and under by Singapore Business Review (2015). He is a member of the Singapore Institute of Directors, Law Society of Singapore, and Singapore Academy of Law.

**Arslan Koichiev,** *age 53,* was appointed as a director of the Company on 5 Mar 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, 1985-2000" into the Kyrgyz language.

## KEY EXECUTIVES' PROFILE

**Priscilla Tan Sock Kheng** was appointed as Financial Controller cum Company Secretary with effect from 1 Dec 2017. Priscilla holds a Bachelor Degree (Hons) major in Accountancy and a member of the Association of Chartered Certified Accountants. She has more than 20 years of experience in the professional fields of audit, accounting, tax and finance. Her last role was with Centurion Group of Companies, an investment holding company which she was in charge of the finance division and corporate functions on the business operations of the group and its subsidiaries. During this time with Centurion, she was also responsible for managing several diversified investment holdings, private equity and other investment entities. The roles included overseeing the finance operation and managing the fund investment portfolio since 2011. She was previously the Group Finance Manager of Vashion Group Ltd, a public listed company in 2007 where she oversaw the finance reporting, management and corporate finance. Prior to this, Priscilla worked in several multi-national companies. She was with the Shell Eastern Petroleum Group for the East Asia region, responsible for the financial reporting in the business unit. Priscilla had also worked with the financial services division of Daimler AG. Priscilla started her career with an international auditing firm prior to joining the commercial sector.

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 set out in the Code during the financial period from 1 Jan 2017 to 30 Jun 2018 ("FP2018").

The Group has compiled with most of the principles and guidelines set out in the code during FP2018, and any deviation or non-compliance are disclosed and explained in this Report.

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

### *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.

Attendance at Board meetings by telephone and video conferencing via audio-visual communications are allowed under the Constitution of the Company.

The Board met regularly and as warranted during FP2018. Ad hoc meetings were also held to deliberate on significant transactions or issues where necessary. Since 8 Apr 2017, 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 | 6 | 3 | 1 | 1 |
| Wong Chin Yong[1] | 6 | 6 | 6 | 6 | 1 | 1 |
| Ong Kah Hock | 6 | 5 | 6 | 6 | 1 | 1 |
| Arslan Koichiev | 6 | 6 | 6 | 1 | 1 | 1 |
| Leng Yew Chee Philip[2] | 6 | 2 | 6 | 2 | 1 | – |
| Chong Eng Wee[3] | 6 | 1 | 6 | 2 | 1 | – |
| Yang Kiin[4] | 6 | 3 | 6 | 3 | 1 | – |
| Bernard Ong Kheng Chye[5] | 6 | 2 | 6 | 2 | 1 | – |

1. *Mr Wong Chin Yong was invited to attend all AC & NC and RC meetings.*
2. *Mr Leng Yew Chee Philip was appointed as director on 5 Mar 2018, AC member and Chairman on 6 Mar 2018 & 23 Jun 2018 respectively, and RC and NC member on 25 Sep 2018.*
3. *Mr Chong Eng Wee was appointed as director and AC member on 27 Apr 2018.*
4. *Mr Yang Kiin resigned on 1 Feb 2018.*
5. *Mr Bernard Ong Kheng Chye resigned on 20 Oct 2017.*

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 matter, other than the ordinary course of business, is considered material if the value of the transaction 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 period FP2018 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' attendances and participations 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. All Directors are independent and non-executive, save for the Chief Executive Officer ("CEO").

The Directors of the Company are:

Wong Chin Yong *(Chairman and Chief Executive Officer)*
Leng Yew Chee Philip *(appointed on 5 Mar 2018)*
Dato' Moehamad Izat Emir
Ong Kah Hock
Arslan Koichiev
Chong Eng Wee *(appointed on 27 Apr 2018)*

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. There was only one executive director on the Board and he is unrelated to all the other directors.

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 has 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 5 and 6 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. The directors have been and is looking for new and younger directors to joint the Board in its effort to add new perspectives for the future.

## 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 Chairman & CEO is the same person. Accordingly the Board has appointed a Lead Independent Director as it is of the view that the appointment of the Lead Independent Director is in the best interest of the Group. The Lead Independent Director, who is non-executive will ensure that the decision making process of the Group would not be unnecessarily hindered. Furthermore the AC, NC and RC consist of all independent directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

All major proposals and decisions made by the Chairman and CEO are discussed and reviewed by the Directors. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package has not been reviewed in FP2018 but has remain unchanged since 17 Dec 2004.

The Group's Chairman and CEO plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. In addition to managing the day-to-day business operations of the Group, he ensures that each member of the Board and the Management works well together with integrity and competency.

As the Chairman and CEO, he, with the assistance of the Company Secretary, schedules Board meetings as and when required and prepares the agenda for Board meetings and ensures sufficient allocation of time for thorough discussion of each agenda item, in particular strategic issues. He promotes an open environment for debate, and ensures that independent directors are able to speak freely and contribute effectively. In addition, he sets guidelines and exercise control over the quality, quantity, accurateness and timeliness of information flow between the Board and the Management. He plays a pivotal role in fostering constructive dialogue between shareholders, the Board and the Management at AGMs and other shareholders meetings. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance practices with the full support of the Board, Company Secretary and the Management.

## 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 25 Sep 2018, comprises the following independent/Non Executive directors:

Dato' Moehamad Izat Emir (*Chairman)*
Ong Kah Hock
Arslan Koichiev
Leng Yew Chee Philip (appointed on 25 Sep 2018)

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 reappointment, 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.

| Board of Directors | Board Membership | Date of 1st appointment | Date of last re-election | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|---|---|
| Wong Chin Yong | Chairman & CEO | 8 Aug 2001 | – | – | – | – |
| Leng Yew Chee Philip | Lead Independent Non-Executive Director | 5 Mar 2018 | – | Chairman | Member | Member |
| Chong Eng Wee | Independent Non-Executive Director | 27 Apr 2018 | – | Member | – | – |
| Dato' Moehamad Izat Emir | Independent Non-Executive Director | 1 Nov 1995 | 29 Apr 2016 | – | Chairman | Chairman |
| Ong Kah Hock | Independent Non-Executive Director | 31 Aug 2001 | 28 Apr 2017 | Member | Member | Member |
| Arslan Koichiev | Independent Non-Executive Director | 5 Mar 2014 | 29 Apr 2016 | – | Member | Member |

## 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.

As there were only six Board members, interaction and communication 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.

## 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 which was reconstituted on 25 Sep 2018, comprises the following directors:

Dato' Moehamad Izat Emir (*Chairman)*
Ong Kah Hock
Arslan Koichiev
Leng Yew Chee Philip (appointed on 25 Sep 2018)

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 the term of his service contract dated 17 Dec 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.

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.

During FP2018, the RC did not recommend any changes to the remuneration nor any award “the Schemes”.

***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 18-month period ended 30 Jun 2018 was as follows:–

| Name of Director | Basic Salary % | Bonus % | Benefits in kind % | Directors’ fees % | Total $’000 |
|---|---|---|---|---|---|
| *Chairman & Chief Executive Officer*<br>Wong Chin Yong | 99 | – | 1 | – | 716 |
| *Non-Executive Directors* | | | | | |
| Dato Moehamad Izat Emir | – | – | – | 100 | 40 |
| Ong Kah Hock | – | – | – | 100 | 46 |
| Arslan Koichiev | – | – | – | 100 | 28 |
| Leng Yew Chee Philip (appointed on 5 Mar 2018) | – | – | – | 100 | 6 |
| Chong Eng Wee (appointed on 27 Apr 2018) | – | – | – | 100 | 3 |
| Yang Kiin (resigned on1 Feb 2018) | – | – | – | 100 | 22 |
| Bernard Ong Kheng Chye (appointed on 31 Mar 2017 and resigned on 20 Oct 2017) | – | – | – | 100 | 16 |

At the 43rd AGM of the Company, held on 28 Apr 2017, shareholders approved directors’ fees of up to $150,000 for financial period ended 31 Dec 2017. The final amount of directors’ fees for the 18-month period financial period from 1 Jan 2017 to 30 Jun 2018 amounted to $161,338. For the financial year ending 30 Jun 2019, the RC has proposed the payment of Directors’ fees of up to $150,000 and the Board would table this two payment at the forthcoming AGM for shareholders’ approval.

The Company has one key executives (who is not a director), and two former key executives (who were not directors) who resigned/retired during FP 2018 and the breakdown of their remuneration in percentage is as follows:–

| Name of Key Executive | Basic Salary % | Bonus % | Total % |
|---|---|---|---|
| *Below $250,000* | | | |
| Priscilla Tan (appointed on 1 Dec 2017) | 100 | – | 100 |
| Jenny Soh Woon Chuen (resigned on 2 Jan 2018) | 100 | – | 100 |
| Stanley Chu Kam Po (resigned on 1 Dec 2017 ) | 100 | – | 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 information. In aggregate the total remuneration paid to the three key executives (who were not directors) in FP2018 was $440,357.

There are no employees who are immediate family members of a director or the CEO, and whose remuneration exceeds $50,000 during the FP2018.

On 28 Apr 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 19,500,000 Share Options had lapsed . The Share Options has an exercise price of $0.008 each. A total of 64,000,000 Share Awards were vested and issued on 19 Apr 2016. There were 30,000,000 Share Awards (31 Dec 2016: 30,000,000), and 75,500,000 Share Options (31 Dec 2016: 91,500,000) outstanding as at 30 Jun 2018.

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. None of the shares awards have been vested at the date of this Report.

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 five 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.

***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.

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 polices 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 30 Jun 2018.

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 with written terms of reference which clearly set out its authority and duties.*

The Audit Committee which was last reconstituted on 23 Jun 2018, currently comprises three (3) independent non-executive directors:

Leng Yew Chee Philip (*Chairman)*
Ong Kah Hock
Chong Eng Wee

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 period, the AC is satisfied with their independence. Details of the aggregate amount of fees paid to the external auditors for the financial period, 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 financial period FP2018 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 FP2018, 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) 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;

(g) 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

(h) 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 Baker Tilly TFW LLP, 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, Baker Tilly TFW LLP is the external auditor of the Company and all its Singapore incorporated subsidiaries while Baker Tilly HYT, 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.

***Internal Audit***

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

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.

During FP 2018 the Company did not have an internal audit function as the only source of income was derived from rental of investment properties. Moreover, the Groups external auditor had reviewed internal accounting control that are relevant to their audit. The AC will review this internal audit function when the business level of activities increases.

## 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 Jan 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.

As the Company still has accumulated losses as at 30 Jun 2018 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 2018 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 respectively 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

The Board of Directors is responsible for the strategic direction of a company. This includes holistic integration of environmental, social and governance considerations in the company's strategy. In setting the company's values and standards, the Board works with management for a meaningful consideration of key sustainability issues throughout the organisation. The Group had incorporated the Sustainability report in compliance with Section 711 (b) which could be found in the Company website. Please refer to the website under www.innopacific.com.

## 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 period from 1 Jan 2017 to 30 Jun 2018 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 period from 1 Jan 2017 to 30 Jun 2018 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
Director

Leng Yew Chee Philip
Director

12 October 2018

# DIRECTORS' STATEMENT

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") and the balance sheet and statement of changes in equity of the Company for the financial period from 1 Jan 2017 to 30 Jun 2018.

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 as set out on pages 26 to 80 are properly drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 Jun 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial period from 1 Jan 2017 to 30 Jun 2018 in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore; and

(b) at the date of this statement, after considering the measures taken by the Group and the Company with respect to the Group's and the Company's ability to continue as going concerns as described in Note 3(a)(i) to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

### Directors

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

| | |
|---|---|
| Wong Chin Yong | *Chairman & Chief Executive Officer* |
| Dato' Moehamad Izat Emir | *Independent Non-Executive Director* |
| Ong Kah Hock | *Independent Non-Executive Director* |
| Arslan Koichiev | *Independent Non-Executive Director* |
| Leng Yew Chee Philip | *Independent Non-Executive Director* (appointed on 5 Mar 2018) |
| Chong Eng Wee | *Independent Non-Executive Director* (appointed on 27 Apr 2018) |

### Arrangements to enable directors to acquire shares or debentures

Except as described under "Share Options and Share Awards Schemes" in this report on page 19, neither at the end of nor at any time during the financial period 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' interests in shares and debentures

The following directors, who held office at the end of the financial period, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Act, 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 as at 1 Jan 2017** | **Holdings as at 30 Jun 2018** |
|---|---:|---:|
| Dato' Moehamad Izat Emir | | |
| **Company** | | |
| Innopac Holdings Limited | | |
| Interests held | | |
| - ordinary shares | 20,000,000 | 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* |

### Directors' interests in shares and debentures (cont'd)

| Name of director and corporation in which interest are held | Holdings as at 1 Jan 2017 | Holdings as at 30 Jun 2018 |
|---|---|---|
| <u>Wong Chin Yong</u> | | |
| **Company** | | |
| Innopac Holdings Limited | | |
| Interests held | | |
| - ordinary shares | 74,000,000 | 73,000,000 |
| - warrants | 19,500,000 | – |
| - share options | 50,000,000 | 50,000,000 |
| <u>Ong Kah Hock</u> | | |
| **Company** | | |
| Innopac Holdings Limited | | |
| Interests held | | |
| - ordinary shares | 22,509,000 | 22,509,000 |
| - warrants | 2,503,000 | – |
| - share options | 10,000,000 | 10,000,000 |
| <u>Arslan Koichiev</u> | | |
| **Company** | | |
| Innopac Holdings Limited | | |
| Interests held | | |
| - ordinary shares | 2,000,000 | 2,000,000 |
| - share options | 2,000,000 | 2,000,000 |

* *held in trust for the Company*

There was no change in any of the above-mentioned interests between the end of the financial period and 21 Jul 2018.

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

### 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 Apr 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 Apr 2015, are administered by the Remuneration Committee of the Company comprising three independent directors, Dato' Moehamad Izat Emir, Mr Ong Kah Hock and Dr Arslan Koichiev who were authorised and appointed by the Board of Directors.

At a General Meeting of shareholders held on 28 Apr 2017, a new Innopac Share Options and a Share awards schemes (2017: Shares schemes) were approved. The schemes commenced from 28 Apr 2017 and expires on 28 Apr 2027. From the commencement of the 2017 Shares schemes to 30 Jun 2018, no share options or share awards was granted or awarded under these schemes. There were no share options outstanding under the 2018 Share options scheme as at 30 Jun 2018.


### Share options and share awards schemes (cont’d)

*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 period ended 30 Jun 2018. As at 30 Jun 2018, 19,500,000 (31.12.2016: 3,500,000) of the share options granted on 28 Apr 2015 had lapsed.

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

| | Date granted | As at 1 Jan 2017 | Lapsed | As at 30 Jun 2018 | Exercise price | Exercise period |
|---|---|---|---|---|---|---|
| Employees and executive director | 28.4.2015 | 69,500,000 | (16,000,000) | 53,500,000 | $0.008 | 28.4.2015 to 27.4.2025 |
| Non-executive directors | 28.4.2015 | 22,000,000 | – | 22,000,000 | $0.008 | 28.4.2015 to 27.4.2020 |
| | | 91,500,000 | (16,000,000) | 75,500,000 | | |

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

| | Options granted during the financial period | Aggregate options granted since commencement of the IPSO to 30 Jun 2018 | Aggregate options exercised since commencement of the IPSO to 30 Jun 2018 | Aggregate options lapsed since commencement of the IPSO to 30 Jun 2018 | Aggregate options outstanding as at 30 Jun 2018 |
|---|---|---|---|---|---|
| **Name of director** | | | | | |
| Wong Chin Yong | – | 60,000,000 | (10,000,000) | – | 50,000,000 |
| Dato’ Moehamad Izat Emir | – | 15,000,000 | (5,000,000) | – | 10,000,000 |
| Ong Kah Hock | – | 12,500,000 | (2,500,000) | – | 10,000,000 |
| Arslan Koichiev | – | 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:

| Name of participants (Ex-employee) | Options granted during the financial period | Aggregate options granted since commencement of the IPSO to 30 Jun 2018 | Aggregate options exercised since commencement of the IPSO to 30 Jun 2018 | Aggregate options lapsed since commencement of the IPSO to 30 Jun 2018 | Aggregate options outstanding as at 30 Jun 2018 |
|---|---|---|---|---|---|
| Soh Woon Chuen (resigned on 2 Jan 2018) | – | 11,000,000 | (3,000,000) | (8,000,000) | – |
| Chu Kam Po (resigned on 1 Dec 2017) | – | 10,000,000 | (2,000,000) | (8,000,000) | – |

### Share options and share awards schemes (cont'd)

*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.

Share awards that remain unvested as at 30 Jun 2018 were as follows:

| Date of grant | As at 1 Jan 2017 | Vested | Lapsed | As at 30 Jun 2018 |
|---|---|---|---|---|
| 28.4.2015 | 30,000,000 | – | – | 30,000,000 |

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

| | Awards granted during the financial period | Aggregate awards granted since commencement of the PSS to 30 Jun 2018 | Aggregate awards exercised since commencement of the PSS to 30 Jun 2018 | Aggregate awards lapsed since commencement of the PSS to 30 Jun 2018 | Aggregate awards outstanding as at 30 Jun 2018 |
|---|---|---|---|---|---|
| **Name of director** | | | | | |
| Wong Chin Yong | – | 50,000,000 | (20,000,000) | – | 30,000,000 |
| Dato' Moehamad Izat Emir | – | 15,000,000 | (15,000,000) | – | – |
| Ong Kah Hock | – | 15,000,000 | (15,000,000) | – | – |
| Arslan Koichiev | – | 2,000,000 | (2,000,000) | – | – |
| | – | 82,000,000 | (52,000,000) | – | 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.

### Audit committee

At the date of this statement, the Audit Committee ("AC") of the Company comprises three Independent Non-Executive Directors:

| | |
|---|---|
| Leng Yew Chee Philip | *Chairman of Committee* |
| Ong Kah Hock* | *Independent Non-Executive Director* |
| Chong Eng Wee | *Independent Non-Executive Director* |

The AC carried out its functions in accordance with Section 201B(5) of the Act, 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 period and the reports of the external and internal auditors thereon.

* *Ong Kah Hock has been a member of the AC since 31 Aug 2001. He was the AC Chairman from 1 Sep 2011 to 28 Apr 2017 and reappointed on 20 Oct 2017 as Chairman until relinquishment on 23 Jun 2018.*

The AC has held six meetings during the financial period and has reviewed the following, where relevant, with the external 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;


**Audit committee** (**cont’d**)

(f) the first, second, third, fourth, fifth quarterly and interim audit (2017) announcements of 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 30 Jun 2018.

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.

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

On behalf of the board of directors

Wong Chin Yong
Director

Leng Yew Chee Philip
Director

12 October 2018

## Report on the Audit of the Financial Statements

### *Disclaimer of Opinion*

We were engaged to audit the financial statements of Innopac Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") as set out on pages 26 to 80, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 30 June 2018, 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 financial period from 1 January 2017 to 30 June 2018, and notes to the financial statements, including a summary of significant accounting policies.

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. <u>Recoverability of available-for-sale investment - Sawyer Falls Co, LLC ("SFC")</u>

   As disclosed in Note 13 to the financial statements, included in the Group's and the Company's balance sheets is an available-for-sale investment, SFC, amounting to $4,600,000 as at 30 June 2018.

   Management determined that no impairment loss is required on the Group's and the Company's available-for-sale investment for the current financial period. Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverable amount of the investment in SFC and to determine whether any adjustments in respect of the net carrying amount of the Group's and the Company's available-for-sale investments as at 30 June 2018 is necessary.

2. <u>Recoverability of other receivables — amount due from former non-controlling shareholder of Dezhou Sheng Rong Gas Co Ltd ("Sheng Rong")</u>

   As disclosed in Note 16 to the financial statements, included in the Group's other receivables as at 30 June 2018 is an amount of $2,300,000 due from a former non-controlling shareholder of Sheng Rong.

   The recoverability of the amount due from the former non-controlling 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 or through the proposed disposal of Extera Pte Ltd (holding company of Sheng Rong) as disclosed in Note 36 to the financial statements. We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding the certainty, including timing, of the recoverability of the aforesaid amount as well as the appropriateness of the classification of the outstanding other receivables as current assets. Consequently, we are unable to determine whether any adjustments to the financial statements of the Group were necessary. We are also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverable amount of the investment in the subsidiary (holding company of Sheng Rong) of $2,317,000 as carried on the Company's balance sheet as at 30 June 2018 (Note 9) and to determine whether any adjustments in respect of the net carrying amount as at 30 June 2018 is necessary.

   The independent auditor's report for the financial year ended 31 December 2016 contained a similar disclaimer of opinion, among others, on being unable to determine whether any adjustments to other receivables of $2,300,000 due from a former non-controlling shareholder of the Group is required. Our report on the current period's financial statements of the Group is also modified because of the possible effect of these matters on the comparability of the current period's figures and the corresponding figures.

3. <u>Appropriateness of going concern assumption</u>

   As disclosed in Note 3(a)(i) to the financial statements, the Group incurred a loss of $9,760,000 (31.12.2016: $3,361,000) and a total comprehensive loss of $9,494,000 (31.12.2016: $3,533,000) for the financial period from 1 January 2017 to 30 June 2018. As at 30 June 2018, the Group's and the Company's current liabilities exceeded current assets by $11,339,000 (31.12.2016: $10,029,000) and $4,835,000 (31.12.2016: $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 concerns and therefore they may not be able to realise their assets and discharge their liabilities in the normal course of business.

## Report on the Audit of the Financial Statements (cont'd)

***Basis for Disclaimer of Opinion*** **(cont'd)**

3. Appropriateness of going concern assumption (cont'd)

Nevertheless, in the preparation of the financial statements, the directors believe that the use of going concern assumption is appropriate after taking into consideration the loan to the Company of up to $2,500,000 announced on 8 October 2018 on SGXNet to meet working capital requirements and obligations over the next 12 months and the assumptions that the (i) proposed sale of the Company's entire shareholding interests in certain non-core assets for a total sale consideration of $100,000; and (ii) proposed placement of 8,400,000,000 new ordinary shares of the Company, at an issue price of $0.001 per share which will raise up to $8,400,000 in total gross proceeds will be completed. The proposed sale of the Company's entire shareholding interests in certain non-core assets and the proposed placement are inter-dependent and are subject to the approval of shareholders at an extraordinary general meeting [Note 3(a)(i) and Note 36].

The financial statements did not include any adjustments that may result in the event that the Group and the Company is unable to continue as a going concern. In the event that the Group and the Company is unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ 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 which may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to the financial statements. The validity of the going concern basis on which the financial statements are prepared is dependent on certain assumptions and the successful outcome of the Group's and the Company's various efforts as disclosed above, in Note 3(a)(i) and Note 36 to the financial statements, the outcome of which are uncertain at the date of this report.

In light of the uncertainties described above, we are unable to conclude as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Consequently, we are unable to determine whether any adjustments in respect of the Group's and the Company's financial statements for the financial period from 1 January 2017 to 30 June 2018 are necessary.

4. Opening balances

Another independent auditor was engaged to audit the financial statements for the financial year ended 31 December 2016 whose report dated 8 April 2017 contained a disclaimer of opinion on those financial statements. The basis for disclaimer of opinion on the financial statements is disclosed in Note 35 of the financial statements.

The independent auditor, among other matters raised, expressed that they were not able to obtain sufficient appropriate audit evidence to satisfy themselves as to the recoverable amount of the investment in Malaysian Microalgae Enterprise Sdn. Bhd. ("Malaysian Microalgae") in the Group's and the Company's balance sheets as at 31 December 2016. As disclosed in Note 12 to the financial statements, an impairment loss of $5,998,000 was subsequently recognised by the Group and the Company during the current financial period ended 30 June 2018 to fully write down its investment in Malaysian Microalgae in the Group's and the Company's balance sheets.

In view of the above and the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 December 2016, we are unable to determine whether the opening balances as at 1 January 2017 are fairly stated.

Since the opening balances as at 1 January 2017 entered into the determination of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial period from 1 January 2017 to 30 June 2018, we are unable to determine whether adjustments might have been found necessary in respect of the Group's and the Company's financial statements for the financial period from 1 January 2017 to 30 June 2018. We are also unable to determine whether any adjustment might have been found necessary in respect of the impairment loss on the investment in Malaysian Microalgae taken to profit or loss in the financial period ended 30 June 2018.

Our report on the current financial period's financial statements of the Group and the Company is also modified because of the possible effects of these matters on the comparability of the current period's figures and the corresponding figures.

## Report on the Audit of the Financial Statements (cont'd)

***Other Matter***

The financial statements for the financial year ended 31 December 2016 were audited by another auditor whose report dated 8 April 2017 expressed a disclaimer of opinion on those financial statements as detailed in Note 35 to the 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.

***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, in view of the significance of the matters referred in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether 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 Gilbert Lee Chee Sum.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

12 October 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**For the financial period from 1 January 2017 to 30 June 2018**

| | Note | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
|---|---|---|---|
| | | **$'000** | $'000 |
| Rental income from investment properties | | **122** | 22 |
| Net gains on trading of marketable securities | | **14** | 2 |
| Other (losses)/gains | | | |
| - Net losses from investment trading activities | | **(17)** | (112) |
| - Net gains/(losses) from derivative instruments and other assets/liabilities | | **6** | (165) |
| - Others | 4 | **5** | 298 |
| Administrative expenses | | **(1,667)** | (1,619) |
| Other expenses | | **(7,944)** | (1,848) |
| Finance income | 5 | **1** | 96 |
| Finance costs | | **(9)** | (2) |
| Share of loss of joint venture | | **(4)** | (22) |
| **Loss before tax** | 6 | **(9,493)** | (3,350) |
| Tax expense | 7 | **(267)** | (11) |
| **Loss for the financial period/year** | | **(9,760)** | (3,361) |
| **Other comprehensive income/(loss), net of tax** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences on translation of foreign operations | | **266** | (172) |
| **Total comprehensive loss for the financial period/year** | | **(9,494)** | (3,533) |
| **(Loss)/profit attributable to:** | | | |
| Owners of the Company | | **(9,677)** | (3,404) |
| Non-controlling interests | | **(83)** | 43 |
| | | **(9,760)** | (3,361) |
| **Total comprehensive (loss)/profit attributable to:** | | | |
| Owners of the Company | | **(9,411)** | (3,576) |
| Non-controlling interests | | **(83)** | 43 |
| | | **(9,494)** | (3,533) |
| **Loss per share** | | | |
| | | **Cents** | Cents |
| Basic | 8 | **(0.22)** | (0.08) |
| Diluted | 8 | **(0.22)** | (0.08) |

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

# BALANCE SHEETS
As at 30 June 2018

| | Note | Group 30.6.2018 | Group 31.12.2016 | Company 30.6.2018 | Company 31.12.2016 |
|---|---|---|---|---|---|
| | | **$'000** | $'000 | **$'000** | $'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Investments in subsidiaries | 9 | **–** | – | **2,322** | 4,607 |
| Plant and equipment | 10 | **69** | 30 | **28** | 30 |
| Investment properties | 11 | **9,008** | 9,707 | **–** | – |
| Investments in joint ventures | 12 | **773** | 6,767 | **–** | 6,000 |
| Available-for-sale investments | 13 | **4,600** | 6,142 | **4,600** | 6,142 |
| | | **14,450** | 22,646 | **6,950** | 16,779 |
| **Current assets** | | | | | |
| Investments held for trading | 14 | **66** | 83 | **66** | 66 |
| Trade receivables | 15 | **40** | 19 | **6** | – |
| Other receivables and prepayments | 16 | **2,310** | 2,432 | **2,683** | 2,846 |
| Cash and cash equivalents | 17 | **1,141** | 1,584 | **97** | 136 |
| | | **3,557** | 4,118 | **2,852** | 3,048 |
| **TOTAL ASSETS** | | **18,007** | 26,764 | **9,802** | 19,827 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Non-current liability** | | | | | |
| Deferred tax liabilities | 18 | **365** | 378 | **–** | – |
| **Current liabilities** | | | | | |
| Trade and other payables | 19 | **14,438** | 13,801 | **7,526** | 8,189 |
| Derivative payables and other liabilities | 20 | **–** | 6 | **–** | 6 |
| Provision for directors' fees | 21 | **161** | 340 | **161** | 340 |
| Tax payable | | **297** | – | **–** | – |
| | | **14,896** | 14,147 | **7,687** | 8,535 |
| **Equity and reserves** | | | | | |
| Share capital | 22 | **121,572** | 121,571 | **121,572** | 121,571 |
| Asset reserve | 23 | **3,099** | 3,099 | **–** | – |
| Share awards reserve | 24 | **752** | 752 | **752** | 752 |
| Share options reserve | 25 | **1,154** | 1,154 | **1,154** | 1,154 |
| Foreign currency translation reserve | 26 | **(477)** | (743) | **–** | – |
| Accumulated losses | | **(123,887)** | (114,210) | **(121,363)** | (112,185) |
| **Equity attributable to owners of the Company** | | **2,213** | 11,623 | **2,115** | 11,292 |
| **Non-controlling interests** | | **533** | 616 | **–** | – |
| **Total equity** | | **2,746** | 12,239 | **2,115** | 11,292 |
| **TOTAL LIABILITIES AND EQUITY** | | **18,007** | 26,764 | **9,802** | 19,827 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the financial period from 1 January 2017 to 30 June 2018**

| | Note | Share capital | Share awards reserve | Share options reserve | Foreign currency translation reserve | Accumulated losses | Asset reserve | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | ← Attributable to owners of the Company | | | | | | → | | |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | | | | | |
| Balance as at 1 Jan 2017 | | 121,571 | 752 | 1,154 | (743) | (114,210) | 3,099 | 11,623 | 616 | 12,239 |
| Loss for the financial period | | – | – | – | – | (9,677) | – | (9,677) | (83) | (9,760) |
| *Other comprehensive income* | | | | | | | | | | |
| Exchange differences on translation of foreign operations | | – | – | – | 266 | – | – | 266 | – | 266 |
| Total other comprehensive income for the financial period, net of tax | | – | – | – | 266 | – | – | 266 | – | 266 |
| Total comprehensive income/ (loss) for the financial period | | – | – | – | 266 | (9,677) | – | (9,411) | (83) | (9,494) |
| Issuance of share under conversion of warrants | 22 | 1 | – | – | – | – | – | 1 | – | 1 |
| **Balance as at 30 Jun 2018** | | **121,572** | **752** | **1,154** | **(477)** | **(123,887)** | **3,099** | **2,213** | **533** | **2,746** |


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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the financial period from 1 January 2017 to 30 June 2018**

| | Note | Share capital | Share awards reserve | Share options reserve | Foreign currency translation reserve | Accumulated losses | Asset reserve | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | ← Attributable to owners of the Company | | | | | | → | | |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | | | | | |
| Balance as at 1 Jan 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 | 24 | – | 74 | – | – | – | – | 74 | – | 74 |
| Grant of share options | 25 | – | – | 196 | – | – | – | 196 | – | 196 |
| Balance as at 31 Dec 2016 | | 121,571 | 752 | 1,154 | (743) | (114,210) | 3,099 | 11,623 | 616 | 12,239 |

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

## STATEMENT OF CHANGES IN EQUITY

**For the financial period from 1 January 2017 to 30 June 2018**

| | Note | Share capital | Share awards reserve | Share options reserve | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|
| | | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Company** | | | | | | |
| Balance as at 1 Jan 2017 | | 121,571 | 752 | 1,154 | (112,185) | 11,292 |
| Loss for the financial period | | – | – | – | (9,178) | (9,178) |
| Issuance of share under conversion of warrants | | 1 | – | – | – | 1 |
| **Balance as at 30 Jun 2018** | | **121,572** | **752** | **1,154** | **(121,363)** | **2,115** |
| Balance as at 1 Jan 2016 | | 121,571 | 678 | 958 | (103,958) | 19,249 |
| Loss for the financial year | | – | – | – | (8,227) | (8,227) |
| Grant of share awards | 24 | – | 74 | – | – | 74 |
| Grant of share options | 25 | – | – | 196 | – | 196 |
| Balance as at 31 Dec 2016 | | 121,571 | 752 | 1,154 | (112,185) | 11,292 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the financial period from 1 January 2017 to 30 June 2018**

| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
|---|---|---|
| | **$'000** | $'000 |
| **Cash flows from operating activities** | | |
| Loss before tax | **(9,493)** | (3,350) |
| Adjustments for: | | |
| Share of loss of joint venture | **4** | 22 |
| Fair value gain on investment properties | **(13)** | (383) |
| Net (gains)/losses from derivative instruments and other assets/liabilities | **(6)** | 165 |
| Net losses from investments trading activities | **17** | 112 |
| Impairment loss of trade and other receivables | **73** | 1,014 |
| Loss on disposal of available-for-sale investments | **572** | – |
| Impairment loss on investment in joint venture | **5,998** | – |
| Loss on disposal of investment property | **326** | – |
| Depreciation of plant and equipment | **10** | 36 |
| Write off of other receivables, deposits and prepayments | **4** | 4 |
| Directors' fees | **161** | 129 |
| Net unrealised foreign exchange (gains)/losses | **(122)** | 147 |
| Trade and other creditors written back | **(156)** | (1) |
| Share awards | **–** | 74 |
| Share options | **–** | 196 |
| Finance income | **(1)** | (96) |
| Finance costs | **9** | 2 |
| Operating cash outflows before working capital changes | **(2,617)** | (1,929) |
| Investments held for trading | **–** | 113 |
| Investment in fixed income instruments | **–** | 5,000 |
| Trade and other receivables and prepayments | **1** | 1,484 |
| Derivative payables and other liabilities | **–** | 6 |
| Trade and other payables | **464** | 150 |
| Cash (used in)/generated from operations | **(2,152)** | 4,824 |
| Interest paid | **(9)** | (2) |
| Tax paid | **(1)** | (1) |
| **Net cash (used in)/generated from operating activities** | **(2,162)** | 4,821 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the financial period from 1 January 2017 to 30 June 2018**

| | 1.1.2017 to 30.6.2018 | 1.1.2016 to 31.12.2016 |
|---|---|---|
| | **$'000** | $'000 |
| **Cash flows from investing activities** | | |
| Interest received | **3** | 291 |
| Purchase of plant and equipment | **(49)** | (3) |
| Investments in joint ventures | **(8)** | (6,082) |
| Proceeds from disposal of investment property | **802** | – |
| Net proceeds from disposal of available-for-sale investments | **970** | – |
| **Net cash generated from/(used in) investing activities** | **1,718** | (5,794) |
| **Cash flows from financing activities** | | |
| Repayment of finance lease | **–** | (21) |
| Proceeds from conversion of warrants | **1** | – |
| **Net cash generated from/(used in) financing activities** | **1** | (21) |
| **Net decrease in cash and cash equivalents** | **(443)** | (994) |
| **Cash and cash equivalents at the beginning of the financial period/year** | **1,584** | 2,578 |
| **Cash and cash equivalents at the end of the financial period/year** | **1,141** | 1,584 |

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

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

## 1. Corporate information

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 9.

## 2. Significant accounting policies

### (a) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are presented in Singapore dollar ("SGD") rounded to the nearest thousand ($'000) except when otherwise stated, and have been prepared in accordance with the Financial Reporting Standards in Singapore ("FRSs"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

*Use of estimates and judgements*

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

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and provision for directors' fees approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

*New and revised standards*

In the current financial period, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for the current financial period. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs and INT FRSs.

The adoption of these new and revised FRSs and INT FRSs did not have any material effect on the financial performance or financial position of the Group and the Company.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial period ended 30 Jun 2018 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group and balance sheets and statement of changes in equity of the Company except as disclosed below:

## 2. Significant accounting policies (cont'd)

### (a) Basis of preparation (cont'd)

*New and revised standards (cont'd)*

**Convergence with International Financial Reporting Standards (IFRS)**

The Accounting Standards Council ("ASC") announced that Singapore incorporated companies listed on the Singapore Exchange ("SGX") or are in the process of issuing equity or debt instruments for trading on SGX, will apply a new financial reporting framework identical to the International Financial Reporting Standards (IFRS Convergence), known as Singapore Financial Reporting Standards (International) ("SFRS(I)"), with effect from annual periods beginning on or after 1 Jan 2018.

The Group's financial statements for the financial year ending 30 Jun 2019 will be prepared in accordance with SFRS(I) issued by ASC.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). In addition to the adoption of the new framework, the Group will be adopting other new SFRS(I), amendments to standards and interpretations of SFRS(I) which are effective from the same date.

The Group does not expect the application of the new standards, amendments to standards and interpretations, and the IFRS Convergence to have significant impact on the financial statements.

***Application of SFRS(I) 1 and IFRS Convergence***

When the Group adopts SFRS(I) in its 2019 financial statements, the Group will apply SFRS(I) 1 with 1 Jan 2017 as the date of transition for the Group and the Company.

SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, subject to certain mandatory exceptions and optional exemptions under SFRS(I) 1. The Group plans to elect relevant optional exemptions. The Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

**SFRS(I) 15 Revenue from Contracts with Customers**

SFRS(I) 15 replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. SFRS(I) 15 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in SFRS(I) 15 by applying a 5-step approach.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 Jan 2018, with early adoption permitted. SFRS(I) 15 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group plans to adopt SFRS(I) 15 in its financial statements for the financial year ending 30 Jun 2019 using the full retrospective approach. As a result, the Group will apply the changes in accounting policies retrospectively to each reporting year presented.

Management has performed a preliminary impact assessment of applying the new standard on the Group's financial statements based on the existing sources of revenue as at 30 Jun 2018 and does not expect the impact from the initial adoption of SFRS(I) 15 to be material. Further evaluation will be undertaken should the source of revenue change in the year when SFRS(I) 15 becomes effective.

## 2. Significant accounting policies (cont'd)

### (a) Basis of preparation (cont'd)

*New and revised standards (cont'd)*

**SFRS(I) 9 Financial Instruments**

SFRS(I) 9 which replaces IAS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace IAS 39 incurred loss model.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach.

*(a) Classification and measurement*

The Group has completed its preliminary assessment of the classification and measurement of its financial assets, and the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9. Loans and receivables that are currently accounted for at amortised cost are expected to continue to be measured at amortised cost under SFRS(I) 9.

For quoted equity securities currently classified as investments held for trading which are measured at fair value through fair value through profit or loss, are expected to continue to be measured at fair value, and the Group will present changes in fair values of these assets in profit or loss.

For unquoted equity securities currently classified as available-for-sale financial assets which are measured at cost, the financial assets will be measured at fair value under SFRS(I) 9 and the Group will present changes in fair value of these assets in other comprehensive income.

*(b) Impairment*

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. For trade receivables, the Group will apply the simplified approach and will record an allowance for lifetime expected losses on trade receivables from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. Upon application of the expected credit loss model, the Group does not expect significant impact on its financial performance or financial position, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

The Group will adopt SFRS(I) 9 when it becomes effective in financial year ending 30 Jun 2019.

**SFRS(I) 16 Leases**

SFRS(I) 16 replaces the existing IAS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheets to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 Jan 2019. The Group will assess the potential impact of SFRS(I) 16 and plans to adopt the standard on the required effective date.

## 2. Significant accounting policies (cont'd)

### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the balance sheet date. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary company attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

### (c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's balance sheets, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### (d) Investment in joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investments in joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

## 2. Significant accounting policies (cont'd)

### (d) Investment in joint ventures (cont'd)

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the post-acquisition profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

Distributions received from joint ventures are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

In the Company's financial statements, investments in joint ventures are carried at cost less accumulated impairment loss. On disposal of investment in joint ventures, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

### (e) Plant and equipment

Plant and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is 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 asset.

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is calculated on a straight-line basis to write off the cost of all plant and equipment over their expected useful lives. The estimated useful lives are as follows:

| | |
|---|---|
| Furniture and fittings | 10% to 33% per annum |
| Other assets | 10% to 100% per annum |

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

### (f) Investment properties

Investment properties include those portions of properties that are held to earn rental income and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

## 2. Significant accounting policies (cont'd)

### (f) Investment properties (cont'd)

Cost includes expenditure that is directly attributable to the acquisition of the investment property. 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 and capitalised borrowing costs.

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

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

### (g) Impairment of non-financial assets

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

At the balance sheet date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates 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.

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.

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 previously recognised impairment loss for an asset is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

### (h) Financial assets

***Classification***

The Group classifies its financial assets according to the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale.

*Financial assets, at fair value through profit or loss*

This category has two sub-categories: "financial assets held for trading", and those designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at initial recognition are those that are managed and their performance are evaluated on a fair value basis, in accordance with a documented Group's investment strategy. Derivatives are also categorised as "held for trading" unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

## 2. Significant accounting policies (cont'd)

### (h) Financial assets (cont'd)

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding prepayments) and "cash and cash equivalents" on the balance sheet.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

***Recognition and derecognition***

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

***Initial measurement***

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

***Subsequent measurement***

Financial assets, both available-for-sale and at fair value through profit or loss, are subsequently carried at fair value. Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measurable, are measured at cost less impairment loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method, less impairment.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss, including effects of currency translation, are recognised in profit or loss in the financial period in which the changes in fair values arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss.

***Impairment***

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

*Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

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

## 2. Significant accounting policies (cont'd)

### (h) Financial assets (cont'd)

***Impairment* (cont'd)**

*Loans and receivables (cont'd)*

If in subsequent periods, 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 that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

*Available-for-sale financial assets*

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that was recognised directly in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised.

Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale financial assets are not reversed through profit or loss.

For available-for-sale financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of impairment loss is recognised in profit or loss and such losses are not reversed in subsequent periods.

### (i) Financial liabilities

Financial liabilities include trade and other payables (excluding provision for unutilised leaves) and provision for directors' fees. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

### (j) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged deposits.

### (k) Operating leases

*When the Group is the lessee:*

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

*When the Group is the lessor:*

Lease where the Group retains substantially all the risks and rewards incidental to ownership of the assets are classified as operating leases. Rental income (net of any incentives given to leases) is recognised on a straight-line basic over the lease term.

## 2. Significant accounting policies (cont'd)

### (l) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

### (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 period, 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.

### (o) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue and related cost can be reliably measured.

*Sale of investments held for trading*

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

*Rental income*

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

**2. Significant accounting policies (cont'd)**

**(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. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

**(q) Employee leave entitlements**

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 period.

**(r) Income taxes**

Income tax on the profit or loss for the financial period comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current financial period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the financial period when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the balance sheet date.

Deferred income tax is measured based on the tax consequence that will follow 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 property measured at fair value is presumed to be recovered entirely through sale.

**(s) Foreign currency translation and transactions**

*Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Group and the Company are presented in Singapore dollar, which is the Company's functional currency.

## 2. Significant accounting policies (cont'd)

### (s) Foreign currency translation and transactions (cont'd)

*Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

*Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, 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.

On disposal of a foreign group entity, the cumulative amount of the foreign currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

### (t) Borrowing costs

Interest expense and similar charges are expensed in profit or loss in the financial period in which they are incurred.

### (u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

### (v) Related parties

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. The transactions are entered on terms agreed by the parties concerned.

## 2. Significant accounting policies (cont'd)

### (w) Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

### (x) Share capital

Proceeds from issuance of ordinary shares of the Company are recognised as share capital in equity.

Incremental costs directly attributable to the issuance of ordinary shares of the Company are deducted against share capital.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, management made judgements, 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 judgements, 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) Going concern*

The Group incurred a total loss of $9,760,000 (31.12.2016: $3,361,000) and a total comprehensive loss of $9,494,000 (31.12.2016: $3,533,000) for the financial period ended 30 Jun 2018. As at 30 Jun 2018, the Group's and the Company's current liabilities exceeded current assets by $11,339,000 (31.12.2016: $10,029,000) and $4,835,000 (31.12.2016: $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 concerns 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:

## 3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

### a) *Critical judgments made in applying the accounting policies (cont'd)*

*(i) Going concern (cont'd)*

The Group's net current liability position of $11,339,000 as at 30 Jun 2018 is a result of classifying $12,339,000 owing by two subsidiaries to a single creditor as current liabilities in the Group's balance sheet (Note 19). This creditor had not demanded settlement in the past four financial years. However, on 1 Jun 2018, the Company received a letter of demand from the solicitor acting for the creditor claiming $14,689,000 from the Company. The Company had been advised by its lawyers and denies this claim and its validity. The Group is in communication with the creditor and the Board is optimistic that an amicable settlement can be reached.

The Company has on 6 Oct 2018 entered into a loan agreement with Joy Maker International Limited (the "Lender") (the "Loan Agreement"). Pursuant to the Loan Agreement, the Lender has agreed to lend up to $2,500,000 to the Company (the "Loan"), subject to the terms and on conditions as set out in the Loan Agreement as announced on 8 Oct 2018. The Loan of up to $2,500,000 is adequate to meet the Group's and the Company's working capital requirements and obligations over the next 12 months (Note 36).

Further to the Loan, the Company made a separate announcement on 9 Oct 2018 that it had also entered into two separate but inter-conditional agreements on 6 Oct 2018 relating to the (i) proposed sale of the Company's entire shareholding interests in certain non-core assets for a total sale consideration of $100,000 ("Proposed Disposal"); and (ii) proposed placement of 8,400,000,000 new ordinary shares of the Company, at an issue price of $0.001 per share which will raise up to $8,400,000 in total gross proceeds ("Proposed Placement"). The Proposed Disposal and Proposed Placement are subject to shareholders' approval at an extraordinary general meeting to be convened in due course. Upon approval and subsequent completion of both the Proposed Disposal and Proposed Placement, the Company will receive total gross proceeds of $8,500,000 which will significantly improve and strengthen the Company's financial position going forward (Note 36).

Assuming that the proposed transactions announced on 9 Oct 2018 were completed on 30 Jun 2018, the Group's total loss would be $1,357,000 and the total comprehensive loss would be $1,091,000. The Group's and the Company's current net liability position would have reversed into a net current asset position of $5,643,000 and $2,850,000 respectively. Therefore, the directors are of the view that the Group and the Company are going concerns.

The Group and the Company maintain that it is a going concern in view of the loan of $2,500,000 announced on 8 Oct 2018 which will enable the Group and the Company to meet its obligations as and when they fall due over the next 12 months; and the Proposed Disposal and the Proposed Placement will result in the Group and the Company having net current assets positions.

*(ii) 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 judgement 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 amount of trade and other receivables as at 30 Jun 2018 and the related impairment allowance is disclosed in Notes 15 and 16 respectively.

*(iii) Investments in joint ventures*

As disclosed in Note 12, 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 12).

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.

## 3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

### 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 recoverable amount 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 operational and financing cash flows.

During the financial period ended 30 Jun 2018, the Company made an allowance for impairment of $2,285,000 for its investments in subsidiaries and the Company's carrying amount of investments in subsidiaries as at 30 Jun 2018 was $2,322,000 (31.12.2016: $4,607,000) (Note 9).

*(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 operational and financing cash flows.

The Group's and the Company's carrying amount of investments in joint ventures as at 30 Jun 2018 was $773,000 (31.12.2016: $6,767,000) and $Nil (31.12.2016: $6,000,000) respectively (Note 12).

*(iii) Impairment and classification of available-for-sale investments, Sawyer Falls Co, LLC ("SFC")*

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

As disclosed in Note 13, included in the Group's and the Company's balance sheets is an equity investment in SFC, of which SFC owns the rights to receive net proceeds from the sale of 85 finished lots of land situated at Falling Water, Pierce County, Washington State, United States of America.

The Group and the Company have used the "lot/home value ratio method" valuation for the 85 finished lots of land in Falling Water carried out by an independent valuer on 13 Jun 2017. 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 period ended 30 Jun 2018, by using recent sales transaction records of adjacent finished land lots situated at Falling Water, the Group and the Company have considered and determined that the estimated fair value approximates its carrying amount of $4,600,000 as at 30 Jun 2018 (31.12.2016: $4,600,000).

If the fair value for the Group's and the Company's interest in the 60 finished lots of land (based on 67% share of investment) decreases by 5%, the effect on profit or loss would be approximately $230,000 (2016: $230,000).

*<u>Investment in SFC</u>*

The Group and the Company own 67% equity interest in SFC as disclosed in Note 13.

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.*

## 3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

### b) *Key sources of estimation uncertainty (cont'd)*

*(iv) Valuation of investment properties*

The Group carries its investment properties at fair values, with changes in fair values being recognised in profit or loss.

The fair values of investment properties are determined by reference to open market values.

The carrying amounts and key assumptions used to determine the fair values of investment properties are disclosed in Note 11.

If the fair value for the Group's investment properties falls by 5%, the effects on loss before income tax would increase by $450,000 (31.12.2016: $485,000).

## 4. Others

| | Group | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| Net losses from trading of foreign exchange | **(22)** | (107) |
| Fair value gain on investment properties (Note 11) | **13** | 383 |
| Others | **14** | 22 |
| | **5** | 298 |

## 5. Finance income

| | Group | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| Interest on fixed income instruments | **–** | 76 |
| Others | **1** | 20 |
| | **1** | 96 |

## 6. Loss before tax

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

| | Group | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| *Administrative expenses* | | |
| Directors' remuneration other than fees: | | |
| - Directors of the Company | **716** | 508 |
| Directors' fees | **161** | 129 |
| Audit fees | | |
| - Auditors of the Company | **190** | 124 |
| - Other auditors | **12** | 4 |
| - Under provision in respect of prior year | **14** | – |
| Fees for non-audit services | **–** | – |
| Other creditors written back | **(156)** | (1) |
| Employee benefit expense (excluding directors' remuneration) | **557** | 473 |
| Costs of defined contribution plans: | | |
| - Directors | **8** | 9 |
| - Other employees | **74** | 49 |
| Share awards | **–** | 74 |
| Share options | **–** | 196 |
| *Other expenses* | | |
| Depreciation of plant and equipment | **10** | 36 |
| Write off of other receivables, deposits and prepayments | **4** | 4 |
| Land and properties tax | **61** | 39 |
| Loss on disposal of available-for-sale investments | **572** | – |
| Loss on disposal of investment property | **326** | – |
| Professional and legal fees | **352** | 131 |
| Rental expense – operating leases | **190** | 133 |
| Rental expense – land | **12** | 8 |
| Repairs and maintenance | **20** | 17 |
| Transportation and travel | **102** | 58 |
| Net unrealised foreign exchange (gains)/losses | **(122)** | 147 |
| Impairment loss of trade and other receivables | **73** | 1,014 |
| Impairment loss on investment in joint venture | **5,998** | – |

## 7. Tax expense

| | Group | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| **Current income tax** | | |
| Foreign income tax | **1** | – |
| Foreign tax (Real Property Gains Tax) | **–** | 1 |
| Deferred tax (Note 18) | **(31)** | 10 |
| Tax (credit)/expense | **(30)** | 11 |
| **Under provision in previous financial years:** | | |
| Income tax | **297** | – |
| | **267** | 11 |

Domestic income tax is calculated at 17% (31.12.2016: 17%) of the estimated assessable loss for the financial period. Foreign tax at Malaysia is calculated at 24% (31.12.2016: 24%) of the estimated assessable profit for the financial period. 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% (31.12.2016: 17%) to loss before income tax as a result of the following differences:

| | Group | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| Loss before tax | **(9,493)** | (3,350) |
| Tax expense calculated at the appropriate tax rate of 17% (31.12.2016: 17%) | **(1,614)** | (570) |
| Adjustments: | | |
| Expenses not deductible for tax purposes | **1,316** | 226 |
| Tax effect of losses from investments held for trading and derivative instruments | **–** | 19 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(200)** | (24) |
| Movement in unrecognised deferred tax assets | **468** | 359 |
| Under provision in previous financial year | **297** | – |
| Foreign tax (Real Property Gains Tax) | **–** | 1 |
| | **267** | 11 |

As at 30 Jun 2018, the Group has unutilised tax losses amounting to approximately $47,159,000 (31.12.2016: $44,417,000) and unutilised capital allowances amounting to approximately $1,524,000 (31.12.2016: $1,523,000) 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 $8,276,000 (31.12.2016: $7,810,000) 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.

## 8. 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 period/year.

Basic loss per share is calculated as follows:

| | Group | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| Loss for the financial period/year ($'000) | **(9,677)** | (3,404) |
| Weighted average number of ordinary shares ('000) | **4,460,786** | 4,441,690 |
| | **Cents** | Cents |
| Basic and diluted loss per share | **(0.22)** | (0.08) |

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 (31.12.2016: 30,000,000) granted but not vested at the end of the financial period ended 30 Jun 2018, share options of 75,500,000 (31.12.2016: 91,500,000) granted but not exercised at the end of the financial period 30 Jun 2018, were excluded from the calculation of the diluted weighted average number of ordinary shares, as their effects are anti-dilutive.

## 9. Investments in subsidiaries

| | Company | |
|---|---|---|
| | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 |
| Unquoted equity shares | **27,851** | 27,851 |
| Less: Allowance for impairment | **(25,529)** | (23,244) |
| | **2,322** | 4,607 |

Movement in allowance for impairment are as follows:

| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
|---|---|---|
| | **$'000** | $'000 |
| Balance as at 1 Jan | **(23,244)** | (17,086) |
| Impairment loss | **(2,285)** | (6,158) |
| Balance as at 30 Jun/31 Dec | **(25,529)** | (23,244) |

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

During the financial period ended 30 Jun 2018, the Company had provided an allowance for impairment of $294,000 and $1,991,000 to write down its investments in Extera Pte Ltd and Enigma Venture (M) Sdn Bhd respectively to their recoverable amounts of $2,317,000 and $Nil respectively. 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 period end. The measurement was categorised as a Level 3 fair value, as defined in Note 32.

## 9. Investments in subsidiaries (cont'd)

(a) Details of the subsidiaries are as follows:

| Name of subsidiary/ country of incorporation | Principal activities | Group's effective equity interest 30.6.2018 | 31.12.2016 |
|---|---|---|---|
| | | % | % |
| *Held by the Company* | | | |
| 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 |
| *Held by Extera Pte Ltd* | | | |
| 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 |
| *Held by PG Communications Pte Ltd* | | | |
| PG Communications Sdn Bhd[a] Malaysia | Dormant | **100.0** | 100.0 |
| *Held by Inno-Pacific Realty Sdn Bhd* | | | |
| Megan Midas Sdn Bhd[a] Malaysia | Investment property holding | **100.0** | 100.0 |

Notes on subsidiaries:

[a] Audited by Baker Tilly HYT, Malaysia.

[b] Not required to be audited in the country of incorporation. Audited by Baker Tilly TFW LLP for consolidation purposes.

[c] Exempted from audit under Section 205B of the Companies Act.

## 9. Investments in subsidiaries (cont'd)

(b) Significant restrictions

Cash and cash equivalents of $1,031,000 (31.12.2016: $1,407,000) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

(c) Summarised financial information of subsidiary with material non-controlling interests ("NCI")

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

Summarised Balance Sheet

| | **30.6.2018** | 31.12.2016 |
|---|---|---|
| | **$'000** | $'000 |
| *Extera Group* | | |
| Current assets | **3,305** | 3,716 |
| Non-current assets | **41** | – |
| Current liabilities | **(488)** | (526) |
| Equity attributable to owners of the Company | **2,325** | 2,574 |
| Non-controlling interests | **533** | 616 |

Summarised Statement of Comprehensive Income

| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
|---|---|---|
| | **$'000** | $'000 |
| *Extera Group* | | |
| Expenses | **(329)** | (895) |
| Loss for the financial period/year | **(329)** | (895) |
| Loss attributable to owners of the Company | **(246)** | (938) |
| (Loss)/profit attributable to the non-controlling interests | **(83)** | 43 |
| | | |
| Total comprehensive loss for the financial period/year | **(329)** | (895) |
| Total comprehensive loss attributable to owners of the Company | **(246)** | (938) |
| Total comprehensive (loss)/profit attributable to the non-controlling interests | **(83)** | 43 |

Summarised Cash Flows

| | | |
|---|---|---|
| *Extera Group* | | |
| Net cash outflow from operating activities | **(328)** | (145) |
| Net cash outflow from investing activities | **(49)** | – |
| Net decrease in cash and cash equivalents | **(377)** | (145) |

## 10. Plant and equipment

| | Furniture and fittings | Other assets | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Group** | | | |
| **30 Jun 2018** | | | |
| **Cost** | | | |
| At 1 Jan 2017 | 201 | 554 | 755 |
| Additions | – | 49 | 49 |
| Written-off | (5) | (13) | (18) |
| At 30 Jun 2018 | **196** | **590** | **786** |
| **Allowance for impairment** | | | |
| At 1 Jan 2017 | 4 | 3 | 7 |
| Written-off | (4) | (3) | (7) |
| At 30 Jun 2018 | **–** | **–** | **–** |
| **Accumulated depreciation** | | | |
| At 1 Jan 2017 | 175 | 543 | 718 |
| Written-off | (1) | (10) | (11) |
| Depreciation | – * | 10 | 10 |
| At 30 Jun 2018 | **174** | **543** | **717** |
| **Net book value** | | | |
| At 30 Jun 2018 | **22** | **47** | **69** |
| | | | |
| 31 Dec 2016 | | | |
| Cost | | | |
| At 1 Jan 2016 | | | |
| Additions | 200 | 557 | 757 |
| Written-off | 3 | – | 3 |
| Disposals | (2) | (3) | (5) |
| At 31 Dec 2016 | 201 | 554 | 755 |
| Allowance for impairment | | | |
| At 1 Jan 2016 | 5 | 5 | 10 |
| Write back of impairment loss | (1) | (2) | (3) |
| At 31 Dec 2016 | 4 | 3 | 7 |
| Accumulated depreciation | | | |
| At 1 Jan 2016 | 175 | 508 | 683 |
| Depreciation | 1 | 35 | 36 |
| Disposals | (1) | (1) | (2) |
| Foreign currency translation differences | – | 1 | 1 |
| At 31 Dec 2016 | 175 | 543 | 718 |
| Net book value | | | |
| At 31 Dec 2016 | 22 | 8 | 30 |

* Amount is less than $1,000

## 10. Plant and equipment (cont'd)

| | Furniture and fittings | Other assets | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Company** | | | |
| **30 Jun 2018** | | | |
| **Cost** | | | |
| At 1 Jan 2017 | 64 | 137 | 201 |
| Transfer | – | 385 | 385 |
| At 30 Jun 2018 | **64** | **522** | **586** |
| **Accumulated depreciation** | | | |
| At 1 Jan 2017 | 42 | 129 | 171 |
| Transfer | – | 385 | 385 |
| Depreciation | – * | 2 | 2 |
| At 30 Jun 2018 | **42** | **516** | **558** |
| **Net book value** | | | |
| At 30 Jun 2018 | **22** | **6** | **28** |
| 31 Dec 2016 | | | |
| Cost | | | |
| At 1 Jan 2016 | 61 | 137 | 198 |
| Additions | 3 | – | 3 |
| At 31 Dec 2016 | 64 | 137 | 201 |
| Accumulated depreciation | | | |
| At 1 Jan 2016 | 42 | 125 | 167 |
| Depreciation | – | 4 | 4 |
| At 31 Dec 2016 | 42 | 129 | 171 |
| Net book value | | | |
| At 31 Dec 2016 | 22 | 8 | 30 |

The Company's other assets include a motor vehicle with a carrying amount of $Nil (31.12.2016: $Nil) registered in the name of a director and is held in trust for the Company.

* Amount is less than $1,000

## 11. Investment properties

| | Group | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| Fair value | | |
| As at 1 Jan | **9,707** | 9,540 |
| Disposal | **(1,124)** | – |
| Fair value gain | **13** | 383 |
| Foreign currency translation differences | **412** | (216) |
| As at 30 Jun/31 Dec | **9,008** | 9,707 |

Descriptions of the investment properties are as follows:

| Name of property | Area | Existing use | Tenure |
|---|---|---|---|
| Tanjong Malim Land [(a)], Perak, Malaysia | 2,103,948 sq. ft. | Industrial | 99 year lease (unexpired term 89 years) |
| Unit 18-03 Clear Water Residence [(b)], Kuala Lumpur, Malaysia | 3,283 sq. ft. | Residential | Freehold |
| Lot A-2, Tamam Sungai Mas [(b)], Sabah, Malaysia | 1,070 sq. ft. | Shop | 999 year lease (unexpired term 898 years) |
| Lot A-3A, Tamam Sungai Mas [(b)], Sabah, Malaysia | 1,070 sq. ft. | Shop | 999 year lease (unexpired term 898 years) |

(a) As at 30 Jun 2018, the fair value of the Tanjong Malim land was determined based on the valuation performed by a professional valuer using a direct comparison with recent transactions of comparable properties within the vicinity at the balance sheet date. The valuer has taken into consideration the prevailing market conditions and have made due adjustments for differences between the property and the comparables in terms of locations, size, shape and terrain of land and other factors affecting its value. The land is a 99 years leasehold land expiring on 12 Feb 2106.

(b) The Group had acquired certain residential and commercial properties as investment properties. The Group's investment properties are held for income and capital gains. The fair value of the Group's residential and commercial properties as at 30 Jun 2018 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.

The fair value of investment properties is classified under Level 3 of the fair value hierarchy, as defined in Note 32.

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

## 12. Investments in joint ventures

Details of the Group'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 30.6.2018** | **Group's effective equity interest 31.12.2016** |
|---|---|---|---|
| | | % | % |
| *Held by the Company* | | | |
| Malaysian Microalgae Enterprise Sdn Bhd [(a)], Malaysia | Commercial cultivation of microalgae and its downstream activities | **70** | 70 |
| *Held by the Golden Eagle Mining Pte Ltd* | | | |
| Artel Trade LLC [(b)], The Kyrgyz Republic | Minerals exploration and mining | **50** | 50 |
| *Held by the Awana Rentak Sdn Bhd* | | | |
| Superior Carbontech & Solutions Sdn Bhd [(c)], Malaysia | Recovery of valuable by-products and generation of renewable energy | **50** | 50 |

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

(a) On 22 Sep 2015, the Company entered into a Joint Venture Agreement with Primeforth Renewable Energy Limited ("Primeforth") to establish a microalgae cultivation and oil extraction project to be located in Singapore through a Singapore-incorporated company. On 21 Jan 2016, the Company signed a supplemental agreement with Primeforth to provide that a private limited company be incorporated in Singapore or in Malaysia, and that the first facility shall be located in Malaysia as no suitable land in Singapore could be found. 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. Malaysian Microalgae is envisaged to be the entity to undertake the microalgae cultivation and oil extraction project. On 11 Oct 2016, the Company signed an engineering, procurement and construction ("EPC") agreement with Primeforth for the construction of the microalgae facility on a turn-key basis. In the agreement, it was stated that the project is to be rolled out in three phases with the Company committed to invest and funding of US$4,500,000, US$3,000,000 and US$5,000,000 for Phase 1, 2 and 3 of the project respectively. Accordingly, the Group funded $6,000,000 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.

As the (Phase 1) down-sized facility would not able to achieve the optimal results, accordingly the Company requested that the funding of $6,000,000 be refunded to the Company. As at 30 Jun 2018, the carrying amount of the investment in Malaysian Microalgae before impairment was $5,998,000. The amount was fully impaired during the financial period ended 30 Jun 2018.

(b) On 15 Apr 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 two 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. Golden Eagle Mining has funded US$150,000 of Artel's 2015 work program as of 30 Jun 2018 (31.12.2016: US$150,000). 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 period 2016 and 2018 had been limited to mapping and data analysis by Artel's local geologist, who has identified two areas within the concession for further exploration in 2018.

## 12. Investments in joint ventures (cont'd)

(c) On 2 Jun 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.

During the financial period, the Group had given the termination letter to RC Carbon Sdn Bhd, to terminate the joint venture agreement and has intention to dissolve the joint venture company.

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 | |
|---|---|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Carrying amount as at 1 Jan | **6,767** | 707 | **6,000** | 6,000 |
| Addition during the financial period/year | **8** | 6,082 | **–** | – |
| Share of losses of joint ventures | **(4)** | (22) | **(2)** | – |
| Carrying amount as at 30 Jun/31 Dec | **6,771** | 6,767 | **5,998** | 6,000 |
| Less: impairment loss | **(5,998)** | – | **(5,998)** | – |
| | **773** | 6,767 | **–** | 6,000 |

As Malaysian Microalgae has not commenced its operation since its incorporation in 2015, apart from the $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 Balance Sheets

| | **30.6.2018** | 31.12.2016 |
|---|---|---|
| | **$'000** | $'000 |
| Current assets | **205** | 217 |
| Current liabilities | **(252)** | (257) |
| Net liabilities | **(47)** | (40) |

Summarised Statement of Comprehensive Income

| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
|---|---|---|
| | **$'000** | $'000 |
| Operating expenses | **(9)** | (12) |
| Loss before tax | **(9)** | (12) |
| Other comprehensive income | **–** | – |
| Total comprehensive loss | **(9)** | (12) |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial period from 1 January 2017 to 30 June 2018**

## 12. 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:

| | **30.6.2018** | 31.12.2016 |
|---|---|---|
| | **$'000** | $'000 |
| Net liabilities of the joint venture | **(47)** | (40) |
| Proportion of the Group's ownership interest in the joint venture | **50%** | 50% |
| Share of net liabilities of the joint venture | **(24)** | (20) |
| Goodwill | **546** | 546 |
| Funding provided | **251** | 243 |
| Carrying amount of the Group's interest in the joint venture | **773** | 769 |

## 13. Available-for-sale-investments

| | **Group and Company** | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| **Cost** | | |
| As at 1 Jan | **17,852** | 17,852 |
| Disposal | **(1,542)** | – |
| | **16,310** | 17,852 |
| Less: Allowance for impairment | **(11,710)** | (11,710) |
| As at 30 Jun/31 Dec | **4,600** | 6,142 |

Available-for-sale investments comprise the following:

| | **Group and Company** | |
|---|---|---|
| | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 |
| Investment in unquoted shares [Note (i)] | **4,600** | 4,600 |
| Investment in unquoted shares [Notes (ii) and (iii)] | **–** | 1,542 |
| | **4,600** | 6,142 |

(i) Represents carrying amount of the Group's and the Company's equity investment in SFC, which has rights to receive net proceeds from the sale of 60 finished lots (based on 67% share of investment) of land situated at Falling Water, Pierce County, Washington State, United States of America amounting to $4,600,000;

(ii) The Group and the Company had made full allowance for impairment of $1,400,000 for its investment in Grand Prosper Group Limited ("Grand Prosper") as its operations in the People's Republic of China ("PRC") has not been successful; and

(iii) During the financial period, loss of $572,000 was recognised on disposal of 35% equity investment in Trackplus Sdn Bhd ("Trackplus").

## 13. Available-for-sale-investments (cont'd)

*Investment in SFC*

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 30 Jun 2018, the Company owns 67% (31.12.2016: 67%) 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 control or 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 Apr 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 for the consideration of US$3,500,000 and the entitlement of net proceeds from the sale 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 Feb 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. It was also agreed on 16 Mar 2004, that the Company will be entitled to a further 25 lots without any deductions for the creditors of SFC or advances made by members of SFC after the date of the VLSPA. Consequently, the Company has a right to receive the net proceeds from the sale of 60 finished lots.

*Investment in Grand Prosper*

The Company had acquired 25% of the issued and paid-up share capital in Grand Prosper for $1,400,000. 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.

*Investment in Trackplus*

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

The Company had entered into a Sale and Purchase Agreement with an unrelated purchaser on 16 Jan 2018 and sold the 1,610,000 ordinary shares in the issued and paid up capital of Trackplus, representing 35% interest in the issued and paid up share capital of Trackplus in 2018, for a consideration of $1,000,000. The sale consideration of $1,000,000 was received by the Company and the transaction completed on 6 Feb 2018.

## 14. Investments held for trading

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Marketable securities: | | | | |
| As at 1 Jan | **83** | 308 | **66** | 111 |
| Disposal | **#** | (113) | **#** | (33) |
| Net losses from investment trading activities | **(17)** | (112) | **–** | (12) |
| As at 30 Jun/31 Dec | **66** | 83 | **66** | 66 |

\# Shares with nil value (fully written-down as at 31 Dec 2016) was sold during the financial period ended 30 Jun 2018.

## 14. Investments held for trading (cont'd)

Investments held for trading comprise of investments in listed marketable securities 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 period.

The Group's and the Company's investments held for trading include investments with the carrying amount of $66,000 (31.12.2016: $83,000) and $66,000 (31.12.2016: $66,000) respectively. The investments are pledged as security for trading accounts with financial institutions.

Investments held for trading are denominated in Singapore dollar.

## 15. Trade receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **30.6.2018** | 31.12.2016 | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Third parties (trading of securities) | **–** | 56,308 | **–** | 56,308 |
| Less: Allowance for impairment | **–** | (56,308) | **–** | (56,308) |
| | **–** | – | **–** | – |
| Rental receivables | **80** | 19 | **6** | – |
| Less: Allowance for impairment | **(40)** | – | **–** | – |
| | **40** | 19 | **6** | – |

Trade receivables from third parties are non-interest bearing and repayable within the normal trade credit term of 30 days (31.12.2016: 30 days).

Trade and rental receivables are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **30.6.2018** | 31.12.2016 | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Singapore dollar | **6** | – | **6** | – |
| Malaysian ringgit | **34** | 19 | **–** | – |
| | **40** | 19 | **6** | – |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| As at 1 Jan | **56,308** | 56,177 | **56,308** | 56,177 |
| Addition | **40** | 131 | **–** | 131 |
| Written off | **(56,308)** | – | **(56,308)** | – |
| As at 30 Jun/31 Dec | **40** | 56,308 | **–** | 56,308 |

## 16. Other receivables and prepayments

| | Group | | Company | |
|---|---|---|---|---|
| | **30.6.2018** | 31.12.2016 | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Other receivables | | | | |
| - third parties | **3,306** | 3,399 | **270** | 342 |
| - joint ventures | **34** | 3 | **13** | 3 |
| Allowance for impairment | **(1,070)** | (1,036) | **(282)** | (269) |
| | **2,270** | 2,366 | **1** | 76 |
| Amounts due from subsidiaries | **–** | – | **29,251** | 29,266 |
| Allowance for impairment | **–** | – | **(26,600)** | (26,539) |
| | **–** | – | **2,651** | 2,727 |
| Deposits | **34** | 36 | **31** | 33 |
| Prepayments | **6** | 30 | **–** | 10 |
| | **2,310** | 2,432 | **2,683** | 2,846 |

Other receivables include an amount of $2,300,000 (equivalent to RMB11,000,000) due from the former non-controlling shareholder of Sheng Rong. In 2015, the former non-controlling shareholder had agreed to pay Sheng Rong RMB11,000,000 pursuant to the recovery of payments made by Sheng Rong for the CNG station by transferring four properties in the PRC totalling $1,000,000 (equivalent to RMB5,000,000) and assignment of debts totalling $1,300,000 (equivalent to RMB6,000,000) and also to transfer its 10% equity interest in Sheng Rong to an unrelated third party nominated by Sheng Rong. The receivables are personally guaranteed by the owner of the former non-controlling shareholder. The assignment of debt totalling $1,300,000 (equivalent to RMB6,000,000) have been transferred to Sheng Rong and one property of $100,000 (equivalent to RMB500,000) has been transferred to Sheng Rong's trustee in 2015. In May 2016, Sheng Rong initiated legal action against the former 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 and required the various parties to fulfill their obligations and a penalty payment for the delay in transfer of the properties to Sheng Rong. The former non-controlling shareholder appealed the Court's award of the late payment penalty to Sheng Rong in Jan 2017. In Jun 2017, the Chinese (Appeal) Court reaffirmed the first Court decision on the transfer of the properties and the 10% equity interest in Sheng Rong but dismissed the penalty payment awarded to Sheng Rong. The former non-controlling shareholder's 10% equity interest in Sheng Rong had been transferred to an unrelated third party shortly after the Jun 2017 Court decision. Three out of four properties have yet to be transferred as at 30 Jun 2018.

As at 30 Jun 2018, the assignment of debts totalling $1,300,000 (equivalent to RMB6,000,000) and only one property worth $100,000 (equivalent to 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 | |
|---|---|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| As at 1 Jan | **1,036** | 153 | **269** | – |
| Addition | **33** | 883 | **13** | 269 |
| Foreign currency translation differences | **1** | – | **–** | – |
| As at 30 Jun/31 Dec | **1,070** | 1,036 | **282** | 269 |

## 16. Other receivables and prepayments (cont'd)

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.

Other receivables which are aged less than one financial year are not considered as past due.

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

| | Company | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| As at 1 Jan | **26,539** | 27,786 |
| Addition | **65** | 272 |
| Written off | **–** | (1,450) |
| Write back | **(4)** | (69) |
| As at 30 Jun/31 Dec | **26,600** | 26,539 |

Amount due from subsidiaries that are individually determined to be impaired at the balance sheet date relate to subsidiaries that have been suffering financial difficulties.

Other receivables and prepayments are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **30.6.2018** | 31.12.2016 | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Singapore dollar | **33** | 122 | **2,683** | 2,846 |
| Chinese renminbi | **2,275** | 2,309 | **–** | – |
| Malaysian ringgit | **2** | 1 | **–** | – |
| | **2,310** | 2,432 | **2,683** | 2,846 |

## 17. Cash and cash equivalents

Cash and cash equivalents for the purpose of presenting in the consolidated statement of cash flows are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **30.6.2018** | 31.12.2016 | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Cash and bank balances | **1,141** | 1,584 | **97** | 136 |

Cash and bank balances do not bear any interest.

Cash and cash equivalents are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **30.6.2018** | 31.12.2016 | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Singapore dollar | **1,094** | 1,504 | **94** | 132 |
| Chinese renminbi | **32** | 61 | **– *** | – * |
| United States dollar | **15** | 15 | **3** | 4 |
| Malaysian ringgit | **– *** | 4 | **– *** | – * |
| | **1,141** | 1,584 | **97** | 136 |

* Amount is less than $1,000

## 18. 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 | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| As at 1 Jan | **378** | 376 |
| Tax (credited)/charged to profit or loss (Note 7) | **(31)** | 10 |
| Foreign currency translation differences | **18** | (8) |
| As at 30 Jun/31 Dec | **365** | 378 |

## 19. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **30.6.2018** | 31.12.2016 | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Trade payables: | | | | |
| - bank and stock brokerage trading accounts | **12,339** | 12,339 | **–** | – |
| Other payables: | | | | |
| - Amounts due to subsidiaries | **–** | – | **5,995** | 7,272 |
| - Accrued operating expenses | **364** | 243 | **209** | 133 |
| - Provision for unutilised leaves | **506** | 549 | **506** | 549 |
| - Other payables | **1,229** | 670 | **816** | 235 |
| | **14,438** | 13,801 | **7,526** | 8,189 |

Bank and stock brokerage trading accounts were non-interest bearing and are repayable within 30 days (31.12.2016: 30 days). No cash at the bank accounts or stock brokerage accounts have been pledged as collateral.

As at 30 Jun 2018, the carrying amount owed by the two subsidiaries of the Company to a single creditor, without any guarantee, is $12,339,000. On 1 Jun 2018, the Company received a letter of demand from the lawyer acting on behalf of Saxo Bank A/S ("Saxo Bank") seeking a payment of $14,689,000 from the Company to settle, inter alia, the negative account balances under the accounts maintained by two of the Company's subsidiaries with Saxo Bank. The Company having taken legal advice, denied that the claim by Saxo Bank against the Company as it has no merit. The liabilities forming the subject matter of the claim by Saxo Bank were incurred by the Company's subsidiaries, namely Heritage Investment Corporation and Wang Da Investments Limited, and not the Company. The total liabilities recorded in the books of the two subsidiaries of the Company was at $12,339,000, which is the amount confirmed by Saxo Bank. Saxo Bank has not commenced legal proceedings to the Group on the claims.

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.

Included in provision for unutilised leaves and other payables are amount owing to directors and the CEO amounted to $492,000 and $580,000 respectively.


## 19. Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **30.6.2018** | 31.12.2016 | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Singapore dollar | **13,893** | 13,188 | **7,526** | 8,068 |
| Chinese renminbi | **435** | 473 | **–** | – |
| United States dollar | **1** | 122 | **–** | 121 |
| Malaysian ringgit | **109** | 18 | **–** | – |
| | **14,438** | 13,801 | **7,526** | 8,189 |

## 20. 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 period/year are analysed below:

| | Notional amount | | Derivative payables | |
|---|---|---|---|---|
| | **30.6.2018** | 31.12.2016 | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Group** | | | | |
| Equity derivative | | | | |
| Fair value of equity derivatives | **–** | 6 | **–** | 6 |

| | Group and Company | |
|---|---|---|
| | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 |
| Derivative payables: | | |
| Analysed by counterparty: | | |
| Bank | **–** | 6 |
| Analysed by geography: | | |
| Singapore | **–** | 6 |

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

## 21. Provision for directors' fees

Provision for directors' fees is denominated in Singapore dollar.

## 22. Share capital

| | Group and Company | |
|---|---|---|
| | No. of shares | $'000 |
| **30 Jun 2018** | | |
| Issued and paid-up, no par value | | |
| As at 1 Jan 2017 | **4,460,750,145** | **121,571** |
| Issue of ordinary shares relating to: | | |
| - issuance of shares upon conversion of warrant | **84,500** | **1** |
| As at 30 Jun 2018 | **4,460,834,645** | **121,572** |
| 31 Dec 2016 | | |
| Issued and paid-up, no par value | | |
| As at 1 Jan 2016 | 4,396,750,145 | 121,571 |
| Issue of ordinary shares relating to: | | |
| - issuance of shares upon vesting of share awards | 64,000,000 | – |
| As at 31 Dec 2016 | 4,460,750,145 | 121,571 |

During the financial period, the warrant holders exercised their rights to convert the warrants at the exercise price of $0.012 for each New Share under the terms of the Deed Poll dated 7 Oct 2014. The warrant expired during the financial period and there were no outstanding warrants as at 30 Jun 2018.

## 23. Asset reserve

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

## 24. 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 Apr 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 $0.008. As at 31 Dec 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.

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:

| | No. of shares |
|---|---|
| Wong Chin Yong | 20,000,000 |
| Dato' Moehamad Izat Emir | 15,000,000 |
| Ong Kah Hock | 15,000,000 |
| Arslan Koichiev | 2,000,000 |

## 24. Share awards reserve (cont'd)

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

| | Number of share awards | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| Outstanding as at 1 Jan | **30,000,000** | 94,000,000 |
| Issue of shares upon vesting of share awards | **–** | (64,000,000) |
| Outstanding as at 30 Jun/31 Dec | **30,000,000** | 30,000,000 |

## 25. 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 Apr 2015, the Company granted a total of 95,000,000 share options at the exercise price of $0.008 to directors and staff under the IPSO. The market price of the Company's shares on the date of the grant was $0.008. Options granted to Group Directors and Group Executives have a life span of ten years (28 Apr 2015 to 27 Apr 2025), while those granted to Non-Executive Directors shall have a life span of five years (28 Apr 2015 to 27 Apr 2020). As at 30 Jun 2018, 19,500,000 (31.12.2016: 3,500,000) of the said options lapsed upon cessation of staff employment. None of the said options were exercised as at the end of the financial period.

The following share options have been granted to the directors:

| | |
|---|---|
| Wong Chin Yong | 50,000,000 |
| Dato' Moehamad Izat Emir | 10,000,000 |
| Ong Kah Hock | 10,000,000 |
| Arslan Koichiev | 2,000,000 |

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

| | **Weighted average exercise price 30.6.2018** | **Number of options 30.6.2018** | Weighted average exercise price 31.12.2016 | Number of options 31.12.2016 |
|---|---|---|---|---|
| | **$** | | $ | |
| Outstanding as at 1 Jan | **0.008** | **91,500,000** | 0.008 | 93,500,000 |
| Granted during the financial period/year | **0.008** | **–** | 0.008 | – |
| Lapsed during the financial period/year | **0.008** | **(16,000,000)** | 0.008 | (2,000,000) |
| Outstanding as at 30 Jun/31 Dec | | **75,500,000** | | 91,500,000 |
| Exercisable as at 30 Jun/31 Dec | **0.008** | **75,500,000** | 0.008 | 91,500,000 |

The options outstanding as at 30 Jun 2018 have an exercise price of $0.008. The estimated fair value of each share option is $0.008.

## 25. Share options reserve (cont'd)

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.

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 |

## 26. 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.

## 27. Operating lease commitments

(a) Where the Group is a lessee

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

| | Group | |
|---|---|---|
| | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 |
| Future minimum lease payments payable: | | |
| Not later than one financial year | **121** | 109 |
| Later than one financial year but not later than five financial years | **35** | – |
| | **156** | 109 |

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 during the financial period, 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.

(b) Where the Group is a lessor

The future minimum lease receivables under non-cancellable operating leases contracted for the end of the reporting period/year but not recognised as receivables, are as follows:

| | Group | |
|---|---|---|
| | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 |
| Not later than one financial year | **41** | 39 |
| Later than one financial year but not later than five financial years | **60** | 58 |
| | **101** | 97 |

## 28. 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.

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 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 other than deferred tax liabilities and tax payable. These liabilities are classified as unallocated liabilities.

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.

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.

## 28. Segment information (cont'd)

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

| | Products trading | Investment trading | Investment holding | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | |
| **30.6.2018** | | | | |
| **Segment revenue** | – | 14 | 122 | 136 |
| **Segment results** | (304) | (46) | (9,130) | (9,480) |
| Share of loss of joint venture | – | – | (4) | (4) |
| Finance costs | | | | (9) |
| Tax expense | | | | (267) |
| Loss for the financial period | | | | (9,760) |
| **Segment assets** | 3,347 | 78 | 14,582 | 18,007 |
| **Segment liabilities** | (449) | (12,360) | (1,790) | (14,599) |
| **Unallocated liabilities** | | | | |
| Deferred tax liabilities | | | | (365) |
| Tax payable | | | | (297) |
| Total liabilities | | | | (15,261) |
| **Other information** | | | | |
| Capital expenditure | 49 | – | – | 49 |
| Depreciation of plant and equipment | 8 | – | 2 | 10 |
| Impairment loss on trade and other receivables | – | – | 73 | 73 |
| Loss on disposal of available-for-sale investments | – | – | 572 | 572 |
| Loss on disposal of investment property | – | – | 326 | 326 |
| Impairment loss on investment in joint venture | – | – | 5,998 | 5,998 |

## 28. Segment information (cont'd)

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

| | Products trading | Investment trading | Investment holding | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | |
| 31.12.2016 | | | | |
| **Segment revenue** | – | 2 | 22 | 24 |
| **Segment results** | 1,096 | (1,017) | (3,405) | (3,326) |
| Share of loss of joint venture | – | – | (22) | (22) |
| Finance costs | | | | (2) |
| Tax expense | | | | (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) |
| **Unallocated liability** | | | | |
| 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 on trade and other receivables | – | 1,014 | – | 1,014 |

(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 | |
|---|---|---|
| | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 |
| ***Segment revenue by geographical market:*** | | |
| Singapore | **25** | 4 |
| Other Asian countries | **111** | 20 |
| Total | **136** | 24 |

## 28. Segment information (cont'd)

(b) Analysis by Geographical Segment (cont'd)

| | Group | |
|---|---|---|
| | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 |
| ***Segment non-current assets by geographical location:*** | | |
| Singapore | **801** | 6,797 |
| Other Asian countries | **9,049** | 9,707 |
| Total | **9,850** | 16,504 |
| ***Segment capital expenditure by geographical location:*** | | |
| Singapore | **–** | 3 |
| Other Asian countries | **49** | – |
| Total | **49** | 3 |

Non-current assets information presented above are non-current assets presented on the consolidated balance sheet excluding available-for-sale investments.

**Information about major customer**

Revenue is derived from 3 external customers who individually contributed 10% or more of the Group's revenue and are attributable to the segments as detailed below:

| | | Group | |
|---|---|---|---|
| | | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | Attributable segments | **$'000** | $'000 |
| Customer 1 | Investment holding | **59** | 20 |
| Customer 2 | Investment holding | **39** | – |
| Customer 3 | Investment holding | **13** | – |
| | | **111** | 20 |

## 29. Contingent liabilities and commitments

*Continuing financial support*

As at the end of the financial period, 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 period end.

At the end of the financial period, these subsidiaries had capital deficiencies totalling $40,705,000 (31.12.2016: $40,090,000) including amounts due by these subsidiaries to the Company totalling $27,376,000 (31.12.2016: $27,342,000). Allowance for impairment loss in subsidiaries is disclosed in Note 9.

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

*Capital commitment*

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

| | Group | |
|---|---|---|
| | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 |
| Commitments in respect of financing the capital investment and working capital requirements of an investment in joint venture | **–** | 11,570 |

## 30. 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 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.

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 of $24,000 (31.12.2016: no charge). Certain subsidiaries are using the same premises leased by the Company at no charge (31.12.2016: no charge).

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 period/year was as follows:

| | Company | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| Directors' fees | **161** | 129 |
| Post-employment benefits | **8** | 9 |
| Short-term benefits | **708** | 508 |
| Share awards | **–** | 66 |
| Share options | **–** | 155 |

## 30. Related parties transactions (cont'd)

Remuneration of key management personnel (cont'd)

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

| | Company | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| Post-employment benefits | **35** | 21 |
| Short-term benefits | **406** | 284 |

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

| | Company | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| $250,000 to $499,999 | **1** | 1 |
| Below $250,000 | **5** | 4 |
| | **6** | 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 and Company | |
|---|---|---|
| | **1.1.2017 to 30.6.2018** | 1.1.2016 to 31.12.2016 |
| | **$'000** | $'000 |
| Below $250,000 | **3** | 2 |

## 31. Financial instruments

### a) Categories of financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | **30.6.2018** | 31.12.2016 | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Available-for-sale investments | **4,600** | 6,142 | **4,600** | 6,142 |
| Investments held for trading | **66** | 83 | **66** | 66 |
| Loans and receivables (including cash and cash equivalents) | **3,485** | 4,005 | **2,786** | 2,972 |
| | **8,151** | 10,230 | **7,452** | 9,180 |
| Financial liabilities, at amortised cost | **14,093** | 13,592 | **7,181** | 7,980 |

## 31. Financial instruments (cont'd)

### b) Financial risk management objectives and policies

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.

***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.

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.

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:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **30.6.2018** | 31.12.2016 | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Group** | | | | |
| Chinese renminbi | **2,307** | 2,351 | **435** | 473 |
| United States dollar | **15** | 15 | **1** | 122 |
| Malaysian ringgit | **36** | 23 | **109** | 21 |
| **Company** | | | | |
| Chinese renminbi | **– *** | – * | **–** | – |
| United States dollar | **3** | 4 | **–** | 121 |
| Malaysian ringgit | **– *** | – * | **–** | – |

* Amount is less than $1,000

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

At 30 Jun 2018, if the Singapore dollar had weakened/strengthened by 10% against the Malaysian ringgit with all other variables held constant, pre-tax loss for the financial period would have been $7,000 (31.12.2016: $200) higher/lower.

At 30 Jun 2018, 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 financial period would have been $1,000 (31.12.2016: $11,000) lower/higher.

## 31. Financial instruments (cont'd)

### b) Financial risk management objectives and policies (cont'd)

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

At 30 Jun 2018, if the Singapore dollar had weakened/strengthened by 10% against the Chinese renminbi with all other variables held constant, pre-tax loss for the financial period would have been $187,000 (31.12.2016: $188,000) lower/higher.

*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 $7,000 (31.12.2016: $8,000).

*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.

***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, 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 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.

*Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

*Financial assets that are either past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables and amount due from subsidiaries.

Information regarding financial assets that are either past due and/or impaired is disclosed in Note 15 and Note 16 respectively.

***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. The Group's operations are financed mainly through equity.


## 31. Financial instruments (cont'd)

### b) Financial risk management objectives and policies (cont'd)

***Liquidity risk (cont'd)***

In view of the Group's liquidity position and the liquidity risk management approach as described in Note 3(a)(i) to the financial statements, the Board of Directors reviewed the Group's financial position, and in particular the valuation of its assets and has been in negotiations with potential buyer to sell these assets in 2018, and express 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 financial liabilities of the Group and the Company as presented in the balance sheets are due within twelve months from the balance sheet date and approximate the contractual undiscounted repayment obligations except for derivative payables and other liabilities which are based on expected maturities.

## 32. 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 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Group** | | | | |
| **30.6.2018** | | | | |
| Assets | | | | |
| Investments held for trading (Note 14) | **66** | **–** | **–** | **66** |
| 31.12.2016 | | | | |
| Assets | | | | |
| Investments held for trading (Note 14) | 83 | – | – | 83 |
| **Company** | | | | |
| **30.6.2018** | | | | |
| Assets | | | | |
| Investments held for trading (Note 14) | **66** | **–** | **–** | **66** |
| 31.12.2016 | | | | |
| Assets | | | | |
| Investments held for trading (Note 14) | 66 | – | – | 66 |

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.

## 32. Fair value of financial assets and financial liabilities (cont'd)

*Investment properties*

The basis of determining fair values for measurement at the balance sheet date is disclosed in Note 11.

*Fair value of financial assets and liabilities that are not measured at fair value on a recurring basis whose carrying amount are reasonable approximation of fair value*

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.

*Valuation process applied by the Group*

The fair values of investment properties are determined by external, independent property valuers, having appropriate professional qualifications and experience in the category of property being valued at the balance sheet date. For valuation performed by external valuers, management considers the appropriateness of the valuation technique and assumptions applied by the external valuers.

## 33. 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 31 Dec 2016.

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, provision for directors' fees and tax payable) less cash and cash equivalents. Total capital is calculated as equity attributable to owners of the Company plus net debt.

| | Group | | Company | |
|---|---|---|---|---|
| | **30.6.2018** | 31.12.2016 | **30.6.2018** | 31.12.2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Net debt | **13,297** | 12,223 | **7,429** | 8,059 |
| Total equity | **2,213** | 11,623 | **2,115** | 11,292 |
| Total capital | **15,510** | 23,846 | **9,544** | 19,351 |
| Gearing ratio | **85.73%** | 51.26% | **77.84%** | 41.65% |

The Group and the Company are not subject to any externally imposed capital requirements for financial period ended 30 Jun 2018 and financial year ended 31 Dec 2016.

## 34. Other matters

The Company on 3 Apr 2014 and 11 Apr 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. On 7 Sep 2018, the CAD confirmed to the Company's external auditor that its investigations are on-going.

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.

## 35. Basis for disclaimer opinion on the financial statements for the financial year ended 31 Dec 2016

*The independent auditor's report dated 8 Apr 2017 contained a disclaimer of opinion on the financial statements for the financial year ended 31 Dec 2016. The extract of the basis for disclaimer of opinion is as follows:*

***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 2016 financial statements, included in the Group's other receivables is an amount of $2,300,000 due from a shareholder of Sheng Rong, a subsidiary of the Company, as at 31 Dec 2016. Assigned debts totalling $1,300,000 and a property worth $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 2016 financial statements, included in the Group's and Company's balance sheets is an investment in joint venture, Malaysian Microalgae, of $6,000,000. In addition, included in the Group's investments in joint ventures of $6,767,000, is an investment in joint venture, Artel, of $767,000 as at 31 Dec 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.*

3. *Recoverability of Amount Due from a Subsidiary - Golden Eagle Mining Pte Ltd ("GEM")*

   *As at 31 Dec 2016, included in the amounts due from subsidiaries as disclosed in 2016 financial statements is an amount due from GEM of $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.*

## 35. Basis for disclaimer opinion on the financial statements for the financial year ended 31 Dec 2016 (cont'd)

***Basis for Disclaimer of Opinion (cont'd)***

*4. Appropriateness of Going Concern Assumption*

*As disclosed in 2016 financial statements, the Group incurred a total loss of $3,361,000 and a total comprehensive loss of $3,533,000 for the financial year ended 31 Dec 2016. As at 31 Dec 2016, the Group's and the Company's current liabilities exceeded their current assets by $10,029,000 and $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 2016 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.*

## 36. Events after the reporting date

On 6 Oct 2018, the Company entered into the following agreements:

(a) Separate subscription agreements ("Subscription Agreements") with each of Dato' Choo Beng Kai, JP, Dato' Lim Soon Huat, Dato' Lim Kai Seng, Poh Mei Huey, Teh Yew Wooi, Ooi Wey Chong, Yoong Kah Yin, Tang Chi Hoong Darren, Ong Chin Kiong, Teow Chong Joo and Ong Gim Seong (collectively, the "Investors"), pursuant to which the Company has agreed to issue and allot and the Investors have agreed to subscribe and pay for, collectively, an aggregate of 8,400,000,000 new ordinary shares in the capital of the Company ("Placement Shares"), at an issue price ("Issue Price") of $0.001 per share, amounting to total proceeds of $8,400,000 ("Proposed Placement").

(b) A conditional sale and purchase agreement with Mr Wong Chin Yong for the sale of the Company's entire shareholding interests in Heritage Investment Corporation, Wang Da Investments Limited, Golden Eagle Mining Pte Ltd, Extera Pte Ltd and Malaysian Microalgae Enterprise Sdn Bhd for a total sale consideration of $100,000 ("Proposed Disposal"). The Proposed Disposal of these non-core assets will allow the Group to further prioritise its financial resources as well as streamlining its business focus of investment holdings in real estate for the overall betterment of the Group.

(c) A secured loan agreement of up to $2,500,000 (the "Loan") with Joy Maker International Limited (the "Lender"). The Loan is secured against the investment properties of the Group with a fixed and floating charge over the fixed assets or other assets of the Company. The Company intends to use the Loan to pay for working capital requirements, creditors and corporate exercise arising from the Proposed Disposal and Proposed Placement. The Lender is a private company limited by shares incorporated in the British Virgin Islands. Dato' Choo Beng Kai holds 100% of the interests in the Lender and is one of the Investors of the Proposed Placement as set out above. The Loan was announced on SGXNet on 8 Oct 2018.

## 36. Events after the reporting date (cont'd)

Upon completion of the Proposed Placement, Dato' Choo Beng Kai's and Dato' Lim Soon Huat's interest in the Company will be approximately 19.44% and 15.55% of the enlarged share capital of the Company, assuming that all the Placement Shares are subscribed. Pursuant to that, Dato' Choo Beng Kai and Dato' Lim Soon Huat each will become a controlling shareholder of the Company.

The Proposed Disposal and Proposed Placement which were announced on SGXNet on 9 Oct 2018, are inter-conditional and the Company will require shareholders' approval at an extraordinary general meeting to be convened on the following grounds:

(a) The Proposed Disposal constitutes an interested person transaction under Chapter 9 of the Listing Rules, by virtue of Mr Wong Chin Yong being the Chairman and Chief Executive of the Group and also a Director on the Board.

(b) Pursuant to Rule 803 of the Listing Rules, the Company cannot issue securities to transfer a controlling interest to Dato' Choo Beng Kai and Dato' Lim Soon Huat without prior approval of the Shareholders in a general meeting.

## 37. Comparative figures

(a) During the current financial period, the Company changed its financial year-end from 31 Dec to 30 Jun.

The financial statements for 2018 cover the financial period from 1 Jan 2017 to 30 Jun 2018. The 2016 financial statements covered the financial year from 1 Jan 2016 to 31 Dec 2016.

(b) The consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 31 Dec 2016 were audited by another independent auditor whose report dated 8 Apr 2017 expressed a disclaimer of opinion on those financial statements as detailed in Note 35.

## 38. Authorisation of financial statements

The financial statements of the Group and balance sheet of the Company for the financial period from 1 Jan 2017 to 30 Jun 2018 were authorised for issue in accordance with a resolution of the Board of Directors dated 12 October 2018.

## DISTRIBUTION OF SHAREHOLDERS

| Size of Shareholdings | No. of Shareholders | Percentage | No. of Shares Held | Percentage |
|---|---|---|---|---|
| 1 – 99 | 78 | 0.54% | 1,458 | 0.00% |
| 100 – 1,000 | 716 | 4.93% | 653,278 | 0.02% |
| 1,001 – 10,000 | 6,102 | 42.04% | 34,448,370 | 0.77% |
| 10,001 – 1,000,000 | 7,068 | 48.69% | 1,125,172,662 | 25.22% |
| 1,000,001 and above | 551 | 3.80% | 3,300,558,877 | 73.99% |
| | 14,515 | 100.00% | 4,460,834,645 | 100.00% |

| | | |
|---|---|---|
| Number of shares | : | 4,460,834,645 |
| Class of shares | : | ordinary shares |
| Voting rights | : | one vote per share |

*Based on information available to the Company from the Share Registrar and CDP as at 21 Sep 2018, approximately 77.93% 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 | Lim & Tan Securities Pte Ltd | 313,185,000 | 7.02% |
| 2 | Wong Lee Juan | 200,000,000 | 4.48% |
| 3 | Raffles Nominees (Pte) Ltd | 123,980,900 | 2.78% |
| 4 | Phillip Securities Pte Ltd | 118,981,148 | 2.67% |
| 5 | CGS-CIMB Securities (Singapore) Pte Ltd | 116,500,027 | 2.61% |
| 6 | DBS Vickers Securities (Singapore) Pte Ltd | 111,898,000 | 2.51% |
| 7 | Wong Chin Yong | 73,000,000 | 1.64% |
| 8 | OCBC Securities Private Ltd | 63,691,150 | 1.43% |
| 9 | United Overseas Bank Nominees Pte Ltd | 62,798,995 | 1.41% |
| 10 | Wang ZhaoPing | 62,767,800 | 1.41% |
| 11 | UOB Kay Hian Pte Ltd | 58,952,000 | 1.32% |
| 12 | RHB Securities Singapore Pte Ltd | 58,533,000 | 1.31% |
| 13 | DBS Nominees Pte Ltd | 53,342,763 | 1.20% |
| 14 | Phua Meng Thong | 48,979,000 | 1.10% |
| 15 | Ong Ho Yong Adam | 42,500,000 | 0.95% |
| 16 | Maybank Kim Eng Securities Pte Ltd | 41,266,900 | 0.93% |
| 17 | ESA Electronics Pte Ltd | 40,000,000 | 0.90% |
| 18 | Low Woo Swee @ Loh Swee Teck | 33,441,000 | 0.75% |
| 19 | Morgan Stanley Asia (S) Securities Pte Ltd | 33,003,000 | 0.74% |
| 20 | Gwee Boon Tiong @ Wei Wenzhong | 30,000,000 | 0.67% |
| | | 1,686,820,683 | 37.82% |

# STATISTICS OF SHAREHOLDINGS

**As At 21 September 2018**

## SUBSTANTIAL SHAREHOLDERS

*(As Recorded in the Register of Substantial Shareholders)*

| No. | Name | Direct Interest | Deemed Interest | Deemed Interest |
|---|---|---|---|---|
| 1 | Foo Seng Ngan | – | 295,318,000[1] | 6.62% |
| 2 | Joseph Isaac Gutnick | 2,220,000 | 300,000,000[2] | 6.73% |
| 3 | Jollyboat Management Ltd | – | 300,000,000[3] | 6.73% |
| 4 | Clear Water Development Sdn Bhd | – | 268,487,800[4] | 6.02% |

Note:
[1] Foo Seng Ngan is deemed interested through a nominee account

The substantial shareholding of (2), (3) and (4) namely Joseph Isaac Gutnick, Jollyboat Management Ltd and Clear Water Development Sdn Bhd are based on the Register of Substantial Shareholders kept by the Company's Share Registrar and are based on Form 3 Notification of Substantial Shareholder(s) submitted by these parties. However, based on the Company's inquiry with the Company's Share Registrar, the CDP and Nominees, the Company has not been able to as ascertain any shares being held by these parties as at 21 Sep 2018. The Company is obliged to report their substantial shareholdings interest pursuant to the Form 3 Notifications, notwithstanding.

# INNOPAC HOLDINGS LIMITED

(Company Registration No.: 197301788K)

**NOTICE IS HEREBY GIVEN** that the 44th Annual General Meeting of the Company will be held at Ibis Singapore at Bencoolen, Level 1 Jasmine 1 & 2, 170 Bencoolen Street, Singapore 189657, on 30 October 2018 at 11.00a.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 period ended 30 June 2018 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 re-election of Directors:

   (a) "That Mr Chong Eng Wee (Zhang Ying Wei), 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 Leng Yew Chee Philip, 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 Dato Moehamad Izat Bin Achmad Habechi Emir, 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 the Directors' Fees of $161,338 for the 18-month period from 1 January 2017 to 30 June 2018. [year ended 31 December 2016: $130,204] (**Resolution 5)**

4. To approve the payment of Directors' Fees of up to $150,000 for the year ending 30 June 2019. (**Resolution 6)**

5. To re-appoint Messrs Baker Tilly TFW LLP, Public Accountants and Chartered Accountants, as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

## AS SPECIAL BUSINESS

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

6. **Authority to Directors to issue Shares**

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and subject to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that:–

   (i) (a) the aggregate number of shares and convertible securities to be issued on a pro rata basis to shareholders of the Company does not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings in each class in the capital of the Company as calculated in accordance with sub-paragraph (ii) below; and

   (b) the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares and subsidiary holdings in each class in the capital of the Company as calculated in accordance with sub-paragraph (ii) below;

   (ii) (subject to such manner of 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 (i) above, the total number of issued shares excluding treasury shares and subsidiary holdings in each class shall be based on the total number of issued shares excluding treasury shares and subsidiary holdings in each class in the capital of the Company at the time this Resolution is passed, 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 this Resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of SGX-ST; and

(c) any subsequent consolidation or subdivision of shares;

(iii) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution 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 the earlier.” [See Explanatory Note (iv)] **(Resolution 8)**

7. **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 excluding treasury shares and subsidiary holdings in the capital of the Company from time to time.” [See Explanatory Note (v)] **(Resolution 9)**

**BY ORDER OF THE BOARD**

Tan Sock Kheng
Company Secretary

Singapore
15 October 2018

***EXPLANATORY NOTES ON ORDINARY RESOLUTIONS TO BE PASSED***

*(i) Resolution 2 is to re-elect Mr Chong Eng Wee (Zhang Ying Wei) (who is an Independent Non-Executive Director appointed on 27 April 2018 ) pursuant to Clause 90 of the Constitution of the Company and if he is elected, he will continue to serve as a member of the Audit Committee.*

*(ii) Resolution 3 is to elect Mr Leng Yew Chee Philip (who is the Lead Independent Non-Executive Director appointed on 5 March 2018) pursuant to Clause 90 of the Constitution of the Company and if he is elected, he will continue to serve as the Chairman of the Audit Committee.*

*(iii) Resolution 4 is to re-elect Dato Moehamad Izat Bin Achmad Habechi Emir (who is an Independent Non-Executive Director) 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 Nominating and Remuneration Committees.*

*(vi) Resolution 8, if passed, will empower the Directors of the Company from the date of the above Meeting to issue shares in the Company up to an amount not exceeding in total 50% of the total number of issued shares excluding treasury shares and subsidiary holdings in each class in the capital of the Company with a sub-limit of 20% other than on a pro-rata basis to shareholders for the time being for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.*

*(v) Resolution 9, 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 excluding treasury shares and subsidiary holdings 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.*

This page has been intentionally left blank

## INNOPAC HOLDINGS LIMITED

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

**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 15 October 2018.

## PROXY FORM
## ANNUAL GENERAL MEETING

I/We ______________________ (*Name*), ______________________ (*NRIC/Passport/Co Reg No.*)

of ____________________________________________ (*Address*)

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 44th Annual General Meeting (the "**Meeting**") of the Company to be held on 30 October 2018, at 11.00a.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.** | **Ordinary Resolutions** | **No of Votes For** | **No of Votes Against** |
|---|---|---|---|
| 1 | Adoption of the Audited Financial Statements and Directors' Statement for the financial period ended 30 June 2018 | | |
| 2 | Re-election of Mr Chong Eng Wee (Zhang Ying Wei) as Director | | |
| 3 | Re-election of Mr Leng Yew Chee Philip as Director | | |
| 4 | Re-election of Dato' Moehamad Izat Bin Achmad Habechi Emir as Director | | |
| 5 | Approve payment of Directors' Fees of $161,338 for the 18-month period from 1 January 2017 to 30 June 2018 | | |
| 6 | Approve payment of Directors' Fees of up to $150,000 for the year ending 30 June 2019 | | |
| 7 | Re-appointment of Auditors and fixing their remuneration | | |
| 8 | Authority to Directors to issue shares | | |
| 9 | Authority to issue shares under the Innopac Share Option Scheme and Innopac Performance Share Scheme | | |

* Voting will be conducted by poll. If you wish to use all your votes "For" or "Against" the Ordinary Resolution, please indicate with an "X" within the box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the Ordinary Resolution, please indicate the number of shares in the boxes provided.

Dated this__________ day of _________________ 2018.

| **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.

***Fold here***

Affix
Postage
Stamp

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

***Fold here***

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.

**INNOPAC HOLDINGS LIMITED**
190 Middle Road
#19-07 Fortune Centre
Singapore 188979
Tel : 6222 1841
Fax : 6222 6526

www.innopacific.com