

Appendix 4E

Preliminary Final Report

1. Company details

Name of entity

Life Corporation Ltd

ABN

48 108 051 529

Financial year ended

30 June 2017

The previous corresponding period refers to the comparative amounts for the year ended 30 June 2016.

2. Results for announcement to the market

				S\$
2.1	Total revenue from ordinary activities	: up	37%	To 3,703,848
2.2	Loss from ordinary activities after tax attributable to members	: up	141%	To (6,382,826)
2.3	Net loss for the year attributable to members	: up	141%	To (6,382,826)
2.4	Dividends	: Nil		
2.5	Record date for determining entitlements to the final dividend	: Not applicable		

2.6 Commentary on operations and results

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and realisation of assets and the settle of liabilities.

Group cash position as at 30 June 2017 was S\$1,190,535 (30 June 2016: S\$2,253,436) and its current liabilities as at 30 June 2017 was S\$10,952,787 (30 June 2016: S\$3,773,418) mainly attributed to a convertible bond liability of S\$7,575,000, a deferred revenue liability of S\$1,827,377 and a trade and other payable of S\$1,312,506.

The consolidated revenue and net loss for the period attributable to members represents the results of operations of Life Corporation Ltd and its controlled entities (“the Group”) for the year from 1 July 2016 to 30 June 2017. Details of the controlled entities are set out in note 16.2 of the Preliminary Report for the year ended 30 June 2017.

Revenue was S\$3,703,848 as compared to S\$2,705,551 in FY2016, a increase of 37%. Revenue is generated from the provision of funeral services and sales of related supplies. The increase is mainly due to the number of sales for certain premium funeral packages had increased compared to FY2016.

Other income was S\$950,112 as compared to S\$895,330 in FY2016. The increase is mainly due to the gain from investment disposal of S\$443,356 offset by a decrease in the net unrealised gain on the fair value of the derivative financial liability from S\$799,445 to S\$419,344. Kindly refer to note 7 for further details on the convertible bonds.

Administration expenses were S\$3,029,658 as compared to S\$2,683,257 in FY2016. The increase is mainly due to impairment loss of asset under development of S\$572,379.

Borrowing costs were S\$5,203,823 as compared to S\$1,191,444 in FY2016. The borrowing costs mainly relate to the interest expense accrued for the convertible bonds issued during the previous year. The increase is attributed to the acceleration of interest expenses recognised on the bond following the Group's default on its interest expense repayment on the loan on 31 January 2017. Refer to note 7 for further information.

Net loss attributable to members for the year ended 30 June 2017 was S\$6,382,826, an increase of 141% as compared to S\$2,654,181 for the year ended 30 June 2016. The increase in the net loss in comparison to the year ended 30 June 2016 is mainly as a result of the additional interest expenses of S\$4,012,379 as described above, an impairment expense of S\$572,379 recognised in this year on the asset under development (refer to note 8) offset by an increase in the sales and gross margin as described above and the intensified efforts of management on lowering the operating expenses of the Group despite the Group's increased business activities.

Moving forward, the management will persist to intensify efforts on continuing lowering operating expenses of the Group; while SFS Care Pte Ltd intends to continue to expand its base of prepaid funeral service packages in addition to the services of premium as-need funeral services packages.

As noted in note 7, the Group had a convertible bond liability with a face value of S\$6,000,000. Due to the delay of the columbarium construction, the Group has not been able to generate sufficient cash as planned and therefore was not able to meet its interest payment obligation on 31 January 2017. This constitutes an Event of Default under clause 8 of the Convertible Bond Deeds, under which the bondholders may at their election give the Group a notice in writing (a "Default Redemption Notice") declaring the principal of S\$6,000,000 and interest to be immediately due and payable in full on the Default Redemption Date (being at least 20 Business Days after the date of receipt by the Issuer of the Default Redemption Notice) specified in the Default Redemption Notice. As a result, the Group has accelerated the recognition of the interest expenses on the loan to increase its carrying value to S\$7,575,000 being the amount due and payable to the bondholders if they were to call the loan at the balance date.

On 30 June 2017, the Group entered into the Debt Capitalisation Agreements with the bondholders to convert the outstanding bonds into 1,442,857,142 shares in the Group. The Agreements are subject to the shareholders' approval at an Extraordinary General Meeting ("EGM") in October 2017. The bondholders have confirmed not to demand for a repayment of any part of the outstanding balance until 30 November 2017. Upon successful completion of the Group's recapitalisation, the bondholders has also undertaken to provide the required financial support to assist the Group in meeting its liabilities as and when they fall due for 12 months from the date of signing the Company's financial statement.

As at 30 June 2017, the ability of the Group to continue its operations is dependent on the Group:

- a) obtaining a short term facility from a financial institution to meet its working capital requirements while waiting for the outcome of the EGM to re-capitalise the Group
- b) obtaining necessary approval from shareholders to convert the outstanding bonds into 1,442,857,142 shares in the Group
- c) obtaining and securing necessary regulatory approvals and required financing to commence the columbarium construction
- d) generating sufficient cash inflows to meet on-going expenditure commitments

As of the date of this report, the Directors are in discussion with its bankers for a short-term facility. The Directors are also confident that:

- a) they will receive necessary approval from the shareholders to convert outstanding bonds to shares
- b) they will be able to obtain the necessary regulatory approvals and financing in order to proceed with the columbarium development

Should the Group not able to achieve the matters set out above, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and thus continue as a going concern.

The Company has ASX and ASIC approval for a proposed bond holder debt to equity conversion, share buyback, and delisting. It is anticipated a full announcement regarding this proposal will be released to the market shortly.

For further information on the activities of the Group, please refer to the previously released market announcement of the Company for the year ended 30 June 2017 and till the date of this report.

Consolidated statement of comprehensive income
For the year ended 30 June 2017

	Note	Year ended 30 June 2017 S\$	Year ended 30 June 2016 S\$
Revenue	1(a)	3,703,848	2,705,551
Cost of sales		(2,704,510)	(2,185,894)
Gross profit		999,338	519,657
Other income	1(b)	950,112	895,330
Marketing expenses		(152,712)	(158,017)
Administration expenses		(3,029,658)	(2,683,257)
Borrowing costs		(5,203,823)	(1,191,444)
Loss before income tax	2	(6,436,742)	(2,617,731)
Income tax (expense)/benefit		53,917	(36,450)
Loss after income tax		(6,382,826)	(2,654,181)
Net loss for the year		(6,382,826)	(2,654,181)
Other comprehensive losses			
<i>Items that may be subsequently recycled to profit and loss:</i>			
Foreign currency translation losses attributable to parent		-	-
Total comprehensive losses for the year, net of tax		(6,382,826)	(2,654,181)
Loss after income tax attributable to:			
Members of parent		(6,382,826)	(2,654,181)
		(6,382,826)	(2,654,181)
Total comprehensive losses attributable to:			
Members of parent		(6,382,826)	(2,654,181)
		(6,382,826)	(2,654,181)
Loss per share attributable to the ordinary share equity holders of the Company:			
Basic loss per share (cents per share)		(8.99)	(3.74)
Diluted loss per share (cents per share)		(8.99)	(3.74)

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
As at 30 June 2017

		30 June 2017 S\$	30 June 2016 S\$
Current assets	<u>Note</u>		
Cash and cash equivalents	3	1,190,535	2,253,436
Trade and other receivables		688,321	345,887
Prepayments		8,541	54,104
Inventories		37,214	27,461
Total current assets		1,924,611	2,680,888
Non-current assets			
Plant and equipment		569,166	449,857
Asset under development	8	2,182,500	2,456,989
Intangible asset	6	2,107,000	2,107,000
Total non-current assets		4,858,667	5,013,846
Total assets		6,783,277	7,694,734
Current liabilities			
Trade and other payables		1,312,506	1,152,431
Provisions		15,502	50,549
Deferred revenue		1,827,377	1,397,741
Finance lease liability		27,008	-
Other liability		144,427	92,746
Income tax payables		50,967	44,951
Convertible bond	7	7,575,000	1,035,000
Total current liabilities		10,952,787	3,773,418
Non-current liabilities			
Convertible bond	7	-	1,344,800
Derivative financial liability	7	5,400	424,744
Finance lease liability		169,098	-
Other liability		-	51,680
Deferred tax liability		404,092	465,366
Total non-current liabilities		578,590	2,286,590
Total liabilities		11,531,377	6,060,008
Net assets / Net Liability		(4,748,100)	1,634,726
Equity			
Contributed equity	4	94,136,740	94,136,740
Foreign currency translation reserve		(2,599,174)	(2,599,174)
Other reserves		(2,382,449)	(2,382,449)
Employee equity benefits reserve		4,146,654	4,146,654
Convertible bond reserve		4,357,999	4,357,999
Accumulated losses	12	(102,407,870)	(96,025,044)
Attributable to equity holders of the parent		(4,748,100)	1,634,726
Total equity / (Net Deficiency)		(4,748,100)	1,634,726

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
For the year ended 30 June 2017

	<u>Note</u>	Year ended 30 June 2017 S\$	Year ended 30 June 2016 S\$
Cash flows from operating activities			
Receipts from customers		4,443,548	4,083,138
Payments to suppliers and employees		(5,128,372)	(4,957,105)
Interest received		759	885
Interest and other costs of finance paid		(8,367)	(5,518)
Income taxes paid		(1,340)	(18,729)
Net cash flows used in operating activities		(693,772)	(897,329)
Cash flows from investing activities			
Purchase of property, plant and equipment		(127,272)	(95,424)
Purchase of asset under development		(297,890)	(2,613,046)
Purchase of assets under construction		-	-
Proceeds from termination of land lease agreement		145,240	-
Proceeds from disposal of Asset		6,750	900
Net cash flows used in investing activities		(273,172)	(2,707,570)
Cash flows from financing activities			
Proceeds from issuance of convertible bond		-	-
Payment on Leasing		(73,293)	-
Net cash flows from financing activities		(73,293)	-
Net (decrease)/increase in cash and cash equivalents held		(1,040,237)	(3,604,899)
Cash and cash equivalents at the beginning of the financial year		2,253,436	5,864,181
Effects of exchange rate changes on the balance of cash held in foreign currencies		(22,664)	(5,846)
Cash and cash equivalents at the end of the financial year	3	1,190,535	2,253,436

The above statement should be read in conjunction with the accompanying notes.

**Consolidated statement of changes in equity
For the year ended 30 June 2017**

	Attributable to equity holders of the parent						Total S\$
	Contributed equity S\$	Foreign currency translation reserve S\$	Accumulated losses S\$	Employee equity benefits reserve S\$	Convertible bond reserves S\$	Other reserves S\$	
At 1 July 2016	94,136,740	(2,599,174)	(96,025,044)	4,146,654	4,357,999	(2,382,449)	1,634,726
Loss for the year	-	-	(6,382,826)	-	-	-	(6,382,826)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	(6,382,826)	-	-	-	(6,382,826)
Transactions with owners in their capacity as owners							
Issuance of shares	-	-	-	-	-	-	-
At 30 June 2017	94,136,740	(2,599,174)	(102,407,870)	4,146,654	4,357,999	(2,382,449)	(4,748,100)

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity (cont'd)
For the year ended 30 June 2017

	Attributable to equity holders of the parent							Total S\$
	Contributed equity S\$	Foreign currency translation reserve S\$	Accumulated losses S\$	Employee equity benefits reserve S\$	Convertible bond reserves S\$	Other reserves S\$		
At 1 July 2015	94,136,740	(2,599,174)	(93,370,863)	4,146,654	4,357,999	(2,382,449)	4,288,907	
Loss for the year	-	-	(2,654,181)	-	-	-	(2,654,181)	
Other comprehensive income	-	-	-	-	-	-	-	
Total comprehensive income for the year, net of tax	-	-	(2,654,181)	-	-	-	(2,654,181)	
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	
Issuance of shares	-	-	-	-	-	-	-	
At 30 June 2016	94,136,740	(2,599,174)	(96,025,044)	4,146,654	4,357,999	(2,382,449)	1,634,726	

The above statement should be read in conjunction with the accompanying notes.

Notes to the preliminary financial report

	Year ended 30 June 2017 S\$	Year ended 30 June 2016 S\$
1. Revenue		
(a) Revenue		
Revenue from the rendering of services	3,717,132	2,695,151
Revenue from sale of goods	100	2,610
	3,717,232	2,697,761
Other revenue		
Referral fee	(13,384)	7,790
	(13,384)	7,790
Total revenue	3,703,848	2,705,551
(b) Other income		
Interest revenue	-	-
Sundry income	530,768	95,885
Foreign exchange gain	-	-
Movement in fair value of contingent consideration	-	-
Net unrealised gain on remeasurement of derivative financial liability at fair value (refer to Note 7)	419,344	799,445
	950,112	895,330
Total revenue and other income	4,653,960	3,600,881

2. Loss before income tax

Loss before income tax includes the following items of expense:

Included in cost of sales:		
Cost of inventories recognised as expense	141,928	105,214
Employee benefit expense:		
Wages and salaries	694,123	512,395
Included in borrowing costs:		
Interest on convertible bond	5,203,823	1,191,444
Included in administration expenses:		
Depreciation of plant and equipment	213,606	188,565
Operating lease expenses rental expenses	179,392	195,796

Notes to the preliminary financial report (cont'd)

2. Loss before income tax (cont'd)

Loss before income tax includes the following items of expense (cont'd):

Included in administrative expenses (cont'd):

Employee benefit expense:

 Wages and salaries

 Defined contribution plan expense

Other expenses:

 Legal and professional fees

 Business travel

 Consultancy

 Advertising and promotion

 Impairment loss on trade receivables

	Year ended 30 June 2017 S\$	Year ended 30 June 2016 S\$
	1,090,005	1,324,072
	112,591	147,595
	245,766	34,174
	40,436	52,830
	15,518	83,472
	118,526	79,783
	46,650	7,229

3. Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2017 S\$	30 June 2016 S\$
Cash at bank and in hand	1,190,535	2,253,436
Balance at end of financial year	1,190,535	2,253,436

Notes to the preliminary financial report (cont'd)

	30 June 2017 S\$	30 June 2016 S\$
4. Contributed equity		
Balance at beginning of financial year		
- 70,960,655 (2016:70,960,655) fully paid ordinary shares	94,136,740	94,136,740
Issue of shares during the year		
- Nil (2016:Nil) fully paid ordinary shares	-	-
	94,136,740	94,136,740

- 5. Non-controlling interests**
There is no Non-controlling held by the Group.

6. Intangible asset

	Brand S\$	Total S\$
Cost		
At 1 July 2016	2,107,000	2,107,000
Acquisition of a subsidiary	-	-
Exchange differences	-	-
At 30 June 2017	2,107,000	2,107,000
Amortisation and impairment		
At 1 July 2016	-	-
Impairment	-	-
At 30 June 2017	-	-
Net book value		
At 30 June 2016	2,107,000	2,107,000
At 30 June 2017	2,107,000	2,107,000

Brand relates to the “SFS” brand name for the Group’s funeral services that was acquired in the business combination in financial year ended 30 June 2014. The useful life of the brand is estimated to be indefinite. As at 30 June 2017, the asset has been allocated to the SFS Care CGU for impairment testing.

The brand name is tested for impairment annually (as at 30 June) and when circumstances indicate the carrying value may be impaired. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

Notes to the preliminary financial report (cont'd)

6. Intangible asset (cont'd)

Management performed an impairment assessment as at 30 June 2017 for the funeral services business in Singapore. The recoverable amount of the funeral services business has been determined based on value in use calculations using cash flow projections arising from a financial budget approved by management covering a five-year period plus a terminal value calculated using the discounted cash flow model.

The projected cash flows reflect the decreased sales of the premium funeral services and a post-tax discount rate of 12.97% (30 June 2016: 12.97%) was applied. Cash flows beyond the five-year period have been extrapolated using a 1% growth rate (30 June 2016: 1%). As a result of this analysis, management did not identify any impairment for this cash generating unit to which the intangible asset of S\$2,107,000 is allocated.

7. Convertible bond

On 30 July 2014, the Company issued a unsecured convertible bond to GM Investment Company Ltd and Northeast Capital Pte Ltd, a related party of the Company (collectively known as "the bond holder") to finance the purchase of the lease of land in Singapore and development of the columbarium business. Under the terms of the bond, the Company granted the bond holder the right to convert the bond into fully paid ordinary shares at an exercise price of A\$0.16 per share at any time after the 24 months of the issuance of the bond ("Initial Period"). If no election is made, the bond will be redeemed at the maturity date. Under the terms of the bond, the Company holds the right to early redeem the bond any time after the Initial Period at a revised interest accrual rate of 11% per annum.

Interest accrues at 9% per annum compounding annually. Interest accrued for the Initial Period will be initially capitalised to the debt then paid six months after the Initial period. Thereafter interest is payable 6 monthly in arrears.

The bond has a redemption value of S\$6,000,000 and a maturity date of 5 years from the funding date.

The conversion feature represents a derivative liability and was recognised at fair value of S\$424,744 as at 30 June 2016 and subsequently re-measured at fair value which was S\$5,400 as at 30 June 2017 resulting in a net unrealised gain of S\$419,344. The host debt contract was recognised at the residual value of S\$2,380,000 as at 30 June 2016 with an effective interest of 75%.

As discussed under note 2.6, due to the delay of the columbarium construction, the Group has not been able to generate sufficient cash as planned and therefore was not able to meet its interest payment obligation on 31 January 2017. This constitutes an Event of Default under clause 8 of the Convertible Bond Deeds, under which the bondholders may at their election give the Group a notice in writing declaring the principal of \$6,000,000 and interest to be immediately due and payable in full on the Default Redemption Date. As a result, management has accelerated the recognition of the interest expenses on the loan to increase the carrying value of the loan to S\$7,575,000 being the amount due and payable to the bondholders if they were to call the loan on 30 June 2017.

Debt Capitalisation Agreements has been signed with the bondholders on 30 June 2017 subject shareholder approval. If shareholder approval is not obtained by 30 November 2017 (or such later date as may be agreed) or an alternative arrangement reached the interest expense will continue to be incurred.

Notes to the preliminary financial report (cont'd)

8. Asset under development

On 7 May 2015, the Singapore government accepted proposal from Life Corporation Services (S) Pte Ltd (“LFC Services”), a wholly-owned subsidiary of Life Corporation Ltd for a pilot project for the construction of a fully-automated columbarium located at a land site along Tampines Road, North-Eastern Singapore (“the Site”).

On 12 October 2015, the Singapore government formally granted LFC Services a 30 year lease of the Site for S\$2,333,700 including all relevant taxes and a payable maintenance deposit of S\$3,000,000.

As at 30 June 2017, asset under development with a gross cost of S\$2,754,879 (30 June 2016: S\$2,456,989) has been recognised representing the premium for the parcel of land (exclusive of GST) and related expenditure for the automated columbarium development. Due to the significant delay in getting required approval to construct the columbarium, management has performed an impairment assessment at 30 June 2017 and has written down the asset under development to S\$2,182,500 being the fair value less cost to disposal of the land and has recognised an impairment write-down charge of S\$572,379 as a result.

9. Commentary on the results for the period

Refer to the consolidated statement of comprehensive income and note 2.6 of this report.

10. Dividends

No dividend was paid during the financial year. The Directors do not recommend the payment of a dividend in respect of the financial year.

11. Dividend reinvestment plans

Not applicable.

12. Accumulated losses

	30 June 2017 S\$	30 June 2016 S\$
Balance at beginning of financial year	(96,025,044)	(93,370,863)
Net loss for the year	(6,382,826)	(2,654,181)
Balance at end of financial year	(102,407,870)	(96,025,044)

Notes to the preliminary financial report (cont'd)

13. Net tangible assets backing per ordinary security

As at 30 June 2017: (9.66)cents

As at 30 June 2016: (0.67)cents

14. Control gained or lost over entities

Refer to Note 16.2.

15. Details of associates

There is no associate held by the Company.

16 Other significant information needed by an investor to make an informed assessment of the consolidated entity's financial performance and financial position

16.1	Subsequent event
	Debt Capitalisation Agreement A Debt Capitalisation Agreement has been signed with the bondholders on 30 June 2017 subject shareholder approval. If shareholder approval is not obtained by 30 November 2017 (or such later date as may be agreed) or an alternative arrangement reached, the interest expense will continue to be incurred.

Notes to the preliminary financial report (cont'd)

16.2 Details of controlled entities

Name of entity	Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Parent entity			
Life Corporation Ltd	Australia		
Controlled entities			
Life Corporation International Pte Ltd+#	Singapore	100	100
Life Corporation Services (S) Pte Ltd	Singapore	100	100
Cordlife Sciences Limited (a)	Thailand	-	100
Cygenics (Thailand) Ltd* (a)	Thailand	-	49
PT Cordlife Indonesia+#	Indonesia	65	65
CLS Services B.V. (a)	Netherlands	-	100
SFS Care Pte Ltd+	Singapore	100	100
Eternal Pure Land Pte Ltd+(a)	Singapore	-	100

* Cygenics (Thailand) Ltd is considered a controlled entity as Life Corporation Ltd has 99% of the voting rights and share of profits.

#Dormant

+Investments held directly or indirectly by Life Corporation Services(S) Pte Ltd

(a) These were deregistered during the financial year

17. Segment information

The Group identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold, the nature and similarity of services provided, the method of service delivery, gross margin, types of customers and risks associated with the geographical market, as these were the sources of the Group's major risks and had the most effect on the rates of return. Discrete financial information of each of these operating segments was reported to the executive management team on at least a monthly basis.

On 29 November 2013, the shareholders of the Company approved the acquisition of SFS Care Pte Ltd. Accordingly, the Group now operates within the premium funeral and related services sector in the Singaporean market and has been organised into one main operating segment. All of the Group's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating disclosures are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole. The Group now operates from one geographical location, being Singapore.

Notes to the preliminary financial report (cont'd)

18. Financial instruments

Fair value

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those carrying amounts which are reasonable approximations of fair values:

	Carrying amount		Fair value	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Liabilities measured at fair value:				
Derivative financial liability (note 7)	5,400	424,744	5,400	424,744
Liabilities for which fair value are disclosed:				
Convertible bond (note 7)	7,575,000	2,379,800	7,575,000	4,370,776
Total	7,580,400	2,804,544	7,580,400	4,795,520

Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's liabilities.

Fair value measurement hierarchy for liabilities as at 30 June 2017:

	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		S\$	S\$	S\$	S\$
Liabilities measured at fair value:					
Derivative financial liability (note 7)	30 June 2017	5,400	-	5,400	-
Liabilities for which fair value are disclosed:					
Convertible bond (note 7)	30 June 2017	7,575,000	-	7,575,000	-

Notes to the preliminary financial report (cont'd)

18. Financial instruments (cont'd)

There have been no transfers between Level 1, Level 2 or Level 3 during the period.

Fair value measurement hierarchy for liabilities as at 30 June 2016:

	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
			(Level 1)	(Level 2)	(Level 3)
		S\$	S\$	S\$	S\$
Liabilities measured at fair value:					
Derivative financial liability (note 7)	30 June 2016	424,744	-	424,744	-
Liabilities for which fair value are disclosed:					
Convertible bond (note 7)	30 June 2016	4,370,776	-	4,370,776	-

There have been no transfers between Level 1, Level 2 or Level 3 during 2017.

The management assessed that the fair values of cash at bank, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to short-term maturities of these instruments.

The fair value of financial liabilities is included at the amount of which instruments could be exchanged in a current transaction between willing parties, other than forced or liquidation sale.

The following methods and assumptions were used to estimate the fair value:

- Fair value of the convertible bond is estimated using discounting future cash flows using bond interest rate and discount rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value of the convertible bond.
- Conversion feature of the convertible bond represents a derivative financial liability, which is valued using valuation technique, i.e binomial tree model. The model incorporates various inputs including share price volatility, foreign exchange rate, and share price for the conversion.

19. Related party transactions

A Debt Capitalisation Agreement has been signed with bondholders on 30 June 2017. The Company proposed to issue 721.4 million ordinary shares to Northeast Capital Pte Ltd (Northeast), a company previously associated with the Company Director Mr Hoo and 721.4 million ordinary shares to GM Investment Company Limited (GM), a company associated the Company Director, Mr Kong, at a price of A\$0.005/S\$0.00525 per share (the Share Issues). The proposal is subject to shareholders' approval.

Notes to the preliminary financial report (cont'd)

20. Audit of this report

This report is based on accounts which are in the process of being audited.

Sign here:



Hoo Kwok Chye

31 August 2017