



REPLY TO SGX'S QUERIES ON THE COMPANY'S ANNOUNCEMENT DATED 12 FEBRUARY 2018

Innopac Holdings Limited (the "Company") refers to SGX's 15 February 2018 queries on the Company's 12M Financial Results ended 31 December 2017 announcement made on 12 February 2018, and would like to reply as follows:

SGX Query 1

We refer to the Company's 12 months financial results ended 31 December 2017 (the "Announcement"). In the statement of comprehensive income, it was announced that "Rental income from investment properties" amounted to S\$88K. Please disclose:-

- i) Which are the investment properties with rental income; and
- ii) What are the collection patterns like for these properties?

Reply 1

- i) The investment properties with rental income were rentals from (a) 10 acres industrial land at Tanjung Malim, Perak and (b) a condominium apartment (Cendana) in Kuala Lumpur, Malaysia;
- ii) The collection patterns are between 60 and 90 days from due date.

SGX Query 2

Please state the difference between "Net gains on trading of marketable securities" and "Net gains/(losses) from investment trading activities". Please disclose details on these "marketable securities".

Reply 2

"Net gains on trading of marketable securities" are the realised sale value less book cost of marketable securities. Subsequent revaluation arising from the fair value changes of unsold marketable securities is recognized as "Net gains/(losses) from investment trading activities". The details on the marketable securities have been disclosed in the announcement dated on 5 Jan 2018 in response No 3 (reference No SG1801050DTRZT9G), and there has been no change in the holdings of the securities.

SGX Query 3

Please explain why there is a net gain of S\$33K recorded for net gains from investment trading activities in 4Q2017 but zero net gain from investment trading activities for 12 months ended 31 December 2017 when the Company disclosed that "there was no transaction in 12M2017".

Reply 3

The net gain of S\$33K recorded for net gains from investment trading activities in Q42017 was fair value gain in the current quarter. There was a fair value loss of S\$33k carried forward from the previous period and was netted off from current period's gain of S\$33k resulting in zero balance in 12M2017.

SGX Query 4

In the statement of comprehensive income, "Administrative expenses" and "Other expenses" amounted to S\$1.28 and S\$1.17 mil respectively. Noting that the expenses are significant in view of the Company's revenue of only S\$102K, please explain each of the material items in these two expenses.

Reply 4

	FY2017
	\$'000
<u>Admin Expenses</u>	
Salaries (Director & Staff)	925
Accrued Directors' Fee	59
Accrued Audit fee	173
Printing & Stationery	40
Other Admin Expense	78
Total	1,275
	FY2017
	\$'000
<u>Other Operating Expenses</u>	
Office Rental	138
Travelling	75
Media Consultancy Fees	16

Professional and Legal fee	200
Corporate Expenses (Note1)	154
General Expenses (Note 2)	96
Government related Fee (Note 3)	36
Impairment loss on receivables	72
Miscellaneous Expenses (Note 4)	60
Loss on disposal of properties	321
Total	1,168

Note 1: Corporate Expenses include listing fee, CDP fee, secretarial and warrant agent fees

Note 2: General Expenses include operating cost of China subsidiary

Note 3: Government related fee includes GST and land tax for Malaysia subsidiary

Note 4: Miscellaneous Expenses includes office maintenance and operating cost.

SGX Query 5

It was disclosed that “Other expenses decreased 37% to S\$1.2 million in 12M 2017 from S\$1.8million in 12M 2016, mainly due to decrease on the impairment loss of trade receivable of S\$0.94million and partly offset by an increase in expenses due to loss on disposal of an investment property in a Malaysian subsidiary of S\$0.3million”. Please disclose:-

- i) The investment property that was disposed and when was it disposed;**
- ii) When was the investment property acquired;**
- iii) What was the reason for the loss on disposal;**
- iv) Have the proceeds from the sale been received in cash? And**
- v) Please provide details of this disposal under Listing Rule 1010.**

Reply 5

- i) The investment property that was disposed is a condominium apartment (Cendana) in Kuala Lumpur, Malaysia and it was disposed in November 2017;
- ii) The investment property was acquired in August 2012;
- iii) The reason for the loss on disposal was due the sale price being lower than the book cost of the property despite the best available offer from the buyer;
- iv) The proceeds from the sale had been received by way of bank transfer;
- v) The disposal does not fall under Listing Rule 1010 as it is an ordinary course of business activity in the Malaysia subsidiary. Nonetheless, for purposes of Listing Rule 1010, the relative figures of the Disposal are computed on the bases set out in Rule 1006 of the Listing Manual as follows:-

Listing Rule	Content	Sale Investments (S\$'000)	Group (S\$'000)	Percentage (%)
1006 (a)	The net asset value of the assets to be disposed of, as compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	1,154	10,655	10.8%
1006 (b)	The net profits/(losses) attributable to the assets disposed of, compared with the group's net profits.	(321)	(3,361)	9.6%
1006 (c)	The aggregate value of the consideration received, compared with the issuer's market capitalization based on the total number of issued shares excluding treasury shares.	833	8,922	9.3%
1006 (d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable		
1006 (e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable		

SGX Query 6

It was disclosed that “Finance income decreased by 99% to S\$0.001 million in 12M 2017 from S\$0.09 million in 12M 2016, as there was no interest income derived from the Company’s investment in bond instruments in 12M 2017 as compared to 12M 2017”. Please provide details of these bond instruments and explain why there is no interest income for 2017.

Reply 6

The investment in fixed income instruments as at 1 January 2016 pertains to the Group’s unquoted investment in short term interest bearing instrument. The instrument carried a coupon rate of 0.6% per month from the issued date up to and including the maturity date or day of redemption. There was no interest income as the bond instrument had been fully redeemed in July 2016.

SGX Query 7

In paragraph 8 of the Announcement, “(t)here was an exchange gain on translation of foreign operations of S\$0.11million in 12M 2017, as compared to a loss of S\$0.17 million in 12M 2016. The exchange differences were mainly due to the net effect in translating the foreign currency denominated financial statements of its subsidiaries into Singapore Dollar for reporting purposes”. Please disclose which foreign currency is this and the nature of the underlying transaction item.

Reply 7

For the period ended 31 December 2017

Name of subsidiary	Home Currency	Asset RM'000	Liability RM'000	Equity RM'000	Net Effect on Translation S\$'000
Awana Rentak Sdn Bhd	RM	22,093	(6,923)	(15,170)	(70)
Enigma Venture Sdn Bhd	RM	6,056	(10)	(6,046)	(34)
Inno-Pacific Realty Sdn Bhd	RM	6,843	(10,647)	3,804	22
Megan Midas Sdn Bhd	RM	2,255	(45)	(2,210)	(22)
		RMB'000	RMB'000	RMB'000	S\$'000
Dezhou Sheng Rong Gas Co Ltd	RMB	16,551	(15,385)	(1,166)	(6)
Exchange Losses (Gain) on Translation					(110)

SGX Query 8

In the statement of financial position, “Trade and other receivables and prepayments” amounted to S\$2.41 mil. Please

- Explain why is this amount greater than the Revenue recorded to S\$102k for 12 months ended 31 December 2017;
- Provide a breakdown and the aging schedule to these receivables and prepayments;
- Disclose the identities of these debtors, the nature of these receivables and prepayments and how this amount of S\$2.41million arose.

Reply 8

- Trade and other receivables & prepayments amounted to S\$2.41 million are greater than the revenue of S\$102k which included other receivables of S\$2.3 million in the China subsidiary.

Aging Schedule Other Receivables and prepayments	Due Amount	Current	1-3 years	>3 years
	S\$000	S\$000	S\$000	S\$000
Dezhou Sheng Rong Gas Co. Ltd (China)	2,356			2,356
Malaysian Microalgae Enterprise Sdn Bhd	2		2	
Deposits	35		35	
Prepayments & Advance	16	16		
Total	2,409	51	37	2,356

- The identities of these debtors are disclosed above in (ii), the nature of these receivables and prepayments and the amount of S\$2.41 million are as disclosed in Notes 20 and 21 of the 2016 Annual Report.

SGX Query 9

It was disclosed that “Trade and other payables increased by 6% to S\$14.6 million from S\$13.8 million as at 31 December 2016. The increase was due to accruals and unpaid expenses”. Please provide details of these accruals and unpaid expenses.

Reply 9

Trade & Other payables	As at 31 Dec 2017	As at 31 Dec 2016	Variiances	Details of accrued/unpaid expenses
	S\$ '000	S\$ '000	S\$ '000	
Trade Payable-Financial institution-(Note 1)	12,340	12,340	0	Trade payable unpaid
Other Creditors	921	700	221	Increase in other creditors
Advances from director	194	0	194	Advances from director
Accrued Operating Expenses	336	38	298	Unpaid staff salaries
Accrued unutilised leave	506	549	(43)	Provision for unutilised leave
Accrued Audit fee	147	111	26	Accrued Audit fee
Accrued other Expenses-(Note 2)	188	63	135	Accrued Subsidiaries cost
Total	14,632	13,801	831	

Note 1: Refer to Note 24 of the Annual Report 2016

Note 2: Accrued Other Expenses are the Company's and subsidiaries' expenses on land tax, sundries and miscellaneous.

SGX Query 10

For 12 months ended 31 December 2016, "Impairment of trade and other receivables" amounted to S\$1.01 million. Please

- i) Disclose whether the Company managed to collect any of these trade and other receivables in 2017;**
- ii) Quantify the amount of impairment loss from trade receivables;**
- iii) Identify who these debtors are;**
- iv) Disclose what is the underlying transaction which resulted in these debts;**
- v) Disclose when were the debts incurred;**
- vi) Disclose the reasons why the debts have been impaired;**
- vii) Disclose what has been done by the Board of Directors to collect the debts before impairments were made on these debts; and**
- viii) Disclose whether there are any legal suits on this impaired debt. Did the Company seek any legal advice on these debts? If not, please disclose why not.**

Reply 10

- i) The Company did not collect any of these trade and other receivables in 2017;
- ii) The amount of impairment loss from trade and other receivables was S\$1.01 million in the 12M ended 31 December 2016.
- iii) The receivables are mainly due from PT Kasadasa Perkasa (S\$0.27 million) and Rubic Prize Ltd (S\$0.61 million)
- iv) The underlying transactions which resulted in these debts are as disclosed on Note 20 & 21 of the Annual Report 2016;
- v) The receivables were incurred between 2 to 5 years ago.
- vi) The receivables have been impaired as the recoverability of the receivables are slim as disclosed in Note 20 and 21 of the Annual Report 2016.
- vii) The Board of Directors had discussed on different approaches and measures to recover the receivables before the impairments were made.
- viii) The Company has engaged a professional debt collector to recover the PT Kasadasa Perkasa receivable. The receivable due from Rubic Prize Ltd is due to an unpaid capital call by Extera Pte Ltd, and no legal action is required as the Company shall rely on its contractual rights arising from the default.

SGX Query 11

It was disclosed that "(t)he original budget for the first facility (the "Facility") of the microalgae cultivation and extraction of oil project is US\$12.50 million. The Company has invested S\$6.00 million for the construction of a down-sized Facility. The Facility is not able to achieve the optimal results, accordingly the Company has decided to sell this investment project". Please explain why the Company invested S\$6mil in the project when it was aware that the project needed US\$12.5mil and that the Facility would not achieve optimal results if the Company was able to only invest S\$6mil.

Reply 11

The Company had intended to raise the budgeted US\$12.5 million from internal sources when it entered into the Joint Venture agreement in September 2015. The Group had cash and near cash instruments of S\$7 million and the balance were to be raised from bank loans and borrowings by leveraging on the Group's other assets.

Despite its best efforts, the Company was not successful in raising the full budgeted amount of US\$12.5 million, resulting in the decision with the Joint-Venture partner to construct a down-sized Facility, which the Company and the Joint-Venture partner had decided to sell on an *as-is-where-is* basis.

SGX Query 12

In the Announcement, it was disclosed that "(t)he Group's available-for-sale investments as at 31 December 2017 and 31 December 2016 were S\$6.1 million, comprising: (i) the rights to receive the net proceeds of 60 finished lots of land situated at Sawyer Falls, Pierce County, Washington State, USA,

amounting to S\$4.6 million". Please provide an update on this investment and explain why the net proceeds have not been received when the lots have been completed.

Reply 12

Background and details of the rights to receive the net proceeds of 60 lots of finished [single family lots] land situated at Sawyer Falls, Pierce County, Washington State, USA, had been disclosed in the Company's Announcement on 21 September 2017 in response to SGX query of 19 September 2017, as per our Reply 5 (Reference No: SG1709210THR1VH) . We wish to clarify that the "finished" lots represent bare lots that are approved for sale by the relevant authorities and at this date, these "finished" lots have not been approved for sale.

SGX Query 13

It was disclosed that "(t)he increase in director fee by 17% to S\$0.4million from S\$0.34 million was due to unpaid to director for 12M 2017". Please disclose who this director is and explain why he was not paid.

Reply 13

Unpaid directors' fee of S\$0.34 million as at 31 December 2016 are fees owing to Dato' Moehamad Izat Emir, Mr. Ong Kah Hock, Dr Arslan Koichiev and Mr Yang Kiin.

The additional directors' fee of S\$59,000 is the provision made for 2017 and is subject to shareholders' approval. Upon approval, the directors entitled to these directors' fee are Dato' Moehamad Izat Emir, Mr Ong Kah Hock, Dr. Arslan Koichiev, Mr Yang Kiin and Mr Bernard Ong Kheng Chye.

The Company had deferred payment of directors' fees to preserve and maximise its cash position.

SGX Query 14

"Current liabilities exceeded current assets by S\$5.4 million as at 31 December 2017". Please provide the Board's views on how the Company intends to repay these current liabilities when its full year revenue amounts to only S\$102K.

Reply 14

The Company's and the Board's views of the Group's net current liability position can be found in the Company's Announcement on 8 April 2017 (Reference No: SG1704080THREHZD). The Board maintains its view as opined in aforementioned announcement. The Board shall address and resolve the net current liabilities position in the contemplated restructuring.

SGX Query 15

For the Company's "Investments in investment properties", please provide the investment cost, size of these properties, the current market value, the rental income, status of these properties (whether they are vacant or tenanted) and names of these tenants.

Reply 15

Investment Name	Area sf	Cost RM mil	Market Value RM mil	Rental RM / mth	Status	Tenant
Tanjong Malim Land	2,103,948	2.04	22	10,000	Rented	Horizon Greentech Sdn Bhd
Cendana Condominium- (Note 1)	4,488	3.7	Sold	8,000	Rented	Superior Carbon Tech & Solutions Sdn Bhd
ClearWater Residences (Note 2)	3,283	3.46	3.5	8,000	Rented	Superior Carbon Tech & Solutions Sdn Bhd
Lot A-2, Taman Sungai Mas	1,070	0.4	0.4	-	Vacant	-
Lot A-3A, Taman Sungai Mas	1,070	0.4	0.4	-	Vacant	-

Note 1: The Condominium was sold in November 2017.

Note 2: Superior Carbon Tech & Solutions Sdn Bhd occupied the ClearWater Residences from November 2017 onwards

SGX Query 16

It was disclosed that "(t)he Company has a gold exploration and exploitation in the Kyrgyz Republic". Please disclose:-

- i) How much is needed for this project;
- ii) How much will be funded by the Company and what will be the JV partners' capital contribution in this JV project;
- iii) When the relevant approvals can be obtained for the Company to conduct the work program in 2018;
- iv) Please provide an update on the licenses needed for this project; and
- v) How much is required to bring this project to completion.

Reply 16

- i) This is an exploration project and the Company is unable to determine the total investment required for the project at this juncture;
- ii) The Company is required to fund the JV according to its interest in the project, namely 50% of the project cost.
- iii) No approval is required for the work program in 2018, however, certain permissions will be required to conduct trial exploitation.
- iv) The joint-venture company, Artel Trade LLC has 2 licenses issued by the Kyrgyz Geology Agency. License #4217 AP is valid till 29 June 2019 at the Kuramator area #2 for subsoil use for geological exploration for vein

gold, and license #3447 AP till 22 January 2019 for subsoil use for geological exploration for alluvial gold. These licenses are valid and in good standing and may be renewed for a further 5 years on expiration;

- v) To bring the project to completion, the joint venture company will require further studies to determine the funding requirement.

SGX Query 17

It was also disclosed that “(t)he Group shall be making several restructuring that should result in a significant improvement in the financial position of the Group”. Please disclose details of this restructuring.

Reply 17

The Group is currently evaluating several restructuring options and is seeking professional and legal advice before presenting to the Board of Directors for deliberation and approval, and will make the necessary announcements when such decisions have been made.

By Order of the Board of Directors
INNOPAC HOLDINGS LIMITED

Tan Sock Kheng
Company Secretary

20 February 2018