

RESPONSE TO FURTHER SGX-ST QUERIES ON THE PROPOSED DISPOSAL ANNOUNCED BY THE COMPANY (TOGETHER WITH THE PROPOSED PLACEMENTS) ON 9 OCTOBER 2018

The Board of Directors (“**Board**”) of Innopac Holdings Limited (“**Company**”) and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has received further queries from SGX-ST regarding the Proposed Disposal announced by the Company (together with the Proposed Placements) on 9 October 2018 (“**Announcement**”). **The Company’s responses to SGX-ST’s queries are set out below. All capitalised terms used in this announcement shall, unless otherwise expressly defined or the context otherwise requires, have the same meanings as defined in the Announcement or the Company’s announcement of 5 November 2018 in response to SGX-ST’s earlier queries (together “Announcements”).**

- 1. Query: We note that the investments in Wang Da Investments Limited and Heritage Investment Corporation amount to only S\$3,106 in total. Their Net Tangible Liability (“NTL”) amounts to \$11,447,562.**

Please explain why the Board of Directors does not liquidate these two companies instead of disposing it to the CEO.

Company’s Response: These two companies are currently the subject of an ongoing claim for a total of S\$15,020,238.02 by Saxo Bank A/S (“**Saxo**”). While the Board had considered the possibility of liquidating these two companies during its deliberation on the Proposed Disposal, the Board eventually decided that liquidating the two companies might not be successful as it was likely that Saxo would object to such liquidation in its capacity as a major creditor of the two companies.

As announced in the Announcement, completion of the Proposed Placements is conditional upon completion of the Proposed Disposal (comprising the Entities taken together as a portfolio) pursuant to the SPA, as it is a condition of the Investors for their investment in the Company that the Company dispose of the Entities (including Wang Da Investments Limited and Heritage Investment Corporation). The Investors also expect the Proposed Disposal to be conducted with reasonable expediency. Should Saxo raise any objection to the liquidation, the Board expects the process of liquidation to be long and costly, which will in turn adversely impact the successful completion of the Proposed Placement and funding to be received by the Company.

In view of the foregoing, and the lack of time and potential purchasers for the Entities comprised in the Proposed Disposal, the Board concluded that the best option was to effect the Proposed Disposal, including the disposal of the Wang Da Investments Limited and Heritage Investment Corporation to the CEO.

- 2. Query: Excluding the NTL of Wang Da Investments Limited and Heritage Investment Corporation (which may have been liquidated instead), the Net Tangible Asset (“NTA”) of the remaining investments (including the Microalgae Joint Venture’s NTA amounting to \$6mil), the total NTA of the entities to be disposed amounts to \$9,162,371.**

Please explain why is it in the view of the Board of Directors that disposing these entities to the CEO by offsetting the NTL of \$11.45mil against other investee companies with positive NTA is in the best interest of the Company and its shareholders.

Company’s Response: Since 2017, cash flow for the Company has been tight and the Company has been trying to raise funds for its operations without success, most recently with the proposed placement announced on 29 April 2018 and 30 May 2018 lapsing after the onset of the Saxo claim. That failed transaction adversely affected the Company’s plans and operations. The Independent

Auditors of the Company had also raised the “appropriateness of going concern assumption”. In light of these circumstances, the Investors are willing to provide critical funding to the Company through the Proposed Placements, subject to completion of the Proposed Disposal. As stated in the Company’s announcement of 5 November 2018, the Proposed Disposal, together with the Proposed Placements, is a good opportunity to monetise and dispose the Entities as a portfolio.

As explained in the Company’s response to Query 1 above, liquidation of Wang Da Investment Limited and Heritage Investment Corporation was not considered a viable option available to the Company. Furthermore, finding potential buyers for each and every one of the Entities to be separately disposed was not feasible within the short period contemplated to facilitate the terms of the Proposed Placement, and hence the Board decided to dispose of the Entities as a portfolio. As stated above, it is a condition of the Proposed Placement that all Entities, the abovementioned 2 companies (“**NTL Entities**”) and the other 3 entities with positive NTA (“**NTA Entities**”), be disposed together. Due to time constraints (for finalising the Proposed Loan, Proposed Disposal and Proposed Placement), the CEO agreed to purchase the Entities as a portfolio and assume the responsibility of dealing with the NTL Entities’ liabilities with the respective third parties.

The independent directors have considered the 3 transactions announced on 8 and 9 October 2018 as a total comprehensive solution to:

- a. strengthen the financial position of the Company;
- b. address any going-concern issues;
- c. streamline and rationalise the Company’s businesses and assets and Group’s financial position and thereby addressing audit issues; and
- d. introduce new controlling shareholders who will give fresh perspective and direction to the Company and Group, with the current CEO resigning upon completion of the Proposed Placement and Proposed Disposal.

Notwithstanding the positive NTA \$3,162,371.00 of the NTA entities as per the audited financial statements for period ended 30 June 2018, the Independent Directors also took into account the disclaimer of such NTA values from the Independent Auditor and the Independent Auditor’s views on the uncertainty of recoverability and realisation of such NTA values, which has remained as audit issues for the past few financial years.

In view of the foregoing, the Independent Directors have concluded that the Loan, Proposed Disposal and Proposed Placement, taken as a packaged transaction in its totality, is in the best interests of the Company and its shareholders.

3. **Query: As the Company is negotiating on the \$6mil investment in the Microalgae Joint Venture which is contractually payable to the Company, please explain why the Company did not disclose/add the \$6mil NTA of the loan to the column “NTA” on page 2 of the Company’s announcement.**

Company’s Response: The \$6mil investment in the Microalgae Joint Venture has been fully impaired in the financial period ended 30 June 2018.

4. **Query: It was disclosed that “The Company has commenced discussions with Primeforth Renewable Energy Pte Ltd on the recovery of the investments and has issued a letter of demand. However, given the uncertainty of the recoverable amount and timing of the recovery, the Company is of the view that expending the additional costs and time spent to pursue this claim may not be justified and instead would hamper the progress and focus of the Company’s fundraising exercise.” Please:-**

- i) **substantiate why the recovery is uncertain; and**

- ii) **explain why is it in the best interest of the Company to consider recovery as NIL and dispose it to its CEO as such when the recoverable amount under the contract is \$6mil.**

Company's Response: Primeforth is ultimately held by an off-shore company and it is unknown where its assets are located. Any enforcement action is likely to be both difficult and costly with no certainty as to whether any meaningful recovery could be made.

In addition, Primeforth in its communications with the Company, has contested the claims of the Company and has reserved its rights to pursue legal action against the Company.

The Board is of the view that relative to the uncertainty of keeping this entity and expending more funds to pursue litigation to attempt to recover this \$6 million from Primeforth with the uncertainty of success and the possibility of liability under a possible counter-action by Primeforth, it was sensible to dispose of this, together with the Entities, in return for the proceeds from the Proposed Placements from the Investors, an outcome that appears to the Board to be better for the Group and the shareholders.

5. **Query: It was disclosed that the Company will not be engaging a valuer as it is of the view that the costs of engaging one will not be justified. As per SGX's comments above, as the value at risk for the disposal assets have a potential NTA of \$9.16mil versus a disposal consideration of only \$100K, SGX is of the view that a reputable valuer should perform a valuation for this interested person transaction. Audit Committee of the Company is to require a valuation for the purpose of the interested person transaction.**

Company's Response: The Audit Committee will source for suitably qualified valuer(s) with the requisite skill, experience and expertise with a view to their appointment. The Company will announce the appointment of such valuer(s) as and when appropriate.

**BY ORDER OF THE BOARD
INNOPAC HOLDINGS LIMITED**

Priscilla Tan
Company Secretary
15 November 2018