

RESPONSE TO 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 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.**

- a. **Query:** *Please explain why the Purchase Consideration is only \$100,000.00. What is the basis for the consideration amount?*

Company’s response: The Company has been looking for additional funding to recapitalise and strengthen its financial position. At the same time, the Company needs to streamline its business operations by disposing of non-performing and/or non-core businesses such as the Entities to be attractive to new investors. As announced in the Announcement, completion of the Proposed Placements are 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. Accordingly, the Proposed Disposal, together with the Proposed Placements, is a good opportunity to monetize and dispose of the Entities as a portfolio. The Purchase Consideration was arrived at by agreement between the Purchaser and the Company on a “willing-buyer, willing-seller” basis taking into consideration, *inter alia*, (i) the aggregate negative net book value of the Entities being disposed of being approximately **negative S\$8.3 million**, (ii) the net loss (before income tax) attributable to the Entities, based on both the unaudited consolidated financial statements of the Group for the financial period ended 30 June 2018 (“**Interim 18 Months Results**”) and the audited financial statements for the 18 months financial period (“**18 Months Audited Accounts**”) issued by Baker Tilly TFW LLP, Independent Auditor.

The Purchase Consideration represents an excess of approximately S\$8.4 million over the aggregate net book value of the Entities, taken together, and will result in the Company recording a gain on disposal of S\$8.4 million.

- b. **Query:** *Please quantify how much did the Company lend / invest in each of these projects. Will the outstanding loans be repaid to the Company? Please quantify.*

Company’s response: There are no loans due or outstanding from the Entities to the Company. In terms of the original investment/acquisition value in the Entities, the aggregate investments by the Company in the Entities and its associated businesses is approximately S\$23.9 million over the past 3 years, of which approximately S\$20.7 million has since been impaired over time. Both the aggregate investment and impairment values have been disclosed in detail in various financial statements disclosed by the Company, the latest being the Interim 18 Months Results and also the 18 Months Audited Accounts.

Projects	Investment - SGD	(Loan)/Receivable - SGD	NTA
Wang Da Investments Limited	1,256	-	(8,128,195)
Heritage Investment Corporation	1,850	-	(3,319,367)
Microalgae Joint venture	6,000,000	-	-
Golden Eagle Mining Pte Ltd	816,244	-	798,968
Extera Pte Ltd	17,100,000	-	2,363,403
Total	23,919,350	-	(8,285,191)

c. **Query:** For EPL, who holds the remaining 18.2%?

Company's response: The remaining 18.2% of EPL is owned by Rubic Prize Ltd, the original sole shareholder of EPL prior to the Company's acquisition of its shares in EPL.

d. **Query:** It was disclosed in the Company's 2018 Annual Report that the recoverable amount of EPL is \$2,317,000. Please explain why the Purchase Consideration of all the Sale Shares (including EPL) is only \$100,000.00.

Company's response: See Company's response to a. above.

e. **Query:** In view of the contractual terms in the agreement, please disclose if the Company will be taking action against Primeforth Renewable Energy Pte Ltd for the recovery of the \$6 million. If yes, has this been taken into account for the Purchase Consideration?

Company's response: 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.

As stated in the Company's responses to a. above, it is a condition of the Investors for their investment in the Company that the Company dispose of the Entities, including MME.

f. **Query:** It was disclosed in the Company's announcement of 14 June 2018 that Artel Trade LLC intends to conduct a work program in 2018 to upgrade the alluvial gold reserves and have it registered in the State balance which will enable it to start mining the alluvial gold. Please provide a status update on this project. Please also explain why the Company is disposing of this asset.

Company's response: The work program announced on 14 June 2018 was premised on the funding from the proceeds of the proposed placement announced in April and May 2018. As announced in the Company's Rule 1313(2) quarterly update on 25 September 2018, this proposed placement was aborted after the Company received the letter of demand in relation to the claim by Saxo Bank A/S, announced on 6 June 2018. Consequently, the Company does not have adequate financial resources to undertake the work program announced on 14 June 2018. Furthermore, the exploration licences for Artel Trade LLC will be expiring by first half of 2019 and there is a risk that these licences may not be extended/renewed.

As stated in the Company's responses to a. above, it is a condition of the Investors for their investment in the Company that the Company dispose of the Entities, including GEM.

g. **Query:** *Will the Company be engaging a valuer to value this Proposed Disposal?*

Company's response: 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 (i) the Entities are located in different jurisdictions and comprise, in aggregate, a significant negative book value based on the Interim 18 Months Results and 18 Months Audited Accounts, and the Purchase Consideration far exceeds this negative value, (ii) as announced in the Announcement, the Company will be seeking Shareholders' approval for the Proposed Disposal at an EGM to be convened in due course as a major transaction, notwithstanding that the Proposed Disposal will result in a gain to the Company on disposal rather than a loss, and as an interested person transaction, notwithstanding that the Purchase Consideration is below 5% of the Group's Interim 18 Months Results and the 18 Months Audited Accounts as at 30 June 2018, and (iii) the Company will be appointing an Independent Financial Adviser ("**IFA**") to advise the Independent Directors on the Proposed Disposal and the IFA's opinion will be set out in the Circular to be despatched to the Shareholders.

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

Priscilla Tan
Company Secretary

5 November 2018