
QUARTERLY UPDATE PURSUANT TO RULE 1313(2) OF THE LISTING MANUAL

INTRODUCTION

Innopac Holdings Limited (the “Company”) was placed on the financial criteria Watch-List pursuant to Rule 1311(1) of the Listing Manual (the “Listing Manual”) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) with effect from 3 June 2016. The Company will have to meet the requirements under Listing Rule 1314(1) within 36 months from 3 June 2016, failing which the SGX-ST would delist the Company or suspend trading in the Company’s shares with a view to delisting the Company. Listing Rule 1314(1) states that an issuer on the Watch-List may apply to the SGX-ST for its removal from the Watch-List if it records consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts) and has an average daily market capitalisation of S\$40 million or more over the last 6 months.

The Company was also placed on the minimum trading price criterion Watch-List pursuant to Rule 1311(2) of the Listing Manual with effect from 5 June 2017. The Company will have to meet the requirement under Listing Rule 1314(2) within 36 months from 5 June 2017, failing which SGX-ST would delist the Company or suspend trading in the Company’s shares with a view to delisting the Company. Listing Rule 1314(2) states that the Company will be assessed by SGX-ST for removal from the Watch-List if it records volume-weighted average price of at least S\$0.20 and an average daily market capitalisation of S\$40 million or more over the last 6 months.

Rule 1313(2) of the Listing Manual, requires the Company to provide quarterly updates on its efforts and the progress made in meeting the exit criteria of the Watch-List, including where applicable its financial situation, its future direction, or other material development that may have a significant impact on its financial position.

The Board of Directors of the Company wishes to provide its Sixth Quarter 2017 (Q6 2017) update to its shareholders and investors as follows:

UNAUDITED FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The Company had released the unaudited results for Q6 2017 for the Company and the Group on 31 August 2018. Full details can be found on the SGX-ST and the Company’s website.

The Company wishes to highlight that the Group’s loss was S\$0.45 million in Q6 2017 (Q1 2017: loss of S\$0.55 million). Loss per share for the reported 18 months period ended 30 June 2018 was 0.21 cent (0.10 cent for the corresponding period ended 30 June 2017).

The Company wishes to highlight that as at 30 June 2018, the Group and the Company had net current liabilities of about S\$11.0 million and S\$4.8 million respectively. The Group’s net current liability position of S\$11.0 million is primarily due to about S\$12.3 million of payables to Saxo Bank A/S incurred by two of the Group’s subsidiaries. (Also see below about claim by Saxo Bank A/S).

FUTURE DIRECTIONS / MATERIAL DEVELOPMENTS

The principal activities of the Company are those of investments and investments holding and the provision of management services to related companies.

The Company’s objective is to build a portfolio of businesses and investments that can deliver consistent profits and cash flow as well as growth potential.

As at the date of this update, the Company's investment portfolio consists of:

I. Joint-venture

Gold exploration and exploitation Joint Venture in the Kyrgyz Republic

The Company through its wholly-owned subsidiary, Golden Eagle Mining Pte Ltd, has a 50% equity interest in Artel Trade LLC, a Kyrgyz company which has a 63.72 sq. km. gold exploration and exploitation concession in the Kyrgyz Republic. Subject to the availability of working capital, the proposed work program for 2018 shall focus on samples collection, analysis and trial processing of the alluvial deposit.

In view of the share placement agreement of 27 April 2018 not taking place, the Company is looking for alternative funding for this work program. The work program may have to be modified to accommodate the shrinking time window to work on the concession area.

II. Investment Properties and Other investments

The Group's other investments are (i) ownership of a 48.3 acres (about 2.1 million square feet) industrial 99-year leasehold land (expiring on 12 February 2106) in Tanjung Malim, Perak, Malaysia, (ii) a condominium apartment in Kuala Lumpur, Malaysia, (iii) 2 shop houses in Sabah, Malaysia, (iv) a CJV in China, (v) the Sawyer Falls property rights in USA, (vi) a microalgae cultivation JV.

Fund Raising

On 27 April 2018, the Company entered into a share placement agreement with KGI Securities (Singapore) Pte. Ltd. ("KGI Securities") to procure subscribers on a best effort basis for up to 5,000,000,000 new ordinary shares of the Company at a minimum average price of S\$0.001 per new ordinary share (the "Proposed Placement").

On 30 May 2018, the Company announced that KGI (Securities) had procured subscribers to subscribe for the Proposed Placement. KGI Securities also informed the Company that upon completion of the Proposed Placement, would result a change in the controlling shareholder of the Company. The Proposed Placement is subject to shareholders' approval.

The Company was preparing its documentation for submission to the SGX for approval of the Proposed Placement, however, on 1 June 2018, the Company received a letter from the solicitors acting on behalf of Saxo Bank A/S ("Saxo Bank") demanding payment of S\$14,689,028.02 from the Company ("**LOD**"). The Company having taken legal advice, denies that the claim by Saxo Bank against the Company is valid and the Company's lawyers have responded accordingly. 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 Investment Limited, and not by the Company itself.

Saxo Bank has informed the Company that they have appointed a third party advisor to discuss their claim with the Company. Discussion is ongoing between Saxo Bank's third party advisor and the Company's representative. Pending the outcome of the discussions, the Company is also exploring other actions. No legal proceedings have been commenced by Saxo Bank against the Company or the relevant subsidiaries.

The share placement agreement with KGI Securities has lapsed since 27 June 2018.

Nevertheless, the Company is pursuing other options to raise working capital, including but not limited to, monetization of its investment properties and other investments, and also exploring a comprehensive solution for the Company and Group to significantly improve its financial position with the aim of meeting the requirements under Listing Rule 1314(1) and the removal of the Company from the Watch-List.

Other Matters

On 13 April 2018, the Company received a Notice of Compliance (“NOC”) from the Singapore Exchange Regulation, that requires the Company to (i) pursuant to Mainboard Listing Rule 1405(1)(f), to undertake an interim audit on its financial results for the 12 month period ended 31 December 2017 and to complete the interim audit by 31 May 2018; and (ii) pursuant to Mainboard Listing Rule 1405(1)(f) and arising from the concerns/disclaimers of opinion raised by the Auditors on the Company’s investments, to appoint a Professional Firm acceptable to the Exchange by 12 May 2018 to conduct a review on the group’s investment processes and to recommend improvements in controls (“*Investment Process Review*”), if any and to announce findings of the Investment Process Review.

The Company has complied with the NOC (i) above, the interim audit for the 12 month period ended 31 December 2017 conducted by Baker Tilly TFW LLP which was announced on 15 July 2018. On NOC (ii) above, the Investment Process Review is currently being conducted by Provenance Capital.

To comply with the NOC, the Company has incurred additional expenses of approximately S\$450,000.

The Company will update shareholders when there are material developments, if any, relating to the claim by Saxo Bank, and/or any corporate development with regards to the Company and Group.

By order of the Board

INNOPAC HOLDINGS LIMITED

Wong Chin Yong
Chairman & CEO

25 September 2018