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

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### **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 Second Quarter 2019 (“Q2 2019”) update to its shareholders and investors as follows:

### **UNAUDITED FINANCIAL PERFORMANCE AND FINANCIAL POSITION**

The Company had released the unaudited results for Q2 2019 for the Company and the Group on 28 January 2019. Full details can be found on the SGX-ST and the Company’s websites.

The Company wishes to highlight that the Group’s loss was S\$0.7 million in Q2 2019 (loss of S\$7.3 million in the previous corresponding period). Loss per share for the quarter was 0.01 cent (0.2 cent for the corresponding period).

The Company wishes to highlight that as at 31 Dec 2018, the Group and the Company had net current liabilities of about S\$12.6 million and S\$6.0 million respectively. The Group’s net current liability position of S\$12.6 million is primarily due to about S\$12.3 million of liabilities to Saxo Bank A/S incurred by two of the Group’s subsidiaries. (Also see below about claim by Saxo Bank A/S).

### **MATERIAL DEVELOPMENTS**

#### **1. PROPOSED DISPOSAL AND PROPOSED PLACEMENT**

The Company has been focusing and working towards getting the proposed transactions announced on the 8 and 9 October 2018 for shareholders’ approval at an EGM to be convened. Shareholders’ approval and completion of these transactions is crucial to the Company and Group’s financial position and future.

On 8 and 9 October 2018, the Company announced that it had on 6 October 2018 entered into the following agreements: (1) Loan Facility Agreement, (2) Proposed Disposal and (3) Proposed Placement. The salient information of these agreements can be found SGXNET and the Company's web-site.

Since the Company's announcements of the Loan Facility Agreement, Proposed Disposal and Proposed Placement the Company has appointed 3 Peaks Private Limited as the Independent Financial Advisor ("IFA") on 29 November 2018.

On 15 November 2018, SGX-ST queried the Company on the Proposed Disposal and directed that the Company to engage an independent valuer for the disposal Entities. Accordingly, the Company's Audit Committee engaged Censere Singapore Private Limited as the Independent Valuer ("Independent Valuer") on 10 December 2018.

The Independent Valuer has submitted their Valuation Report to the Company's Independent Directors and Audit Committee on 18 February 2019. The complete valuation report was announced on 4 March 2019.

The Company together with its professional advisors expects to submit the draft Circular to Shareholders for SGT-ST's review and approval shortly.

Board of Directors believes that the completion of transactions announced on 9 October 2018, i.e. the Proposed Disposal and Proposed Placement, represents the Company's most best effort to strengthen the Company's financial position, clean up its balance sheet, and return to profitability.

## **2. Legal Suit with Saxo Bank A/S**

On 1 June 2018, the Company received a letter of demand ("LOD") from the solicitors acting on behalf of Saxo Bank A/S ("Saxo Bank") demanding payment of S\$14,689,028.02 from the Company. 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 ("HIC") and Wang Da Investment Limited ("WDA"), and not by the Company itself.

On 24 October 2018, the Company received a writ of summons in the High Court of the Republic of Singapore for a claim by Saxo Bank for a sum of S\$15,020,238.02 from the Company to settle, *inter alia*, the negative account balances under the accounts maintained by HIC and WDA ("the Claim"). The Company has taken legal advice from its solicitors and is disputing the Claim, as it believes that the Claim has no merit. The Company intends to strenuously defend the Claim.

## **3. Resumption of Trading**

The Company had submitted an application to SGX-ST on 19 October 2018 for the resumption of trading in the shares of the Company. On 25 October 2018, SGX-ST notified the Company that its application for trading resumption is premature and rejected for the following reasons:

*"(a) Based on the Company's announcement on 9 October 2018, the Claim by Saxo Bank A/S has not been settled and there was no clarity, based on the Board's conclusion that it can "reasonably assess its financial position", whether and how the Company will be able to operate as a going concern;*

*(b) In the Company's Annual Report, concerns were raised by the Company's independent auditor ("Auditor") in the Auditor's Report dated 12 October 2018, on the Company's investments and opening balances of the Company's financial statements and the Auditor had issued a disclaimer of audit opinion, inter alia, on the appropriateness of its going concern assumption in relation to the Company's financial statements for the 18-Months period ended 30 June 2018 and the Company has not demonstrated that it*

*is able to operate as a going concern;*

*(c) The Company had appointed Provenance Capital Pte Ltd to review its investment process and report on its findings. The report is pending finalisation and has not been announced and the Company should work towards compliance with the notice of compliance; and*

*(d) The Company has not addressed the issues raised by the Auditors and Provenance Capital Pte Ltd in their respective reports to enable the market to operate in a fair, orderly and transparent manner so that investors can make an informed decision about the Company.”*

Except for (a) above, which is a subject of litigation in the Singapore High Courts, the rest of the issues have been fully or partly addressed.

In respect of (b) above on the going concern issue, at the Company’s Annual General Meeting held 30 October 2018, the Company’s Auditor, in response to a shareholder’s query on this matter, replied that the loan of S\$2.5 million announced on 8 October 2018 and the completion of the proposed Disposal and Placement would address any going concern issue. This is also mentioned on Page 24, in the Auditor’s Report 2018.

#### **4. Board of directors makeover**

The “old” members of the board of directors, namely Dato’ Moehamad Izat Emir (“Dato Izat”), Ong Kah Hock (“OKH”), Dr Arslan Koichiev (“Dr Arslan”) and Wong Chin Yong (“WCY”) had decided to resign as directors of the Company to facilitate the impending changes in Company’s shareholding, control and direction.

Dato Izat and Dr Arslan both resigned effective on 21 December 2018. OKH resigned effective on 22 January 2019. WCY resigned as a director effective 29 January 2019 but remains the Chief Executive Officer of the Group.

The current directors are Philip Leng Yew Chee (Lead Independent Director), Chong Chun Chieh and Yeoh Meng Yau. They are all independent non-executive directors.

### **CURRENT OPERATIONS**

The principal activities of the Company are those of investments, 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:

#### **1. Investment Properties**

The Group’s investment properties are (i) ownership of a 48.3 acres (approximately 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, and (iii) 2 shop houses in Sabah, Malaysia.

(a) 48.3 acres industrial land in Tanjung Malim, Perak, Malaysia. Currently, 10 acres of the land is leased.

The Group is in discussion with potential investors to sub-divide and develop the entire site.

(b) condominium apartment in Kuala Lumpur, which is tenanted since January 2019.

(c) 2 shop houses in Sabah, Malaysia. These shop houses are being marketed for sale.

## **2. Other investments & JVs**

The Company's Other Investments are (a) a Chinese JV in China; (b) a microalgae cultivation JV; (c) gold exploration JV in the Kyrgyz Republic, which are subject of the disposal agreement; and (d) the Sawyer Falls property rights in USA.

The Company is considering appropriate action to recover its property rights in the USA and is seeking legal advice from lawyers in the USA.

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  
Chief Executive Officer

25 March 2019