

INNOPAC HOLDINGS LIMITED
(Company Registration Number 197301788K)
(Incorporated in the Republic of Singapore)

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

DISCLAIMER OF OPINION BY THE AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

1. DISCLAIMER OPINION BY THE AUDITOR

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors (the "Board") of Innopac Holdings Ltd (the "Company" and together with its subsidiaries, the "Group") wishes to announce that the Company's independent auditors, have issued a disclaimer of opinion in the Independent Auditor's Report for the audited financial statements of the Company and the Group for financial period ended 30 June 2018 (the "Audited Financial Statements") as set out in the Company and the Group's report for the financial period ended 30 June 2018 (the "FP2018 Report").

A copy of the extracted Independent Auditor's Report and an extract of Note 3(a)(i) – Going Concern Assumption of the Audited Financial Statements are attached to this announcement. Shareholders of the Company are advised to read the Audited Financial Statements in its FP2018 Report, which will be despatched on 15 October 2018.

2. OPINION OF THE BOARD ON GOING CONCERN DISCLAIMER BY THE AUDITOR

The Board has assessed the disclosure as set out in Note 3(a)(i) - Going Concern Assumptions in the FP2018 Report and is satisfied that the plans and proposals therein by the management of the Company have been carefully considered, and while uncertainty exists, are achievable. The Board fully supports the proposals of the management of the Company and is confident that the Group will have sufficient funds necessary to fund the Group's operational requirements for the next 12 months. The Board fully endorses the decision to adopt the going concern assumption in the preparation of the accompanying financial statements for the Company's FP2018 Report.

3. BASIS OF THE BOARD'S OPINION ON GOING CONCERN ASSUMPTION

(a) Ability to meet the Group's obligations as they come due over the next 12 month

The Board has reviewed the Group's cash flow requirements for the next 12 months and with Loan announced on 8 October 2018, there are reasonable grounds to believe that the Company will be able to fund the Company and the Group's operations in the next 12 months.

The Company has on 6 Oct 2018 entered into a loan agreement with Joy Maker International Limited (the "Lender") (the "Loan Agreement"). Pursuant to the Loan Agreement, the Lender has agreed to lend up to \$2,500,000 to the Company (the "Loan"), subject to the terms and on conditions as set out in the Loan Agreement as announced on 8 Oct 2018. The Loan of up to \$2,500,000 is adequate to meet the Group's and the Company's working capital requirements and obligations over the next 12 months;

(b) Net current liability positions of the Group and Company

Whilst the Group's and the Company's current liabilities exceeded their current assets by \$11,339,000 and \$4,835,000 respectively as at 30 June 2018, the Board wishes to highlight the following as disclosed in Note 3(a)(i) and Note 36 to the financial statements of the FP2018 Report:

- (i) The Group's net current liability position of \$11,339,000 as at 30 Jun 2018 is a result of classifying \$12,339,000 owing by two subsidiaries to a single creditor as current liabilities in the Group's balance sheet (Note 19). This creditor had not demanded settlement in the past four financial years. However,

on 1 Jun 2018, the Company received a letter of demand from the solicitor acting for the creditor claiming \$14,689,000 from the Company. The Company had been advised by its lawyers, denies this claim against the Company as it is without merit. The Group is in communication with the creditor and the Board is optimistic that a settlement can be reached; and;

- (ii) The Company announced on 9 October 2018 that it had entered into two separate but inter-conditional agreements on 6 October 2018 relating to the (i) proposed disposal of the Company's entire shareholding interests in certain non-core and non-performing assets for a total sale consideration of \$100,000 ("Proposed Disposal"); and (ii) proposed placement of 8,400,000,000 new ordinary shares of the Company, at an issue price of \$0.001 per share which will raise up to \$8,400,000 in total gross proceeds ("Proposed Placement").

The Proposed Disposal and Proposed Placement are subject to shareholders' approval at an extraordinary general meeting to be convened in due course. Upon approval and subsequent completion of both the Proposed Disposal and Proposed Placement, the Company will receive total gross proceeds of \$8,500,000.

Assuming that the proposed transactions announced on 9 October 2018 were completed on 30 June 2018, the Group's and the Company's current net liability position would have reversed into a net current asset position of \$5,643,000 and \$2,850,000 respectively.

Therefore, the directors are of the view that the Group and the Company are going concerns.

4. OPINION OF BOARD ON OTHER DISCLAIMERS

(i) Recoverability of available-for-sale investment - Sawyer Falls Co, LLC ("SFC")

As disclosed in Note 13 to the financial statements, included in the Group's and the Company's balance sheets is an available-for-sale investment, SFC, amounting to \$4,600,000 as at 30 June 2018.

The Independent Auditor, based on the information available to them have been unable to obtain sufficient appropriate audit evidence to its satisfaction as to the recoverable amount of the investment in SFC and to determine whether any adjustments in respect of the net carrying amount of the Group's and the Company's available-for-sale investments as at 30 June 2018 is necessary.

Management has determined that no impairment loss is required on the Group's and the Company's available-for-sale investment for the current financial period. The Board endorses this view based on the management's plan and proposal for recovery.

(ii) Recoverability of other receivables - amount due from former non-controlling shareholder of Dezhou Sheng Rong Gas Co Ltd ("Sheng Rong")

As disclosed in Note 16 to the financial statements, included in the Group's other receivables as at 30 June 2018 is an amount of \$2,300,000 due from a former non-controlling shareholder of Sheng Rong ("Sheng Rong Receivables").

The Independent Auditor is of the view that the recoverability of the amount due from the former non-controlling shareholder of Sheng Rong is dependent on the realisation of the assigned debt and the property already transferred and other properties yet to be transferred to the Group as full settlement of the amount outstanding or through the proposed disposal of Extera Pte Ltd (holding company of Sheng Rong) as disclosed in Note 36 to the financial statements. The Independent Auditor was unable to obtain sufficient appropriate audit evidence to its satisfaction regarding the certainty, including timing, of the recoverability of the aforesaid amount as well as the appropriateness of the classification of the outstanding other receivables as current assets. Consequently, the Independent Auditor had been unable to determine whether any adjustments to the financial statements of the Group were necessary. The Independent Auditor had been also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverable amount of the investment in the subsidiary (holding company of Sheng Rong) of \$2,317,000 as carried on the Company's balance sheet as at 30 June 2018 (Note 9) and to determine whether any adjustments in respect of the net carrying amount as at 30 June 2018 was necessary.

The Board has decided not to opine on this disclaimer in view of the proposed disposal of Extera Pte Ltd as announced on 9 October 2018.

(iii) Opening Balances

The Group has changed the Independent Auditor for the financial period ended 30 June 2018.

The audit for the financial statements for the financial year ended 31 December 2016 had been audited by the previous independent auditor and contain disclaimer of opinion. Accordingly, the current independent auditor were unable to determine the opening balances as at 1 January 2017 were fairly stated. The management wishes to clarify that opening balances disclaimer will be resolved in the following financial year.

5. CAUTIONARY STATEMENT

The Board wishes to highlight to shareholders and potential investors to read this announcement, the FP2018 Report in its entirety and any further announcements by the Company carefully and to exercise caution when trading or dealing in their shares of the Company. Shareholders and potential investors should seek advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubts about the actions they should take.

BY ORDER OF THE BOARD

Innopac Holdings Limited

WONG CHIN YONG
Chairman & CEO
12 October 2018