



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 Fourth Quarter 2017 (Q4 2017) update to its shareholders and investors as follows:

UNAUDITED FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The Company released the unaudited results for Q4 2017 for the Company and the Group on 12 February 2018. 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\$0.8 million in Q4 2017, an improvement year-on-year from the S\$1.8 million loss in Q4 2016. Loss per share was 0.02 cent in Q4 2017, an improvement year-on-year from 0.05 cent in Q4 2016.

The Company wishes to highlight that as at 31 December 2017, the Group and the Company had a net current liability of about S\$5.4 million and S\$1.1 million respectively. The Group’s net current liability position of S\$5.4 million is primarily due to about S\$12.3 million of trade and other payables to a financial institution incurred by two of the Group’s subsidiaries.

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.

Since the last update, the Company has undertaken a comprehensive review of its investments and had decided not to invest in start-ups. It will instead seek to invest in established businesses with track records of profitability and cash flow. Accordingly, the Company has terminated all its start-up activities, such as the recovered carbon black project.

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 ("Artel"), a Kyrgyz company which has a 63.72 sq. km. gold exploration and exploitation concession in the Kyrgyz Republic. The proposed work program for 2018 shall focus on samples collection, analysis and trial processing of the alluvial deposit.

II. Investment Properties

Tanjong Malim – industrial 99-year leasehold property expiring on 12 February 2106.

The Company through its wholly-owned subsidiary, Awana Rentak Sdn Bhd, owns a 48.4 acres (about 2.1 million square feet) industrial 99-year leasehold land in Tanjong Malim, Perak, Malaysia (the "**Tanjong Malim Land**").

The Tanjong Malim Land is in the vicinity of Proton City, a 4,000 acre township which houses the main car assembly plant of Proton.

In June 2017, Zhejiang Geely Holdings Group acquired 49.9% in Proton, and subsequently has announced plans to ramp up annual production at the Proton City assembly plant to 500,000 cars per annum by 2020.

On 3 Feb 2018, the Malaysian Government launched the National Automotive Cluster @ Proton City, which will comprise of the development of a 1Malaysia Youth City; an Edu City education hub which will be built in the future; a high-tech automotive hub that will encompass green electric car technology, the latest battery technology and artificial intelligence and will also house car assembly facility for global brands and be a centre for production of cars for the export market.

The Malaysian Government expects these new activities to generate 50,000 jobs for Proton alone and 150,000 jobs overall from the National Automotive Cluster that would drive real estate demand due to the significant rise in worker population amid the economic activity in the area.

In view of the major economic developments around the immediate vicinity, the Group is currently conducting a market and feasibility study on the Tanjong Malim Land, and concurrently seeking Joint Venture partners to develop the land into factory lots for sale, so as to realise the potential value of the Company's investment in this land.

III. Other Investments

The Group's other investments are a JV in China, the Sawyer Falls property rights in USA and the microalgae cultivation JV, a condominium apartment in Kuala Lumpur, Malaysia and two shop houses in Sabah, Malaysia. The Company maintains its decision to dispose of these other investments.

In November 2017, the Group sold a condominium apartment, the Cendana, in Kuala Lumpur, Malaysia for a total cash consideration of RM2.5 million. This sale was announced on 30 November 2017.

On 17 January 2018, the Group announced the sale of its entire 35% equity interest in Trackplus Sdn Bhd for a total cash consideration of S\$1.0 million. Trackplus Sdn Bhd is a special purpose vehicle company principally engaged in the business of property development on a parcel of land with an area of approximately 7,863 square meters at Section 13, Shah Alam, Selangor, Malaysia. The sale has since been completed.

IV. Looking Ahead

The Company is actively studying and evaluating several restructuring options to significantly reduce/eliminate the Company's liabilities and put the Company on firm footing for potential business acquisitions and/or substantial transactions, which the Company shall announce as and when they happen.

While the Company expects investments and business conditions to remain challenging, it is optimistic that the Company's plans and strategy will lead it out of the SGX's Watch-Lists.

By order of the Board

INNOPAC HOLDINGS LIMITED

Wong Chin Yong
Chairman & CEO

16 March 2018