INNOPAC HOLDINGS LIMITED
(Company Registration No. 197301788K)

REPLY TO SGX'S QUERIES ON THE COMPANY'S 2 JUNE 2016 ANNOUNCEMENT ON JOINT VENTURE AGREEMENT TO PRODUCE RECOVERED CARBON BLACK FROM END-OF-LIFE TYRES CHAR AND OTHER ECO-WASTE RECYCLING BUSINESS

Innopac Holdings Limited (the "**Company**") refers to the SGX's queries below on the Company's announcement dated 2 June 2016 and replies as follows:

SGX Query 1:

*We refer to the Company's announcement titled: Joint Venture Agreement to produce recovered carbon black from end-of-life tyres char and other eco-waste recycling business on 2 June 2016 (the "**Announcement**").*

Save otherwise defined, all capitalized terms shall have the same meaning as the Announcement.

*In the Announcement, it was disclosed that its wholly-owned subsidiary has "signed a Joint Venture Agreement ("**JVA**") with RC Carbon Sdn Bhd ("**RC Carbon**") (collectively, "the Parties") to set up a Recovered Carbon Black ("**rCB**") production facility (the "**Facility**") to produce rCB from waste, end-of-life tyres ("**ELT**") char through a joint-venture company ("**JVCO**") in Malaysia".*

Please disclose the:-

*a) Percentage of the joint-venture ("**JV**"), the terms of the JVA and the contribution to funding needs of the joint-venture;*

b) Potential buyers of rCB; and

c) Beneficial owners of RC Carbon Sdn Bhd.

Reply 1:

a) As disclosed in paragraphs 3.1 and 3.2 of the Announcement, the JVCO shall have an issued and paid up share capital of MYR1,000,000 and each Party shall subscribe for 500,000 shares at MYR1.00 each in the share capital of the JVCO. Each Party shall own 50% of the JVCO.

   As disclosed in paragraph 3.3 of the Announcement, Awana will provide the JVCO with financing, on commercial terms, of up to US$2.5 million for the set-up cost of and equipment for the Facility.

b) As disclosed in paragraph 1.2 of the Announcement, carbon black users include tyre manufacturers, non-tyre rubber producers and specialty carbon black users such as photocopiers, laser printer toners, other inks, paints, rubber and films. The potential buyers are the players in these industries. The Company is not in the position to disclose in specific at this juncture.

c) RC Carbon has five (5) shareholders who are respectively, citizens of the Republic of Korea (3), (Mr. Yang Kiin, Mr. Lee Seokho, Mr. Kim Nak Kyun) and the United States of America (2) (Mr. Christopher Lee and Mr. Kim Hyungtae). To the best of the Company's knowledge, the shareholders are the beneficial owners.

SGX Query 2:

It was disclosed in the Announcement that the "JVCO will also be providing waste management and recycling solutions, EPC and project management services that meet global environmental regulations, with the primary focus on recovery of valuable by-products and generation of renewable energy". Please:-

a) Define "EPC";

b) Provide the scope of these services that will be provided; and

c) Explain why would companies producing rCB not use in-house expertise and would require such services provided by the JV.

Reply 2:

a) EPC stands for "Engineering, Procurement, and Construction";

b) The scope of services include but are not limited to, design, consult, project development to commissioning and handover of the projects to the owners;

c) rCB is a value-added product produced from ELT char. ELT are processed by pyrolysis to recover oil, steel and char. The pyrolysis process degrades ELT by thermal chemical decomposition in the absence of oxygen to regenerate eco-friendly high value products such as oil, gas, steel, carbon and char that can be recycled. This process differs from companies producing prime carbon black which is produced by an incomplete combustion of petroleum resulting in the release of environmentally damaging gases and pollutes the environment. Given the drive towards environmental protection and sustainability and that carbon black has been identified and linked with climate change and is a possible carcinogen, there are commercial as well as environmental benefits for businesses to outsource the production of this material. The JVCO does not intend to offer its rCB production solution to its customers but will only offer turn-key ELT pyrolysis and other WTE solutions.

SGX Query 3:

It was mentioned in the Announcement that "Current worldwide production of prime carbon black (produced from petroleum) is about 12.1 million metric tons per annum with an estimated commercial value of US$ 12.5 billion. Prime carbon black is produced by an incomplete combustion of petroleum resulting in the release of environmentally damaging gases and it pollutes the environment. However, global demand for carbon black is expected to grow by as much as 4.2% annually".

Please provide the JVCO's capacity, expected production and estimated commercial value.

Reply 3:

The JVCO's Facility would have an estimated capacity of up to 28,800 MT per annum based on a 24 hours x 300 days operations. The JVCO's first year's planned production is 12,000 MT.

Estimated prices of ASTM specifications prime carbon black range between US$700 to US$1,000 per MT, ex-works in the US, Brazil and the EU with quarterly adjustments, whereas Chinese prices are adjusted monthly. The prices for rCB is benchmarked by the price of prime carbon and adjusted for ASTM grades, crude oil prices and other commercial terms to be negotiated with the prospective buyers.

The JVCO's rCB will be customised to the requirements of prospective buyers. The price for the JVCO's rCB to its customers is confidential and any disclosure of the same would tantamount to revealing its trade secrets to competitors and/or potential competitors.

SGX Query 4:

Please disclose the beneficial owners of Anothen WTE Co. Ltd.

Reply 4:

We do not have any knowledge of the beneficial owners of Anothen WTE Co. Ltd. as they are not a party to the JVA or JVCO. Two of the shareholders of RC Carbon were the founding members of Anothen, but they are no longer its shareholders.

SGX Query 5:

In the Announcement, it was disclosed that "Anothen was founded in Korea in 2009 for the engineering and development of technologies for ELT and waste to energy processes". Please:-

a) *Provide details on what Anothen had developed and commercialised in this aspect since 2009; and*

b) Elaborate on Anothen's engineering and development of technologies for ELT and waste to energy processes.

Reply 5:

a) Save for the information in paragraph 2.1 of the Announcement regarding Anothen, the Company has no additional information. Anothen's public information can be found at its website at http://www.anothen.co.kr/english/main/main.html.

b) See reply in 5(a) above.

SGX Query 6:

It was disclosed that "Awana shall provide financing, on commercial terms, of up to US$2.5 million to the JVCO for the set-up cost of the Facility".

a) Please provide the basis for the valuation and how the set-up cost of US$2.5million is reasonable; and

b) We note that the Company only has cash and cash equivalents amounting to S$2.58 million and the Company had reported losses for the past 3 years. Please provide details on how the Company plans to fund this investment and the milestones for the payment.

Reply 6:

a) The set-up cost of US$2.5 million is based on an estimated budget for the construction of the Facility that includes inter alia, the cost of leasing the land, land preparation costs, construction costs for the factory, warehouse and ancillary facilities, equipment, engineering and system integration.

b) As mentioned in paragraph 4 of the Announcement, this investment will be funded from internal resources and/or other sources of financing. Currently, Awana is seeking project financing from financial institutions for the construction of the Facility. The Company is cognizant of its cash position and shall manage its outgoings, ongoing investments and expenses prudently and shall endeavor to secure the most appropriate loan and/or funding arrangements for this project.

A proposed payment milestones for the project is set out below:

i) Setting up of the JVCO – June 2016
ii) Appointment of all directors of the JVCO – July 2016
iii) Secure lease of land for the Facility and commencement of land preparation – end July 2016
iv) Orders and down payments for equipment – August 2016
v) Finalisation of construction plans – August 2016

vi) Progress payments for construction of the Facility – August 2016
vii) Engineering and integration of equipment, system testing – February 2017
viii) Commissioning and completion of the Facility – March 2017

SGX Query 7:

In the Announcement, it was mentioned that "The JVCO shall have four (4) directors, two (2) appointed by Awana and two (2) by RC Carbon".

Please disclose who in the Company will be appointed as directors. Do they have the relevant experience in providing waste management and recycling solutions, EPC and project management services?

Reply 7:

Dato' Moehamad Izat Emir, Chairman of the Company and Mr Wong Chin Yong, Managing Director of the Company, will be appointed as non-executive directors of the JVCO.

Dato' Izat and Mr. Wong's resumes can be found in the Company's website and annual report.

Whilst, Dato' Izat and Mr Wong do not have the relevant experiences in waste management and recycling solutions, EPC and project management services, RC Carbon will, pursuant to the JVA, provide the technical, operations and management expertise to the JVCO.

Mr. Yang Kiin, Managing Director of RC Carbon will be appointed as Executive Director and CEO of the JVCO. Mr. Yang has a BA in Finance from the George Mason University, Virginia, U.S.A. and a BA from University of Birmingham, U.K. Since 2011, he has worked with numerous private and government organisations in Malaysia, Indonesia, Thailand, United Kingdom and Korea in setting up biomass plants, refinery systems, WTE plants and the commercialization, marketing and trading of the related products. RC Carbon's second Director on the JVCO will be nominated and appointed in July 2016.

The Company would like to emphasize that it is an investment and investment holding company and makes investments in businesses and companies, and that this investment is in the normal course of its business.

The Company notes that relevant past experience in a company's business and operations has never been a prerequisite qualification for directorship in any company as the more pertinent consideration is that the directors are cognizant of their fiduciary duties and obligations as directors to the Company and its shareholders.

The Company believes that it is necessary to seek out new businesses and industries that potentially can generate consistent profits and cash flow notwithstanding that it does not have experience in such fields in order to better diversify the business and

other risks associated with its investments. This is in-line with established business practices for investment and investment holding companies.

By Order of the Board
Innopac Holdings Limited

Wong Chin Yong
Managing Director & CEO

Date: 16 June 2016