

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

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

In compliance with Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, Innopac Holdings Limited (the "Company") wishes to announce that the independent auditors of the Company, Moore Stephens LLP (the "Auditors"), have issued a Qualified Opinion in the Independent Auditors' Report for the financial statements of the Group and the Company for the financial year ended 31 December 2015. Please refer to a copy of the aforesaid Independent Auditors' Report, together with the extract of the relevant notes to the Financial Statements, annexed to this announcement for further information.

By Order of the Board
Innopac Holdings Limited

Stanley Chu
Company Secretary
7 April 2016



Independent Auditors' Report

To The Members Of Innopac Holdings Limited

Report on the Financial Statements

- 1 We have audited the accompanying financial statements of Innopac Holdings Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 28 to 95, which comprise the balance sheets of the Group and the Company as at 31 December 2015 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility

- 2 Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

- 6 Our auditors' report dated 8 April 2015 on the financial statements of the previous financial year ended 31 December 2014 contained a disclaimer of opinion in respect of the following matters:
 - a As at 31 December 2014, included in the Company's balance sheet was a cost of investment of S\$17,100,000 (Note 11) in a subsidiary, Extera Pte Ltd ("Extera") and included in the consolidated balance sheet was goodwill of S\$13,709,000 (Note 12) arising from the acquisition of Extera. Management prepared a discounted cash flow ("Forecasts") to determine the recoverable amount of the Company's cost of investment in Extera of S\$17,100,000 and the Group's goodwill of S\$13,709,000 and was of the view that no impairment was necessary.

We were unable to obtain sufficient information from management or obtain other forms of audit evidence concerning the reasonableness of the key assumptions made in the Forecasts. There were no practicable alternative audit procedures that we could carry out to ascertain the reasonableness of those key assumptions used in the Forecasts and to satisfy ourselves that no impairment loss was required for the Company's cost of investment in the subsidiary of S\$17,100,000 (Note 11) included in the Company's balance sheet and the Group's goodwill of S\$13,709,000 (Note 12) included in the consolidated balance sheet as at 31 December 2014.



Independent Auditors' Report

To The Members Of Innopac Holdings Limited

Basis for Qualified Opinion (continued)

- b As disclosed in Note 21 to the financial statements, the Company and the Group had a net trade receivables of S\$30,855,000 as at 31 December 2014 (Note 21) arising from the sale of certain marketable securities of which the counterparty had provided collaterals as part of the sale and purchase agreement. As at 31 December 2014, the Company and the Group made an impairment loss of S\$26,653,000. Management was of the opinion that no further impairment was required.

We were unable to obtain sufficient appropriate audit evidence regarding the reasonableness of the assumptions used to estimate the impairment loss of S\$26,653,000 made in the consolidated statement of comprehensive income, nor were we able to carry out normal audit procedures to satisfy ourselves as to the appropriateness of the net trade receivable of S\$30,855,000 (Note 21) in the balance sheets of the Company and the Group as at 31 December 2014.

- 7 As disclosed in Notes 11 and 12 to the financial statements, the Company and the Group have made an allowance for impairment loss of S\$13,739,000 and S\$13,709,000 to impair the Company's cost of investment in the subsidiary, Extera and the Group's goodwill, respectively for the financial year ended 31 December 2015. Accordingly, the matters referred to in paragraph 6(a) are considered resolved in the current financial year ended 31 December 2015.
- 8 As disclosed in Note 21 to the financial statements, management estimated the value of the trade receivables as at 31 December 2015 based on the market value of the pledged shares and provided a further allowance of impairment of S\$29,524,000 (2014: S\$26,653,000), resulting in a total allowance of impairment of S\$56,177,000 which represented the uncollateralised portion of the trade receivables. The matters referred to in paragraph 6(b) are considered resolved in the current financial year ended 31 December 2015.
- 9 Our opinion on the current year's financial statements is modified for the possible effects of the matters referred to in paragraph 6 on the comparability of the current year's figures and the corresponding figures.

Qualified Opinion

- 10 In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs 6 to 9, the consolidated financial statements of the Group and the balance sheet of the Company, are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

- 11 In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP

Public Accountants and
Chartered Accountants

Singapore
7 April 2016

EXTRACTS OF THE NOTES TO THE FINANCIAL STATEMENTS

11 Subsidiaries

	Company	
	<u>2015</u> S\$'000	<u>2014</u> S\$'000
Unquoted equity shares	27,851	27,866
Less: Allowance for impairment	(17,086)	(3,362)
	10,765	24,504
 <u>Movement in unquoted equity shares:</u>		
	<u>2015</u> S\$'000	<u>2014</u> S\$'000
Balance as at 1 January	27,866	27,866
Voluntary winding up of a subsidiary	(15)	-
Balance as at 31 December	27,851	27,866
 <u>Movement in allowance for impairment are as follows:</u>		
	<u>2015</u> S\$'000	<u>2014</u> S\$'000
Balance as at 1 January	(3,362)	(3,362)
Impairment loss	(13,739)	-
Reversal of impairment loss of subsidiary wound up	15	-
Balance as at 31 December	(17,086)	(3,362)

The Company provided full allowance for impairment on its investments in subsidiaries, namely Jadenworth Holdings Pte Ltd, PG Communications Pte Ltd, Shakey's Holdings Pte Ltd, Wang Da Investments Limited and Inno-Pacific Realty Sdn Bhd in prior years. Shakey's Holdings Pte Ltd has been dormant while Jadenworth Holdings Pte Ltd, PG Communications Pte Ltd, Wang Da Investments Limited and Inno-Pacific Realty Sdn Bhd had been making recurring losses.

The Company provided an allowance for impairment of S\$13,739,000 (2014: nil) to write down its investment in Extera Pte Ltd ("Extera") to its recoverable amount pursuant to the Company's decision to exit the CNG refilling station business in the PRC (Note 12). The recoverable amount of the investment in Extera has been determined based on management's estimation of the fair value of the subsidiary's net assets as at the financial year end. The measurement was categorised as a Level 3 fair value, as defined in Note 40(d) to the financial statements.

11 Subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of Subsidiary/ country of incorporation	Principal activities	Group's effective equity interest	
		2015 %	2014 %
<u>Held by the Company</u>			
Awana Rentak Sdn Bhd ^(a) (“ARSB”) Malaysia	Investment holding	100.0	100.0
Enigma Venture (M) Sdn Bhd ^(a) Malaysia	Investment holding	100.0	100.0
Heritage Investment Corporation ^(b) British Virgin Islands	Investment holding and investment trading	100.0	100.0
Golden Eagle Mining Pte Ltd Singapore	Investment holding	100.0	100.0
Inno-Pacific Realty Sdn Bhd ^(a) Malaysia	Investment property holding	100.0	100.0
Jadensworth Holdings Pte Ltd Singapore	Investment holding and investment trading	100.0	100.0
PG Communications Pte Ltd Singapore	Telecommunication service provider	100.0	100.0
Shakey's Holdings Pte Ltd ^(c) Singapore	Dormant	88.9	88.9
Wang Da Investments Limited ^(b) British Virgin Islands	Investment holding and investment trading	100.0	100.0
Extera Pte Ltd Singapore	Energy and fuel distribution	81.8	81.8
Top-Text Sdn Bhd ^(d) Malaysia	Wound up	-	90.0
<u>Held by Extera Pte Ltd</u>			
Dezhou Sheng Rong Gas Co Ltd (德州胜荣燃气有限公司) ^(e) People's Republic of China	Energy and fuel distribution including compressed natural gas (“CNG”) service provider	73.6	73.6
<u>Held by PG Communications Pte Ltd</u>			
PG Communications Sdn Bhd ^(a) Malaysia	Technology and trading	100.0	100.0
<u>Held by Inno-Pacific Realty Sdn Bhd</u>			
Megan Midas Sdn Bhd ^(a) Malaysia	Investment property holding	100.0	100.0

11 Subsidiaries (cont'd)

Notes on subsidiaries:

All the companies are audited by Moore Stephens LLP except for the subsidiaries that are indicated below.

- (a) Audited by Moore Stephens Associates & Co, Chartered Accountants, Malaysia.
- (b) No audit requirement in the country of incorporation. Audited by Moore Stephens LLP for consolidation purposes.
- (c) Exempted from audit under Section 205B of the Companies Act.
- (d) Top-Text Sdn Bhd has been dormant since the previous year and subsequently wound up in August 2015.
- (e) Audited by 德州信合有限责任会计师事务所, PRC. Audited by Moore Stephens LLP for consolidation purposes.

Interest in subsidiaries with material non-controlling interests

The Group has the following subsidiaries that have material non-controlling interests:

Name of Subsidiary/ country of incorporation	Proportion of ownership interests and voting rights held by non- controlling interests		Loss allocated to non-controlling interests		Accumulated non- controlling interests	
	2015	2014	2015	2014	2015	2014
	%	%	S\$'000	S\$'000	S\$'000	S\$'000
Dezhou Sheng Rong Gas Co Ltd (德州胜荣燃气有限公司) People's Republic of China	10.0	10.0	38	143	-	38
Extera Pte Ltd Singapore	18.2	18.2	140	243	573	713
			178	386	573	751

As disclosed in Note 22, during the current financial year, the non-controlling shareholder of Dezhou Sheng Rong Gas Co Ltd ("Sheng Rong") has agreed to liquidate its 10% equity interests in Sheng Rong by transferring it to an unrelated third party to be appointed by Sheng Rong.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

11 Subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interests (cont'd)

Sheng Rong

	<u>2015</u> S\$'000	<u>2014</u> S\$'000
Current assets	3,968	7,432
Non-current assets	1	-
Current liabilities	(3,471)	(6,095)
Equity attributable to owners of the Company	498	1,211
Non-controlling interests	-	126

Extera

	<u>2015</u> S\$'000	<u>2014</u> S\$'000
Current assets	640	637
Non-current assets	3,466	3,783
Current liabilities	(45)	(38)
Equity attributable to owners of the Company	3,488	3,585
Non-controlling interests	573	797

Sheng Rong

	<u>2015</u> S\$'000	<u>2014</u> S\$'000
Revenue	-	485
Expenses	(872)	(1,085)
Loss for the year	(872)	(600)
Loss attributable to owners of the Company	(834)	(543)
Loss attributable to the non-controlling interests	(38)	(57)
Total comprehensive loss for the year	(872)	(600)
Total comprehensive loss attributable to owners of the Company	(834)	(543)
Total comprehensive loss attributable to the non-controlling interests	(38)	(57)
Dividends paid to non-controlling interests	-	-
Net cash outflow from operating activities	(411)	(212)
Net cash outflow from investing activities	-	(181)
Net cash inflow from financing activities	-	-
Net cash outflow	(411)	(393)

11 Subsidiaries (cont'd)

Extera

	<u>2015</u> S\$'000	<u>2014</u> S\$'000
Revenue	-	-
Expenses	(321)	(867)
Loss for the year	(321)	(867)
Loss attributable to owners of the Company	(181)	(709)
Loss attributable to the non-controlling interests	(140)	(158)
Total comprehensive loss for the year	(321)	(867)
Total comprehensive loss attributable to owners of the Company	(181)	(709)
Total comprehensive loss attributable to the non-controlling interests	(140)	(158)
Dividends paid to non-controlling interests	-	-
Net cash outflow from operating activities	-*	(4)
Net cash outflow from investing activities	-	-
Net cash inflow from financing activities	-	-
Net cash outflow	-*	(4)

*Below \$1,000.

12 Goodwill

The Company has determined and recognised goodwill of S\$13,709,000 as the excess of the value of the purchase consideration over the value of the net identifiable assets on completion of the acquisition of Extera in prior years. The principal activity of Extera is that of an investment holding company and its sole investment is its 90% equity interest in Sheng Rong. Sheng Rong is principally engaged in the ownership and operation of CNG refilling stations and natural gas supply and distribution business in Shandong province, PRC.

The purchase consideration was arrived at after taking into consideration, inter alia, the then contemplated plans and its growth potential in the natural gas distribution business in the PRC. The CNG refilling station business have become very competitive due to the entrance of state-owned oil and gas companies into the retail CNG refilling station business. The Company, after due consideration of the dim prospects of the CNG refilling station business, its business plan and strategy, decided to exit the CNG refilling station business in the PRC. Accordingly, management provided full impairment on the goodwill of S\$13,709,000.

21 Trade Receivables

	Group		Company	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Third parties	57,509	57,509	57,508	57,508
Less: Allowance for impairment	(56,177)	(26,653)	(56,177)	(26,653)
	<u>1,332</u>	<u>30,856</u>	<u>1,331</u>	<u>30,855</u>

Trade receivables from third parties are non-interest bearing and repayable within the normal trade credit term of 30 days (2014: 30 days). Included in the trade receivables is the amount due from the counterparty on the sale of Securities.

In 2013, the Company entered into a Sale and Purchase Agreement (“S&P”) to sell certain marketable securities for S\$65,460,000. The counterparty paid S\$7,200,000 in cash. The completion of the S&P was to take place on or before 31 December 2013. The completion did not take place by 31 December 2013 and the Group did not deliver the Securities to the counterparty by 31 December 2013.

On 31 December 2014, the Company entered into a further agreement with the counterparty to repurchase the Securities for S\$752,500. The balance of receivable was S\$57,507,500 as at 31 December 2014. The counterparty provided collaterals by way of third party pledged shares in another Singapore listed company (“Pledged Shares”) but these were returned to the counterparty in 2014 and the counterparty provided a Deed of Shares Pledge for 25,000 shares, representing 50% of the issued share capital, of an overseas private company held under an escrow arrangement in favour of the Company as additional collateral until the settlement of the S\$57,507,500. The Company was of the opinion that these 25,000 shares have a value in excess of the estimated value of the Pledged Shares as at 31 December 2014. The counterparty agreed to settle in cash the balance of receivable by 30 September 2015. On 30 September 2015, the Company entered into an agreement with the counterparty to extend the settlement date to 30 September 2016.

Though the Pledged Shares had not been returned to the Company by 31 December 2015, and the Company continues to hold the 25,000 shares in an overseas private company as collateral for the debt as at 31 December 2015, the Company has always considered the Pledged Shares as the primary collateral for the debt owed by the counterparty. The management estimated that the value of the Pledged Shares as at 31 December 2015 amounted to S\$1,331,000 (2014: S\$30,855,000) and made a further allowance of impairment of S\$29,524,000 (2014: S\$26,653,000), resulting in a total allowance of impairment against this receivable of S\$56,177,000, which represented the uncollateralised portion of receivable due from the counterparty. The Company has not taken into consideration the value of the 25,000 shares in the overseas private company as there is limited marketability for these shares.

Subsequent to the financial year, the counterparty returned the Pledged Shares to the Company in addition to the 25,000 shares of the overseas private company as collaterals. The Pledged Shares and the 25,000 shares in the overseas private company are held under escrow arrangements in favour of the Company. The escrow arrangements will be terminated when S\$57,507,500 has been fully settled.

21 Trade Receivables (cont'd)

Trade receivables that are less than five months past due are not considered as impaired. As at 31 December 2015, the Company has provided an impairment of S\$29,524,000 (2014: S\$26,653,000) for trade receivable related to the S&P.

Movements in allowance for impairment on trade receivables are as follows:

	Group		Company	
	<u>2015</u> S\$'000	<u>2014</u> S\$'000	<u>2015</u> S\$'000	<u>2014</u> S\$'000
As at 1 January	26,653	15	26,653	-
Addition during the financial year	29,524	26,653	29,524	26,653
Reversal during the financial year	-	(15)	-	-
As at 31 December	<u>56,177</u>	<u>26,653</u>	<u>56,177</u>	<u>26,653</u>

Trade receivables are mainly denominated in Singapore dollar (2014: Singapore dollar).