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 2016

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 disclaimer of opinion in the Independent Auditors' Report for the financial statements of the Company and the Group for the financial year ended 31 December 2016. Please refer to a copy of the aforesaid Independent Auditors' Report, together with the extract of the relevant notes to the Financial Statements, and the Board of Directors Opinion on the Independent Auditors' Report for further information.

By Order of the Board
Innopac Holdings Limited

Stanley Chu
Company Secretary
8 April 2017

INDEPENDENT AUDITOR'S REPORT

To The Members Of Innopac Holdings Limited

Report on the Audit of the Financial Statements

We were engaged to audit the financial statements of Innopac Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016, 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 notes to the financial statements, including a summary of significant accounting policies.

Disclaimer of Opinion

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Recoverability of Other Receivables - Amount Due from Non-controlling Shareholder of Dezhou Sheng Rong Gas Co Ltd ("Sheng Rong")

   As disclosed in Note 21 to the financial statements, included in the Group's other receivables is an amount of S$2,300,000 due from a shareholder of Sheng Rong, a subsidiary of the Company, as at 31 December 2016. Assigned debts totalling S$1,300,000 and a property worth S$104,000 have since been transferred to Sheng Rong and a trustee appointed by the Group respectively, in consideration of the repayment of this amount. Other properties forming part of the collateral to the debt have yet to be transferred. The recoverability of the amount due from this 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. We are unable to obtain sufficient appropriate audit evidence, nor are we able to carry out alternative audit procedures, to satisfy ourselves regarding the certainty of the recoverability of the aforesaid amount. Consequently, we are unable to determine whether any adjustment to the financial statements was necessary.

2. Recoverability of Investments in Joint Ventures – Malaysian Microalgae Enterprise Sdn. Bhd. ("Malaysian Microalgae") and Artel Trade LLC ("Artel")

   As disclosed in Note 16 to the financial statements, included in the Group's and Company's balance sheets is an investment in joint venture, Malaysian Microalgae, of S$6,000,000. In addition, included in the Group's investments in joint ventures of S$6,767,000, is an investment in joint venture, Artel, of S$767,000 as at 31 December 2016.

   Management has prepared discounted cash flows ("Forecasts") to determine the recoverable amount of the investments in Malaysian Microalgae and Artel, and is of the view that no allowance for impairment for these investments is necessary.

   However, as the management was unable to provide sufficient documentary support for certain key assumptions made in the Forecasts, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverable amounts of the investments in Malaysian Microalgae and Artel. Consequently, we are unable to determine whether any adjustment to the financial statements was necessary.

INDEPENDENT AUDITOR'S REPORT

To The Members Of Innopac Holdings Limited

Basis for Disclaimer of Opinion *(cont'd)*

3. Recoverability of Amount Due from a Subsidiary – Golden Eagle Mining Pte Ltd ("GEM")

   As at 31 December 2016, included in the amounts due from subsidiaries (Note 21) is an amount due from GEM of S$802,000. Management has assessed the recoverability of this amount and is of the view that no allowance for impairment is necessary.

   However, we are not able to obtain sufficient appropriate audit evidence to support management's view in this regard. Consequently, we are unable to determine whether any adjustment to the financial statements was necessary.

4. Appropriateness of Going Concern Assumption

   As disclosed in Note 2(b) to the financial statements, the Group incurred a total loss of S$3,361,000 and a total comprehensive loss of S$3,533,000 for the financial year ended 31 December 2016. As at 31 December 2016, the Group's and the Company's current liabilities exceeded their current assets by S$10,029,000 and S$5,487,000 respectively.

   These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concern and to realise their assets and discharge their liabilities in the ordinary course of business.

   Management has prepared the financial statements on a going concern basis on the assumption that the Group and the Company will continue as going concerns. The ability of the Group and the Company to continue as going concerns is dependent on certain assumptions and the successful outcome of the various efforts by the Group disclosed in Note 2(b) to the financial statements, the outcome of which is inherently uncertain.

   In the light of the material uncertainties discussed above, we do not have sufficient audit evidence regarding the use of the going concern assumption in the preparation of the financial statements. Consequently, we are unable to form a view as to the use of the going concern assumption in the preparation of these financial statements.

   In the event the Group and the Company are unable to continue in existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

Responsibilities of Management and Directors for the Financial Statements

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 Financial Reporting Standards in Singapore (the "FRSs"), 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To The Members Of Innopac Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company in accordance with Singapore Standards on Auditing ("SSAs") and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the effects of matters described in the *Basis for Disclaimer of Opinion* section of our report, 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.

The engagement partner on the audit resulting in this independent auditor's report is Lao Mei Leng.

Moore Stephens LLP

Public Accountants and
Chartered Accountants

Singapore
8 April 2017

EXTRACTS OF THE NOTES TO THE FINANCIAL STATEMENTS

2 Significant Accounting Policies

(b) Going Concern Assumption

The Group incurred a total loss of S$3,361,000 (2015: S$49,162,000) and a total comprehensive loss of S$3,533,000 (2015: S$50,581,000) for the financial year ended 31 December 2016. As at 31 December 2016, the Group's and the Company's current liabilities exceeded current assets by S$10,029,000 (2015: S$575,000) and S$5,487,000 (2015: current assets exceeded current liabilities by S$2,311,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concern and therefore they may not be able to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, in the preparation of the financial statements, management believes that the use of the going concern assumption is appropriate after taking into consideration the following factors:

The Board of Directors (the "Board") has reviewed the Group's financial position, and in particular the valuation of its assets. The valuation of the Group's investment properties and available-for-sale investments are fully supported by valuations from independent professional valuers using established valuation methodologies, and the carrying value of some of these assets has been recorded at a figure lower than the value indicated in the professional valuation reports on a prudent basis. The Group has been in negotiations with potential buyers and property agents to sell these assets in 2016. The Board believes that it will not be in the best interest of the Group to put these assets on fire sale under the current market condition, but expects that these assets can be sold at or close to their fair value in due course to raise cash for the Group's operation.

The Group has also applied to banks and financial institutions for financing facility against the assets pending their sale. At this stage, there is no written commitment from any of these banks or financial institutions that such facility will be granted. It is unlikely that these applications will be completed in the near term. The Board is also pursuing alternative sources of funding in the event that the financing facility is not forthcoming but have not secured any commitment yet.

The Board believes that the Group can commence operations its joint ventures with the necessary finance raised. The joint ventures should then generate positive cash flows for the Group.

The Board is also in discussion with one of its major creditors to defer settlement of the Group's outstanding liabilities. As at 31 December 2016, the Group owes this creditor S$12.3 million which is classified as current liabilities. This S$12.3 million liability is the major factor that resulted in the Group's balance sheet to be in a net current liability position. This creditor has been very supportive and has not demanded settlement for the last three years. Based on their past behaviour and the Group's on-going communication with them, the Board is confident that this creditor will not demand account settlement within 12 months from the date of this Report. Had this liability of S$12.3 million been reclassified under non-current liabilities, the Group would have been in a net current assets position of S$2.3 million instead. The discussion is on-going, and the Board is optimistic that a mutually agreeable solution can be concluded.

Meanwhile, the Company has also instituted measures to preserve cash.

(b) Going Concern Assumption (cont'd)

Based on the Group's total assets and total liabilities of S$26.8 million and S$14.5 million respectively as at 31 December 2016 and the above-mentioned measures the Group is taking, the Board has reasonable grounds to believe that the Group shall have adequate resources to continue its operations for the foreseeable future. For these reasons, the Company continues to adopt the going concern basis of accounting in the preparation of the annual financial statements.

16 Investments in Joint Ventures

Details of the Group's and Company's joint ventures at the end of the reporting period are as follows:

Name of joint venture/ country of incorporation	Principal activities	Group's effective equity interest	
		2016	2015
		%	%
Held by the Company			
Malaysian Microalgae Enterprise Sdn Bhd [(a)] , Malaysia	Commercial cultivation of microalgae and its downstream activities	70.0	70.0

Name of joint venture/ country of incorporation	Principal activities	Group's effective equity interest	
		2016	2015
		%	%
Held by Golden Eagle Mining Pte Ltd			
Artel Trade LLC [(b)] The Kyrgyz Republic	Minerals exploration and mining	50.0	50.0
Held by the Awana Sdn Bhd			
Superior Carbontech & Solutions Sdn Bhd [(c)] , Malaysia	Recovery of valuable by-products and generation of renewable energy	50.0	-

These joint ventures have yet to commence operations as at 31 December 2016.

The above joint ventures are accounted for using the equity method in these consolidated financial statements.

16 Investments in Joint Ventures (cont'd)

(a) On 22 September 2015, the Company entered into a Joint Venture Agreement with Primeforth Renewable Energy Limited ("Primeforth"), to establish a microalgae cultivation and oil extraction project through a Singapore-incorporated company. Subsequently, the Company acquired an equity interest in Malaysian Microalgae Enterprise Sdn Bhd ("Malaysian Microalgae") (with no assets and no liabilities) with the intended principal business in the commercial cultivation of microalgae and related downstream activities in Malaysia. On 21 January 2016, the Company signed a supplemental agreement with Primeforth to provide that a private limited company be incorporated in Singapore or in Malaysia as the case may be, and that the first facility shall be located in Malaysia. Malaysian Microalgae is envisaged to be the entity to undertake the microalgae cultivation and oil extraction project. On 11 October 2016, the Company had signed an engineering, procurement and construction ("EPC") agreement with Primeforth for the construction of the microalgae facility. In the agreement, it is stated that the project is to be rolled out in three phases with the Company committed to invest and fund of US$4.5 million, US$3.0 million and US$5.0 million for Phase 1, 2 and 3 of the project respectively. Accordingly, the Group has funded S$6.0 million for Phase 1 of the project. This funding has been used for land and site preparation, purchase of microalgae seeds, tanks, piping and other equipment for the microalgae facility.

(b) On 15 April 2015, Golden Eagle Mining Pte Ltd ("Golden Eagle Mining"), a wholly owned subsidiary of the Company, acquired a 50% interest in an unincorporated joint venture ("UJV") in the gold exploration and exploitation concession which is owned by Artel Trade LLC ("Artel") for US$400,000 from an unrelated Kyrgyz person who was the sole shareholder of Artel, a company incorporated in the Kyrgyz Republic. Artel is the owner of a gold exploration and exploitation concession and the exploration licences in the Kyrgyz Republic. Subsequently, in 2016, the Group's 50% interest in the UJV was converted into the issued share capital of Artel. As at 31 December 2016, Golden Eagle Mining owned 50% of the issued share capital in Artel. Golden Eagle Mining has funded US$150,000 of Artel's 2015 work program as of 31 December 2016 (31 December 2015: US$100,000). Artel is 50% owned by Golden Eagle Mining, 25% is owned by Mr Wong Chin Yong, CEO of the Company, with the balance 25% owned by the unrelated Kyrgyz person. Artel's work program in financial year 2016 has been limited to mapping and data analysis by Artel's local geologist, who has identified two areas within the concession for further exploration in 2017.

(c) On 2 June 2016, Awana Rentak Sdn Bhd ("Awana"), a wholly owned subsidiary of the Company, entered into a joint venture agreement with RC Carbon Sdn Bhd to set up a Recovered Carbon Black ("rCB") production facility to produce rCB from waste, end-of-life tyres char through a joint venture company in Malaysia. During the financial year 2016, Awana cquired a 50% equity interest in Superior Carbontech & Solutions Sdn Bhd ("Superior Carbontech"), a joint venture company with RC Carbon Sdn Bhd. The management expects Superior Carbontech to begin operation in 2017. The Group has been seeking for the necessary financing for the project. It is expected that the Facility will be completed, commissioned and should commence operations within 6 months after the necessary financing has been obtained.

These investments have been accounted for as joint arrangements as decisions relating to the joint arrangement activities require unanimous consent from all parties. They are classified as joint ventures as the joint arrangements provide the Group with rights to the net assets of the arrangements.

16 Investments in Joint Ventures (cont'd)

	Group		Company	
	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Cost of investments in joint ventures	6,789	707	6,000	*
Share of losses of joint ventures	(22)	-	-	-
Interests in joint ventures	6,767	707	6,000	*

*Less than S$1,000

As Malaysian Microalgae has not commenced its operation in 2016, apart from the S$6,000,000 funding for phase 1 of the project provided by the Group, its financial information is not material to be disclosed.

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with International Financial Reporting Standards.

Artel Trade LLC

Summarised statement of financial position

	2016 S$'000	2015 S$'000
Current assets	**217**	141
Total assets	**217**	141
Current liabilities	**(257)**	(168)
Total liabilities	**(257)**	(168)
Net liabilities	**(40)**	(27)

Summarised statement of comprehensive income

	2016 S$'000	2015 S$'000
Revenue	**-**	-
Operating expenses	**(12)**	(25)
Interest expense	**-**	-
Loss before tax	**(12)**	(25)
Other comprehensive income	**-**	-
Total comprehensive loss	**(12)**	(25)

16 Investments in Joint Ventures (cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2016	2015
	S$'000	S$'000
Net liabilities of the joint venture	**(40)**	(27)
Proportion of the Group's ownership interest in the joint venture	**50%**	-*
Share of net liabilities of the joint venture	**(20)**	-
Cost of acquisition paid to owners of the Company	**546**	546
Funding provided	**243**	161
Carrying amount of the Group interest in the joint venture	**769**	707

* No share of results is recognised in 2015 as the Group's interest in Artel was only converted to shares of Artel in 2016.

21 Other Receivables and Prepayments

	Group		**Company**	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Other receivables				
- third parties	3,418	3,783	342	604
- joint ventures	3	-	3	-
Allowance for impairment	(1,036)	(153)	(269)	-
	2,385	3,630	76	604
Amounts due from subsidiaries	-	-	29,266	30,190
Allowance for impairment	-	-	(26,539)	(27,786)
	-	-	2,727	2,404
Deposits	36	51	33	33
Prepayments	30	39	10	10
	2,451	3,720	2,846	3,051

21 Other Receivables and Prepayments (cont'd)

Other receivables include an amount of S$2,300,000 (equivalent to RMB11,000,000) due from the non-controlling shareholder of Sheng Rong pursuant to the recovery of payments made by Sheng Rong for the CNG station. In 2015, the non-controlling shareholder had agreed to pay Sheng Rong by transferring several properties in the PRC totalling S$1,000,000 (equivalent to RMB5,000,000) and assignment of debts totalling S$1,300,000 (equivalent to RMB6,000,000). The non-controlling shareholder also agreed to surrender its 10% equity interest in Sheng Rong (Note 13). The receivable is personally guaranteed by the owner of the non-controlling shareholder. In May 2016, Sheng Rong had initiated legal action against various parties including the non-controlling shareholder of Sheng Rong and owners of properties (which are pledged as collaterals for the receivables) for enforcement of recovery of the receivables. In Dec 2016, the Chinese Court ruled in favour of Sheng Rong's application requiring these various parties to fulfil their obligations and penalty payment for delay in transfer of properties to Sheng Rong. The non-controlling shareholder appealed the court decision on late payment penalty. The resolution of the lawsuit is currently pending the appeal process.

As at 31 December 2016 and 2015, the assignment of debts totalling S$1,300,000 (equivalent to RMB6,000,000) and only one property worth S$104,000 (RMB500,000) have been transferred to Sheng Rong and a trustee appointed by the Group respectively.

Other receivables and amounts due from subsidiaries are interest-free, unsecured and repayable on demand.

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

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
As at 1 January	153	153	-	-
Addition during the year	883	-	269	-
As at 31 December	1,036	153	269	-

An allowance for impairment is made for estimated irrecoverable amounts from other receivables and amount due from subsidiaries and determined by reference to the financial position and repayment capability of the other receivables and subsidiaries.

Other receivables which are less than 1 year are not considered as past due.

Movements in allowance for impairment on amounts due from subsidiaries are as follows:

	Company	
	2016	2015
	S$'000	S$'000
As at 1 January	27,786	28,546
Addition during the year	272	106
Written off during the year as uncollectible	(1,450)	-
Reversal during the year	(69)	(866)
As at 31 December	26,539	27,786

During the financial year 2016, S$1,450,000 (2015: S$Nil) due from a subsidiary has been waived, and there was a reversal of S$69,000 (2015: SS$866,000) arising from settlement by a subsidiary of debts previously considered as impaired.

21 Other Receivables and Prepayments (cont'd)

Receivables that are impaired

At the end of the financial year, the Company has provided impairment loss of S$26,539,000 (2015: S$27,786,000) for advances due from its subsidiaries. Its subsidiaries have been suffering financial losses for the current and past financial years.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. Except as disclosed in Note 20, the Group does not hold any collateral.

Other receivables and prepayments are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Singapore Dollar	122	560	2,846	2,451
Chinese Renminbi	2,309	2,545	-	-
United States Dollar	-	600	-	600
Malaysian Ringgit	20	15	-	-
	2,451	3,720	2,846	3,051