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 YEAR ENDED 31 DECEMBER 2016

1. DISCLAIMER OPINION BY THE AUDITORS

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, Moore Stephens LLP, have issued a disclaimer of opinion in the Independent Auditors' Report for the audited financial statements of the Company and the Group for financial year ended 31 December 2016 (the "Audited Financial Statements") as set out in the Company and the Group's annual report for the financial year ended 31 December 2016 (the "FY2016 Annual Report").

A copy of the extracted Independent Auditors' Report and an extract of Note 2(b) - *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 2016 Annual Report, which will be despatched by 13 April 2017.

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

The Board has assessed the relevant disclosure as set out in Note 2(b) - *Going Concern Assumption* in the 2016 Annual Report and is satisfied that the plans and proposals therein by the management of the Company have been carefully considered, and while a material uncertainty exists, are attainable. The Board fully supports the proposals of the management of the Company and is confident that the Group will be able to raise 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 FY2016 Annual Report.

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

The Board has reviewed the Group's cash flow requirements for the next 12 months and the fund raising initiatives and believe that although uncertainties exist, there are reasonable grounds to believe that the Company will be able to raise sufficient funds to enable the Group to fund its operations in the next 12 months.

Whilst the Group's and the Company's current liabilities exceeded their current assets by S$10,029,000 and S$5,487,000 respectively as at 31 December 2016, the Board wishes to highlight the following:

(i) A major creditor of the Group has a claim of S$12.3 million which accounts for 87.2% of the Group total current liability. This creditor has not made demand for the repayment since the debt arose more three years ago in 2013. Furthermore, interest on the outstanding principal was frozen in 2016 at the request by the Company's management. The

management has been in discussion/negotiation with this creditor of this Group debt and is optimistic that a mutually agreeable solution can be concluded.

If this creditor of the Group's debt is deferred for the next 12 months and reclassified from current liability to non-current liability, the Group net current assets will exceed its net current liability by S$2.3 million as at 31 December 2016.

(ii) The Group had total assets and total liabilities of S$26.8 million and S$14.5 million respectively as at 31 December 2016.

Whilst the Auditor of the Company has made disclaimers on some of the Group assets, which the Board does not agree, the Group had total assets exceeding total liabilities by S$12.2 million as at 31 December 2016.

The Group's total assets comprise of (i) investment properties as described in Note 15 amounting to S$9.7 million, (ii) investments in Joint Venture amounting S$6.8 million as described in Note 16, (iii) available-for-sale investments as described in Note 17 amounting to S$6.1 million, (iv) other receivables and prepayments as described in Note 21 amounting to S$2.5 million and (v) cash and cash equivalent amounting to S$1.6 million.

The Group's investment properties and available-for-sale investments as described in Note 15 and 17 (see extract below) of the Financial Statements total of S$22.6 million are supported and based on valuations by independent professional valuers.

4. OPINION OF BOARD ON OTHER DISCLAIMERS

(i) The Auditor's disclaimer on the *"Recoverability of amount due from non-controlling shareholder of Dezhou Sheng Rong Gas Co Ltd ("Sheng Rong")* is in regards of S$2,300,000 debt due to Sheng Rong from the non-controlling shareholder.

As disclosed in Note 21 of the Financial Statements the non-controlling shareholders has transferred assigned debts totalling S$1,300,000 and one property worth S$104,000 to a trustee appointed by the Group as part settlement of the debt. Properties worth about S$896,000 which will fully satisfy the debt have yet to be transferred to the Group. As disclosed in Note 21 Sheng Rong has obtained a favourable judgment from the Courts of the People's Republic of China in favour of Sheng Rong that requires the non-controlling shareholders and various parties to fulfil their obligations and to pay a penalty to Sheng Rong for delay in the transfer of the properties. The non-controlling shareholder has appealed the court decision on the late penalty award. The resolution of the lawsuit is currently pending the appeal process.

The Group has obtained independent valuations on the properties posted as collaterals under the assigned debts, the transferred property and the properties that have yet to be transferred. These valuations are in excess of S$2,300,000.

Whilst, the Board is cognizant that there is an uncertainty of the full recovery and realisation of the assigned debt and properties, it is of the opinion that the value of the assigned debt which is mortgages on properties and (real) properties will not be zero.

(ii) The Auditor's disclaimer on "*Recoverability of Investments in Joint Ventures – Malaysian Microalgae Enterprise Sdn Bhd ("Malaysian Microalgae") and Artel Trade LLC ("Artel"),* pertains to a total investment of S$6,767,000.

As disclosed in Note 16 of the Financial Statements, the Company paid a total of S$6,000,000 to the EPC contractor for its investment in Malaysian Microalgae. The EPC is for site preparation, design, engineering, supply and construction, commissioning, testing and delivery of microalgae cultivation and microalgae oil recovery facility in Malaysia.

The Board wishes to note that this is an investment in Joint-Venture and whilst the management has provided discounted cash flows ("Forecasts") to determine the recoverability of the amount of investment, the Board is of the opinion that it should be the fair value of the investment.

Furthermore, the Board wishes to note that the EPC contract is still work-in-progress and it is premature to assess this investment on such basis. This is analogous to assessing the recoverability of a factory under construction.

As disclosed in Note 16 of the Financial Statements, the Company's wholly-owned subsidiary, Golden Eagle Mining Pte Ltd, has a 50% equity interest in Artel and its assets and business is disclosed in the same Note of the Financial Statements.

The investment in Joint Venture in Artel is S$767,000.

The Board wishes to note that Artel is the licensed owner of a mining concession and exploration expenditure are capitalised until clear evidence of no prospect, relinquishment of the license or abandonment of the project.

Whilst there may be challenges to the management assumptions by the Auditor, the Board is of the opinion that it is premature to make this assessment for both Malaysian Microalgae and Artel.

(iii) The Auditor's disclaimer on *Recoverability of amount from a subsidiary – Golden Eagle Mining Pte Ltd (GEM)* amounting to S$802,000

The Board wishes to note and highlight that GEM is a special purpose vehicle company to own the shares in Artel (discussed above).

And for avoidance of doubt, the investment in Joint Venture in Artel of S$767,000 is included in the S$802,000 due from GEM to the Company.

5. CAUTIONARY STATEMENT

The Board wishes to highlight to shareholders and potential investors to read this announcement, the 2016 Annual 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

Managing Director

8 April 2017

EXTRACTS OF THE NOTES TO THE FINANCIAL STATEMENTS

15 Investment Properties

	Group	
	2016	2015
	S$'000	S$'000
Fair Value		
As at 1 January	9,540	11,803
Disposal	-	(201)
Fair value gain	383	43
Foreign currency translation difference	(216)	(2,105)
As at 31 December	9,707	9,540

(a) As disclosed in Notes 3(b)(iv), the fair value of the Tanjong Malim land as at 31 December 2016 was determined by an independent professional valuer with recent experience in the locale and type of the investment properties on 13 January 2017. The valuation was arrived at by reference to market evidence of transaction prices for similar properties, and was performed in accordance with International Valuation Standards. In estimating the fair value of the properties, the valuer adopted the Comparison Method of Valuation. There has been no change to the valuation technique during the year. The land is a 99 years leasehold property expiring on 12 February 2106. There is no significant change in the fair value since 31 December 2015.

(b) The Group had acquired certain residential and commercial properties as investment properties. The Group's investment properties are held for income and capital gain. The fair value of the Group's residential and commercial properties as at 31 December 2016 has been arrived at based on valuations carried out by independent professional valuers. The valuer adopted the Comparison Method in valuing the properties and the valuation was based on the recent transaction records of comparable properties in the locality and was performed in accordance with International Valuation Standards. There is no significant change in the fair value since 31 December 2015.

The fair value of investment properties is classified under Level 2 of the fair value hierarchy, as defined in Note 38(d) to the financial statements.

No significant direct operating expenses have been incurred for these investment properties. Descriptions of the investment properties are as follows:

	Name of property	Area	Existing use	Tenure
(a)	Tanjong Malim Land, Malaysia	2,103,948 sq. ft.	Industrial	99 year lease (unexpired term 90 years)
(b)	Unit 33-02 Cendana Condominium, Kuala Lumpur, Malaysia	4,488 sq. ft.	Residential	Freehold
(c)	Unit 18-03 Clear Water Residence, Kuala Lumpur Malaysia	3,283 sq. ft.	Residential	Freehold
(d)	Lot A-2, Tamam Sungai Mas, Sabah, Malaysia	1,070 sq. ft.	Shop	999 year lease (unexpired term 899 years)
(e)	Lot A-3A, Tamam Sungai Mas, Sabah, Malaysia	1,070 sq. ft.	Shop	999 year lease (unexpired term 899 years)

17 Available-for-Sale-Investments

	Group and Company	
	2016	2015
	S$'000	S$'000
As at 1 January	17,852	17,852
Allowance for impairment	(11,710)	(11,710)
As at 31 December	6,142	6,142

Movement in allowance for impairment is as follows:

	Group and Company	
	2016	2015
	S$'000	S$'000
As at 1 January and 31 December	11,710	11,710

Available-for-sale investments comprise the following:

	Group and Company	
	2016	2015
	S$'000	S$'000
Right to receive net proceeds from 60 finished lots of land [Note (i)]	4,600	4,600
Investment in unquoted shares [Notes (ii), (iii)]	1,542	1,542
	6,142	6,142

(i) the Group's and the Company's rights to receive the net proceeds of 60 finished lots of land situated at Sawyer Falls, Pierce County, Washington State, USA amounts to S$4,600,000;

(ii) the Group and the Company had made full allowance for impairment of S$1,400,000 for its investment in Grand Prosper as its operations in the PRC has not been successful; and

(iii) the Group's and the Company's equity investment in Trackplus was previously classified as asset held-for-sale but since the Group has not sold Trackplus, it was re-classified to available-for-sale investments in 2012.

Net proceeds of 60 finished lots of land situated at Sawyer Falls, Pierce County, Washington State, United States of America

On 18 July 2001, the Company entered into an agreement to purchase 16.7% of the common equity in SFC from 2 of SFC's shareholders for a total consideration of US$1.2 million. SFC is a special purpose vehicle company and owns only the rights to net proceeds of 85 finished lots of property in Falling Water District, Pierce County, Washington. As at 31 December 2016, the Company owns 66.7% (2015: 66.7%) equity interest in SFC.

Although the Company acquired and holds more than 50% equity interest in SFC, this investment has been classified as an available-for-sale investment instead of investment in subsidiary or investment in associate as the Company has no power to exercise significant influence in its financial and operating policy decisions as defined in FRS 28 *Investments in Associate and Joint Ventures,* FRS 110 *Consolidated Financial Statements and* FRS 111 *Joint Arrangements.*

17 Available-for-Sale-Investments (cont'd)

On 23 April 2002, SFC entered into a Vacant Land Sale and Purchase Agreement ("VLSPA") to sell the Falling Water raw land to Capri Investment L.L.C. The sales consideration for the raw land was US$3,500,000 and net proceeds of 85 finished lots from the property, less the customary costs of sale and closing costs as well as, the traffic, park schools mitigation fees and related utility fees allocable to each of the lots.

Net proceeds of 60 finished lots of land situated at Sawyer Falls, Pierce County, Washington State, United States of America (cont'd)

On 26 February 2004, the Company, SFC and its members entered into an agreement whereby SFC agreed to distribute the net proceeds from the first 35 lots of the 85 lots that SFC is entitled to, under the VLSPA to the Company as settlement of promissory notes issued by SFC to the Company. In addition, it was also agreed on 16 March 2004, that the Company will be entitled to a further 25 lots in SFC. Consequently, the Company has a right to receive the net proceeds from the sale of 60 finished lots.

On 16 March 2004, SFC had confirmed to the Company that the net proceeds from the distribution of the remaining lots (which is 25 lots) to the Company will be without any deductions for the creditors of SFC or advances made by members of SFC after the date of the VLSPA.

Investment in Grand Prosper

The Company had acquired 25% of the issued and paid-up share capital in Grand Prosper for S$1.4 million. Grand Prosper's only investment is its 90% shareholding in Deshi Oil and Gas Exploration Co. Ltd. The Company had fully impaired its investment in Grand Prosper.

Investment in Trackplus

The Company acquired on 9 September 2011 a 35% interest in the issued and paid-up share capital of Trackplus whose principal activity is property development in Malaysia. Although the Company acquired and holds more than 20% equity interest in Trackplus, the Company has classified it as an available-for-sale investment instead of investment in associate as the Company has no power to exercise significant influence in its financial and operating policy decisions as defined in FRS 28 *Investments in Associates and Joint Ventures*.

As disclosed in Note 3(b)(iii), Trackplus is a special purpose vehicle company and owns only a parcel of land with an area of approximately 7,863 square metres at Section 13, Town of Shah Alam, Selangor, Malaysia.

The land which is on a leasehold title for 99 years and expiring on 22 January 2102, was valued at approximately S$8,060,000 [equivalent to RM25,000,000] (2015: S$5,699,000 [equivalent to RM17,300,000]). The valuation of the land was carried out by an independent professional valuer based on the available records of recent transactions of comparable properties in the locality.

Trackplus had on 4 December 2015 entered into a joint venture agreement with a developer in Malaysia to carry out residential and commercial development on the land. Under this agreement, the Developer shall pay Trackplus (i) 20% of the total sales price of the net saleable area from the development on the land, or (ii) the Guaranteed Minimum Consideration of S$8,060,000 [equivalent to RM25,000,000], whichever is higher.