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

REPLY TO SGX'S QUERIES ON THE COMPANY'S FULL YEAR (UNAUDITED) RESULTS FOR FY2014 ("FY2014 ANNOUNCEMENT") ANNOUNCED ON 27 FEBRUARY 2015

The Company refers to SGX's queries on its Full Year (Unaudited) Results for FY2014 ("FY2014 Announcement"), and would like to reply as follows:

SGX Query 1:

The group realized a gain from derivative receivable of S$34.3 million for 4Q2014 which reflects the change in market value of the underlying assets sold for S$65,460,000 under a Sale and Purchase Agreement dated 7 September 2013 ("SPA"). We note that the amount of S$65.46 million is significant to the Company but details of the sale were not disclosed when the SPA was signed. Please provide details on the terms of the sale, the identity of the Purchaser and its beneficial shareholder(s), details of the derivative sold, the reason for the significant change in market value of the underlying assets, the factors taken into account when determining the disposal consideration, the payment terms and when the payments will be received.

Reply 1:

As disclosed in its 2013 Annual Report, the Company entered into the SPA to sell certain marketable securities, ("Securities") to the counterparty. The consideration of S$65.46 million was negotiated by the parties and taking into consideration inter-alia, the size of the transaction, represented a 10% discount to the last traded prices of the Securities on 6 September 2013. The consideration was to be fully satisfied by the counterparty in cash. The counterparty had paid S$7.2 million on 26 December 2013. The completion of the SPA 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 25 March 2014, the Company and the counterparty entered into a Variation Agreement to the SPA to extend the completion date to 31 December 2014. Pursuant to the Variation Agreement, the counterparty provided collaterals for their obligations under the SPA. The counterparty has provided collaterals by way of pledged shares from third parties.

As the Securities were not delivered to the counterparty and the transaction was not completed as at 31 December 2013, the amount receivable from the counterparty under the SPA was included in the derivative receivables and other assets in the 2013 balance sheet, and the gains derived from the transaction was classified as gains on derivative receivables.

On 31 December 2014, the Company entered into a further agreement with the counterparty to repurchase the Securities at S$752,500 ("Repurchase Price"), based on the Securities last traded prices on 31 December 2014. The counterparty agreed to settle in cash the balance consideration after deducting the Repurchase Price by 30 September 2015. The transaction for the Securities was completed and reflected in the financial statements in FY2014.

The Company did not announce the details of the sale when the SPA was signed as it is an ordinary course of business transaction of the Group and does not require disclosure. The Company is also bound by the confidentiality term of the SPA not to disclose the identity of the counterparty, its beneficial shareholder(s) and details of the derivatives sold.

The change in market value of the underlying assets which is equivalent to the market prices of the Securities are not within the Company's control and are determined by market forces.

SGX Query 2:

It was explained that the increase in "other expenses" was mainly due to a provision of S$26.7 million in respect of trade receivable. As this amount is significant, please disclose the identity of the debtor, the reason why the debt is uncollectible, the transaction which the debt relates to and why this is classified as a trade receivable when the Company's FY2014 revenue amounted to only S$0.8 million.

Reply 2:

The provision of S$26.7million relates to the SPA mentioned in Reply 1. The counterparty has agreed to settle in cash the balance consideration after deducting the Repurchase Price of S$57,508,000, by 30 September 2015. The value of pledged shares as at 31 December 2014 amounted to S$30,855,000. The debt is not uncollectible and for prudency, the Company made a provision of S$26.7 million in respect of its trade receivables, which represented the uncollateralised portion of receivable due from the counterparty.

The receivable due from the counterparty was reclassified as trade receivable as the transaction for the Securities under the SPA has been completed. It was classified as derivative receivables in 2013.

SGX Query 3:

On page 10 of the Announcement it was disclosed that the Company raised total proceeds of S$38.77 million comprising S$8.98 million and S$29.79 million in FY 2014 and FY2013 respectively. It provided a breakdown for usage of proceeds of only S$2.51 million. Noting that cash and cash equivalents as at 31 Dec 2014 amounts to $5.16 million, please also provide a breakdown of how further proceeds have been utilized.

Reply 3:

The Company has disclosed in the FY2014 Announcement under paragraph 8 “Review of the Group’s Cashflow” that S$8.44 million was deployed for business expansion, and a total of S$27.82 million was used for purchase of investments held for sale.

SGX Query 4:

In paragraph 9, the Company is required to disclose whether there are any variance between the prospects disclosed in paragraph 10 of its HY2014 Results announcement. This disclosure is applicable. Please disclose accordingly.

Reply 4:

The Company did not provide any prospects statement or forecast in paragraph 10 of its HY2014 Results announcement, accordingly there is no variance to be disclosed in paragraph 9 of its FY2014 Announcement.

By Order of the Board
Innopac Holdings Limited

Stanley Chu
Company Secretary
10 March 2015