

INNO-PACIFIC HOLDINGS LTD
(Company Registration No. 197301788K)

PROPOSED ACQUISITION OF APPROXIMATELY 57.14% INTEREST IN THE ISSUED SHARE CAPITAL OF ALSTRA PACIFIC PTE. LTD.

1. Introduction

The Board of Directors of Inno-Pacific Holdings Ltd (the "Company") wishes to announce that the Company had on 17 July 2007 entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") with Kang Teow Beng, Ng Teck Huat, Tan Chien Wei and Tan Wee Meng (collectively, the "Vendors") to acquire 300,000 ordinary shares (the "Sale Shares"), representing approximately 57.14% of the issued share capital of Alstra Pacific Pte Ltd ("Alstra Pacific") for a purchase consideration of S\$300,000 (the "Purchase Consideration") (the "Proposed Acquisition").

The balance of approximately 42.86% of the issued share capital of Alstra Pacific is held by PG Communications Pte Ltd ("PG Communications"), a wholly owned subsidiary of the Company.

It is the intention of the Company to nominate PG Communications as the recipient of the Sale Shares thereby resulting in Alstra Pacific becoming a wholly owned subsidiary of PG Communications upon completion of the Sale and Purchase Agreement.

2. Details of the Proposed Acquisition

2.1 Purchase Consideration

The Purchase Consideration is to be satisfied in full by the allotment and issue of 4,285,714 new ordinary shares in the capital of the Company (the "Consideration Shares") at an issue price of S\$0.07 for each Consideration Share.

The Consideration Shares will be issued to each of the Vendors as follows:-

| Name of the Vendor | Number of Consideration Shares |
|--------------------|--------------------------------|
| Kang Teow Beng | 685,714 |
| Ng Teck Huat | 685,714 |
| Tan Chien Wei | 428,572 |
| Tan Wee Meng | 2,485,714 |
| Total | <hr/> 4,285,714 <hr/> |

The Consideration Shares, when issued, will rank *pari passu* in all respects with the existing ordinary shares of the Company save that it will not rank for any entitlements, distributions, dividends or rights (if any), the record date in respect of which falls prior to the date of completion of the issue of the Consideration Shares.

The Purchase Consideration was negotiated at arm's length and on a "willing buyer willing seller" basis between the parties.

The Company proposes to acquire the balance interests in Alstra Pacific from its shareholders so that Alstra Pacific will become a wholly owned subsidiary of the Company and thereby consolidate future revenue and potential profits of Alstra Pacific.

The Directors of the Company are of the opinion that the Proposed Acquisition will be beneficial to the Company taking into consideration the rationale set out in paragraph 4 of this announcement.

2.2 Conditions Precedent

Completion of the Sale and Purchase Agreement is conditional upon, *inter alia*, the following:-

- (a) the Purchaser having obtained approval in-principal from the SGX-ST for the listing and quotation of the Consideration Shares on the Main Board of the SGX-ST;
- (b) each of the Vendors completing the sale of their respective Sale Shares to the Purchaser pursuant to the Sale and Purchase Agreement;
- (c) all other necessary consents and approvals from any governmental or regulatory body or relevant competent authority or any other party for the entry into and completion of the Sale and Purchase Agreement by the Parties being obtained by the Vendors, the Purchaser or the Company (as the case may be) and having been obtained, not withdrawn or revoked.

If any of the conditions precedent is not fulfilled or waived by mutual consent of the parties within three (3) months from the date of the Sale and Purchase Agreement (or such other date as the parties may agree in writing), the Sale and Purchase Agreement shall, *ipso facto*, cease and determine and save for any antecedent breach, neither party shall have any claim against the other party for costs, damages, compensation or anything whatsoever.

3. Information on Alstra Pacific

Alstra Pacific (Company Registration No. 199901079Z), formerly known as Power Mobile Pte Ltd, is a private limited company incorporated in Singapore on 5 March 1999 with its registered office at 70 Shenton Way #03-02 Marina House Singapore 079118. As at the date of the Sale and Purchase Agreement, Alstra Pacific has an issued share capital of S\$525,000 comprising of 525,000 ordinary shares and a paid-up capital of S\$425,000.

Alstra Pacific provides retail solution for other service operators through a bespoke web based hosted virtual partition services in addition to pre-paid and post-paid voice communication services.

4. Rationale

The proposed acquisition of the balance interests held by the Vendors in Alstra Pacific would allow the Company to:

- consolidate the potential revenue and future profits of Alstra Pacific;
- fully integrate and realise the full potential of Alstra Pacific's online hosted solution and developed technology onto PG Communications' platform especially for a new one-step call back phone business model that PG Communications had launched and other new services such as VoIP Payphones and IP call shops; and
- capitalise on the synergy of both Alstra Pacific and PG Communication's businesses and streamline common backend functions for cost saving and operational efficiency. Savings can be derived from sharing of infrastructure cost of collocation, bandwidth, carrier interconnections, marketing and customer services resources.

5. Financial Effects

Based on the audited accounts of Alstra Pacific for the financial year ended 31 December 2006, the audited net tangible asset of Alstra Pacific amounts to S\$237,425 and it recorded a loss of S\$62,338. The audited financial statements of Alstra Pacific for the financial year ended 31 December 2006 was audited based on a 15 month period from 1 October 2005 to 31 December 2006.

For illustration purposes only, based on the audited consolidated financial statement of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2006 and the audited accounts of Alstra Pacific for the financial year ended 31 December 2006, the financial effects of the Proposed Acquisition on the Group will be as follows:-

(a) Loss per share ("LPS")

Based on the foregoing, the LPS of the Group assuming that the Proposed Acquisition had been completed on 1 January 2006 would have increased as follows:-

| | <u>Before allotment of Consideration Shares</u> | <u>After allotment of Consideration Shares</u> |
|-------------------------------------|---|--|
| LPS before the Proposed Acquisition | 0.23 cents | 0.22 cents |
| LPS after the Proposed Acquisition | 0.24 cents | 0.23 cents |

(b) Net tangible asset ("NTA") per share

Based on the foregoing, the NTA per share of the Group assuming that the Proposed Acquisition had been completed on 31 December 2006 would have increased as follows:-

| | <u>Before allotment of Consideration Shares</u> | <u>After allotment of Consideration Shares</u> |
|--|---|--|
| NTA per Share before the Proposed Acquisition | 3.41 cents | 3.38 cents |
| NTA per Share after the Proposed Acquisition | 3.44 cents | 3.41 cents |

6. Relative Figures under Chapter 10 of the Listing Manual

The relative figures computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual are as follows:-

- (i) Rule 1006(a) – the net asset value of the assets to be disposed of, compared with the group's net asset value.

Not applicable, as there is no disposal.

- (ii) Rule 1006(b) – the net profits attributable to the assets acquired or disposed of, compared with the group's net profits

As the Group and Alstra Pacific had net losses for the six month period ended 30 June 2007, this comparison would not be meaningful.

- (iii) Rule 1006(c) – the aggregate value of the consideration given or received, compared with the issuer's market capitalisation

The Purchase Consideration represents 0.84% of the Company's market capitalisation of S\$35,833,054 as at 16 July 2007, based on the weighted average market price of S\$0.07 per Share, being the weighted average price of such Shares transacted on 16 July 2007.

- (iv) Rule 1006(d) – the number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue

The Consideration Shares to be allotted and issued at the issue price of S\$0.07 each to each of the Vendors, represent approximately 0.84% of the existing issued share capital of the Company of 511,900,769 Shares as at the date of this application.

7. Interests of Directors and Controlling Shareholders

None of the Directors have any interest, direct or indirect, in the Acquisition. To the best knowledge of the Company and the Directors and based on the Company's Register of Substantial Shareholders as at the date of this announcement, no controlling Shareholders, as defined in the Listing Manual, of the Company, if any, has any interest, direct or indirect, in the Acquisition.

8. Documents for Inspection

A copy of the Sale and Purchase Agreement may be inspected during normal business hours at the Company's registered office at 70 Shenton Way #03-02 Marina House Singapore 079118 for three months from the date of this announcement.

By order of the Board

Wong Chin Yong
Managing Director

17 July 2007