

PROPOSED ACQUISITION OF A 25% INTEREST IN THE ISSUED AND PAID-UP SHARE CAPITAL OF GRAND PROSPER GROUP LIMITED

1. Introduction

The Board of Directors of Inno-Pacific Holdings Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce that it had today entered into a conditional sale and purchase agreement (the “**Grand Prosper Sale and Purchase Agreement**”) with Dragon Seed Resources Limited (“**Dragon Seed**”) as the vendor for the proposed acquisition of 25 ordinary shares (the “**Sale Shares**”), representing 25% of the issued and paid-up share capital of Grand Prosper Group Limited (“**Grand Prosper**”) for a purchase consideration of S\$2,000,000 (the “**Grand Prosper Acquisition**”).

2. The Purchase Consideration

The purchase consideration of S\$2,000,000 (the “**Grand Prosper Purchase Consideration**”) was arrived at following arms length negotiations and on a willing-seller, willing-buyer basis and after taking into consideration the future prospects of Grand Prosper.

The Grand Prosper Purchase Consideration will be wholly satisfied by the allotment and issue of 200,000,000 new ordinary shares in the capital of the Company (the “**Grand Prosper Consideration Shares**”) to Dragon Seed at an issue price of S\$0.01 for each Grand Prosper Consideration Share.

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

The Company will apply to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the Grand Prosper Consideration Shares on the Main Board of the SGX-ST.

3. Conditions Precedent

Completion of the Grand Prosper Acquisition is conditional upon, *inter alia*, the following:-

- (a) the Company being satisfied with the results of the due diligence (whether legal, financial, contractual, tax or otherwise) to be carried out by the

Company and/or its advisers on Grand Prosper and its subsidiaries and associates (the “**Grand Prosper Group**”), including without limitation the title to and the status and condition of the properties (whether movable or immovable), assets (whether tangible or intangible), liabilities, businesses, operations, records, financial position, accounts, results, legal and corporate structure of each of the companies of the Grand Prosper Group and any other information disclosed to the Company;

- (b) the Company receiving the following approvals from its shareholders at an extraordinary general meeting to be convened:-
 - (i) the purchase of the Grand Prosper Sale Shares; and
 - (ii) the allotment and issue of the Grand Prosper Consideration Shares to Dragon Seed;
- (c) approval in-principle being obtained from the SGX-ST for the admission and dealing and quotation of the Consideration Shares on the Main Board of SGX-ST;
- (d) the offer information statement, which complies as to the form and content with the Sixteenth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 being lodged by the Company and accepted by the Monetary Authority of Singapore;
- (e) there being no change in the issued and paid up capital of Grand Prosper and the Sale Shares represent 25% of the issued and paid up capital of Grand Prosper on completion; and
- (f) Excellent Empire Limited, the other shareholder of Grand Prosper holding the remaining 75% interest in Grand Prosper, waiving its rights of pre-emption to acquire the Sale Shares.

If any of the aforesaid conditions precedent is not fulfilled or waived by mutual consent of the parties by 31 May 2011 (or such other date as the parties may agree in writing), the Grand Prosper Sale and Purchase Agreement shall, *ipso facto*, cease and determine and save for any antecedent breach, neither party shall have any claim whatsoever against the other party for costs, damages, compensation or anything whatsoever.

4. Information on Grand Prosper

Grand Prosper is a private limited company incorporated in Hong Kong on 28 June 2002. The registered address of Grand Prosper is at Suite 4304, 43/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

As at the date of the Grand Prosper Sale and Purchase Agreement, the authorised share capital of Grand Prosper is HK\$10,000 comprising 10,000 ordinary shares of HK\$1.00 each of which HK\$100 comprising 100 ordinary shares of HK\$1.00 each have been issued and are fully paid up.

Dragon Seed is the registered and beneficial owner of the Grand Prosper Sale Shares which represents 25% of the issued and paid up capital of Grand Prosper.

Following completion of the Grand Prosper Acquisition, the Company will hold 25% of the issued and paid up capital of Grand Prosper. The remaining 75% interest in Grand Prosper is held by Excellent Empire Limited.

Grand Prosper is an investment holding company, and owns a 90% equity interest in Deshi Oil and Gas Exploration Co. Ltd. ("Deshi"), a sino-foreign joint venture company in the People's Republic of China ("PRC"). Mr Su Cheng Lu, a PRC national, holds the balance 10% in Deshi.

Deshi had entered into a contract dated 9 April 2007 with Shengli Oilfield Daming Oil and Gas Exploration and Exploitation Technology Co. Ltd., for the exploration, development and exploitation of oil and natural gas in two contract areas in Ningxia Autonomous Region, PRC. The two contract areas cover 254 sq. km.

Grand Prosper is also pursuing other downstream activities and is entering the compressed natural gas ("CNG") fuel station business in Dezhou, Shandong, PRC.

Based on the unaudited consolidated accounts of Grand Prosper for its financial year ended 30 April 2010, the net liabilities and the net loss of Grand Prosper was HK\$19,156,350 and HK\$2,170,593 respectively.

Based on the unaudited consolidated accounts of Grand Prosper for the period ended 31 December 2010, the net liabilities and the net loss of Grand Prosper was HK\$21,365,830, and HK\$2,156,375 respectively.

5. Relative Figures under Chapter 10 of the Listing Manual

The relative figures of the Grand Prosper Acquisition, computed according to Rule 1006(a) to (d) of Chapter 10 of the Listing Manual based on the Grand Prosper Acquisition and the Company's latest published unaudited consolidated financial statements for its financial year ended 31 December 2010, are as follows:-

	The Grand Prosper Acquisition	The Group	%
(a) Net asset value of the assets to be disposed of compared with the Group's net asset value as at 31 December 2010	NA	NA	NA
(b) The net (loss)/profit ⁽¹⁾ attributable to the assets acquired compared with the Group's net profits for its financial year ended 31	(\$88,610) ⁽²⁾	\$7,746,000	Not meaningful

	The Grand Prosper Acquisition	The Group	%
December 2010			
(c)	Aggregate value of the consideration compared with the Company's market capitalisation as at 14 February 2011	S\$6,226,604 ⁽³⁾	S\$19,056,936 ⁽⁴⁾ 32.67%
(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	200,000,000	1,401,245,285 14.27%

Notes:-

- (1) Net (loss)/profit is defined as (loss)/profit before income tax, minority interests and extraordinary items.
- (2) The net loss of Grand Prosper is based on 25% of its unaudited consolidated net loss for its period ended 31 December 2010. Grand Prosper recorded an unaudited net loss of HK\$2,156,375 (approximately S\$354,440 based on an exchange rate of S\$1 to HK\$6.0839)
- (3) The value of the consideration is based on 200,000,000 Grand Prosper Consideration Shares multiplied by the net asset value of the shares of the Company of S\$0.0311 per share which is based on the unaudited consolidated financial statements of the Company for its financial year ended 31 December 2010, after taking into consideration the 215,000,000 shares placement completed in January 2011.
- (4) The market capitalisation of the Company was determined by multiplying the number of issued shares, being 1,401,245,285 shares, by the weighted average price of such shares transacted on 14 February 2011 of S\$0.0136 per share as no trades were done on the shares of the Company on 15 February 2011 (being the market day immediately preceding the date of the execution of the Grand Prosper Sale and Purchase Agreement).

As the relative figure under Rule 1006(c) of the Listing Manual as computed above exceeds 20%, the Grand Prosper Acquisition constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, the Grand Prosper Acquisition is subject to the approval of the shareholders of the Company.

6. Rationale for the Grand Prosper Acquisition

The Company is continuously looking for investments that have the potentials to contribute to the Company's income and growth. The Grand Prosper Acquisition is an opportunity for the Company to invest in the fast growing natural gas industry in the People's Republic of China.

The Company believes that Grand Prosper's investment in the CNG fuel stations and natural gas supply and distribution business in the PRC will grow with its robust economic growth, rising income and expectations.

Though Grand Prosper has not been profitable, the Company believes that its investment in the CNG fuel station business in Dezhou, Shandong will contribute positively in the coming years.

7. Financial Effects of the Grand Prosper Acquisition

For illustration purposes only, based on the latest published unaudited consolidated financial statements of the Company for its financial year ended 31 December 2010 and the unaudited consolidated financial statements of Grand Prosper for the period ended 31 December 2010, the financial effects of the Grand Prosper Acquisition on the Group will be as follows:-

(a) Share Capital

The issued and paid-up share capital of the Company before and after completion of the Grand Prosper Acquisition is as follows:-

	No. of shares	Amount S\$
Issued and paid-up share capital of the Company as at 31 December 2010	1,186,245,285	54,898,137
Issued and paid-up share capital of the Company as at the date of this announcement	1,401,245,285	56,818,137
Number of Grand Prosper Considerations Shares to be allotted and issued pursuant to the Grand Prosper Acquisition	200,000,000	2,000,000
Issued and paid-up share capital of the Company immediately after completion of the Grand Prosper Acquisition	1,601,245,285	58,818,137

(b) Net Asset Value ("NAV") per share

Assuming that the Grand Prosper Acquisition had been completed on 31 December 2010, the Grand Prosper Acquisition would have the following impact on the NAV per share of the Group:-

	Before allotment of the Grand Prosper Consideration Shares	After allotment of the Grand Prosper Consideration Shares
Number of shares	1,401,245,285 ⁽¹⁾	1,601,245,285
NAV per share before the Grand Prosper Acquisition	3.11 cents	2.72 cents
NAV per share after the Grand Prosper Acquisition	3.26 cents	2.85 cents

Note:

- (1) The number of shares includes 100,000,000 shares and 215,000,000 shares which were placed out by the Company to various subscribers in April 2010 and January 2011 respectively.

(c) Earnings per share (“EPS”)

Assuming that the Grand Prosper Acquisition had been completed on 1 January 2010, the Grand Prosper Acquisition would have the following impact on the EPS of the Group:-

	Before allotment of the Grand Prosper Consideration Shares	After allotment of the Grand Prosper Consideration Shares
Number of shares	1,401,245,285 ⁽¹⁾	1,601,245,285
EPS before the Grand Prosper Acquisition	0.48 cents ⁽²⁾	0.41 cents
EPS after the Grand Prosper Acquisition	0.48 cents ⁽²⁾	0.41 cents

Notes:

- (1) The number of shares includes 100,000,000 shares and 215,000,000 shares which were placed out by the Company to various subscribers in April 2010 and January 2011 respectively.
- (2) For calculation of EPS, it was assumed that the number of shares referred to in note (1) have been issued at the beginning of the financial year and no income contribution from the proceeds of the issue of such shares have been taken into consideration.

8. Representation on the Board of the Company

No persons will be appointed to the Board of the Company by Dragon Seed in connection with the Grand Prosper Acquisition.

9. Interests of Dragon Seed in the Company

Dragon Seed has no interest, direct or indirect, in the Company or in the shares of the Company.

10. Interests of Directors and Controlling Shareholders

None of the Directors or controlling or substantial shareholders of the Company has any interest, direct or indirect, in the Grand Prosper Acquisition.

11. Circular

A circular containing, *inter alia*, details of the Grand Prosper Acquisition and enclosing a notice of the extraordinary general meeting in connection therewith will be despatched to shareholders in due course.

12. Documents for Inspection

A copy of the Grand Prosper Sale and Purchase Agreement will be made available for inspection at the Company's registered office at 190 Middle Road #19-07 Fortune Centre Singapore 188979 during normal business hours for a period of three months from the date of this announcement.

By Order of the Board
Inno- Pacific Holdings Ltd

WONG CHIN YONG
Chief Executive Officer

16 February 2011