

INNO-PACIFIC HOLDINGS LTD

(Company Registration Number 197301788K)

(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF THREE (3) SHOPHOUSES LOCATED IN KOTA KINABALU, SABAH, MALAYSIA

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 its wholly owned subsidiary, Inno-Pacific Realty Sdn Bhd (“IPR”), had today entered into three separate sale and purchase agreements (collectively, the “**LKY Sale and Purchase Agreements**”) with Lim Kuan Yew (“**LKY**”) as the vendor for the acquisition of three (3) shophouses located in Kota Kinabalu, Sabah, Malaysia (the “**Shophouses**”) for a total purchase consideration of MYR1,230,030 (approximately S\$516,156.10) (the “**Shophouses Acquisition**”).

2. Information on the Shophouses

The Shophouses which are being acquired by IPR comprise of the following:-

- (i) a shophouse which is at the ground floor corner shoplot measuring 1,265 square feet in area and described as under Lot No. A-1 Ground Floor Block A Taman Sungai Mas, Menggatal (“**Shophouse A-1**”);
- (ii) a shophouse which is at the ground floor intermediate shoplot measuring 1,070 square feet in area and described as under Lot No. A-2 Ground Floor Block A Taman Sungai Mas Menggatal (“**Shophouse A-2**”); and
- (iii) a shophouse which is at the ground floor intermediate shoplot measuring 1,070 square feet in area and described as under Lot No. A-3A Ground Floor Block A Taman Sungai Mas Menggatal (“**Shophouse A-3A**”).

All the Shophouses are located within 4 and 5 storey walk-up service apartments cum shoplots of Block A Taman Sungai Mas at Menggatal Town Kota Kinabalu Sabah which was erected pursuant to the development project known as “Taman Sungai Mas”. The said development is erected on the land held under Country Lease No. 015400987 in the District of Tuaran, Sabah (the “**Land**”). The developer of Taman Sungai Mas is Gemisuria Corporation Sdn Bhd (“**Gemisuria**”) who is also the registered proprietor of the Land.

3. The Purchase Consideration

The total purchase consideration for the Shophouses comprise of MYR30 (the “**Earnest Monies**”) and MYR1,230,000 (the “**Shophouses Purchase Consideration**”).

The purchase consideration for Shophouse A-1 comprise of MYR10, being the earnest monies, and MYR460,000.

The purchase consideration for Shophouse A-2 comprise of MYR10, being the earnest monies, and MYR385,000.

The purchase consideration for Shophouse A-3A comprise of MYR10, being the earnest monies, and MYR385,000.

The purchase consideration for each of the Shophouses was arrived at arms length negotiations and on a willing-seller, willing-buyer basis and after taking into consideration the indicative valuation of each Shophouse and the prospect of the real estate market in Kota Kinabalu, Sabah.

The Earnest Monies have been satisfied by IPR in cash upon the execution of the LKY Sale and Purchase Agreements.

The Shophouses Purchase Consideration of MYR1,230,000 (approximately S\$516,156.10) will be wholly satisfied by the allotment and issue of 51,615,610 new ordinary shares in the capital of the Company (the “**LKY Consideration Shares**”) to LKY at an issue price of S\$0.01 for each LKY Consideration Share.

The LKY 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 LKY Consideration Shares.

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

4. Conditions Precedent

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

- (a) if required, the approval of the SGX-ST or any other relevant government authority having jurisdiction over the Company, being granted for the acquisition of the Shophouses in consideration of the LKY Consideration Shares, such approval to be procured by IPR;
- (b) 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;

- (c) approval of the board and the shareholder of IPR, and where required, the approval of the board and shareholders of the Company, being granted for the proposed acquisition of the Shophouses and the issuance of the LKY Consideration Shares as consideration for such acquisition, such approval to be procured by IPR;
- (d) the approval of the relevant state authority for the acquisition of the Shophouses being granted and obtained, such approval to be procured by IPR;
- (e) IPR being satisfied with the results of a complete land search on the Shophouses' titles as well as the Master title applicable to the Shophouses, at the relevant land office, including but not limited to confirmation that LKY is the legal and beneficial owner of the Shophouses and Gemisuria, the developer, is the registered proprietor of the Land, free from encumbrances other than the charge in favour of the chargee;
- (f) IPR having received documentary evidence that LKY has not been make a bankrupt
- (g) LKY obtaining the consent of Gemisuria, the developer, to the sale and assignment to IPR of all rights title interests benefits and obligations vested on LKY in the Shophouses and under the separate principal sale and purchase agreements which were entered into by LKY and Gemisuria, within a period of 60 days from the date of the LKY Sale and Purchase Agreements;
- (h) LKY providing documentary evidence to the satisfaction of IPR that LKY has paid the required amount to the Director General of Inland Revenue of Malaysia for the real property gain taxes which is in accordance with the requirements of the Real Property Gains Tax Act 1976 of Malaysia;
- (i) LKY having settled the redemption sum for each of the Shophouses and redeemed the Shophouses from the charge in order to obtain the deed of receipt and reassignment and discharge of charge;
- (j) LKY providing evidence to the satisfaction of IPR that LKY has in his possession all the documents required for completion;
- (k) IPR being satisfied that there has been no breach of any of the representations and warranties given by LKY to IPR; and
- (l) nothing having occurred which would render any of the transactions contemplated under the Shophouses Sale and Purchase Agreements to be illegal, impossible or impracticable.

In respect of condition (g), IPR and LKY had today entered into three separate deeds of assignment for each of the Shophouses.

If any of the aforesaid conditions precedent is not fulfilled or waived by IPR within three months from the date of the Shophouses Sale and Purchase Agreements (or such other extended period as the parties may agree to), each of the Shophouses Sale and Purchase Agreements shall lapse and be of no further effect.

5. Information on Gemisuria

Gemisuria is a company incorporated in Malaysia with registered office address at 1st Floor, Lot 13, KK Chinese Chamber of Commerce, Kg. Air, 88000 Kota Kinabalu, Sabah, Malaysia. The principal activity of Gemisuria is that of property development.

Gemisuria is a wholly owned subsidiary of Adroit Innovations Limited whose shares are listed and quoted on the Main Board of the SGX-ST.

6. Rationale for the Shophouses Acquisition

The Company is continuously seeking investment opportunities and businesses that will contribute to the Group's income and profit. The proposed acquisition is an opportunity for the Group to invest in the buoyant real estate market in Kota Kinabalu, Sabah, Malaysia.

The Company is of the view that the shophouse can generate a rental yield of more than 5% and good capital gains in the next few years.

7. Relative Figures under Chapter 10 of the Listing Manual

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

	The Shophouses 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 profits attributable to the assets acquired compared with the Group's net profits for its financial year ended 31 December 2010	NA ⁽¹⁾	S\$7,746,000	NA
(c) Aggregate value of the consideration compared with the Company's market capitalisation as at 14 February 2011	S\$1,606,950 ⁽¹⁾	S\$19,056,936 ⁽²⁾	8.43%
(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	51,615,610	1,401,245,285	3.68%

Notes:-

- (1) There is no net profit attributable to the Shophouses at the time of the Shophouses Acquisition
- (2) The consideration is based on 51,615,610 LKY 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 account the 215,000,000 shares which were placed out by the Company to various subscribers in January 2011.
- (3) 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 LKY Sale and Purchase Agreement).

As the relative figure under Rule 1006(c) of the Listing Manual as computed above exceeds 5%, the Shophouses Acquisition constitutes a discloseable transaction as defined in Chapter 10 of the Listing Manual.

8. Financial Effects of the Shophouses Acquisition

For illustration purposes only, based on Company's latest published unaudited consolidated financial statements for its financial year ended 31 December 2010, the financial effects of the Shophouses 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 Shophouses Acquisition is as follows:-

	Amount	
	No. of shares	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 LKY Considerations Shares to be allotted and issued pursuant to the Shophouses Acquisition	51,615,610	516,156
Issued and paid-up share capital of the Company immediately after completion of the Shophouses Acquisition	1,452,860,895	57,334,293

(b) Net Asset Value (“NAV”) per share

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

	Before allotment of the LKY Consideration Shares	After allotment of the LKY Consideration Shares
Number of shares	1,401,245,285 ⁽¹⁾	1,452,860,895
NAV per share before the Shophouses Acquisition	3.11 cents	3.00 cents
NAV per share after the Shophouses Acquisition	3.15 cents	3.04 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 Shophouses Acquisition had been completed on 1 January 2010, the Shophouses Acquisition would have the following impact on the EPS of the Group:-

	Before allotment of the LKY Consideration Shares	After allotment of the LKY Consideration Shares
Number of shares	1,401,245,285 ⁽¹⁾	1,452,860,895
EPS before the Shophouses Acquisition	0.48 cents ⁽²⁾	0.46 cents
EPS after the Shophouses Acquisition	0.48 cents ⁽²⁾	0.46 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.

9. Representation on the Board of the Company

No persons will be appointed to the Board of the Company by LKY in connection with the Shophouses Acquisition.

10. Interests of LKY in the Company

LKY does not have any interest, direct or indirect, in the Company or in the shares of the Company.

11. 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 Shophouses Acquisition.

12. Circular

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

13. Documents for Inspection

Copies of each of the LKY Sale and Purchase Agreements and the three separate deeds of assignment for each of the Shophouses 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