

Announcement

Profit Warranty in respect of RR Industrial Packaging & Design Services Pte Ltd

Inno-Pacific Holdings Ltd, (the "Company") wishes to announce that Mr. Lim Cheng Yong (the "Vendor") has notified the Company that the Profit Warranty for RR Industrial Packaging & Design Services Pte Ltd ("RRI") has not been achieved. The Vendor has agreed to return the Performance Shares held by Escrow Agent as stakeholder to the Company in exchange for his release of his (profit) warranty.

The Company had on 19th September 2003 entered into a Sale and Purchase Agreement to purchase 51% of the issued and paid-up capital of RRI from the Vendor for a consideration of S\$1.00. The Company also agreed to pay the Vendor a further consideration of S\$3,000,000 if RRI profit after tax will not be less than S\$1,200,000 for a continuous period of 12 months ending not later than 31st December 2004. The additional S\$3,000,000 consideration shall be satisfied by the issuance of 60,000,000 new ordinary shares in the Company at a deemed value of S\$0.05 each (the "Performance Shares"). The Profit Warranty period in respect of this acquisition was extended to 31st March 2006.

On 20th February 2004, the Company and the Vendor entered into an Amendment Agreement and Escrow Agreement, and issued the 60,000,000 Performance Shares which was deposited with the Escrow Agent. The Company is seeking legal advice on how to deal with the Performance Shares returned by the Vendor. The Company has also agreed to return the 51% shares in RRI to the Vendor for the original consideration of S\$1.00.

As at 31 December 2004, RRI did not meet the Profit Warranty of S\$1,200,000 because its sole and 100% owned operating subsidiary, PT RR Packaging Indonesia ("RR Indonesia") had encountered unforeseen start-up and operational difficulties. RR Indonesia was unable to be fully operational until November 2004 because of the delay in obtaining certain licenses and permits, the delay in the delivery and commissioning of new equipment and machinery and lack of skilled workers. The Company and the Vendor was of the opinion that RR Indonesia was positioned to deliver the Profit Warranty by or before 31 March 2006. However in year 2005, business conditions deteriorated because of security and labour problems and RR Indonesia operations had to be suspended in late 2005.

The Company's investment in RRI is fully provided, and is not expected to have any significant impact to the financial results of the Group in the next reporting period and the next twelve months.

By Order of the Board
Inno-Pacific Holdings Ltd

Wong Chin Yong
Managing Director
Submitted to the SGX on 28 February 2006