



INNOPAC HOLDINGS LIMITED

(Company Registration No. 197301788K)
(Incorporated in the Republic of Singapore)

MEMORANDUM OF UNDERSTANDING

The Board of Directors of Innopac Holdings Limited (the “Company”) is pleased to announce that Awana Rentak Sdn Bhd (“Awana”), a wholly owned subsidiary the Company, has today entered into a Memorandum of Understanding (“MOU”) with Mr Low Hyon Young (the “Vendor”) to acquire up to 75% of the issued share capital (the “Vendor Shares”) in Dongwoo Bioenergy Sdn Bhd (“Dongwoo”).

Dongwoo, wholly-owned by the Vendor, is a company incorporated in Malaysia with an issued and paid up share capital of RM 2.5 million comprising 2.5 million ordinary shares of RM1.00 each. The operation of Dongwoo is located on a 3 acre rented factory with a build-up area of 49,000 sq ft at Penang, Malaysia. The principal activity of Dongwoo is in the production of wood waste pellets from sawdust for biomass power plants. Wood pellet is one of the most common biomass pellets. Wood pellets are green, economical, and sustainable energy source. Wood pellets do not release harmful gases as much as the oil and coal. The wood waste pellets are primarily sold to South Korea.

Salient points of the MOU are:

- Awana shall acquire 51% of the Vendor Shares for a consideration of Singapore Dollars Eight Hundred Thousand (S\$800,000) in cash.
- Awana shall have the option to acquire a further 24% of the Vendor Shares for a consideration of Singapore Dollars Four Hundred Thousand only (S\$400,000) in cash or issuance of 400,000,000 new shares in the Company at a deemed price of S\$0.001 per share at the election of the Vendor.
- In the event that the Vendor elects to receive the consideration for the further 24% Vendor Shares in the shares of the Company, such number of shares to be issued will be adjusted for any consolidation, dilution or reorganisation in the share capital of the Company.
- Within 30 business days of signing the MOU, Awana and the Vendor shall enter into a Definitive Binding Agreement and upon executing such agreement, Awana shall pay Singapore Dollars Three Hundred Thousand (S\$300,000) or equivalent as a refundable deposit for the purchase of 51% of the Vendor Shares.
- The balance of the consideration for the 51% Vendor Shares, amounting to Singapore Dollars Five Hundred Thousand (S\$500,000) shall be paid to the Vendor when Dongwoo achieves a production of 3,000 MT/month of industrial grade wood pellets at its factory.
- Awana’s option to acquire a further 24% of the Vendor Shares shall be at Awana’s discretion conditional on Dongwoo achieving certain milestones.

The purchase consideration was arrived at after taking into account the income and prospects of Dongwoo and the potential of the wood pellet and biomass market.

The obligations of Awana, with respect to the acquisition of the Vendor Shares, shall be subject to the satisfaction, but not limited to, of the following conditions: (a) receiving confirmation that the representations and warranties of the Vendor are true and accurate in all respects affecting the transaction; (b) satisfactory completion of due diligence; and (c) approval from SGX-ST and the shareholders of the Company, if necessary.

All costs and expenses incurred by Awana or the Vendor in connection with the continued negotiation of the acquisition of the Vendor Shares shall be borne by the incurring Party.

Termination of negotiations by Awana prior to the execution and delivery of the Definitive Binding Agreement shall be without liability and no Party hereto shall be entitled to any form of relief or compensation whatsoever, including without limitation, injunctive relief or damages. Termination by the Vendor can only be made if Awana fails to perform under the MOU and after a ten (10) days' notice period has not been remedied.

The MOU shall be governed by and construed in accordance with the laws of Malaysia applicable to agreements made and to be performed entirely within Malaysia.

By Order of the Board
Innopac Holdings Limited

Wong Chin Yong
Chairman & CEO

15 June 2017