

INNO-PACIFIC HOLDINGS LTD
Company Registration No : 197301788K
Half Year Financial Statement & Dividend Announcement for the Half Year Ended 30 June 2007 (Unaudited)

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL-YEAR ANNOUNCEMENTS

1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP		
	6 months ended		
	30 Jun 07	30 Jun 06	+ / (-)
	S\$'000	S\$'000	%
Turnover (Note 1)	5,336	3,604	48%
Cost of sales	(3,801)	(2,681)	42%
Gross profit (Note 1)	1,535	923	66%
Other income / (other loss)	(5)	6	N.M.
Marketing and distribution costs (Notes 1 & 2)	(1,236)	(261)	374%
Administrative expenses (Note 3)	(676)	(473)	43%
Other operating costs (Note 4)	(246)	(76)	224%
Finance income	2	4	-50%
Finance costs	(5)	(14)	-64%
Gain on deconsolidation of subsidiaries	-	193	-100%
Share of loss of joint venture	-	(38)	-100%
Share of loss of associate	-	(12)	-100%
Profit/(Loss) before income tax	(631)	252	N.M.
Income tax credit/(expense)	(5)	23	N.M.
Profit/(Loss) after income tax	(636)	275	N.M.
Attributable to :			
Shareholders of the Company	(549)	275	N.M.
Minority interests	(87)	-	N.M.
	(636)	275	N.M.

N.M. - Not meaningful

Note 1

Sales turnover has been restated for the previous corresponding period to include Sales Commission expenses of S\$257,000 which was set off against Sales Turnover in the 2006 period. In the current financial period, Sales Commission expenses of S\$1,211,000 is stated as part of Marketing & Distribution costs.

Note 2

Marketing & Distribution costs increased by 374%, mainly due to increase in Sales Commission expenses related to substantially higher sales volume of telecommunication business.

Note 3

Administrative expenses increased by 43%, due to increase in sales activity.

Note 4

Other operating costs increased by 224%, mainly due to strong growth in sales volume of telecommunication business.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	30 Jun 07	31-Dec-06	30 Jun 07	31-Dec-06
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current Assets :				
Cash and bank equivalents (Note 5)	944	876	17	421
Investments held for trading (Note 6)	7,806	7,154	-	-
Trade receivables	264	209	-	-
Other receivables and prepayments (Note 5 & 7)	4,811	5,941	11,184	15,107
Inventories	25	12	-	-
Total current assets	13,850	14,192	11,201	15,528
Non-current Assets :				
Subsidiaries	-	-	19	19
Available-for-sale investment	7,000	7,000	7,000	7,000
Plant and equipment	740	820	58	63
Intangible assets	122	122	-	-
Total non-current assets	7,862	7,942	7,077	7,082
Total assets	21,712	22,134	18,278	22,610
LIABILITIES AND EQUITY				
Current Liabilities :				
Trade payables (Note 8)	458	184	-	-
Other payables	905	916	694	4,416
Income tax payable	3,122	3,133	3,121	3,133
Current portion of finance leases	40	40	-	-
Total current liabilities	4,525	4,273	3,815	7,549
Non-Current Liabilities :				
Finance leases	117	137	-	-
Total non-current liabilities	117	137	-	-
Equity				
Issued capital	33,462	33,462	33,462	33,462
foreign currency translation reserve	1,290	1,308	-	-
Accumulated losses	(17,738)	(17,189)	(18,999)	(18,401)
Equity attributable to Shareholders of the Company	17,014	17,581	14,463	15,061
Minority interest	56	143	-	-
Total equity	17,070	17,724	14,463	15,061
Total liabilities and equity	21,712	22,134	18,278	22,610

Note 5

An amount of S\$181,000 cash held in trust by a third party has been reclassified from Other Receivables and prepayments to Cash and Bank equivalent in the December 2006 accounts.

Note 6

As compared with December 2006, investments held for trading increased as more quoted equity investment were acquired.

Note 7

As compared with Decemeber 2006, balance in other receivables and prepayments decreased as a result of disposal of escrowed performance shares and better cashflow management.

Note 8

Balance of trade payable increased in tandem with growth in volume of telecommunication business.

1(b)(ii) Group Borrowings

	Group		Company	
	30 Jun 07	31-Dec-06	30 Jun 07	31-Dec-06
Amount repayable within one year	40	40	-	-
Amount repayable after one year	117	137	-	-
	157	177	-	-

The secured borrowings relate to finance lease liabilities secured on the fixed assets purchased.

Cashflow Statement for the Group for 6 months period ended :-

	30 Jun 07	30 Jun 06
	S\$'000	S\$'000
Cash flows from operating activities :		
Profit/(Loss) before income tax	(631)	252
Adjustments for :		
Loss/(Gain) on disposal of plant and equipment	-	(88)
Gain on sale of marketable securities	-	(694)
Gain on deconsolidation of subsidiaries	-	(193)
Increase in fair value of investments held for trading	(16)	(31)
Depreciation of plant and equipment	117	75
Stock written up	5	-
Share of loss of associate	-	12
Share of loss of joint value	-	39
Interest income	(2)	(4)
Interest expense	5	14
Operating loss before working capital changes	(522)	(618)
(Increase)/Decrease in inventories	(18)	(2)
(Increase)/Decrease in debtors	1,075	2,064
(Increase)/Decrease in investments held for trading	(636)	1,249
Increase/(Decrease) in creditors	263	338
Cash generated from / (used in) operations	162	3,031
Interest received	2	4
Interest paid	(5)	(14)
Income tax paid	(16)	(6)
Net cash generated from / (used in) operating activities	143	3,015
Cash flows from investing activities :		
Purchase of plant and equipment	(38)	(296)
Proceed from sale of fixed asset	1	96
Cash and cash equivalents in subsidiary deconsolidated	-	(20)
Net cash (used in) investing activities	(37)	(220)
Cash flows from financing activities :		
Repayment of hire purchase creditors	(20)	(69)
Loan from hire purchase creditors	-	200
Payment for transfer of shares in a subsidiary to its Vendor	-	(1)
Performance shares returned by Vendor, now held as treasury stock	-	(3,000)
Net cash (used in) financing activities	(20)	(2,870)
Net effect of exchange rate changes in consolidating subsidiaries	(18)	(303)
Net increase / (decrease) in cash and cash equivalents	68	(378)
Cash and cash equivalents at beginning of year	876	770
Cash and cash equivalents at end of year (Note A)	944	392

Note A: CASH AND CASH EQUIVALENTS		
Cash and bank balances	914	392
Fixed deposits pledged	30	-
Cash and cash equivalents	944	392

1(d)(i) Statements of Changes in Equity for the Period Ended 30 June 2007

	Share capital S\$'000	Share premium S\$'000	Foreign currency translation reserve S\$'000	Accumulate d losses S\$'000	Attributable to equity holders of the Company S\$'000	Minority interest S\$'000	Total S\$'000
GROUP							
Balance as at 1.1.2007							
As previously reported	33,462	-	1,308	(17,189)	17,581	143	17,724
Currency translation difference			(18)		(18)		(18)
Loss for the period				(549)	(549)	(87)	(636)
Balance as at 30.06.2007	33,462	-	1,290	(17,738)	17,014	56	17,070
GROUP							
Balance as at 1.1.2006							
As previously reported	5,119	28,343	1,884	(16,033)	19,313	8	19,321
Currency translation difference			(298)		(298)		(298)
Profit for the period				275	275	-	275
Transfer from share premium upon implementation of Companies (Amendment) Act 2005	28,343	(28,343)					
Performance shares returned by a vendor, held as treasury shares	(3,000)				(3,000)		(3,000)
Balance as at 30.06.2006	30,462	-	1,586	(15,758)	16,290	8	16,298

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications of emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied.

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2006, save for Sales Commission expenses (S\$257,000 in 2006) which had been set off against Sales Turnover in the previous year. In the current financial period, the Sales Commission expenses (S\$1,211,000) have been stated as part of Marketing and Distribution Costs, and the previous corresponding figures have been restated accordingly.

5. If there are any changes in accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preferential dividends.**

	GROUP	
	30 Jun 07 S cents	30 Jun 06 S cents
Profit/(Loss) per ordinary share based on net profit/(loss) attributable to shareholders based on :		
(i) weighted average number of ordinary shares	(0.11)	0.06
(ii) fully diluted basis	(0.11)	0.06

Earnings/(Loss) per ordinary share is calculated based on the weighted average number of shares of 511,900,769 (2006 :511,900,769) in issue during the period. There is no change in the fully diluted earnings/(loss) per ordinary share as the Company did not have any potential dilutive ordinary shares outstanding as at the balance sheet dates.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	GROUP		COMPANY	
	30 Jun 07 S cents	31 Dec 06 S cents	30 Jun 07 S cents	31 Dec 06 S cents
Net asset value per ordinary share based on existing issued share capital	3.32	3.43	2.83	2.94

Net asset per ordinary share based on existing issued share capital is computed based on 511,900,769 ordinary shares (2006 : 511,900,769 ordinary shares).

8. **A review of the financial performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonable or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Turnover

Turnover for the 6 months period ended 30 June 2007 was S\$5.3 million compared to S\$3.6 million in the previous corresponding period, an increase of 48%. Proceeds from the sale of marketable securities of S\$1.8 million accounted for 34% of the Group's turnover for the first 6 months of 2007. The balance of Group's turnover S\$3.5 million came from its subsidiaries in the telecommunication sector: PG Communications Pte Ltd., PG Communications Sdn Bhd and Alstra Pacific Pte Ltd. Sales volume from the telecommunication sector has increased significantly by 260% as compared to the same period last year.

Cost

Operating, administrative and marketing & distribution costs increased by 175% from S\$0.8 million to S\$2.2 million. The increase was mainly due to increased sales volume and business activities of the telecommunication sector.

Earnings

The Gross Margin S\$0.3M was mainly contributed from sale of marketable securities.

Cashflow

Cash balance of the Group improves as a result of better cashflow management and disposal of escrowed performance shares.

Working Capital

Current assets and current liabilities stood at S\$13.9 million and S\$4.5 million respectively. Current ratio of the Group stays at a healthy level of 3.

Debts to Equity ratio

The non-current liability stood at an insignificant level of S\$0.1 million, whereas the equity of the Group amounted to S\$17.0 million. The debts to equity ratio is 0.6%.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next twelve months.

The Group's main business activities are in investment holdings, investment management and telecommunication services.

Telecommunications Services Business

The Group's wholly-owned subsidiary, PG provides international voice communications to pre-paid and post-paid customers in Singapore and offers value added services such as virtual roaming, call-back, calling cards and virtual office.

PG's 42.86% subsidiary, Alstra Pacific Pte Ltd, provides retail solution for other service operators through a bespoke web based hosted virtual partition solution for other operators, in addition to pre-paid and post-paid voice communication services.

PG's, wholly-owned Malaysian subsidiary, PG Communications Sdn Bhd ("PGSB") commenced commercial operations in the first quarter of 2007. It provides international voice communications to pre-paid and post-paid customers in Malaysia through calling cards and IDD business services.

The telecommunication business in Singapore and Malaysia is very competitive and PG has to compete with major telecos and other service providers for customers through pricing and quality of service. Pricing is often affected by regulatory changes, foreign exchange fluctuations and credit risks. Quality of service is dependent on our termination partners, connectivity, equipment and infrastructure. We buy services from public switched network infrastructure providers and their quality of service and tariffs which they levy are beyond our control.

PG recently showcased an innovative 1-step World Call Back Phone during the CommunicAsia Show 2007 and received favorable responses. However, this phone has yet to receive type approval from IDA. PG will continue to evaluate new services and products such as IP Phone, VOIP and wireless telephony. However, there is no assurance that these services will be introduced or successful.

Portfolio Management in Marketable Securities and Financial Instruments

The Group invested its surplus cash not required for operations in marketable securities and financial instruments. Investments in marketable securities and financial instruments are affected by global economic conditions, political developments, currency fluctuations and interest rates trend. Market liquidity and systemic risks may also affect our investments.

Other risks

The Company is liable to pay the additional tax assessments for Years of Assessment 1988 and 1990 to 2002 plus penalties amounting to \$3.1 million, notwithstanding its objection to the assessments. The Company has submitted a proposal to Inland Revenue Authority ("IRAS") for a resolution of this long outstanding issue. The Company may have to pay this tax if the IRAS decides not to accept our proposal and to deny the Company's objection. In such an event, the Company and the Group's cashflow will be significantly affected and its viability will be jeopardized.

11. If a decision regarding dividend has been made :-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

Not applicable.

(b) Amount of dividend declared (in cents) for the current and previous corresponding period

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived.

Not applicable.

(d) The date the dividend is payable

Not applicable.

- (e) **The dates on which Registrable Transfers received by the company (up to 5:00pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

- 12. If no dividend has been declared (recommended), a statement to that effect.**

No dividends have been recommended for the current financial year.

BY ORDER OF THE BOARD

**Stanley Chu
Company Secretary
16 July 2007**