

**INNO-PACIFIC HOLDINGS LTD**  
**Company Registration No : 197301788K**  
**Financial Statement & Dividend Announcement for the Half Year Ended 30 June 2010 (Unaudited)**

**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.

	<b>GROUP</b>		
	<b>6 months ended</b>		
	<b>30 Jun '10</b>	<b>30 Jun '09</b>	<b>+ / (-)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Turnover	6,475	3,482	86.0
Cost of sales	(6,713)	(3,238)	107.3
<b>Gross (loss) / profit</b>	<b>(238)</b>	<b>244</b>	<b>(197.5)</b>
Other income	600	5,646	(89.4)
Administrative expenses	(665)	(901)	(26.2)
Other operating costs	(324)	(354)	(8.5)
Finance costs	(26)	(3)	766.7
<b>(Loss) / Profit before income tax</b>	<b>(653)</b>	<b>4,632</b>	<b>(114.1)</b>
Income tax credit	12	11	9.09
<b>(Loss) / Profit after income tax</b>	<b>(641)</b>	<b>4,643</b>	<b>(113.8)</b>
<b>Other comprehensive income / (loss)</b>			
Exchange differences arising from translation foreign operations	370	(6)	(6266.7)
Reversal of revaluation reserve arising from depreciation of leasehold land	(35)	(32)	9.4
Realisation of revaluation reserve arising from depreciation of leasehold land	35	32	9.4
<b>Other comprehensive income / (loss) for the year, net of tax</b>	<b>370</b>	<b>(6)</b>	<b>(6266.7)</b>
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>	<b>(271)</b>	<b>4,637</b>	<b>(105.8)</b>
(Loss) / Profit attributable to :			
Shareholders of the Company	(271)	4,636	(105.8)
Minority interests	-	1	(100.0)
	(271)	4,637	(105.8)
Total comprehensive (loss) / income attributable to :			
Shareholders of the Company	(271)	4,636	(105.8)
Minority interests	-	1	(100.0)
	(271)	4,637	(105.8)

**1(b)(i) Statements of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	GROUP		COMPANY	
	30 Jun '10	31 Dec '09	30 Jun '10	31 Dec '09
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Non-current Assets :</b>				
Subsidiaries	-	-	5,403	5,403
Plant and equipment	9,929	9,593	35	39
Available-for-sale investment	7,000	7,000	7,000	7,000
Total non-current assets	16,929	16,593	12,438	12,442
<b>Current Assets :</b>				
Inventories	3,043	2,899	-	-
Investments held for trading	21,401	20,134	3,108	2,846
Trade receivables	26	23	-	30
Other receivables and prepayments	729	2,742	21,423	21,347
Cash and cash equivalents	244	135	144	20
Total current assets	25,443	25,933	24,675	24,243
<b>Total assets</b>	<b>42,372</b>	<b>42,526</b>	<b>37,113</b>	<b>36,685</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities :</b>				
Trade payables	485	145	-	-
Other payables	2,553	4,381	5,764	6,548
Provision for directors' fees	-	51	-	51
Income tax payable	520	556	321	335
Current portion of finance leases	40	40	-	-
Total current liabilities	3,598	5,173	6,085	6,934
<b>Non-Current Liabilities :</b>				
Finance leases	-	17	-	-
Deferred tax liabilities	2,071	1,977	-	-
Total non-current liabilities	2,071	1,994	-	-
<b>Equity</b>				
Issued capital	54,898	53,283	54,898	53,283
Assets revaluation reserve	1,203	1,238	-	-
Share options reserve	546	546	546	546
Foreign currency translation reserve	1,065	695	-	-
Accumulated losses	(21,009)	(20,403)	(24,416)	(24,078)
Equity attributable to Shareholders of the Company	36,703	35,359	31,028	29,751
Minority interest		-		-
Total equity	36,703	35,359	31,028	29,751
<b>Total liabilities and equity</b>	<b>42,372</b>	<b>42,526</b>	<b>37,113</b>	<b>36,685</b>

<b>1(b)(ii) Group Borrowings</b>	Group		Company	
	30 Jun '10	31 Dec '09	30 Jun '10	31 Dec '09
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable within one year	40	40	-	-
Amount repayable after one year	-	17	-	-

The borrowing relates to finance lease liabilities secured on the fixed asset purchased.

**1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	1 Jan '10 to 30 Jun 10	1 Jan '09 to 30 Jun '09
	S\$'000	S\$'000
<b>Cash flows from operating activities :</b>		
(Loss) / Profit before income tax	(653)	4,632
Adjustments for :		
Gain in fair value of investments held for trading	(563)	(5,788)
Depreciation of plant and equipment	133	171
(Reversal) / write off of stock	(1)	2
(Reversal) / write off of bad debts	(6)	2
Share option expenses	-	221
Interest expense	26	3
Operating loss before working capital changes	(1,064)	(757)
Increase in inventories	(145)	(5)
Decrease / (increase) in debtors	2,015	(121)
(Increase) / decrease in investments held for trading	(704)	676
Decrease in creditors	(1,539)	(79)
Cash used in operations	(1,437)	(286)
Interest paid	(26)	(3)
Income tax paid	(36)	(13)
<b>Net cash generated used in operating activities</b>	<b>(1,499)</b>	<b>(302)</b>
Cash flows from investing activities :		
Purchase of plant and equipment	(1)	(17)
Proceed from sale of fixed asset	-	9
Decrease in fixed deposit pledged to a bank	30	-
Effect of foreign currency alignment on investing activities	(362)	69
<b>Net cash (used in)/generated from investing activities</b>	<b>(333)</b>	<b>61</b>
Cash flows from financing activities :		
Repayment of hire purchase creditors	(17)	(20)
Proceeds from issue of placement shares	1,640	-
Expenses on issue of placement shares	(25)	-
<b>Net cash generated from /(used in) financing activities</b>	<b>1,598</b>	<b>(20)</b>
Effect of changes in foreign exchange rates	373	(6)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>139</b>	<b>(267)</b>
Cash and cash equivalents at beginning of the period	75	414
<b>Cash and cash equivalents at end of the period (Note A)</b>	<b>214</b>	<b>147</b>

<b>Note A: CASH AND CASH EQUIVALENTS</b>	30 Jun '10	30 Jun '09
	S\$'000	S\$'000
Cash and bank balances	214	147
Fixed deposits (pledged)	30	60
<b>Cash and cash equivalents</b>	<b>244</b>	<b>207</b>
Fixed deposit pledged to a bank	(30)	(60)
	<b>214</b>	<b>147</b>

**1(d)(i) Statement (for the issuer and group) of changes in equity**

	Share capital	Share option reserve	Foreign currency translation reserve	Accumulated losses	Asset Revaluation reserve	Attributable to equity holders of the Company	Minority interest	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>GROUP</b>								
Balance as at 1.1.2010								
As previously reported	53,283	546	695	(20,403)	1,238	35,359	-	35,359
Total comprehensive income for the period	-	-	370	(606)	(35)	(271)	-	(271)
Issue of placement shares	1,640	-	-	-	-	1,640	-	1,640
Share issue expenses	(25)	-	-	-	-	(25)	-	(25)
Balance as at 30.06.2010	54,898	546	1,065	(21,009)	1,203	36,703	-	36,703
<b>GROUP</b>								
Balance as at 1.1.2009								
As previously reported	53,255	325	309	(27,133)	1,908	28,664	10	28,674
Total comprehensive income for the period	-	-	(6)	4,674	(32)	4,636	1	4,637
Share option expenses	-	221	-	-	-	221	-	221
Balance as at 30.06.2009	53,255	546	303	(22,459)	1,876	33,521	11	33,532

	Share capital	Share option reserve	Accumulated losses	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<b>COMPANY</b>				
Balance as at 1.1.2010				
As previously reported	53,283	546	(24,078)	29,751
Total comprehensive income for the period	-	-	(338)	(338)
Issue of placement shares	1,640	-	-	1,640
Share issue expenses	(25)	-	-	(25)
Balance as at 30.06.2010	54,898	546	(24,416)	31,028
<b>COMPANY</b>				
Balance as at 1.1.2009				
As previously reported	53,255	325	(24,198)	29,382
Total comprehensive income for the period	-	-	(768)	(768)
Share option expenses	-	221	-	221
Balance as at 30.06.2009	53,255	546	(24,966)	28,835

- 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 for cash or 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 the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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.**

On 5 May 2010, 100,000,000 ordinary shares were allotted and issued as Placement Shares to subscribers Messrs Chan Sing En (35 million shares), Lee Chai Huat (35 million shares), and Ronald Menon (30 million shares). The Placement Shares were listed and quoted on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 10 May 2010, and trading of the Placement Shares commenced with effect from 9.00 a.m. on the same date.

A total of 29,600,000 share options were granted under the Inno-Pacific Share Option Scheme on 23 May 2008 with vesting period of one year. Each option carries the right to subscribe for one ordinary share in the capital of the Company at the exercise price of \$0.025. Options granted to Group Executives and Group Directors have a life span of ten years (24 May 2008 to 23 May 2018) while those granted to Non-Executive Directors have a life span of five years (24 May 2008 to 23 May 2013). 2,300,000 options granted were forfeited and cancelled as holders of options left the Group before the options were vested. Another 2,300,000 options granted lapsed as holders of these options left the Group without exercising the options. 25,000,000 share options were outstanding as at 30 June 2010. 25,300,000 share options are outstanding as at 31 Dec 2009.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees and directors become unconditionally entitled to the options.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	No. of shares
<b>GROUP / COMPANY</b>	
Balance as at 1.1.2010	1,086,245,285
Issue of Placement Shares	100,000,000
Balance as at 30.06.2010	1,186,245,285
<b>GROUP / COMPANY</b>	
Balance as at 1.1.2009	1,085,342,078
Issue of shares upon exercise of warrants	903,207
Balance as at 31.12.2009	1,086,245,285

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable as there was no treasury share in issue throughout the current period under review and its corresponding period last year.

- 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 2009.

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 '09 cents	30 Jun '09 cents
(Loss) / Profit per ordinary share based on net (loss) / profit attributable to shareholders based on :		
(i) based on weighted average number of ordinary shares in issue	(0.06)	0.43
(ii) on a fully diluted basis	(0.06)	0.43

(Loss) / Earnings per ordinary share is calculated based on the weighted average number of shares of 1,117,736,998 (2009 : 1,085,342,078) in issue during the period.

The fully diluted earnings/(loss) per ordinary share is calculated based on the weighted average number of shares of 1,117,736,998 (2009 : 1,085,342,078) in issue during the period. The share options are non-dilutive for calculation of earnings per share in H1 2010 as their exercise price is higher than the average share price traded in the market for the period.

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

	GROUP		COMPANY	
	30 Jun '10 cents	31 Dec '09 cents	30 Jun '10 cents	31 Dec '09 cents
Net asset value per ordinary share based on existing issued share capital	3.09	3.26	2.62	2.74

Computation of net asset per ordinary share is based on 1,186,245,285 existing issued ordinary shares at end of period under review (2009: 1,086,245,285 ordinary shares).

8. **A review of the 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 2010 was S\$6.5 million compared to S\$3.5 million in the previous corresponding period, an increase of 86.0%. Proceeds from the sale of investments held for trading of S\$6.2 million accounted for 95.4% of the Group's turnover for the first 6 months of 2010. The balance of Group's turnover of S\$0.3 million was generated by its subsidiaries in the telecommunication sector, PG Communications Pte Ltd., and PG Communications Sdn Bhd. Sales

volume from the telecommunication sector decreased by 50.0% as compared to the same period last year, due to intense competition in the telecommunication business.

#### **Gross profit from telecommunication service**

The Group's telecommunication business operated in an extremely competitive environment with incumbent tele-communications companies introducing calling cards services at very low prices. Despite the difficult environment, our telecommunication business managed to breakeven at the gross margin level.

#### **Investment held for trading**

The volatility in the financial and stock markets had depressed the margin from sale of investments held for trading. The Group realized a loss of S\$0.2 million on the sale of investment held for trading.

However, unrealised gain of S\$0.6 million due to fair value adjustments in investments held for trading was recorded as other income for the period.

In aggregate, investments held for trading contributed a net gain of S\$0.4 million for the period.

#### **Cost**

Operating, administrative and marketing & distribution costs decreased by 21.2% from S\$1.26 million to S\$0.99 million. The decrease was mainly due to absence of share option expenses in the current reporting period. Share option expenses in H1 2009 was S\$0.22 million.

#### **Finance income**

There was no finance income in the current reporting period.

#### **Finance costs**

Finance costs increased to S\$0.026 million in the period. H1 2009 was S\$0.003 million.

#### **Cash and cash equivalents**

Cash and cash equivalents increased to S\$0.24 million as at end of H1 2010. Cash and cash equivalents were S\$0.1 million at the end of FY 2009.

#### **Other receivables and prepayment**

Other receivables and prepayment decreased from S\$2.7 million at the end of FY 2009 to S\$0.7 million. S\$2.0 million of the receivables and prepayments represented the sales proceed from the sale of investment held for trading at the end of FY 2009. This amount was received in early 2010.

#### **Other payables**

Other payables decreased from S\$4.4 million at end of FY 2009 to S\$2.6 million at end of H1 2010. S\$2.0 million of other payables represented unsettled purchase of investments held for trading at the end of FY 2009. This amount was settled in early 2010.

#### **Working Capital**

Current assets and current liabilities stood at S\$25.4 million and S\$3.6 million respectively. Current ratio of the Group improved to 7.07 times (current ratio as at end of 2009: 5.01 times).

#### **Non-current liabilities to Equity ratio**

The non-current liability and total equity of the Group stood at S\$2.1 million and S\$36.7 million respectively. The non-current liability to equity ratio is 5.6% at the end of H1 2010. ( 5.6% as at end of FY 2009).

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, investment holding, provision of management services to related companies, and telecommunication services.

## **Portfolio Management in Investments Held for Trading and Financial Instruments**

The Group invests its surplus cash not immediately required for operations in investments held for trading and financial instruments. Future performance of the Group's investments in marketable securities and financial instruments are affected by global economic conditions, market liquidity, interest rates trend, investors' risk aversion and general market sentiment. The Group will continue to monitor market developments.

## **Telecommunications Services Business**

The Group's wholly-owned subsidiary, PG Communications Pte Ltd ("PG") provides international voice communication to pre-paid and post-paid customers in Singapore and offers value added services such as IPPBX, virtual roaming, call-back, calling cards and virtual office solutions.

Our telecommunication services business has to compete with major telcos 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. The aggressive pricing packages offered by these telcos have a significant impact on the revenue of most players in the telecommunication service business. In view of these aggressive pricing packages, PG and its subsidiaries have been monitoring the termination costs very closely in order to actively manage the costs from its various service suppliers in order to maintain the margin.

PG's wholly-owned Malaysian subsidiary, PG Communications Sdn. Bhd. ("PGSB"), has been providing international voice communications to pre-paid and post-paid customers in Malaysia. PGSB provides High Speed Internet Access using Power Line Communications ("PLC") technology to customers in Malaysia. Power Line Communications technology is a cost-effective and innovative last-mile solution that utilises existing power infrastructure, i.e., electrical power cable, as a medium to deliver data, voice and multimedia services. PLC technology transmits and receives high frequency (1-38Mhz) signals through existing power cables via couplers. Through a 50Hz power supply, the power line simultaneously carry modulated signals within the frequency (1-38Mhz) that enable high speed broadband communication of up to 205Mbps to every power socket. PGSB believes that it is well positioned to be a leading player in Malaysia's Internet Broadband market using PLC technology.

## **Technology Risk**

PLC technology is continually improving and new Broadband over powerline ("BPL") products and equipment are frequently introduced. Group's inventory of BPL products and equipment are subject to the risk of technological obsolescence. The Group's inventory of BPL products and equipment is S\$2.90 million as at end of H1 2010.

## **Other Risks**

The Group's investment portfolio is subject to volatility in market prices. Price movements in stock markets during the coming months will affect the results of the Group. The policy adopted by governments worldwide in response to the global economic condition, policies of central banks around the world in response to changing economic conditions, future trend of global interest rates, and the profit performance of our investee companies in the coming years will have a bearing on the performance of our investment portfolio. Concerns about the sovereign debts situation in Europe and worries about an economic double dip during recent months have sent shock waves to the global financial markets. There is no guarantee that the Group will generate profits from it in future.

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

#### **(a) Whether an interim (final) ordinary dividend has been declared recommended)**

Not applicable.

#### **(b) (i) Amount per share**

Not applicable.

#### **(ii) 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. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

**(d) The date the dividend is payable.**

Not applicable.

**(e) The date on which Registrable Transfers received by the Company (up to 5.00 pm) 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 period.

**13. Statement of Directors pursuant to Listing Rule 705(4)**

Wong Chin Yong and Koay Theam Hock, being two directors of Inno-Pacific Holdings Ltd, do hereby confirm on behalf of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the first half year 2010 (unaudited) interim financial results to be false or misleading.

On behalf of the Board of Directors

Wong Chin Yong  
Director

Koay Theam Hock  
Director

**BY ORDER OF THE BOARD**  
**Stanley Chu Kam Po**  
**Company Secretary**  
**Date: 16 July 2010**