

INNO-PACIFIC HOLDINGS LTD

Company Registration No : 197301788K

Financial Statement & Dividend Announcement for the Half Year Ended 30 June 2009 (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.

	GROUP		
	6 months ended		
	30 Jun '09 S\$'000	30 Jun '08 S\$'000	+/(-) %
Turnover	3,482	2,880	20.9%
Cost of sales	(3,238)	(3,222)	0.5%
Gross profit	244	(324)	(175.3%)
Other income /(other loss)	5,646	(4,322)	(230.6%)
Marketing and distribution costs	-	(13)	0.0%
Administrative expenses	(901)	(925)	(2.6%)
Other operating costs	(354)	(270)	31.1%
Finance income	-	65	0.0%
Finance costs	(3)	(3)	0.0%
Profit/(Loss) before income tax	4,632	(5,810)	(179.7%)
Income tax credit/(expense)	11	(4)	(375.0%)
Profit/(Loss) after income tax	4,643	(5,814)	(179.9%)
Other comprehensive income			
Exchange differences on translating foreign operations	(6)	(627)	(99.0%)
Income tax relating to components of other comprehensive income	-	-	
Other comprehensive income for the year, net of tax	(6)	(627)	(99.0%)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,637	(6,441)	(172.0%)
Profit attributable to :			
Shareholders of the Company	4,642	(5,817)	(179.8%)
Minority interests	1	3	(66.7%)
	4,643	(5,814)	(179.9%)
Total comprehensive income attributable to :			
Shareholders of the Company	4,636	(6,399)	(172.4%)
Minority interests	1	(42)	(102.4%)
	4,637	(6,441)	(172.0%)

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 '09	31-Dec '08	30 Jun '09	31-Dec '08
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current Assets :				
Subsidiaries	-	-	5,418	5,418
Plant and equipment	9,792	10,044	42	46
Intangible assets	4,121	4,121	-	-
Available-for-sale investment	7,000	7,000	7,000	7,000
Total non-current assets	20,913	21,165	12,460	12,464
Current Assets :				
Inventories	2,929	2,926	2,779	2,773
Investments held for trading	13,260	8,148	1,005	-
Trade receivables	121	170	-	33
Other receivables and prepayments	3,678	3,528	20,771	22,106
Cash and cash equivalents	207	474	24	85
Total current assets	20,195	15,246	24,579	24,997
Total assets	41,108	36,411	37,039	37,461
LIABILITIES AND EQUITY				
Current Liabilities :				
Trade payables	217	259	-	-
Other payables	1,914	1,952	5,172	5,032
Income tax payable	3,265	3,294	3,032	3,047
Current portion of finance leases	40	40	-	-
Total current liabilities	5,436	5,545	8,204	8,079
Non-Current Liabilities :				
Finance leases	37	57	-	-
Deferred tax liabilities	2,103	2,135	-	-
Total non-current liabilities	2,140	2,192	-	-
Equity				
Issued capital	53,255	53,255	53,255	53,255
Assets revaluation reserve	1,876	1,908	-	-
Share options reserve	546	325	546	325
Foreign currency translation reserve	303	309	-	-
Accumulated losses	(22,459)	(27,133)	(24,966)	(24,198)
Equity attributable to Shareholders of the Company	33,521	28,664	28,835	29,382
Minority interest	11	10	-	-
Total equity	33,532	28,674	28,835	29,382
Total liabilities and equity	41,108	36,411	37,039	37,461

1(b)(ii) Group Borrowings	Group		Company	
	30 Jun '09	31 Dec '08	30 Jun '09	31 Dec '08
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable within one year	40	40	-	-
Amount repayable after one year	37	57	-	-

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 '09 to 30 Jun '09	1 Jan '08 to 30 Jun '08
	S\$'000	S\$'000
Cash flows from operating activities :		
Profit/(Loss) before income tax	4,632	(5,810)
Adjustments for :		
Loss / (gain) in fair value of investments held for trading	(5,788)	4,071
Depreciation of plant and equipment	171	180
Stock written up	2	-
Bad debts	2	-
Share option expenses	221	-
Dividend income	-	(49)
Interest income	-	(16)
Interest expense	3	3
Operating loss before working capital changes	(757)	(1,621)
(Increase) in inventories	(5)	(1,122)
(increase)/Decrease in debtors	(121)	163
Decrease/(Increase) in investments held for trading	676	(8,075)
(Decrease) in creditors	(79)	(467)
Cash (used in)/generated from operations	(286)	(11,122)
Dividend income received	-	49
Interest received	-	16
Interest paid	(3)	(3)
Income tax paid	(13)	(60)
Net cash generated from / (used in) operating activities	(302)	(11,120)
Cash flows from investing activities :		
Purchase of plant and equipment	(17)	(5)
Proceed from sale of fixed asset	9	-
Fixed deposit pledged to a bank	-	(1,421)
Effect of foreign currency alignment on investing activities	69	-
Net cash from investing activities	61	(1,426)
Cash flows from financing activities :		
Repayment of hire purchase creditors	(20)	(20)
Expenses on rights shares issue	-	(14)
Net cash used in financing activities	(20)	(34)
Effect of changes in foreign exchange rates	(6)	(297)
Net (decrease) / increase in cash and cash equivalents	(267)	(12,877)
Cash and cash equivalents at beginning of the period	414	13,378
Cash and cash equivalents at end of the period (Note A)	147	501

Note A: CASH AND CASH EQUIVALENTS	30 Jun '09	30 Jun '08
	S\$'000	S\$'000
Cash and bank balances	147	501
Fixed deposits (pledged)	60	1,451
Cash and cash equivalents	207	1,952
Fixed deposit pledged to a bank	(60)	(1,451)
	147	501

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
GROUP								
Balance as at 1.1.2009								
As previously reported	53,255	325	309	(27,133)	1,908	28,664	10	28,674
Amortization of asset revaluation reserve	-	-	-	32	(32)	-	-	-
Total comprehensive income for the period	-	221	(6)	4,642	-	4,857	1	4,858
Balance as at 30.06.2009	53,255	546	303	(22,459)	1,876	33,521	11	33,532
GROUP								
Balance as at 1.1.2008								
As previously reported	53,269	-	642	(12,492)	1,972	43,391	7	43,398
Exercise of warrants	2	-	-	-	-	2	-	2
Expenses on issue of shares	(16)	-	-	-	-	(16)	-	(16)
Amortization of asset revaluation reserve	-	-	-	32	(32)	-	-	-
Total comprehensive income for the period	-	-	(627)	(5,817)	-	(6,444)	3	(6,441)
Balance as at 30.06.2008	53,255	-	15	(18,277)	1,940	36,933	10	36,943

	Share capital	Share option reserve	Accumulated losses	Total
	S\$'000	S\$'000	S\$'000	S\$'000
COMPANY				
Balance as at 1.1.2009				
As previously reported	53,255	325	(24,198)	29,382
Total comprehensive income for the period	-	221	(768)	(547)
Balance as at 30.06.2009	53,255	546	(24,966)	28,835
COMPANY				
Balance as at 1.1.2008				
As previously reported	53,269	-	(19,653)	33,616
Exercise of warrants	2	-	-	2
Expenses on issue of shares	(16)	-	-	(16)
Total comprehensive income for the period	-	-	(674)	(674)
Balance as at 30.06.2008	53,255	-	(20,327)	32,928

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.

During the financial period under review, no ordinary shares were issued.

As at 30 June 2009, a total of 142,190,765 (31 Dec 2008: 142,190,765) warrants remain outstanding. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at the exercise price of \$0.025.

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. 2,300,000 options granted to employees of the Group were forfeited as these employees left the Group before the options were vested. 27,300,000 share options are outstanding as at 30 June 2009.

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
GROUP / COMPANY	
Balance as at 1.1.2009	1,085,342,078
Balance as at 30.06.2009	1,085,342,078
GROUP / COMPANY	
Balance as at 1.1.2008	1,085,263,578
Exercise of warrants	78,500
Balance as at 30.06.2008	1,085,342,078

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 2008.

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 '08 cents
Profit/(Loss) per ordinary share based on net profit/(loss) attributable to shareholders based on :		
(i) based on weighted average number of ordinary shares in issue	0.43	(0.54)
(ii) on a fully diluted basis	0.43	(0.54)

Earnings/(loss) per ordinary share is calculated based on the weighted average number of shares of 1,085,342,078 (2008 : 1,085,334,949) in issue during the period.

The fully diluted earnings/(loss) per ordinary share is calculated based on the weighted average number of shares of 1,085,342,078 (2008 : 1,090,647,971) in issue during the period. The share options and warrants are anti-dilutive for calculation of earnings per share in H1 2009 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 '09 cents	31 Dec '08 cents	30 Jun '09 cents	31 Dec '08 cents
Net asset value per ordinary share based on existing issued share capital	3.09	2.64	2.66	2.71

Computation of net asset per ordinary share is based on 1,085,342,078 existing issued ordinary shares at end of period under review (2008:1,085,342,078 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 2009 was S\$3.5 million compared to S\$2.9 million in the previous corresponding period, an increase of 20.9%. Proceeds from the sale of marketable securities of S\$2.9 million accounted for 84.1% of the Group's turnover for the first 6 months of 2009. The balance of Group's turnover of S\$0.6 million was generated by 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 decreased by 64.2% as compared to the same period last year.

Turnover from the telecommunication business fell in H1 2009 as a result of intense competition in the pre-paid calling cards business. Sales turnover from investments trading increased in H1 2009 as the stock market recovered from March 2009.

Gross profit

Gross margin increased as the value (prices) of our portfolio of marketable securities also increased in line with the recovery of the stock market.

Other income

Other income included an unrealised gain of S\$5.8 million due to fair value adjustments in investments held for trading in the current financial period.

Cost

Operating, administrative and marketing & distribution costs increased by 3.9% from S\$1.21 million to S\$1.26 million. The increase was mainly due to recognition of non-cash share option expenses of S\$0.22 million in H1 2009 (S\$0.04 million in H1 2008), partly offset by reduced staff remuneration expenses of S\$0.60 million in H1 2009 (S\$0.77 million in H1 2008).

Finance income

There was no finance income in the current reporting period.

Cash and cash equivalents

Cash and cash equivalents decreased to S\$0.2 million despite increase in profit as most part of the profit was generated from unrealised gain in fair value change in investment held for trading. Fair value gain in investment held for trading was S\$5.8 million.

Working Capital

Current assets and current liabilities stood at S\$20.2 million and S\$5.4 million respectively. Current ratio of the Group improved to a level of 3.7 times (current ratio as at end of 2008: 2.7 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\$33.5 million respectively. The non-current liability to equity ratio is 6.4% for H1 2009. (7.6% as at end of 2008).

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 marketable securities and financial instruments. Investments in marketable securities and financial instruments are affected by global economic conditions, market liquidity, interest rates trend, Investors' confidence and general market sentiment.

Global stock markets have stabilised and recovered in the past 3 months to June 2009. This has resulted in fair value gain of S\$5.8 million in the portfolio of marketable securities. The Group will continue to monitor the market development.

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. PG is also evaluating new services and products such as Voice over Internet Protocol (VoIP), and wireless telephony. There is however no assurance that these services will be introduced or successful.

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.

The Group considers some parts of the business operations of PG and its wholly-owned subsidiary, Alstra Pacific Pte Ltd (Alstra), as similar and has decided to merge their business operations. Steps have been taken to eliminate duplicate infrastructure and manpower set up in order to reduce the operation costs of the telecommunication services business.

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 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. BPL 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.

Other Risks

The Company is liable to pay additional tax assessments for Years of Assessment 1988 and 1990 to 2004 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 IRAS decide 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 business compromised.

The Group's investment portfolio is subject to volatility in market prices. Price movements in stock markets during the coming months will affect the result of the Group. The policy adopted by governments worldwide in response to the global economic condition, the effectiveness of efforts from central banks around the world to address the credit crunch, the future trend of global interest rates, the possible global economic recovery as suggested by the "green shoots", and the profit performance of our investee companies in the coming years have a bearing on the performance of our investment portfolio. Though the global stock market has bounced back quite significantly from the bottoms during the past half year, there is no guarantee that the Group will generate profits from it.

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 year.

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 2009 (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: 17 July 2009