Annual Report 2007

INNO-PACIFIC HOLDINGS LTD

CONTENTS

CORPORATE STRUCTURE

As at 19 March 2008

Investment holdings

INNO-PACIFIC HOLDINGS LTD

- 88.9% → Shakey's Holdings Pte Ltd
  - 100% → Heritage Investment Corporation
- 100% → Jadensworth Holdings Pte Ltd
- 100% → Awana Rentak Sdn Bhd
  - 50% → Ramenten Convention Centre Sdn Bhd
  - 100% → Mega Highlights Sdn Bhd
- 90% → Top-Text Sdn Bhd

Telecommunications

- 100% → PG Communications Pte Ltd
  - 100% → PG Communications Sdn Bhd
  - 100% → Alstra Pacific Pte Ltd

Food & Beverage

Ramenten Convention Centre Sdn Bhd

Manufacturing

Mega Highlights Sdn Bhd

CORPORATE PROFILE

Directors

Dato' Moehamad Izat Emir	*Chairman*
Wong Chin Yong	*Managing Director*
Ong Kah Hock	*Director*
Md Abdul Wahab bin Md Shahir	*Director*
Koay Theam Hock	*Director (Appointed 12 February 2008)*

Audit Committee

Dato' Moehamad Izat Emir	*Chairman*
Ong Kah Hock	
Md Abdul Wahab bin Md Shahir	

Company Secretary

Stanley Chu Kam Po *(Appointed 18 June 2007)*

Registered Office

190 Middle Road
#19-07 Fortune Centre
Singapore 188979

Shares Registrar & Transfer Office

Compact Administrative Services Pte Ltd
3 Anson Road #27-01
Springleaf Tower
Singapore 079909

Warrant Agent

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

Auditors

BDO Raffles, Certified Public Accountants
Partner in charge: Yeo Ek Khuan
(Appointed 13 April 2006)

Solicitors

Khattar Wong & Partners
Straits Law Practice L L C

Bankers

DBS Bank Ltd
United Overseas Bank Ltd

KEY PLAYERS

DIRECTORS' PROFILE

Dato' Moehamad Izat Emir, 69, has been a director of the Company since 1 November 1995 and he was appointed as Executive Chairman of the Company on 10 August 2001. He relinquished his executive role with the Company on 23 August 2002 but remains as Chairman of the Board.

Dato' Izat is a prominent Malaysian businessman with extensive business and corporate experiences. In recognition of his vast achievements and public services, he was awarded the Dato' Paduka Mahkota Perak (DPMP) and the Ahli Mangku Negara (AMN).

He currently is a director of a Bursa Malaysia public listed company, SKB Shutters Corporation Berhad. Dato' is also the Chairman of Jasor Capital Sdn Bhd, Impsa (Malaysia) Sdn Bhd and Forever Fresh Coldstore Technology Sdn Bhd.

Since December 1998, Dato' has been the President of the Malaysian Malay Businessmen and Industrialists Association (PERDASAMA), an association with a 12,000 strong membership nationally.

Dato' is also actively involved in the promotion of international trade and is a Committee Member of the Malaysian-China Business Association, Malaysian-Thai Business Association and Executive Committee Member of the Malaysian-Finnish Business Council. He is also the Chairman of the Sub-Committee for Economics – Trade and Investments of the Malaysia-Thailand Association. Dato' was also appointed by the Ministry of International Trade and Industry (MITI), Malaysia, as a member of the Malaysia-Singapore Business Council in 2004.

He has served in various public organizations such as Chairman of the National Consumer Affairs of Malaysia (1995-2000) and Chairman (1984-1997) and Deputy Chairman (1974-1984) of the Malay Chamber of Commerce, Kuala Lumpur. Dato' was also active in the Subang Jaya Municipal Council (MPSJ) (1996-1998) and Petaling Jaya Municipal Council (MPPJ) (1992-1994).

Dato' is the Chairman of UMNO Setia Budi branch. He had previously been with the UMNO Puchong Division and lastly as its Vice-Chairman (1991-1994), UMNO Subang Divison (1994-1996) and also the Permanent Chairman of UMNO Youth of the Petaling Jaya Selation Division (1998-2001).

More recently, Dato' was reappointed as a MARDI (Ministry of Agriculture, Malaysia) Scientific Council member in June 2005 and a member of the National Consultative Committee on Globalisation, National Economic Action Council or Majlis Tindakan Ekonomi Negara (MTEN) KE-34, Malaysia in November 2005.

Mr Wong Chin Yong, 56, is Managing Director and Chief Executive Officer since 18 September 2001. Mr Wong is a Business Administration graduate from the National University of Singapore. He has about 30 years experience in financial markets, investment banking, and management. Mr Wong spent his early career in treasury management with several international banks in Singapore before joining the Monetary Authority of Singapore as a senior officer. He also headed the Singapore branch of a U.S. investment bank in the 1980s. In the 1990s, Mr Wong was the chief executive of several public-listed companies in Canada, Hong Kong and Malaysia that were engaged in oil & gas exploration, gemstone mining, marketing and distribution.

Mr Ong Kah Hock, 54, was elected as director of the Company on 31 August 2001. Mr Ong holds a MBA degree from University of Bradford, B.Sc. (Hons) degree from the University of Salford and Diploma in Marketing from Institute of Marketing, UK. He has more than 20 years experience in marketing and general management in the shipbuilding, machinery and chemical industries. Mr Ong is currently a director and general manager of a group of companies manufacturing and distributing chemical products

Mr Md Abdul Wahab bin Md Shahir, 66, was appointed an Independent Director on 11 July 2005. Mr Wahab graduated from the Sydney Technical College in Accountancy and holds a diploma in Management Consultancy Practices from the United Nations International Centre, Turin, Italy. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and a Fellow member of the Certified Practising Accountants, Australia.

Mr Wahab started his career in 1967 as an Assistant Accountant with the Australian Gas Light Company Limited. Upon his return to Malaysia in 1972, he joined the Malaysian Airline System Berhad (MAS) as an Internal Auditor. In 1974, he left MAS to work as a Consultant for MIDF Industrial Consultants Sdn Bhd. In 1979 he joined the Rubber Industries Smallholders Development Authority as Director of

Finance. In 1984 he joined Perwira Affin Bank as Chief Internal Auditor. In 1989 he was transferred to JP Finance (M) Berhad and subsequently Affin Finance Berhad as General Manager. In 1995, he joined the Business Focus Group of Companies as Managing Director. In 1998 he was appointed as Advisor to First Overseas Bank Cambodia and Director of Masteron Group of Companies.

Currently, he sits on the board of CPA Australia (M) Sdn Berhad and Liga Klasik Sdn Bhd. He is also an Independent Non-Executive Director of Federal Furniture Holdings (M) Berhad.

Mr Koay Theam Hock, 46, was appointed as director of the Company on 12 February 2008. Mr Koay holds a Bachelor of Accounting (Hons) degree from the University of Malaya. He is a member of the Malaysian Institute of Accountants and a Chartered Member of the Malaysian Institute of Internal Auditors. He is also an Approved Company Auditor in Malaysia and a Certified Financial Planner of the Financial Planning Association of Malaysia.

Mr Koay began his career in 1987 with Deloitte Kassim Chan. In 1990, he became an Internal Audit Executive with a Hong Kong based company. From 1992 to 1996, he was the Financial Controller of Chuan Bee Group, Malaysia. He then worked for Amcorp Berhad as Assistant General Manager until 1999. Since 2000, he has been a Partner of UHY Diong, a medium sized international auditing firm, in Penang, Malaysia.

He served as an Independent Non-Executive Director of Integra 2000 Ltd, a Catalist quoted company from 13 February 2007 to 16 July 2007. He is a Finance Committee member of the Penang Chinese Chamber of Commerce.

KEY EXECUTIVES' PROFILE

Ms Jenny Soh Woon Chuen is the General Manager for Corporate Affairs of the Company. She is responsible for the day to day operations, administration and corporate affairs of the Singapore office. Ms Soh joined Inno-Pacific in January 1988 as Accounts Executive. After leaving the Group for a short span of six months for an executive search company as Finance and Administration Manager, she re-joined the Company in February 1993 as Assistant Manager (Finance). Ms Soh was promoted to Corporate Manager in September 1996 where she was in charge of the Group's various fund raising and corporate exercises. Due to her vast experience and knowledge of the Group, Ms Soh was promoted to General Manager (Corporate Affairs) in July 2001.

Mr Stanley Chu Kam Po, is the Group Financial Controller and Company Secretary. He joined the Company on 18 June 2007 and took on the primary responsibility of overseeing the day to day operations of the Finance Department as well as the group accounts, finance, taxation, secretarial and other related functions. Mr Chu holds a MBA degree from the Chinese University of Hong Kong, a Master degree in Information Systems from the Hong Kong Polytechnic, a Bachelor of Business degree from Curtin University of Technology, Western Australia and Bachelor of Laws degree from the University of Wolverhampton. He attained membership of the Chartered Institute of Management Accountants and the Institute of Certified Public Accountants Hong Kong in 1985. Before assuming this role, he was a Director of an Accounting & Consulting Service company for 5 years. Prior to this, he has over 20 years working experience in several corporations based in Hong Kong and Singapore engaged in manufacturing, technology and ship repairing.

Mr Michael Tan Wee Meng, is Director of Alstra Pacific Pte Ltd, an indirect wholly-owned subsidiary of the Company. He obtained a 2nd upper honours degree in Business Administration from the National University of Singapore in 1994. Michael has over 12 years of experience in telecommunications having co-founded i2U Pte. Ltd and served in the senior management team in Mediaring Ltd. Prior to joining the Group, he was the Regional Manager for South East Asia for a telecommunication equipment vendor.

CHAIRMAN'S STATEMENT

In FY 2007 the Group recorded an impressive 494% increase in net profit of $4.5 million from a loss of $1.1 million in the previous financial year ("FY 2006").

Dear Shareholders,

On behalf of the Board of Directors of Inno-Pacific Holdings Ltd. ("the Company"), I am pleased to present the Annual Report and accounts of your Company and its subsidiaries ("the Group) for the year ended 31 December 2007 ("FY 2007").

PERFORMANCE AND BUSINESS REVIEW

The Group's main business activities were in investment holdings, investment management and telecommunications services in FY 2007.

I am pleased to report that in FY 2007 the Group recorded an impressive 494% increase in net profit of $4.5 million from a loss of $1.1 million in the previous financial year ("FY 2006").

The Group recorded a profit of $8 million from the disposal of an indirect subsidiary company in June 2007. This entity had a negative book value of about $8 million represented by the excess of its liabilities over its assets. As this entity was disposed at a nominal price, its net liability was eliminated from the Group accounts, resulting in a gain equal to its net liability. Investments held for trading contributed about $0.3 million and dividend income contributed $0.1 million to the bottom-line whilst the telecommunications business broke even in FY 2007.

Sales in FY 2007 were slightly lower at $7.2 million compared to $7.7million in FY2006. Though proceeds from sale of investments held for trading was lower at $2.7 million in FY 2007 compared to $5 million in FY 2006, the Group's telecommunications business made up for the shortfall by recording a 67% growth in sale from $2.6 million in FY 2006 to $4.4 million in FY 2007.

In the past few years, your Group had been able to control its costs despite the general rise in wages, rentals and other business costs through tight budgetary controls and prudent management. However, in FY 2007 the sharp increase in wages, rentals and other business costs pushed Operating, Administrative and Distribution ("OAD") costs to $1.9 million in FY 2007 compared to $1.5 million in FY 2006. The 23% increase in OAD costs was very much in line with the general rise in cost in Singapore.

The Group's working capital as at 31 December 2007 was $23.5 million, an improvement of 137% from $9.9 million a year ago.

FY 2007 was also an eventful year for the Company. In August 2007, the Company signed a multi-million dollar deal to supply equipment to a Malaysian company for the installation of broadband over power line in Malaysia. The Company also raised $19.5 million from a non-underwritten, renounceable Rights Share cum Warrants Issue in November 2007.

Telecommunication Services Business

The Group's wholly-owned subsidiary, PG Communications ("PG") provides international voice communication 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. During the year, PG also became the 100% shareholder of Alstra Pacific Pte Ltd ("Alstra"). Alstra is a Service Based Operator licensed by the Infocom Authority of Singapore. It provides hosted solutions and services to wholesale customers and virtual telecommunications operators.

PG's wholly-owned Malaysian subsidiary, PG Communications Sdn Bhd ("PGSB"), commenced commercial operations in FY 2007 and recorded a modest $0.1 million in sales. Overall the telecommunications group contributed $4.4 million in sales. The telecommunications business remained highly competitive and this business division was able to break even for the year.

Portfolio Management in Marketable Securities and Financial Instruments

The Group invested its surplus cash not required for operations in marketable securities and financial instruments. In FY 2007, $2.7 million of marketable securities were sold and netted a gain of $0.3 million. However, the markets weakened and volatility increased in the second half of FY 2007 and the yearend portfolio had a fair value loss of $1.7 million. The management views the current market decline as a temporary correction.

Investment in Mega Highlights Sdn Bhd

The Group took control of its investment in Mega Highlights Sdn Bhd ("Mega"), a Malaysian company which is in the business of design, manufacture and assembly of commercial vehicles, in mid 2007. Since 2005, the Group owned 30% of the issued share capital in Mega. Pursuant to a Loan Agreement and Supplemental Agreement dated 28 November 2005 and 6 September 2006, respectively ("the Agreements"), the Group had loaned Malaysian Ringgit ("RM") 2.5 million to Mega ("the Loan"). The Loan was guaranteed by Mr. Khoriri, a shareholder of Mega, and a pledge of his 100,000 ordinary shares (the "Pledged Shares"), representing 70% shareholding of Mega, as security for the repayment of the Loan by Mega to the Group. The Loan, together with all interest accrued thereon, was due and repayable in full by 30 June 2007. Mega defaulted on the Agreements and the repayment of the Loan. Consequently the Group enforced its rights under the Agreements and the Pledged Shares were transferred to the Group.

Subsequently, Mega agreed to settle part of the Loan amounting to RM2 million by the allotment and issuance of 2 million new ordinary shares in the capital of Mega at RM1.00 each to the Group. As a result of the transfer of the Pledged Shares and the allotment and issuance of the new shares, Mega became a wholly owned subsidiary of the Group.

Mega owns a 48.3 acres land in Tanjung Malim, Perak, and the directors of Mega are evaluating several options and plans in respect of this investment.

The Company's Outstanding Taxation Matter

As mentioned in all my previous years' reports, the Company has been assessed with additional tax assessments for years of assessment 1988 and 1990 to 2004 ("Additional Tax Assessments") by the Inland Revenue Authority of Singapore ("IRAS") amounting to $3.1 million. The Company has objected to the Additional Tax Assessments but is liable to pay the additional tax notwithstanding its objections to the assessments.

CHAIRMAN'S STATEMENT (cont'd)

These Additional Tax Assessments arose because of the following areas:–

(1) IRAS is of the opinion that as some of the Company's investments did not generate dividend income, the Company is therefore not in the business of investment holding. The Company's stance is that though it hopes that every investment it makes would succeed and be profitable, the reality is that doing business and investing carry risk and they can fail. In such instances, the Company stands to lose the invested capital let alone the expectation of generating any dividend income.

(2) IRAS has also determined that the number of investments held by the Company as "not huge" to qualify it as an active investment holding company, and therefore its dividend and interest income are considered as passive income. Consequently, only a certain portion of expenses were eligible for tax deduction. The Company was and is actively in the business of identifying, assessing, acquiring, managing and disposal of investments for dividend, interest and capital gains. During those years of assessments, the Company had more than thirty (30) direct and indirect investments that cost more than $50 million. The Company's contention is that its investments were sizeable and it was an active investment holding company, and all its expenses are tax deductible.

(3) The Company also disagreed with IRAS's treatment of interest expense. IRAS apportioned the Company's interest expense to each of its investments and disallowed the interest expense attributable to what they consider as "non-income producing investments". The Company's opinion is that this treatment is unfair and inequitable because interest expense was incurred on borrowings to finance businesses of its investee companies. The interest expense was billed back to its investee companies and gave rise to interest income to the Company which was taxed in full while interest expense was only deducted restrictively in IRAS's assessment. The Company is of the view that the investments should be treated as one source and all interest expenses incurred in the production of income from this source should be wholly deductible.

The Company has submitted a proposal to the IRAS for a resolution of this long outstanding taxation issue. In the event that the IRAS does not accept the Company's proposal and demand payment of the Additional Tax Assessments of $3.1 million, the Company's and the Group's cash flow will be adversely affected and its viability compromised.

Outsourcing Agreement with Realm Energy Sdn. Bhd. ("RESB")

As announced in August 2007, the Company was appointed as RESB's exclusive agent to purchase and supply all the necessary products, equipment and services to RESB for the installation of last-mile internet broadband connectivity using Broadband over Power Line ("BPL") technology, premium services, such as voice-over-IP (VOIP), web-TV, IPTV and power grid management, in Malaysia. RESB expects to have at least 1,000,000 internet broadband subscribers using BPL technology by 2010. One of the terms of the Outsourcing Agreement provides for RESB to pay the Company, Malaysian Ringgit five (RM5.00) for every RESB's subscriber each month, for as long as the subscriber is active.

The Company is very optimistic that this Agreement will become a significant contributor to the Group's future financial performance.

Non-underwritten Renounceable Rights Shares cum Warrants Issue ("Rights Issue")

In anticipation of the funds required for the Outsourcing Agreement with RESB, your Company proposed a 2-for-1 Rights Issue which was completed at the end of November 2007. A total of 569,077,095 Rights Shares at $0.035 each was subscribed representing 55.12% subscription rate. I would particularly like to thank all those shareholders who have supported this Rights Issue.

Acknowledgments

On behalf of the Directors, I would like to thank Mr Phang Ian Cher Shen for his contribution and invaluable service to the Board for almost six years and wish him every success in his new career. I must also thank my fellow Directors for their counsel and advice and all our staff for their dedication and commitment to the Group. Finally, on behalf of the Directors and management, I would like to express my appreciation to our valued customers, business associates and shareholders for their continued support.

Dato' Moehamad Izat Emir
Chairman

19 March 2008

CORPORATE GOVERNANCE STATEMENT

For the financial year ended 31 December 2007

The Board of Directors and management continue to be committed in ensuring and maintaining a high standards of corporate governance in line with the Singapore Code of Corporate Governance introduced in April 2001 and as amended in 2005 ("the Code").

This statement outlines the main corporate governance practices of the Company that were in place throughout the financial year with specific reference made to the principles and guidelines of the Code. The Board is pleased to confirm that for the financial year ended 31 December 2007, the Company has complied with the guidelines of the Code.

BOARD MATTERS

Board's conduct of its affairs (Principle 1)

The Board meets regularly to oversee and supervise the management of the business affairs of the Group. Apart from its statutory responsibilities, the Board approves the Group's strategic plans, key operational initiatives, major investments and funding decisions, identifies principal risks and ensures the implementation of internal control procedures to manage these risks, reviews the performance of the Group and evaluates the performance and compensation of senior management personnel. Some of these roles are carried out directly or through sub-committees like the Remuneration Committee which reviews, on an annual basis, management performance to determine the award of variable bonus and other incentive schemes. Minutes of the Board Committee meetings are available to all Board members.

The Company's Articles of Association provide for directors to convene meetings by teleconferencing or videoconferencing. When a physical Board meeting is not possible, timely communication with members of the Board can be achieve through electronic means.

Since 2 March 2007, the number of board meetings held in the year and meetings of specialised committees established by the Board is disclosed below:

	Inno-Pacific Board Meeting		Audit Committee Meeting		Remuneration and Nominating Committee Meeting	
	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended
Dato' Moehamad Izat Emir	4	4	1	1	1	1
Wong Chin Yong[1]	4	4	1	–	1	1
Ong Kah Hock	4	3	1	1	1	1
Md Abdul Wahab bin Md Shahir	4	4	1	1	1	1
Phang Ian Cher Shen[2]	4	2	–	–	–	–
Koay Theam Hock[3]	–	–	–	–	–	–

1. Mr Wong Chin Yong, Managing Director and CEO, was invited to attend the various Board Committees meetings
2. Mr Phang Ian Cher Shen resigned as Director on 24 August 2007
3. Mr Koay Theam Hock joined the Board on 12 February 2008

To enhance effectiveness of the Board, a newly appointed director receives a thorough briefing by existing directors of the Group's businesses, governance practices and recent financial performance. Directors are also welcome to request further explanations, briefings or information on any aspect of our operations or business issues from management.

CORPORATE GOVERNANCE STATEMENT (cont'd)

For the financial year ended 31 December 2007

Board Composition and Guidance (Principle 2)

The board comprised 5 members, 1 of whom is an executive director, 4 independent non-executive directors (including the Chairman):

Dato' Moehamad Izat Emir *Chairman*
Wong Chin Yong *Managing Director & CEO*
Ong Kah Hock *Independent Non-Executive Director*
Md Abdul Wahab bin Md Shahir *Independent Non-Executive Director*
Koay Theam Hock *Independent Non-Executive Director*

The Nominating Committee ("NC") adopts the Codes' definition of an independent director in its review. As more than 80% of the Board comprise of independent and non-executive directors, the Committee is of the view that the non-executive directors are independent directors and that no individual or small group of individuals dominate the Board's decision making process. The Board considers the current board size as adequate for its present operations as there is appropriate mix of expertise and each Board member has extensive experience and knowledge, thus providing valuable contribution to the decision-making process of the Board.

During meetings, non-executive directors regularly discuss matters such as the Group financial performance, corporate governance and where necessary, the Company co-ordinates informal meeting for non-executive directors to meet without the presence of the Management.

Chairman and Chief Executive Officer (Principle 3)

The roles of the Chairman and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. There is no relationship between the Chairman and CEO.

The Chairman ensures that board meetings are held when necessary and sets the board meeting agenda. He monitors the translation of the board's decisions and wishes into executive action. He is responsible for steering the strategic direction of the Group, the workings of the board of directors and communicating the performance of the Group to the Board and shareholders. He reviews and exercises control over the quality, quantity and timeliness of information flow between the board and management thereby setting constructive relationship and ensure that each member of the board works well together with the management. He also leads in ensuring the Company's compliance with corporate governance guidelines.

The CEO, with the assistance of a team of executive officers, bears the day-to-day executive and administration responsibilities. He manages the businesses of the Group and implements the board's decisions.

Board Membership (Principle 4)

The Board established the NC in 2001 which consist of three independent directors.

The role of the NC is to establish a formal and transparent process for the Company, for the appointment of new directors and re-nomination and re-election of directors at regular intervals after taking into consideration the respective director's contributions in terms of experience, business perspective, management skills, individual expertise and pro-activeness in participation of meetings.

The NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointments of new directors. The NC then nominates the most suitable candidate for the Board's approval.

Such new directors must submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company. Article 106 requires one third of the Board to retire by rotation at every AGM.

The NC conducts an annual review of directors' independence and is of the view that Dato' Moehamad Izat Emir, Mr Ong Kah Hock, Mr Md Abdul Wahab bin Md Shahir, and Mr Koay Theam Hock are independent directors and that no individual or small group of individuals dominate the Board's decision making process.

The NC also reviewed and is satisfied that Dato' Moehamad Izat Emir, who sits on multiple boards, has been able to devote adequate time and attention to the affairs of the Company to fulfill his duties as director and Chairman of the Company, in addition to his multiple board and committee appointments.

Board of Directors	Board Membership	Date of first appointment	Date of last re-election	Audit Committee	Nominating Committee	Remuneration Committee
Dato' Moehamad Izat Emir	Non-executive/ Independent	1 Nov 1995	30 Mar 2007	Chairman	Chairman	Chairman
Wong Chin Yong	Executive/ Non-Independent	8 Aug 2001	–	–	–	–
Ong Kah Hock	Non-executive/ Independent	31 Aug 2001	30 Mar 2007	Member	Member	Member
Md Abdul Wahab bin Md Shahir	Non-executive/ Independent	11 July 2005	28 Apr 2006	Member	Member	Member
Koay Theam Hock	Non-executive/ Independent	12 Feb 2008	–	–	–	–

Board Performance (Principle 5)

In evaluating the Board's performance and effectiveness, the NC has established an annual review process to assess the contribution of each director. The Board, through the NC, used its best effort to ensure that directors appointed possess the background, experience, knowledge in the business, competencies in finance and management skills which is critical to the Group's business.

The review process for board's performance takes into account, inter-alia, directors' attendance and participation at meetings, the quality of directors' interventions and special skills and contributions made by directors. The assessment of the Chairman's and the CEO's performance is undertaken by the RC together with the chairman of the NC and the results are reviewed by the board.

Access to Information (Principle 6)

In order to ensure the Board is able to fulfill its responsibilities, management provides the CEO with monthly management accounts and supply the Board with complete, adequate information in a timely manner. A typical monthly management report includes an analysis of the month's performance, explanation to any budget variances and forecast. The directors have also been provided with the mobile phone numbers and e-mail addresses of the Company's senior management and Company Secretary to facilitate access.

Should directors, whether as a group or individually, need independent professional advice, the Company Secretary will upon direction by the Board, appoint a professional advisor selected by the group or the individual and approved by the Chairman to render advice at the Company's expense.

The Company Secretary attends all board meetings and is responsible to ensure that board procedures are followed and that the Company complies with the requirements of the Companies Act. The appointment and removal of Company Secretary is undertaken by the Board as a whole.

Procedures for Developing Remuneration Policies (Principle 7)

The Board established the Remuneration Committee ("RC") in 2001 which consist of three independent directors.

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration. It reviews the remuneration packages for the directors and senior management with the aim of building capable and committed management team through competitive compensation and focused management policies.

The RC's recommendations would be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board and the scope of remuneration would cover all aspects of remuneration, including but not limited to directors' fees, salaries, bonuses, share options and benefits-in-kind. No director is involved in deciding his own remuneration.

Level and Mix of Remuneration (Principle 8)

The RC reviews the compensation of the executive director and senior management annually to ensure that the remuneration commensurate with the Group's performance with regard to the financial and business needs of the Group, taking into consideration the employment conditions within the industry and in comparable companies.

CORPORATE GOVERNANCE STATEMENT (cont'd)

For the financial year ended 31 December 2007

The remuneration policy for key executives is a fixed salary commensurate with their job scope and responsibilities, plus one-month annual wage supplement and performance bonus, if any. The independent Directors who are non-executive are paid yearly directors' fees of an agreed amount and out-of-pocket expenses. Such fee is recommended by the Board for shareholders' approval at the Company's AGM. The RC reviews the adequacy and form of remuneration of these directors to ensure that the compensation commensurate with the responsibilities and risks involved in being a director.

The Company has only 1 executive director (the CEO) whose remuneration package is as per his service contract of 5 years commencing from 17 December 2004.

The RC administered the Inno-Pacific Share Option Scheme and the Inno-Pacific Performance Share Scheme that was approved by the members of the Company at an Extraordinary General Meeting held on 29 April 2005.

Disclosure of Remuneration (Principle 9)

Company's directors receiving remuneration from the Group for the financial year ended 31 December 2007 are disclosed below:-

	Executive Directors Salary, AWS, CPF, Gratuity & Benefits-in-kind	Non-Executive Directors Director Fee
$250,000 to below $500,000	Wong Chin Yong	–
Below $250,000		Dato Moehamad Izat Emir Ong Kah Hock Md Abdul Wahab bin Md Shahir Phang Ian Cher Shen

There are no employees whose remuneration exceeds $150,000 during the financial year who are related to Directors/CEO or Substantial Shareholders.

Since the date of inception, no options or shares were granted or awarded under the Inno-Pacific Share Option Scheme and Inno-Pacific Performance Share Scheme ("the Schemes"). Details of the Schemes can be found on page 16 of the Directors Report.

Accountability (Principle 10)

The Board aims to provide the shareholders with detailed analysis and a balanced and understandable assessment of the Group's performance, financial position and prospects through the announcement of the half year and full year results via Singapore Exchange Securities Trading Limited ("SGX-ST") and SGXNET.

The Board of Directors is accountable to the shareholders while the management of the Company is accountable to the Board. The management provides directors with a monthly financial management report which includes the management accounts, other financial statements and an analysis of the Group's performance. The report is submitted within 15 days of the month-end for effective monitoring and decision making.

Audit Committee (Principle 11)

The Audit Committee ("AC") was established in 1990 and currently comprises of three independent directors. As its members, these directors have the expertise or experience in financial management and are qualified to discharge its responsibilities. The AC is authorised to investigate any matter within its terms of reference and has full access to, and the co-operation of the Management with full discretion to invite the CEO or executive officers to attend its meetings.

The AC holds regular meetings with the Management and its auditors and performs the following duties and activities:

(a) reviews the scope and results of the audit, including the external auditors' findings, the cost effectiveness, their independence while seeking to balance the maintenance of their objectivity and ability to provide value-for-money professional services;

(b) reviews the half year and full year unaudited results, SGXNET announcements and all related disclosures to shareholders before recommending to the Board for approval;

(c) evaluates the adequacy of the internal control procedures of the Company through discussion with Management and its auditors;

(d) recommends the appointment, re-appointment and removal of auditors to the Board and approves the remuneration and terms of engagement of the auditors; and

(e) discusses with the Management the auditors' significant audit observations, together with the management's responses and actions to correct any deficiencies so that an effective system of control is maintained in the Group.

There is no non-audit related work carried out by the auditors during the financial year and the AC is satisfied with their independence.

The Company has put in place a whistle-blowing framework, endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and for appropriate follow up actions.

Internal Controls (Principle 12)

The AC, on behalf of the Board, has reviewed the effectiveness of the Group's system of internal controls including financial, operational and compliance controls, identification and management of risks and monitoring systems. The Company's external auditors, BDO Raffles, have carried out, in the course of their statutory audit, a review of the effectiveness of the Group's material internal accounting controls. Material non-compliance and internal accounting control weaknesses noted during their audit, and the auditors' recommendations are reported to the AC. The Board believes that in the absence of any evidence to the contrary and from due enquiry, this system of internal controls that has been maintained by the Company's management throughout the financial year is adequate to meet the needs of the Company in its current business environment.

Internal Audit (Principle 13)

The Company does not have an internal audit department but review of internal control procedures has been carried out by the AC who is closely monitoring the Group's internal control systems and procedures with the Management. The AC is satisfied that the internal controls of the Group are adequate and is of the opinion that the Company does not require a separate internal audit function based on its current operations.

Communication with Shareholders (Principle 14)

The Company believes that a high level of disclosure on a timely basis is essential to enhance the standard of corporate governance. Hence, the Company gives full disclosures on all material information on the performance and development of the Group in all public announcements via SGXNET system and annual reports. Such announcements including the half year and full year results and annual reports are issued within the mandatory period and are also available on the Company's website – www.innopacific.com

Greater Shareholder Participation (Principle 15)

Our Articles of Association allow a shareholder to appoint up to two proxies to attend and vote in his place at general meetings. Our AGM procedures provide shareholders the opportunity to ask questions relating to each resolution tabled for approval. All our resolutions at our general meetings are single item resolutions. The board and management are on hand at general meetings to address questions by shareholders. The external auditors are present to assist the board and address shareholders' queries.

CORPORATE GOVERNANCE STATEMENT (cont'd)

For the financial year ended 31 December 2007

INTERNAL CODE ON DEALINGS IN SECURITIES

The Company has adopted an internal code with regard to dealings in securities by directors and employees. The directors and relevant officers are advised from time to time not to deal in the Company's shares during the periods commencing one month before the announcement of the Company's half year and annual results, as the case may be, and ending on the date of announcement of the relevant results. They are also expected to observe the insider trading laws and to avoid potential conflicts of interest at all times when dealing in securities.

RISK MANAGEMENT POLICIES AND PROCESSES (RULE 1207(4b) (iv) OF THE SGX-ST LISTING MANUAL)

Risk management is essential to the Group's business. As the Company does not have a risk management committee, the AC and Management assume the responsibility of the risk management function. Management reviews regularly the Company's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

MATERIAL CONTRACTS (RULE 1207(8) OF THE SGX-ST LISTING MANUAL)

There were no material contracts entered into by the Company and its subsidiaries during the financial year 2007 which involved the interests of the Chief Executive Officer, any director or controlling shareholder of the Company.

INTERESTED PERSON TRANSACTION (RULE 907 OF THE SGX-ST LISTING MANUAL)

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no interested person transactions carried out during the financial year 2007 by the Company and its subsidiaries.

On behalf of the Board,

Wong Chin Yong
Managing Director & Chief Executive Officer

Ong Kah Hock
Director

19 March 2008

The Directors present their report to the shareholders together with the audited consolidated financial statements of the Group and the balance sheet and statement of changes in equity of Inno-Pacific Holdings Ltd (the "Company") for the financial year ended 31 December 2007.

1. DIRECTORS

The Directors of the Company at the date of this report are:

Dato' Moehamad Izat Emir	(Chairman)
Wong Chin Yong	(Managing Director and CEO)
Ong Kah Hock	
Md Abdul Wahab Bin Md Shahir	
Koay Theam Hock	*(appointed on 12 February 2008)*

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, except for the share options and shares awards schemes described in paragraph 5 of the Directors' Report.

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of Directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50, none of the Directors of the Company holding office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporations, except as follows:

	Shares/warrants registered in the name of Directors		Shares/warrants in which Directors are deemed to have an interest	
Name of Directors and company in which interest is held	**At beginning of financial year**	**At end of financial year**	**At beginning of financial year**	**At end of financial year**
Interests in Inno-Pacific Holdings Ltd		**Number of ordinary shares**		
Wong Chin Yong	–	–	–	4,000,000
Ong Kah Hock	1,000	3,000	–	–
		Number of warrants		
Wong Chin Yong	–	–	–	750,000
Ong Kah Hock	–	500	–	–

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of Directors' shareholdings, the Directors' interests as at 21 January 2008 in the shares of the Company have not changed from those disclosed as at 31 December 2007.

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, other than as disclosed in the financial statements.

5. SHARE OPTIONS AND SHARE AWARDS SCHEMES

At an Extraordinary General Meeting held on 29 April 2005, the members of the Company approved the following share-based incentive schemes:

(a) The Inno-Pacific Share Option Scheme (the "Scheme")

The Scheme is operative for ten (10) years from 29 April 2005. Under the Scheme, share options may be granted to Group Executives, Group Executive Directors and Non-Executive Directors who have been employed by the Company or any member of the Group for at least one (1) year and have attained 21 years of age on or before the date of grant. The exercise price of a granted option shall be at a price ("Market Price") equal to the average of the last dealt prices of the Company's shares on the SGX-ST over five (5) consecutive trading days immediately preceding the date of grant of that option. Share options may also be granted at a discount to the Market Price. The maximum discount, which may be given, shall not exceed twenty percent (20%) of the Market Price.

An option granted under the Scheme may be exercised in whole or in part and in accordance with a vesting schedule and conditions (if any) to be determined by the Committee on the date of grant of the respective options. Options with exercise prices, which are equal to or higher than the Market Price, may be exercised at any time after one (1) year from the date of the grant. Options with exercise prices, which represent a discount to the Market Price, may be exercised at any time after two (2) years from the date of the grant.

Options granted to Group Executives and Group Executive Directors have a life span of ten (10) years while those granted to Non-Executive Directors shall have a life span of five (5) years, from the date of grant.

(b) The Inno-Pacific Performance Share Scheme ("PSS")

The PSS is operative for ten (10) years from 29 April 2005. Under the PSS, fully paid shares of the Company may be awarded free of charge to Group Executives, Group Executive Directors and Non-Executive Directors. Awards are released once the Committee is satisfied that the prescribed performance target(s) have been achieved. There is no vesting period beyond the performance achievement period.

The number of shares that may be awarded and the selection of participant shall be at the discretion of the Committee, taking into account criteria such as the participant's rank, job performance, years of service, potential for future development, contribution to the success and development of the Company and the Group, and the extent of the effort required to achieve the performance target(s) within the performance period.

Shares allotted and issued on the exercise of the Scheme and award of the PSS shall be subject to all the provisions of the Articles of Association of the Company, and shall rank pari passu in all respects with the then existing issued shares. Holders of the shares shall undertake that they will not sell, realise, dispose of or transfer any part of their shareholdings for a period of three (3) months from the date the shares are allotted and issued to them on the exercise of the options, or release of the awards.

The total number of new shares which may be issued pursuant to awards granted under the PSS, when added to the number of new shares issued and issuable in respect of all options granted under the Scheme shall not exceed fifteen percent (15%) of the issued share capital of the Company on the day preceding the relevant date of grant or award.

5. SHARE OPTIONS AND SHARE AWARDS SCHEMES (cont'd)

The Scheme and the PSS are administered by the Remuneration Committee and its members are:

Dato' Moehamad Izat Emir (Chairman)
Ong Kah Hock
Md Abdul Wahab Bin Md Shahir

Since the date of inception, no options or shares were granted or awarded under the Scheme or the PSS, respectively.

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

6. AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent/non-executive directors. The members of the Audit Committee at the date of this report are:

Dato' Moehamad Izat Emir (Chairman)
Ong Kah Hock
Md Abdul Wahab Bin Md Shahir

Based on the Singapore Code of Corporate Governance criteria, all the Audit Committee members are independent.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, including a review of the financial statements of the Company and of the Group for the financial year and the independent auditors' report thereon.

The Audit Committee has met once since the last Directors' report and has reviewed with the Executive Directors and external auditors of the Company to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, BDO Raffles, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

7. AUDITORS

The auditors, BDO Raffles, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

WONG CHIN YONG Director	**ONG KAH HOCK** Director

Singapore

19 March 2008

STATEMENT BY DIRECTORS

In the opinion of the Directors,

(a) the accompanying financial statements comprising the balance sheets of the Group and of the Company, consolidated income statement, statements of changes in equity of the Group and of the Company and consolidated cash flow statement together with the notes thereon, as set out on pages 21 to 67, are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due, save for the disputed assessed income tax for the years of assessment 1988 and 1990 to 2004.

On behalf of the Board of Directors

WONG CHIN YONG
Director

ONG KAH HOCK
Director

Singapore

19 March 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INNO-PACIFIC HOLDINGS LTD

1. We have audited the accompanying financial statements of Inno-Pacific Holdings Ltd and of the Group comprising the balance sheets of the Group and of the Company as at 31 December 2007, consolidated income statement, statements of changes in equity of the Group and of the Company, and consolidated cash flow statement of the Group as set out on pages 21 to 67 for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

   (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheets and to maintain accountability of assets;

   (b) selecting and applying appropriate accounting policies; and

   (c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in paragraph 6 below, we conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion on financial statements

6. As described in Note 11 and 21 to the financial statements, the Company has a tax suspense of $3.28 million (2006: $3.28 million) arising from tax assessed by the Comptroller of Income Tax ("CIT") for years of assessment 1988 and 1990 to 2004. The Company had raised an objection against the CIT's assessments and the Directors were of the opinion that these assessments can be resisted and, accordingly, the amount has not been charged to the income statement and has instead been included as tax suspense account in "Other Receivables and Prepayments". Pending the final settlement of these assessments, we are unable to satisfy ourselves as to the recoverability of the amount of tax suspense included in "Other Receivables and Prepayments". In the event that the Company is unable to obtain the agreement from the CIT in discharging these tax liabilities, the amount of $3.28 million will have to be recognised in the income statement as an expense. Had the amount been charged to the income statement, the net profit of the Group for the year attributable to equity holders of the Company would have been decreased from $4.66 million to $1.38 million.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INNO-PACIFIC HOLDINGS LTD (cont'd)

Opinion on financial statements

7. In our opinion, except for the effects on the financial statements of such adjustments, if any, on the financial statements, of the matter referred to in paragraph 6, the accompanying financial statements comprising the balance sheets of the Group and of the Company, consolidated income statement, statements of changes in equity of the Group and of the Company and consolidated cash flow statement together with the notes thereon are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Opinion on accounting and other records

8. In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

BDO Raffles
Certified Public Accountants

Singapore

19 March 2008

BALANCE SHEETS

As at 31 December 2007

	Note	Group 2007	Group 2006	Company 2007	Company 2006
		$'000	$'000	$'000	$'000
ASSETS					
Current assets:					
Cash and cash equivalents	8	13,408	695	10,590	421
Investments held for trading	9	10,918	7,154	–	–
Trade receivables	10	298	209	–	–
Other receivables and prepayments	11	4,612	6,122	21,488	15,107
Inventories	12	163	12	–	–
Total current assets		29,399	14,192	32,078	15,528
Non-current assets:					
Subsidiaries	13	–	–	19	19
Associate	14	–	–	–	–
Joint venture	15	–	–	–	–
Available-for-sale investment	16	7,000	7,000	7,000	7,000
Property, plant and equipment	17	10,800	820	53	63
Intangible assets	18	4,508	122	–	–
Total non-current assets		22,308	7,942	7,072	7,082
Total assets		**51,707**	**22,134**	**39,150**	**22,610**
LIABILITIES AND EQUITY					
Current liabilities:					
Trade payables	19	358	184	–	–
Other payables	20	2,221	916	2,424	4,416
Income tax payable	21	3,217	3,133	3,110	3,133
Finance lease liabilities	22	40	40	–	–
Total current liabilities		5,836	4,273	5,534	7,549
Non-current liabilities:					
Finance lease liabilities	22	97	137	–	–
Deferred tax liabilities	23	2,376	–	–	–
Total non-current liabilities		2,473	137	–	–
Capital, reserves and minority interests:					
Share capital	25	53,269	33,462	53,269	33,462
Asset revaluation reserve	26	1,972	–	–	–
Foreign currency translation reserve	27	642	1,308	–	–
Accumulated losses		(12,492)	(17,189)	(19,653)	(18,401)
Equity attributable to equity holders of the Company		43,391	17,581	33,616	15,061
Minority interests		7	143	–	–
Total equity		43,398	17,724	33,616	15,061
Total liabilities and equity		**51,707**	**22,134**	**39,150**	**22,610**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2007

	Note	2007	2006
		$'000	$'000
Revenue	28	7,173	7,762
Cost of sales		(6,729)	(6,553)
Gross profit		444	1,209
Other operating income	29	46	389
Distribution costs		(36)	(10)
Administrative expenses		(1,410)	(1,086)
Other operating expenses		(2,467)	(470)
Finance income	30	40	35
Finance costs	31	(8)	(20)
Gain/(loss) on disposal of subsidiaries	36	7,912	(1,080)
Share of loss of associate	14	–	(12)
Share of loss of joint venture	15	–	(97)
Profit/(loss) before income tax	32	4,521	(1,142)
Income tax credit/(expense)	33	36	(16)
Profit/(loss) for the financial year		4,557	(1,158)
Attributable to:			
Equity holders of the Company		4,658	(1,156)
Minority interests		(101)	(2)
		4,557	(1,158)
		Cents	Cents
Earnings/(loss) per share			
Basic	34	0.01	(0.23)
Diluted	34	0.01	(0.23)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2007

		Attributable to equity holders of the Company							
	Note	Share capital	Share premium	Foreign currency translation reserve	Accumulated losses	Asset revaluation reserve	Total	Minority interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2007		33,462	–	1,308	(17,189)	–	17,581	143	17,724
Arising from acquisition of subsidiary	26	–	–	–	–	2,011	2,011	–	2,011
Arising from acquisition of remaining equity interests in subsidiary from minority shareholders	35	–	–	–	–	–	–	(35)	(35)
Amortisation of asset revaluation reserve		–	–	–	39	(39)	–	–	–
Foreign currency translation differences	27	–	–	(666)	–	–	(666)	–	(666)
Net income recognised directly in equity		–	–	(666)	39	1,972	1,345	(35)	1,310
Profit for the financial year		–	–	–	4,658	–	4,658	(101)	4,557
Total recognised income and expenses for the financial year		–	–	(666)	4,697	1,972	6,003	(136)	5,867
Issue of shares	25	300	–	–	–	–	300	–	300
Issue of shares									
– Rights issue	25	19,917	–	–	–	–	19,917	–	19,917
– Issue expenses	25	(410)	–	–	–	–	(410)	–	(410)
Balance at 31 December 2007		53,269	–	642	(12,492)	1,972	43,391	7	43,398
Balance at 1 January 2006		5,119	28,343	1,884	(16,033)	–	19,313	8	19,321
Arising from acquisition of subsidiary	35	–	–	–	–	–	–	137	137
Foreign currency translation differences	27	–	–	(576)	–	–	(576)	–	(576)
Net expenses recognised directly in equity		–	–	(576)	–	–	(576)	137	(439)
Loss for the financial year		–	–	–	(1,156)	–	(1,156)	(2)	(1,158)
Total recognised income and expenses for the financial year		–	–	(576)	(1,156)	–	(1,732)	135	(1,597)
Effect of changes in Companies (Amendment) Act 2005		28,343	(28,343)	–	–	–	–	–	–
Balance at 31 December 2006		33,462	–	1,308	(17,189)	–	17,581	143	17,724

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2007

	Note	Share capital	Share premium	Accumulated losses	Total
Company		$'000	$'000	$'000	$'000
Balance at 1 January 2007		33,462	–	(18,401)	15,061
Loss for the financial year		–	–	(1,252)	(1,252)
Total recognised expenses for the financial year		–	–	(1,252)	(1,252)
Issue of shares	25	300	–	–	300
Issue of shares					
– Rights issue	25	19,917	–	–	19,917
– Issue expenses	25	(410)	–	–	(410)
Balance at 31 December 2007		53,269	–	(19,653)	33,616
Balance at 1 January 2006		5,119	28,343	(15,753)	17,709
Loss for the financial year		–	–	(2,648)	(2,648)
Total recognised expenses for the financial year		–	–	(2,648)	(2,648)
Effect of Companies (Amendment) Act 2005		28,343	(28,343)	–	–
Balance at 31 December 2006		33,462	–	(18,401)	15,061

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2007

	Note	2007	2006
		$'000	$'000
Cash flows from operating activities			
Profit/(loss) before income tax		4,521	(1,142)
Adjustments for:			
Allowance for impairment in investments held for trading		233	–
Share of loss of associate		–	12
Share of loss of joint venture		–	97
Dividend income		(114)	(139)
Fair value loss/(gain) on investments held for trading		1,662	(12)
Gain on disposal of property, plant and equipment		(1)	(87)
Gain/(loss) on disposal of subsidiaries	36	(7,912)	1,080
Inventories written off		6	–
Property, plant and equipment written off		3	–
Depreciation of property, plant and equipment		289	188
Allowance for doubtful other receivables		34	–
Write back of allowance for doubtful other receivables		–	(20)
Write back of allowance for doubtful trade receivables		–	(46)
Interest income		(40)	(35)
Interest expense		8	20
Operating cash outflow before working capital changes		(1,311)	(84)
(Increase)/decrease in investments held for trading		(5,659)	1,012
Decrease/(increase) in trade and other receivables and prepayments		213	(578)
Increase in inventories		(25)	(5)
Increase in trade and other payables		450	397
Cash (used in)/generated from operations		(6,332)	742
Dividend received		114	139
Interest received		40	35
Interest paid		(8)	(20)
Income tax paid		(59)	(57)
Net cash (used in)/generated from operating activities		(6,245)	839
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(143)	(559)
Acquisition of a subsidiary, net of cash acquired	35	29	4
Proceeds from disposal of property, plant and equipment		2	96
Disposal of subsidiaries, net of cash disposed	36	(29)	(10)
Fixed deposit pledged to a bank		(30)	–
Net cash used in investing activities		(171)	(469)
Cash flows from financing activities			
Repayment of finance lease		(40)	(89)
Proceeds from finance lease		–	200
Proceeds from issue of rights shares (net of issue expense)		19,507	–
Net cash generated from financing activities		19,467	111
Effect of foreign exchange rate changes		(368)	(576)
Net increase/(decrease) in cash and cash equivalents		12,683	(95)
Cash and cash equivalents at beginning of financial year	8	695	790
Cash and cash equivalents at end of financial year	8	13,378	695

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

1. General corporate information

The Company (Registration No. 197301788K) is incorporated in the Republic of Singapore, with its principal place of business and registered office at 190 Middle Road # 19-07 Fortune Centre Singapore 188979. The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are those of investment, investment holding and provision of management services to related companies. The principal activities of its subsidiaries, associate and joint venture are stated in Notes 13, 14 and 15 to the financial statements respectively.

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2007 were authorised for issue by the Board of Directors on 19 March 2008.

2. Significant accounting policies

(a) Basis of preparation of financial statements

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Chapter 50 and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the Directors to exercise judgment in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the Directors' best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates and assumptions used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

During the financial year, the Group and the Company adopted the new or revised FRS and Interpretations of FRS ("INT FRS") that are relevant to their operations and effective for the current financial year. Changes to the Group's and the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies.

FRS and INT FRS issued and effective in 2007

On 1 January 2007, the Group adopted the new or revised FRS and INT FRS that are mandatory for application on that date. This includes the following FRS and INT FRS, which are relevant to the Group:

FRS 1 (Amendment)	:	Presentation of Financial Statements
FRS 10 (Amendment)	:	Events after the Balance Sheet Date
FRS 12 (Amendment)	:	Income Taxes
FRS 14 (Amendment)	:	Segment Reporting
FRS 17 (Amendment)	:	Leases
FRS 19 (Amendment)	:	Employee Benefits
FRS 32 (Amendment)	:	Financial Instruments: Presentation
FRS 33 (Amendment)	:	Earnings Per Share
FRS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement
FRS 107	:	Financial Instruments: Disclosures

2. Significant accounting policies (cont'd)

(a) Basis of preparation of financial statements (cont'd)

FRS 107, Financial Instruments: Disclosures and amendments to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)

FRS 107 introduces new disclosures about financial instruments. The Group and the Company have adopted FRS 107 for the current financial year and have disclosed qualitative and quantitative information about exposure to risks (nature and extent) arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitive analysis to market risk.

By adopting the amendment to FRS 1 (revised), the Group and the Company have made new disclosures to enable users of the financial statements to evaluate the Group's and the Company's objectives, policies and processes for managing capital. Where applicable, the Group and the Company have described changes in quantitative and qualitative data about its objectives, policies and processes for managing capital as compared to the previous financial year.

FRS and INT FRS issued but not yet effective

The Group has not adopted the following FRS and INT FRS, where applicable to the Group, that have been issued but not yet effective:

			Effective date (Annual periods beginning on or after)
FRS 2 (Amendment)	:	Inventories	1 January 2009
FRS 7 (Amendment)	:	Cash Flow Statements	1 January 2009
FRS 8 (Amendment)	:	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2009
FRS 16 (Amendment)	:	Property, Plant and Equipment	1 January 2009
FRS 19 (Amendment)	:	Employee Benefits	1 January 2009
FRS 27 (Amendment)	:	Consolidated and Separate Financial Statements	1 January 2009
FRS 33 (Amendment)	:	Earnings Per Share	1 January 2009
FRS 36 (Amendment)	:	Impairment of Assets	1 January 2009
FRS 38 (Amendment)	:	Intangible Assets	1 January 2009
FRS 108	:	Operating Segments	1 January 2009
INT FRS 29	:	Disclosures – Service Concession Arrangements	1 January 2008
INT FRS 104 (Amendment)	:	Determining whether an Arrangement contains a Lease	1 January 2008
INT FRS 111	:	FRS 102 – Group and Treasury Share Transactions	1 March 2007
INT FRS 112	:	Service Concession Arrangements	1 January 2008

The Group and the Company expect that the adoption of the above pronouncements, if applicable, will have no material impact on the financial statements in the period of initial application.

(b) Basis of consolidation

The purchase method of accounting is used to account for the acquisitions of subsidiaries and businesses. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interests.

2. Significant accounting policies (cont'd)

(b) Basis of consolidation (cont'd)

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(i) to the financial statements.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as negative goodwill in the consolidated income statement on the date of acquisition.

Minority interest is that part of the net results of operations and of the net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities and contingent liabilities at the date of acquisition by the Group and the minorities' shares of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Company, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minorities are attributed to the equity holders of the Company until the minorities' shares of losses previously absorbed by the equity holders of the Company has been recovered.

Minority interests are presented in the consolidated balance sheet within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement.

(c) Financial assets

Financial assets within the scope of FRS 39 are classified as either:

(i) financial assets at fair value through profit or loss

(ii) loans and receivables

(iii) held-to-maturity investments

(iv) available-for-sale financial assets

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification at every reporting date. As at the balance sheet date, the Group did not have any financial assets in the category of held-to-maturity investments.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group and Company commit to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the financial assets within the period generally established by regulation or convention of the market place concerned.

Financial assets are derecognised when the rights to receive cash flow from the financial assets have expired or have been transferred and the Group and Company have transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets are classified in this category if they are acquired for the purpose of selling in the short term. Gains or losses on investments held for trading are recognised in the income statement.

2. Significant accounting policies (cont'd)

(c) Financial assets (cont'd)

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. Loans and receivables are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost, where applicable, using the effective interest method. Loans and receivables include trade and other receivables on the balance sheets.

An allowance is made for uncollectible amounts when there is objective evidence that the Group and the Company will not be able to collect the debts. Bad debts are written off when identified.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. After initial recognition, available-for-sale financial assets are re-measured at fair value with gains or losses being recognised in the fair value reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash and deposits with banks and financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to be completed and costs to be incurred in marketing, selling and distribution.

(e) Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are stated at cost on the Company's balance sheet less impairment in value, if any.

(f) Associate

Associate is an entity over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investment in associate is accounted for in the consolidated financial statements of the Group using the equity method of accounting. Investment in associate in the consolidated balance sheet includes goodwill identified on acquisition, where applicable.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the financial year in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

2. Significant accounting policies (cont'd)

(f) Associate (cont'd)

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

Equity method of accounting involves recording investment in associate on the consolidated balance sheet initially at cost, and recognising the Group's share of its associate's post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investment. The Group's share of the profit or loss of its associate is recognised in the consolidated income statement. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The latest audited financial statements of the associate is used by the Group in applying the equity method of accounting.

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of the associate to ensure consistency of accounting policies with those of the Group.

After application of the equity method of accounting, the Group determines whether it is necessary to recognise any impairment in value with respect to the Group's net investment in associate. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

(g) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The joint venture arrangements involve the establishment of a separate entity in which each joint venture party has an interest in a jointly controlled entity. The Group reports its interests in jointly controlled entities using equity method of accounting as described in Note 2(f) to the financial statements.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The cost of property, plant and equipment comprises its purchase price and any direct attributable costs of bringing the property, plant and equipment to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised, and expenditure for maintenance and repairs are charged to the income statement. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Depreciation is provided using the straight-line method so as to write off the cost of the property, plant and equipment over their estimated useful lives as follows:

Plant, restaurant and kitchen equipment	10% to 20% per annum
Furniture and fittings	10% to 33% per annum
Other assets	10% to 100% per annum

The leasehold land has a lease period of 99 years upon issuance of the title deed to the Group, and is depreciated over the lease period.

2. Significant accounting policies (cont'd)

(h) Property, plant and equipment (cont'd)

Increases in the carrying amount arising on revaluation of the leasehold land are credited, net of tax, to the asset revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against the asset revaluation reserve directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost, net of tax, is transferred from the asset revaluation reserve to retained earnings/(accumulated losses).

The residual value, useful life and depreciation method of property, plant and equipment are reviewed at each balance sheet date to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and the expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

Construction in-progress represents buildings under construction, which is stated at cost less any impairment in value and is not depreciated. Cost comprises of the direct costs incurred during the period of construction, installation and testing. Construction in-progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

(i) Intangible assets

Goodwill

Goodwill is initially measured at cost being the excess of the cost of a business combination or cost of an acquisition of an associate over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less impairment in value, if any.

Goodwill acquired in a business combination is included in intangible assets. Goodwill on acquisition of an associate is included in investment in associate.

Gains and losses on disposal of a business combination or an associate include the carrying amount of goodwill relating to the entity or business sold.

(j) Impairment

Non-financial assets other than goodwill

The carrying amounts of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment in value and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset (intangible assets with indefinite useful life and intangible assets not yet available for use) is required, the asset's recoverable amount is estimated.

An impairment in value is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment in value is recognised in the income statement.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the estimated future cash flow discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset, expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

2. Significant accounting policies (cont'd)

(j) Impairment (cont'd)

Non-financial assets other than goodwill (cont'd)

Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment in value is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment in value is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment in value has been recognised. Reversals of impairment in value are recognised in the income statement.

Goodwill

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit including the goodwill, the impairment in value is recognised in the income statement and allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment in value recognised for goodwill is not reversed in subsequent period.

Financial assets

The Group and Company assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets measured at amortised cost

If there is objective evidence that an impairment in value on loans and receivables measured at amortised cost has been incurred, the amount of the impairment in value is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment in value is recognised in the income statement.

If in a subsequent period, the amount of the impairment in value decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment in value is reversed. Any subsequent reversal of an impairment in value is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at reversal.

Available-for-sale financial assets

These assets are non-derivative financial assets that are either designated in this category or not included in other categories of financial assets, and comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. After initial recognition at fair value, the financial assets are subsequently re-measured to fair value at each balance sheet date with all fair value changes, other than impairment in value, taken to equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

The available-for-sale investment is stated at cost less allowance for impairment loss, if any, as its fair value cannot be determined reliably.

(k) Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group and Company become parties to the contractual provisions of the financial instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

2. Significant accounting policies (cont'd)

(k) Financial liabilities (cont'd)

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Trade and other payables

Trade and other payables, including amounts due to subsidiaries, are recognised initially at fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group or to the Company, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

(l) Provisions

Provisions are recognised when the Group and Company have a present legal or constructive obligation as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expenses relating to any provisions are recognised in the income statement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(m) Finance lease payable

Leases in which the Group and Company assume substantially the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Finance lease payments are apportioned between the finance charges and reduction of the finance lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charged to the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group and Company will obtain ownership by the end of the finance lease term.

(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction from the proceeds.

(o) Foreign currency translation

Functional and presentation currency

The individual financial statements of each entity in the Group are measured in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency of the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

2. Significant accounting policies (cont'd)

(o) Foreign currency translation (cont'd)

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items that are measured at fair value in a foreign currency are translated to the functional currency using the exchange rates prevailing at the date the fair value was determined.

Exchange differences arising on the settlement of monetary items and on translation of monetary items at the balance sheet date are recognised in the income statement for the financial year.

For the purpose of presenting consolidated financial statements of the Group and the balance sheet of the Company, the results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the balance sheet date;

(ii) income and expenses for each income statement are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on acquisition of a non-Singapore operation are treated as assets and liabilities of the non-Singapore operation and are recorded in the functional currency of the non-Singapore operation and translated at the closing exchange rate at the balance sheet date.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the consolidated income statement as a component of the gain or loss on disposal.

(p) Operating leases

As lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the term of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

(q) Employee benefits

Defined contribution plan

Contributions to defined contribution plans are recognised as an expense in the income statement in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2. Significant accounting policies (cont'd)

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from the rendering of telecommunication services is recognised when the services are rendered. Provision for unearned revenue is made for prepaid phone cards which have been sold, but for which services have not been rendered as at the balance sheet date. Expenses directly attributable to the unearned revenue are deferred until the revenue is recognised.

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(s) Finance costs

Interest expense and similar charges are expensed in the income statement in the financial year in which they are incurred. The interest component of finance lease payments is recognised in the income statement at the effective interest rate applicable.

(t) Income tax

Income tax for the financial year comprises current and deferred taxes. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case, such income tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial years.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associate, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses and unused tax credits can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax is charged or credited directly to equity if the tax relates to items that are charged or credited, in the same or a different period, directly to equity.

Deferred tax assets and liabilities are offset against each other if they relate to the same tax authority and can be offset.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

2. Significant accounting policies (cont'd)

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total costs incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

(v) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3. Critical accounting, judgments and key sources of estimation uncertainty

(a) Critical judgments made in applying the accounting policies

In the process of applying the accounting policies, the Directors of the Company are of the opinion that there are no critical judgments involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) Fair valuation of available-for-sale investment

Available-for-sale investment is measured in accordance with the accounting policy as set out in Note 2(c) to the financial statements.

"Available-for-sale investment" represents the Company's right to receive the net proceeds from 60 finished lots of the final development phase of Falling Water located in Pierce County, Washington, USA.

On 23 April 2002, Sawyer Falls Co, LLC ("SFC"), a 50% investee company of the Company, entered into a Vacant Land Sale and Purchase Agreement ("VLSPA") to sell the Falling Water raw land to Capri Investment LLC ("Capri"). The sales consideration for the raw land was US$3,500,000 and net proceeds from 85 finished lots from the property.

On 26 February 2004, the Company, SFC and its members entered into an agreement whereby SFC agreed to distribute net proceeds from the first 35 lots of the 85 lots that SFC is entitled to, under the VLSPA to the Company as settlement of promissory notes issued by SFC to the Company. In addition, it was also agreed that the Company will be entitled to 25 lots based on its (50%) equity interest in SFC. Consequently, the Company has a total right to receive the net proceeds from the sale of 60 finished lots.

Further, SFC had on 16 March 2004, confirmed to the Company that the net proceeds from the distribution of the remaining lots (which is 25 lots) to the Company will be without any deductions for the creditors of SFC or advances made by members of SFC after the date of the VLSPA.

The Group and Company follow the guidance of FRS 39 – Financial Instruments: Recognition and Measurement, in determining whether impairment of available-for-sale investment is other than temporary impaired, which requires significant judgment. The Group's and Company's assessment for the impairment, among other factors, is based on the forecast of expected future cashflow for the available-for-sale investment.

3. Critical accounting, judgments and key sources of estimation uncertainty (cont'd)

(a) Critical judgments made in applying the accounting policies (cont'd)

(i) Fair valuation of available-for-sale investment (cont'd)

The fair value of available-for-sale investment is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for the available-for-sale investment that is not traded in active markets. The carrying amount of the available-for-sale investment would not be affected even if the discount rate used in the discounted cash flow analysis is to differ by 10% from management's estimates. It is because the Group has adopted the figure at the lowest end of the range for the carrying amount of the available-for-sale investment.

Based on discounted cashflow analysis, the Group and Company have considered and determined that the carrying value of its available-for-sale investment of $7 million as at 31 December 2007 (2006: $7 million) approximates its estimated fair value.

(ii) Impairment of investments in subsidiaries and joint venture

The Directors of the Company follow the guidance of FRS 36 – Impairment of Assets, in determining whether investments in subsidiaries and joint venture are other than temporarily impaired, which requires the assumption made regarding the duration and extent to which the fair value of an investment is less than its costs and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Management's assessment for impairment of investments in subsidiaries is based on the estimation of value in use of the cash-generating unit by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. Management's assessment for impairment of investment in joint venture is based on the financial position and performance of the joint venture. The Company's carrying amount of investments in subsidiaries and joint venture as at 31 December 2007 was $19,000 and $Nil (2006: $19,000 and $Nil) respectively.

(iii) Goodwill acquired in a business combination

Goodwill arises from business combination. The amount of goodwill initially recognised is dependent on the allocation of purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of these assets and liabilities is based, to a considerable extent, on the Directors' judgment. The Directors of the Company have determined that the fair values of identifiable assets and liabilities of the acquired subsidiaries as detailed in Note 35 to the financial statements, approximate their carrying values.

(iv) Impairment of goodwill

To determine whether there is an impairment of goodwill at the balance sheet date, it is necessary to compare the carrying amount of goodwill with the recoverable amount from the cash-generating unit to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from the cash-generating unit. In arriving at the recoverable amount, management exercises judgment in estimating the future cash flows and the discount rate. The carrying amount of goodwill as at 31 December 2007 was $4,508,000 (2006: $122,000).

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expense within the next financial year, are discussed below.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

3. Critical accounting, judgments and key sources of estimation uncertainty (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1 to 99 years. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2007 were $10,800,000 (2006: $820,000) and $53,000 (2006: $63,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; therefore future depreciation charges could be revised.

(ii) Impairment of trade and other receivables

The Group and Company establish allowance for doubtful receivables on a case-by-case basis when they believe that the payment of amounts owed is unlikely to occur. In establishing these allowances, the Group and Company consider its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their ability to make the required payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2007 were $4,910,000 (2006: $6,331,000) and $21,488,000 (2006: $15,107,000) respectively.

(iii) Income taxes

The management has exercised significant judgment when determining the Group's provisions for income taxes. These involve assessing the probabilities that deferred tax assets resulting from deductible temporary differences, unutilised tax losses and unabsorbed wear and tear allowances, if any, can be utilised to offset future taxable income. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Given the wide range of international business arrangements, the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate adjustments to tax income and expense in future periods. The Group establishes reasonable provision for possible consequences of audits by the tax authorities of the respective countries. The amount of such provisions and/or their subsequent reversals is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's and Company's domicile. Further information on income taxes is given in the auditors' report, Note 11, Note 21 and Note 33 to the financial statements.

4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, equity price risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge any risk exposures.

The Group and Company manage its exposure to financial risks using a variety of techniques and instruments. The Group financial control identifies, and evaluates financial risks in close co-operation with the Group's operating units.

The Group and Company have established risk management policies and guidelines, which set out its overall risk management strategies.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

4. Financial risk management (cont'd)

(a) Market risks

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and Malaysia Ringgit. Foreign exchange risk arises when future commercial transactions, recognised assets or liabilities, investments in foreign operations whose net assets are denominated in a currency that is not the entity's functional currency, and conducting of foreign currency trading activities. The Group's foreign operations are managed primarily through the engagement of services and purchases denominated in the respective functional currencies of the foreign subsidiaries. Foreign exchange risk arising from foreign currency trading is managed through capping the amount designated for the trade at the ceiling of $375,000 per year.

Management has set up a policy to require the Group and Company to manage their foreign exchange risk against their functional currency. The subsidiaries of the Group are required to report details of foreign exchange risk exposure to the Group financial control. To manage the Group's foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group financial control would assess the need to hedge the foreign exchange risk, and make the necessary arrangement accordingly. Group financial control will arrange for conversion into foreign currency at the time when market rates become favourable to manage foreign exchange risk.

At 31 December 2007, if the Singapore dollar had weakened/strengthened by 10% against the United States dollar with all other variables held constant, post-tax profit/loss for the year would have been $6,000 (2006: $1,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of United States dollar denominated monetary assets and liabilities of the Group and Company. Profit/loss is more sensitive to movement in United States dollar exchange rates in financial year 2007 than in financial year 2006 as the United States dollar denominated deposit and prepayment held by a subsidiary has increased in financial year 2007.

Equity would have been $734,000 (2006: $659,000) lower/higher, mainly as a result of foreign exchange losses/gains arising from the translation of the financial statements of the subsidiary, whose functional currency is United States dollar, to Singapore dollar. Equity is more sensitive to movement in United States dollar exchange rates in financial year 2007 than in financial year 2006 as the Group's translation reserve is more adversely affected in financial year 2007 due to a loss after income tax incurred by the said subsidiary, whereas in financial year 2006, the subsidiary generated a huge profit after income tax.

At 31 December 2007, if the Singapore dollar had weakened/strengthened by 10% against the Malaysia Ringgit with all other variables held constant, post-tax profit/loss for the year would have been $317,000 (2006: $413,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Malaysia Ringgit denominated cash and cash equivalents, investments held for trading, trade and other receivables and foreign exchange losses/gains on translation of Malaysia Ringgit denominated trade and other payables. Profit/loss is less sensitive to movement in Malaysia Ringgit exchange rates in financial year 2007 than in financial year 2006 because the Group's subsidiary's exposure to Malaysia Ringgit denominated investment held for sale has decreased in the financial year 2007.

Equity would have been $593,000 (2006: $2,000) lower/higher, mainly as a result of foreign exchange losses/gains arising from the translation of the financial statements of the Malaysia subsidiaries to Singapore dollar. Equity is more sensitive to movement in Malaysian Ringgit exchange rates in financial year 2007 than in financial year 2006 because of an additional Malaysia subsidiary, Mega Highlights Sdn Bhd, acquired in financial year 2007. This newly acquired subsidiary has a material asset revaluation reserve which arose from the revaluation of the piece of land held in its financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

4. Financial risk management (cont'd)

(a) Market risks (cont'd)

(i) Foreign exchange risk (cont'd)

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Group Assets		Group Liabilities		Company Assets		Company Liabilities	
	2007	2006	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
United States dollar	2,165	159	240	128	284	1	1,058	–
Malaysia Ringgit	129	1,108	3,327	9	1,418	1,262	731	5
Chinese Renminbi	2	5	–	–	2	5	–	–
Sterling Pound	–	13	–	–	–	–	141	–

(ii) Equity price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's investment in equity of other entities that are publicly traded and are mainly included in one of the following two equity indexes: Straits Times Index (Singapore) and KLSE Composite Index (Malaysia).

The table below summarises the impact of increases/decreases, where material, of the Straits Times Index and KLSE Composite Index on the Group's post-tax profit/loss for the financial year. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

	Impact on post tax profit/(loss)	
Index	**2007**	**2006**
	$'000	$'000
Straits Times Index	589	216
KLSE Composite Index	243	770

Post-tax profit/loss for the financial year would increase/decrease as a result of gains/losses on equity securities classified as financial assets at fair value through profit or loss.

(iii) Cash flow and fair value interest rate risk

The Group's income and operating cashflows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets other than surplus funds that are placed with reputable banks.

The Group's interest rate risk arises from fixed deposits placed with banks with credit ratings of Prime-1 (Moody's) and Aa1 (Moody's). Deposits placed at variable rates expose the Group to cash flow interest rate risk.

At 31 December 2007, if the interest rate had increased/decreased by 25 basis points with all other variables held constant, post-tax profit/loss for the financial year would have been $3,000 (2006: $Nil) higher/lower, as a result of the change in interest rate. Profit/loss is slightly more sensitive to movement in interest rates in financial year 2007 than in financial year 2006 because the Group's exposure to interest rate sensitive net assets has increased in financial year 2007, as a result of the fixed deposits placed with banks in financial year 2007.

4. Financial risk management (cont'd)

(b) Credit risk

The carrying amounts of cash and cash equivalents, trade receivables and other receivables represent the Company's maximum exposure to credit risk in relation to financial assets.

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of "A" or "Prime-1" are accepted.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

The table below shows the credit limit and balance of the major counterparties at the balance sheet date.

		31 December 2007		31 December 2006	
Counterparty	**Rating**	**Credit limit**	**Balance**	**Credit limit**	**Balance**
		$'000	**$'000**	**$'000**	**$'000**
OUB	Prime-1 (Moody's)	20,000	10,590	20,000	429
DBS	Aa1 (Moody's)	20,000	303	20,000	171
Citigroup	Aa3 (Moody's)	20,000	2,394	20,000	43

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

The Group ensures availability of funds through an adequate amount of cash and marketable securities and where necessary, fund raising exercise will be considered via rights issues, private placements, or equity-related exercise.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group financial control maintains flexibility in funding by maintaining availability under sufficient balance of cash and marketable securities.

Management monitors rolling forecast of the Group's liquidity reserve (comprises cash and cash equivalents and availability of marketable securities) on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not expected to be significant.

	Less than 1 year	**Between 1 year and 2 years**	**Between 2 years and 5 years**
	$'000	**$'000**	**$'000**
At 31 December 2007			
Trade payables	358	–	–
Other payables	2,221	–	–
Income tax payable	3,217	–	–
Finance lease liabilities	40	40	57
At 31 December 2006			
Trade payables	184	–	–
Other payables	916	–	–
Income tax payable	3,133	–	–
Finance lease liabilities	40	40	97

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

4. Financial risk management (cont'd)

(d) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, investments held for trading, trade and other current receivables and payables, approximate their respective fair values due to the relative short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow.

The financial statements include holdings of available-for-sale investment representing the Group's and the Company's interest in 60 finished lots of land (Note 16) measured at fair value and unquoted securities (Note 9) measured at cost less allowance for impairment in value. The fair value of the available-for-sale investment is estimated by using a discounted cash flow model which includes some assumptions that are supportable by observable market price or rates.

5. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

6. Related parties transactions

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(a) In addition to the information disclosed elsewhere in the financial statements, related party transactions between the Group and Company and its related parties during the financial year were as follows:

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
With subsidiaries				
Rental income	–	–	15	6
Accounting fee income	–	–	4	5
With associate				
Interest income on loan	24	26	–	–

(b) Compensation of Directors and key management personnel

The remuneration of Directors during the financial year was as follows:

	Group	
	2007	2006
	$'000	$'000
Post employments	6	11
Short-term benefits	512	431

The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends. The remuneration disclosed above includes only the Directors as there is no personnel other than Directors who are considered to be a member of key management of the Group.

6. Related parties transactions (cont'd)

(c) Number of Directors of the Company in remuneration bands is as follows:

	Group 2007	Group 2006
	$'000	$'000
$250,000 to below $500,000	1	1
Below $250,000	5	5
	6	6

Mr Quek Chek Lan and Mr Phang Ian Cher Shen have resigned as Directors of the Company in financial year 2007. Their remuneration, if any, has been included above.

7. Financial instruments

(a) The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale	Total
	$'000	$'000	$'000	$'000
At 31 December 2007				
Assets as per balance sheet				
Cash and cash equivalents	13,408	–	–	13,408
Investments held for trading	–	10,918	–	10,918
Trade receivables	298	–	–	298
Other receivables and prepayments	4,612	–	–	4,612
Available-for-sale investment	–	–	7,000	7,000
Total	18,318	10,918	7,000	36,236
At 31 December 2006				
Assets as per balance sheet				
Cash and cash equivalents	695	–	–	695
Investments held for trading	–	7,154	–	7,154
Trade receivables	209	–	–	209
Other receivables and prepayments	6,122	–	–	6,122
Available-for-sale investment	–	–	7,000	7,000
Total	7,026	7,154	7,000	21,180

(b) Credit quality of financial assets

The credit quality of financial assets that are either current or past due but not impaired can be assessed by reference to historical information about counterparty default rates:

Trade receivables

Counterparties without external credit rating:

	Group 2007	Group 2006
	$'000	$'000
Group 1 – new customers (less than 6 months).	8	–
Group 2 – existing customers (more than 6 months) with no defaults in the past.	288	208
Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.	2	1
Total trade receivables	298	209

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

8. Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Cash and bank balances	2,902	695	114	421
Fixed deposits	10,506	–	10,476	–
Cash and cash equivalents per balance sheet	13,408	695	10,590	421
Fixed deposit pledged to a bank	(30)	–	–	–
Cash and cash equivalents per consolidated cash flow statement	13,378	695	10,590	421

Fixed deposits of $10,506,000 (2006: $Nil) were placed with banks, maturing within periods of not more than one year. Interest rate ranges from 0.35% to 1.845% per annum. Within the fixed deposits, an amount of $10,476,000 (2006: $Nil) was placed with a bank as short term deposit for periods not more than 7 days. The remaining amount of $30,000 (2006: $Nil) was placed with a bank for one year as a pledge for banker's guarantee issued for GST purposes.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Singapore dollar	11,376	574	10,588	415
United States dollar	2,006	96	–	1
Sterling Pound	–	13	–	–
Malaysia Ringgit	24	6	–	–
Chinese Renminbi	2	6	2	5
	13,408	695	10,590	421

9. Investments held for trading

	Group	
	2007	2006
	$'000	$'000
Shares:		
At cost	12,813	7,142
Add: Fair value (loss)/gain due to changes in market value	(1,662)	12
Less: Allowance for impairment in value	(233)	–
At fair value	10,918	7,154
This is represented by:		
Quoted shares in:		
– Singapore	7,303	1,785
– United Kingdom and United States of America	–	288
– Malaysia	3,164	4,773
Unquoted shares in United Kingdom	451	308
	10,918	7,154

Movements in allowance for impairment in value of investments held for trading are as follows:

	Group	
	2007	2006
	$'000	$'000
Balance at 1 January	–	–
Allowance made during the financial year	233	–
Balance at 31 December	233	–

9. Investments held for trading (cont'd)

Investments held for trading are denominated in the following currencies:

	Group 2007	Group 2006
	$'000	$'000
Malaysia Ringgit	3,164	4,773
Singapore dollar	7,303	1,785
Sterling Pound	451	594
United States dollar	–	2
	10,918	7,154

The investments in quoted equity securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity date or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

The investments in unquoted equity securities are stated at cost less allowance for impairment loss, if any, as their fair value cannot be determined reliably. Management has determined that the unquoted shares of $451,000 (2006: $308,000) reflects its fair value.

10. Trade receivables

	Group 2007	Group 2006
	$'000	$'000
Amounts due from sale of goods and services	298	265
Allowance for doubtful trade receivables	–	(56)
	298	209

Trade receivables are non-interest bearing and repayable within the normal trade credit term of 30 days (2006: 30 days).

Trade receivables that are less than six months past due are not considered as impaired. As at 31 December 2007, trade receivables of $2,000 (2006: $4,000) were over 6 months past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group 2007	Group 2006
	$'000	$'000
1 day to 6 months past due	42	4
Over 6 months past due	2	4
	44	8
Movements in allowance for doubtful trade receivables are as follows:		
Balance at 1 January	56	106
Written off against allowance	(56)	–
Write back of allowance	–	(46)
Foreign currency translation differences	–	(4)
Balance at 31 December	–	56

The maximum exposure to credit risk at the reporting date is the fair value of the trade receivables mentioned above. The Group does not hold any collateral as security.

Trade receivables are denominated in the presentation currency of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

11. Other receivables and prepayments

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Other receivables	3,047	3,424	1,539	1,851
Allowance for doubtful other receivables	(2,074)	(2,058)	(590)	(556)
	973	1,366	949	1,295
Amounts due from subsidiaries	–	–	17,771	11,010
Allowance for amounts due from subsidiaries	–	–	(516)	(516)
	–	–	17,255	10,494
Tax suspense (Note 21)	3,278	3,278	3,278	3,278
Deferred tax asset	41	–	–	–
Loan to associate – secured (Note 14)	–	1,101	–	–
Deposits and prepayments	320	377	6	40
	4,612	6,122	21,488	15,107

Amounts due from subsidiaries are interest-free, unsecured and repayable on demand. An allowance has been made for estimated irrecoverable amounts from subsidiaries and determined by reference to the financial position and repayment capability of the subsidiaries.

An interest rate of 5% (2006: 5%) per annum was charged on the amount due from associate, which is secured by a personal guarantee of an existing shareholder and director of the associate, commencing on 1 July 2006. Repayment terms are detailed in Note 14 to the financial statements.

The carrying amount of deposits approximates its fair value. No interest is charged on other receivables except as mentioned in the preceding paragraph.

Other receivables which are less than 1 year are not considered as past due. As at 31 December 2007, the Group's and the Company's other receivables of $3,383,000 (2006: $3,993,000) and $3,278,000 (2006: $3,311,000) respectively have been over 1 year but not impaired. The major portion of this includes the Group's and the Company's tax suspense amounting to $3,278,000 (2006: $3,278,000). The remaining other receivables over 1 year relate to deposits which the Group and the Company have placed with a number of independent service providers for which refund will be made upon termination of service contracts. The ageing analysis of these other receivables is as follows:

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
1 day to 2 years past due	105	682	–	1
Over 2 years past due	3,278	3,311	3,278	3,310
	3,383	3,993	3,278	3,311

Movements in allowance for doubtful other receivables are as follows:

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Balance at 1 January	2,058	2,069	556	576
Allowance made during the financial year	34	–	34	–
Write back of allowance	–	(20)	–	(20)
Written off against allowance	(38)	–	–	–
Foreign currency translation differences	20	9	–	–
Balance at 31 December	2,074	2,058	590	556

11. Other receivables and prepayments (cont'd)

Movements in allowance for doubtful amounts due from subsidiaries are as follows:

	Company	
	2007	2006
	$'000	$'000
Balance at 1 January	516	1,350
Allowance during the financial year	–	500
Write back of allowance	–	(1,325)
Foreign currency translation differences	–	(9)
Balance at 31 December	516	516

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group and the Company do not hold any collateral as security.

Movements in deferred tax asset are as follows:

	Company	
	2007	2006
	$'000	$'000
Balance at 1 January	–	–
Recognised during the financial year (Note 33)	41	–
Balance at 31 December	41	–

Other receivables and prepayments are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Singapore dollar	4,383	4,960	19,786	13,845
United States dollar	158	61	284	–
Malaysia Ringgit	71	1,101	1,418	1,262
	4,612	6,122	21,488	15,107

12. Inventories

Inventories are stated at cost and it comprises prepaid calling cards and phone sets.

13. Subsidiaries

	Company	
	2007	2006
	$'000	$'000
Unquoted equity shares, net of amount written off	2,359	27,951
Allowance for impairment in value of investments	(2,340)	(27,932)
	19	19

The allowance for impairment of investments is mainly for investment in Shakey's Holdings Pte Ltd. This subsidiary has been dormant for the past few financial years and has incurred substantial accumulated losses. A full allowance has been made for this subsidiary, as it will not be generating any future cash flow for the Group.

In financial year 2006, the allowance for impairment is mainly for investments in Shakey's Holdings Pte Ltd, as well as Inno-Pacific Property Holdings Pte Ltd and Inno-Pacific Intertrade Pte Ltd for the same reason.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

13. Subsidiaries (cont'd)

Movements in allowance for impairment in value of investments are as follows:

	Company 2007	Company 2006
	$'000	$'000
Balance at 1 January	27,932	27,932
Write back of allowance	(25,592)	–
Balance at 31 December	2,340	27,932

Details of the Group's subsidiaries are as follows:

Name of subsidiary	Place of incorporation and operation	Group's effective equity interest 2007	Group's effective equity interest 2006	Principal activities
		%	%	
Held by the Company				
Jadensworth Holdings Pte Ltd	Singapore	100.0	100.0	Investment holding and investment trading
PG Communications Pte Ltd	Singapore	100.0	100.0	Telecommunication service provider
Awana Rentak Sdn Bhd[(a)]	Malaysia	100.0	100.0	Investment holding
Shakey's Holdings Pte Ltd	Singapore	88.9	88.9	Investment holding
Top-Text Sdn Bhd[(a)]	Malaysia	90.0	90.0	Dormant
Held by PG Communications Pte Ltd				
Alstra Pacific Pte Ltd[(c)]	Singapore	100.0	42.9	Telecommunication service provider
PG Communications Sdn Bhd[(a)]	Malaysia	100.0	100.0	Telecommunication service provider
Held by Awana Rentak Sdn Bhd				
Mega Highlights Sdn Bhd[(a)]	Malaysia	100	30*	Investment holding and assembly of commercial vehicles
Held by Shakey's Holdings Pte Ltd				
Heritage Investment Corporation[(b)]	British Virgin Islands	88.9	88.9	Investment holding and investment trading

Note on subsidiaries:

All the companies are audited by BDO Raffles except for the subsidiaries that are indicated as below.

(a) Audited by another firm of auditors, Yoong Siew Wah & Company, Chartered Accountants, Malaysia.

(b) No audit requirement in the country of incorporation. Audited by BDO Raffles for consolidation purposes.

(c) In financial year 2006, this was deemed to be a subsidiary of the Company by virtue of management control.

* Previously an associate in financial year 2006 as disclosed in Note 14 to the financial statements.

14. Associate

	Group 2007	Group 2006
	$'000	$'000
Unquoted equity shares, at cost	–	19
Shares of post-acquisition losses	–	(19)
	–	–

14. Associate (cont'd)

Details of the Group's associate are as follows:

Name of company	Place of incorporation and operation	Group's effective equity interest 2007	2006	Principal activities
		%	%	
Held by Awana Rentak Sdn Bhd				
Mega Highlights Sdn Bhd[(a)]	Malaysia	100.0 (recognised as a subsidiary in Note 13)	30.0	Investment holding and assembly of commercial vehicles

Note on associate:

(a) Audited by another firm of auditors, Yoong Siew Wah & Company, Chartered Accountants, Malaysia.

Summarised financial information in respect of Mega Highlights Sdn Bhd is set out below:

	2007	2006
	$'000	$'000
Total assets	–	10,376
Total liabilities	–	(12,062)
Net liabilities	–	(1,686)
Revenue (post-acquisition)	–	158
Loss for the financial year (post-acquisition)	–	(662)
Group's share of associate's loss for the financial year (post-acquisition)	–	(12)

Under a loan agreement ("Loan Agreement") dated 28 November 2005 entered into between Awana Rentak Sdn Bhd ("Awana Rentak"), Mega Highlights Sdn Bhd ("Mega Highlights") and the then existing shareholder and Director of Mega Highlights, the Company is committed to provide loan of up to $880,000 (or Malaysia Ringgit ["RM"] 2 million) to Mega Highlights.

On 6 September 2006, Awana Rentak and Mega Highlights entered into a supplemental agreement ("Supplemental Agreement") to increase the loan amount from RM2 million to RM2.5 million and the entire loan amount will carry an interest rate of 5% (2006: 5%) per annum commencing from 1 July 2006 interest income earned on this loan was $24,000 (2006: $26,000).

This loan was guaranteed by a shareholder of Mega Highlights and a pledge of his 100,000 ordinary shares (the "Pledged Shares"), representing 70% shareholding of Mega Highlights, as security for the repayment of the loan by Mega Highlights to the Group.

The loan, together with all interest accrued, has been scheduled to be repayable in full not later than 30 June 2007 or within 7 days from the date of drawdown of other loans obtained by Mega Highlights. Mega Highlights had defaulted on the Loan Agreement and Supplement Agreement (collectively the "Agreements") and the repayment of this loan. Consequently, the Group enforced its rights under the Agreements and the Pledged Shares were transferred to the Group at a nominal value of RM1.

Subsequently, Mega Highlights agreed to settle part of the loan amounting to RM2 million by the allotment and issuance of 2 million new ordinary shares in the capital of Mega Highlights at RM1 each to the Group. As a result of the transfer of the Pledged Shares and the allotment and issuance of the new shares, Mega Highlights became a wholly-owned subsidiary of the Group. As a result, its financial results have been incorporated in the consolidated financial statements of the Group during the financial year 2007.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

15. Joint venture

	Group 2007	Group 2006
	$'000	$'000
Unquoted equity shares, at cost	132	132
Shares of post-acquisition losses	(132)	(132)
	–	–

Details of the Group's joint venture are as follows:

Name of company	Place of incorporation and operation	Group's effective equity interest 2007	2006	Principal activities
		%	%	
Held by Awana Rentak Sdn Bhd				
Ramenten Convention Sdn Bhd[(a)]	Malaysia	50.0	50.0	Operation and management of restaurant

Note on joint venture:

(a) Audited by another firm of auditors, K.C Aw & Company, Chartered Accountants, Malaysia

Summarised financial information in respect of the Group's joint venture, based on unaudited (2006: audited) financial statements of the joint venture, as adjusted for the fair value adjustments arising on reassessment of its identifiable assets and liabilities of the joint venture as at the date of its acquisition by the Group, is set out below:

	2007	2006
	$'000	$'000
Total assets	149	180
Total liabilities	(251)	(195)
Net liabilities	(102)	(15)
Group's share of joint venture's net liabilities	(51)	(8)
Revenue (post-acquisition)	319	229
Loss for the financial year (post-acquisition)	(277)	(194)
Group's share of joint venture's loss for the financial year (post-acquisition)	–	(97)

16. Available-for-sale investment

	Group and Company 2007	2006
	$'000	$'000
At cost	14,910	14,910
Allowance for impairment in value of investment	(7,910)	(7,910)
At fair value	7,000	7,000

Movements in allowance for impairment in value of available-for-sale investment are as follows:

	Group and Company 2007	2006
	$'000	$'000
Balance at 1 January and 31 December	7,910	7,910

16. Available-for-sale investment (cont'd)

Available-for-sale investment represents the Company's rights to receive the net proceeds from 60 finished lots of the final development phase of Falling Water located in Pierce County, Washington USA.

The fair value of available-for-sale investment is based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the available-for-sale investment of 10% (2006: 10%).

The Company has determined that its carrying value reflects its fair value as set out in Note 3 to the financial statements.

The maximum exposure to credit risk at the reporting date is the fair value of the available-for-sale investment.

17. Property, plant and equipment

	Leasehold land	Factory under construction	Plant, restaurant and kitchen equipment	Furniture and fittings	Other assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2007						
Group						
Cost						
At 1 January 2007	–	–	888	188	357	1,433
Foreign currency translation differences	–	–	–	(1)	(15)	(16)
Additions	–	10	31	76	26	143
Disposals	–	–	(1)	–	–	(1)
Written off	–	–	–	(28)	(67)	(95)
Arising from acquisition of a subsidiary	9,348	782	–	4	8	10,142
At 31 December 2007	9,348	792	918	239	309	11,606
Accumulated depreciation						
At 1 January 2007	–	–	355	116	142	613
Foreign currency translation differences	–	–	–	–	(4)	(4)
Depreciation for the financial year	48	–	168	14	59	289
Disposals	–	–	–*	–	–	–*
Written off	–	–	–	(26)	(66)	(92)
At 31 December 2007	48	–	523	104	131	806
Carrying amount						
At 31 December 2007	9,300	792	395	135	178	10,800

* denotes a figure which is less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

17. Property, plant and equipment (cont'd)

	Plant, restaurant and kitchen equipment	Furniture and fittings	Other assets	Total
	$'000	$'000	$'000	$'000
2006				
Group				
Cost				
At 1 January 2006	483	187	321	991
Foreign currency translation differences	–	–	(10)	(10)
Additions	324	1	234	559
Disposals	–	–	(194)	(194)
Arising from acquisition of a subsidiary	81	–	6	87
At 31 December 2006	888	188	357	1,433
Accumulated depreciation				
At 1 January 2006	230	106	285	621
Foreign currency translation differences	–	–	(10)	(10)
Depreciation for the financial year	125	10	53	188
Disposals	–	–	(186)	(186)
At 31 December 2006	355	116	142	613
Carrying amount				
At 31 December 2006	533	72	215	820

	Furniture and fittings	Other assets	Total
	$'000	$'000	$'000
2007			
Company			
Cost			
At 1 January 2007	143	153	296
Written off	(19)	(65)	(84)
At 31 December 2007	124	88	212
Accumulated depreciation			
At 1 January 2007	83	150	233
Written off	(18)	(65)	(83)
Depreciation for the financial year	7	2	9
At 31 December 2007	72	87	159
Carrying amount			
At 31 December 2007	52	1	53

17. Property, plant and equipment (cont'd)

	Furniture and fittings	Other assets	Total
	$'000	$'000	$'000
2006			
Company			
Cost			
At 1 January 2006	142	153	295
Additions	1	–	1
At 31 December 2006	143	153	296
Accumulated depreciation			
At 1 January 2006	74	146	220
Depreciation for the financial year	9	4	13
At 31 December 2006	83	150	233
Carrying amount			
At 31 December 2006	60	3	63

The leasehold land was revalued by a registered valuer, IPC Island Property Consultants Sdn Bhd. ("IPC"), an independent firm of professional valuers at open market value based on existing use basis/comparison method on 2 February 2006. The valuation was confirmed by IPC on 24 January 2008.

The title deed to the leasehold land is pending transfer to the Group. The leasehold land is a piece of 48.3 acres of industrial development land identified as part of lot 10334, within Mukim of Hulu Bernam Timur, district of Batang Padang, Perak Darul Ridzuan, Malaysia.

During the financial year, the Group acquired property, plant and equipment at an aggregate cost of $143,000 (2006: $559,000) of which $143,000 (2006: $359,000) was acquired in cash and $Nil (2006: $200,000) was acquired under finance lease.

Motor vehicle included in other assets with carrying amount of $150,000 (2006: $205,000) has been acquired under finance lease arrangement. Leased asset is pledged as security for the related finance lease liability.

18. Intangible assets

	Goodwill	Trademark	Total
	$'000	$'000	$'000
2007			
Group			
Cost			
At 1 January 2007	122	–	122
Arising from acquisition of subsidiaries (Note 35)	4,386	–	4,386
At 31 December 2007	4,508	–	4,508
Accumulated amortisation			
At 1 January 2007 and 31 December 2007	–	–	–
Carrying amount			
At 31 December 2007	4,508	–	4,508

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

18. Intangible assets (cont'd)

	Goodwill	Trademark	Total
	$'000	$'000	$'000
2006			
Group			
Cost			
At 1 January 2006	–	250	250
Arising from acquisition of a subsidiary (Note 35)	122	–	122
Written off	–	(250)	(250)
At 31 December 2006	122	–	122
Accumulated amortisation			
At 1 January 2006	–	160	160
Written off	–	(160)	(160)
At 31 December 2006	–	–	–
Allowance for impairment in value			
At 1 January 2006	–	90	90
Written off	–	(90)	(90)
At 31 December 2006	–	–	–
Carrying amount			
At 31 December 2006	122	–	122

Goodwill arising from acquisition of subsidiaries was as follows:

	Group	
	2007	2006
	$'000	$'000
Alstra Pacific Pte Ltd	387	122
Mega Highlights Sdn Bhd	4,121	–
	4,508	122

The recoverable amount of a cash-generating unit is determined based on calculations of the value in use.

Impairment testing of goodwill

The calculations of the value in use are derived from using cash flow projections to forecast the performance of the acquired subsidiaries for the next three financial years, based on past experience of management in operating the businesses, as well as the financial budget for 2008 which was approved by management. Cash flow projections beyond the budget period are estimated based on plant availability and load factors, as well as changes in operating costs due to normal wear and tear, maintenance cycles and inflation.

A discount rate of 5% (2006: 5%) has been applied to the cash flow projections. The discount rate was pre-tax and reflected specific risks relating to the industry.

At the balance sheet date, based on the key assumptions, the Directors of the Company believe that the recoverable amounts exceed their carrying amounts.

19. Trade payables

	Group	
	2007	2006
	$'000	$'000
Third parties	358	184

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

19. Trade payables (cont'd)

Trade payables principally comprise amounts outstanding for trade purchases.

Trade payables are non-interest bearing and are normally settled on 30-days (2006: 30-days) term.

Trade payables are denominated in the following currencies:

	Group	
	2007	2006
	$'000	$'000
Singapore dollar	238	91
United States dollar	112	93
Malaysia Ringgit	8	–
	358	184

20. Other payables

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Amounts due to subsidiaries	–	–	1,820	3,991
Accrued operating expenses	1,249	264	240	215
Deferred income	534	404	–	–
Sundry payables	438	248	364	210
	2,221	916	2,424	4,416

Amounts due to subsidiaries are interest-free, unsecured and repayable on demand.

Accrued operating expenses principally comprise amounts outstanding for on-going operating costs.

Deferred income represents unearned revenue from the Group's telecommunication business.

Other payables are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Singapore dollar	1,150	880	494	4,411
United States dollar	128	35	1,058	–
Sterling Pound	–	–	141	–
Malaysia Ringgit	943	1	731	5
	2,221	916	2,424	4,416

21. Income tax payable

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Tax suspense	3,092	3,116	3,092	3,116
Provision for taxation	107	–	–	–
Provision for withholding tax	18	17	18	17
	3,217	3,133	3,110	3,133

The Comptroller of Income Tax ("CIT') has assessed the Company to be liable to income tax for the years of assessment 1988 and 1990 to 2004 ("Additional Tax Assessments") amounting to $3,278,000 including late payment penalties as amended (2006: $3,278,000), after deducting tax deducted at source. The tax assessments for these years arose from the CIT assessing the Company on the basis that it was a passive investment holding company, as a result of which deduction of certain expenses incurred by the Company in the ordinary course of business was disallowed. The Company has raised objections against the CIT's assessments. As at 31 December 2007, the Company has made a provision of $3,110,000 (2006: $3,133,000) in the financial statements in respect of the tax assessed net of subsequent payments and deducting tax deducted at source, and recognised tax suspense of $3,278,000 (2006: $3,278,000) based on CIT's assessment.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

21. Income tax payable (cont'd)

In June 2007, the Company has submitted a proposal to CIT for a resolution of this long outstanding taxation issue. In the event that CIT does not accept the Company's proposal and demand payment of the Additional Tax Assessments of $3.1 million, the Company's and the Group's cashflow will be adversely affected. Notwithstanding, the Directors of the Company are of the opinion that these assessments can be successfully resisted.

22. Finance lease liabilities

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Amounts payable under finance leases:				
Within one financial year	46	46	40	40
In the second to fifth financial year inclusive	111	157	97	137
	157	203	137	177
Future finance charges	(20)	(26)		
Present value of lease obligations	137	177		
Amount due for settlement within 12 months	(40)	(40)		
Amount due for settlement after 12 months	97	137		

The carrying amount of finance lease approximates its fair value.

The average lease term is 4 years (2006: 5 years). For the financial year ended 31 December 2007, the average effective borrowing rate was 5.6% (2006: 5.6%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

23. Deferred tax liabilities

Deferred tax liabilities arose when the Group accounts for the difference between the carrying amount of the revalued asset and its costs as the Group deems the future recovery of the carrying amount of the revalued asset will result in a taxable flow of economic benefits to the Group and the amount that will be deductible for tax purposes will differ from the amount of the economic benefits. A deferred tax liability is computed in respect of the revaluation surplus at the tax rate of the country in which the subsidiary concerned is domiciled. Any actual tax liability will crystallise and be determined upon amortisation of the asset revaluation reserve as well as upon disposal of the revalued asset.

Movements in deferred tax liabilities are as follows:

	Group	
	2007	2006
	$'000	$'000
Balance at 1 January	–	–
Arising from acquisition of subsidiary	2,499	–
Recognised in the income statement (Note 33)	(31)	–
Foreign currency translation differences	(92)	–
Balance at 31 December	2,376	–

24. Retirement benefit obligations

The employees of the Company and its subsidiaries that are located in Singapore are members of a state-managed retirement benefit plan, the Central Provident Fund Board, operated by the Government of Singapore. The Company and the subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The Group's obligations end when the employee ceases to be under the employment of the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

24. Retirement benefit obligations (cont'd)

The total expense recognised in the income statement of $53,000 (2006: $59,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2007, contributions of $29,000 (2006: $24,000) due in respect of current financial year had been paid to the plan subsequent to the balance sheet date.

25. Share capital

	Company			
	2007	2006	2007	2006
	Number of ordinary shares		$'000	$'000
Issued and paid-up				
Balance at 1 January	511,900,769	511,900,769	33,462	5,119
Issue of shares	4,285,714	–	300	–
Issue of rights shares	569,077,095	–	19,917	–
Less: Share issue expenses	–	–	(410)	–
Transfer from share premium	–	–	–	28,343
Balance at 31 December	1,085,263,578	511,900,769	53,269	33,462

During the financial year, the Company:

(i) Issued 4,285,714 new ordinary shares at $0.07 each in August 2007, as purchase consideration for the acquisition of the remaining equity interests in Alstra Pacific Pte Ltd, as described in Note 35 to the financial statements.

(ii) Issued 569,077,095 rights shares at an issue price of $0.035 each in November 2007 for the partial funding to purchase products, equipment and services for the deployment and installation of Broadband over Power Line service in Malaysia. The Company raised gross proceeds of approximately $19,917,000 from the rights issue and as at 31 December 2007, approximately $912,000 had been utilised for this purpose.

(iii) Issued 142,269,265 detachable warrants together with the rights shares, each warrant entitles the holder to subscribe for one new ordinary share in the capital of the Company at an exercise price of $0.025. As at 31 December 2007, no warrants have been exercised.

All newly issued shares of the Company shall rank pari passu in all respects with the then existing issued shares.

26. Asset revaluation reserve

The asset revaluation reserve arises from the revaluation of leasehold land of a subsidiary, Mega Highlights Sdn Bhd. The valuation was conducted by a registered valuer, IPC Island Property Consultants Sdn Bhd., an independent firm of professional valuers at open market value based on existing use basis/comparison method.

27. Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's overseas subsidiaries to Singapore dollar.

28. Revenue

	Group	
	2007	2006
	$'000	$'000
Sale of investments held for trading	2,690	5,007
Rendering of services	4,359	2,616
Dividend income	114	139
Sale of products	10	–
	7,173	7,762

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

29. Other operating income

	Group 2007	Group 2006
	$'000	$'000
Fair value gain on investments held for trading	–	12
Return of unclaimed monies pertaining to unsecured loan stock issued in previous year	–	132
Gain on disposal of property, plant and equipment	1	87
Write back of allowance for doubtful trade receivables	–	46
Write back of allowance for doubtful other receivables	–	20
Insurance claim	–	32
Waiver of debt by a shareholder of a subsidiary	–	37
Others	45	23
	46	389

30. Finance income

	Group 2007	Group 2006
	$'000	$'000
Interest income on fixed deposits	16	9
Interest on loan to associate (Note 14)	24	26
	40	35

31. Finance costs

	Group 2007	Group 2006
	$'000	$'000
Finance leases	6	12
Others – outside parties	2	8
	8	20

32. Profit/(loss) before income tax

In addition to the information disclosed elsewhere in the financial statements, the Group's profit/(loss) before income tax is arrived at after charging/(crediting) the following:

	Group 2007	Group 2006
	$'000	$'000
Directors' remuneration other than fees:		
– Directors of the Company	463	378
– Directors of the subsidiaries	108	47
Directors' fees	55	74
Employee benefits expense (including directors' remuneration and fees)	1,230	919
Costs of inventories recognised as expense	69	48
Allowance for doubtful other receivables	34	–
Allowance for impairment in value of investments held for trading (included in Other operating expenses)	233	–
Property, plant and equipment written off	3	–
Fair value loss on investments held for trading (included in Other operating expenses)	1,662	–
Loss on foreign currency trading (included in Other operating expenses)	76	146
Foreign currency exchange gain	(169)	(134)

33. Income tax credit/(expense)

	Group	
	2007	2006
	$'000	$'000
Income tax		
(Under)/over provision in prior year	(5)	29
Foreign taxes	(31)	(45)
	(36)	(16)
Deferred tax		
Current year (Note 11)	41	–
Transferred from deferred tax liabilities (Note 23)	31	–
	36	(16)

The income tax credit/(expense) has been determined by applying the Singapore income tax rate of 18% (2006: 20%) to profit/(loss) before income tax and total charge for the financial year can be reconciled to accounting profit/(loss) as follows:

	Group	
	2007	2006
	$'000	$'000
(Profit)/loss before income tax:	(4,521)	1,142
Income tax (expense)/credit at statutory rate	(814)	228
Non-taxable/(non-allowable) items and others	876	(263)
Effect in difference of tax rate in other countries	(68)	–
Tax losses carried forward	(55)	–
Utilisation of prior years' tax losses carried forward previously not recognised	61	35
Deferred tax benefit	72	–
Foreign taxes suffered	(31)	(45)
Tax (expense)/credit refunded	(5)	29
Total income tax credit/(expense)	36	(16)

As at 31 December 2007, certain of the Group entities have tax losses in Singapore amounting to approximately $11,764,000 (2006: $11,795,000) and unutilised wear and tear allowances amounting to approximately $42,000 (2006: $42,000). The availability of these losses and unutilised allowances to be carried forward to offset future profits is subject to the provisions of the Singapore Income Tax Act. The tax losses are subject to agreement by the tax authorities. The deferred tax benefit relating to these tax losses and wear and tear allowances of approximately $2,125,000 (2006: $2,367,000) has not been recognised in the financial statements, as its realisation is not certain.

34. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the Group's profit/(loss) attributable to equity holders by the weighted average number of ordinary shares in issue during the financial year.

The earnings/(loss) per share is calculated as follows:

	Group	
	2007	2006
	$'000	$'000
Net profit/(loss) attributable to equity holders of the Company	$4,658,000	($1,156,000)
Weighted average number of ordinary shares	604,233,456	511,900,769
Basic earnings/(loss) per share	0.01 cents	(0.23) cents

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

34. Earnings/(loss) per share (cont'd)

(b) Diluted earnings/(loss) per share

For the purpose of calculating diluted earnings/(loss) per share, profit/(loss) attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all diluted potential ordinary shares.

	Group	
	2007	2006
	$'000	$'000
Net profit/(loss) attributable to equity holders of the Company	$4,658,000	($1,156,000)
Weighted average number of ordinary shares, including shares to be issued upon exercise of the warrants (Note 1)	609,339,303	511,900,769
Diluted earnings/(loss) per share	0.01 cents	(0.23) cents

Note 1: In November 2007, the Company issued 142,269,265 detachable warrants together with the rights shares. As described in Note 25 to the financial statements, each warrant carrying the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of $0.025. As at 31 December 2007, no warrants have been exercised.

35. Acquisition of subsidiaries

Acquisitions in financial year 2007

(a) Acquisition of Mega Highlights Sdn Bhd and its subsidiary, Mega Commercial Vehicle Sdn Bhd (collectively the "Mega group")

As mentioned in Note 14 to the financial statements, the Group acquired the remaining equity interests of 70% in Mega Highlights Sdn Bhd.

The carrying amount and fair value of identifiable assets and liabilities of Mega group as at the date of acquisition and net cash inflow on acquisition were as follows:

	Group	
	Carrying amount before combination 2007	Fair value recognised on acquisition 2007
	$'000	$'000
Property, plant and equipment	(10,520)	(10,520)
Cash and cash equivalents	(29)	(29)
Current assets (other than cash and cash equivalents)	(1,031)	(1,031)
Current liabilities	13,691	13,691
Total net liabilities	2,111	2,111
Less: Investment prior to the 70% acquisition in Mega group during the financial year		2,010
Share of fair value of liabilities acquired		4,121
Goodwill (Note 18)		(4,121)
Total purchase consideration		–*
Cash paid		–*
Add: Cash acquired from subsidiary		29
Net cash inflow from acquisition of subsidiary		29

* denotes a figure which is less than $1,000

35. Acquisition of subsidiaries (cont'd)

Acquisitions in financial year 2007 (cont'd)

The acquired subsidiary contributed other operating income and net loss after income tax of $5,000 and $543,000 respectively to the consolidated income statement for the financial year 2007, since the date of acquisition, which coincides with the date of control of 21 May 2007.

If the acquisition had occurred on 1 January 2007 (on the assumption that the results of the acquired subsidiary accrues evenly over the period), the Group's other operating income and Group's profit after income tax would have been $691,000 and $5,075,000 respectively.

Goodwill is attributable to the acquisition of subsidiary which is expected to provide future economic benefits in excess of the normal return generated from the acquired net identifiable assets.

Future economic benefits are expected to arise from the potential appreciation of market value of the leasehold land held by the acquired subsidiary. The Directors have considered and determined that, under the booming economy in Malaysia, the completion of the development of the land is expected to bring in economic benefits in the future.

(b) Acquisition of remaining equity interests in Alstra Pacific Pte Ltd ("Alstra") from minority shareholders

On 26 December 2007, an extraordinary general meeting of Alstra was convened and approval has been obtained for forfeiture of 100,000 ordinary shares in the capital of Alstra. The aggregate amount of $55,555.56 paid on the 100,000 ordinary shares has been used to satisfy the outstanding amount due from PG Communications Pte Ltd ("PG") for 125,000 partially paid ordinary shares in the capital of the Company. As a result, the capital of Alstra has been diminished from $525,000 to $425,000.

During the financial year ended 31 December 2007, the rest of the shareholders of Alstra has entered into a sale and purchase agreement with the Company to sell their 300,000 ordinary shares, representing 57.1% of the issued share capital of Alstra at a purchase consideration of $300,000, satisfied by issuance of 4,285,714 ordinary shares by the Company. The Company has arranged to transfer Alstra's shares to PG, thereby making PG the legal shareholder of all shares in Alstra. This results in Alstra becoming a wholly-owned subsidiary of PG after the completion of the sale and purchase agreement on 7 August 2007.

The carrying amount and fair value of identifiable assets and liabilities of Alstra as at the date of acquisition and net cash inflow on acquisition were as follows:

	Group	
	Carrying amount before combination 2007	**Fair value recognised on acquisition 2007**
	$'000	**$'000**
Plant and equipment	(57)	(57)
Cash and cash equivalents	(6)	(6)
Current assets (other than cash and cash equivalents)	(282)	(282)
Current liabilities	283	283
Total net assets	(62)	(62)
Less: Share of net assets acquired in 2006		27
Share of fair value of assets acquired from minority shareholders		(35)
Goodwill (Note 18)		(265)
Total purchase consideration		(300)
Consideration settled by issuance of shares in the Company		300
Net cash inflow from acquisition of additional interests from minority shareholders		–

35. Acquisition of subsidiaries (cont'd)

Acquisitions in financial year 2007 (cont'd)

(b) Acquisition of remaining equity interests in Alstra Pacific Pte Ltd ("Alstra") from minority shareholders (cont'd)

Goodwill arising from the acquisition of additional 57.1% interests in Alstra from minority shareholders in financial year 2007 amounted to $265,000. The recoverable amount of a cash-generating unit is determined based on calculations of the value in use.

The goodwill is attributable to the acquisition of the subsidiary whose cost of acquisition exceeded its fair values of net identifiable assets and arises from expected synergies from the combination.

Acquisition of subsidiaries, net of cash acquired as shown in the consolidated cash flow statement was as follows:

	2007
	$'000
Net cash inflow on acquisition of subsidiaries	
– Mega group	29
– Alstra	–
	29

Acquisition in financial year 2006

Acquisition of 42.9% interest in Alstra Pacific Pte Ltd ("Alstra")

During the previous financial year ended 31 December 2006, the Company's wholly owned subsidiary PG Communications Pte Ltd ("PG") entered into a Share Subscription and Shareholders' Agreement (the "Subscription Agreement") with Alstra and all of Alstra's shareholders (collectively the "Existing Shareholders").

Under the Subscription Agreement, PG subscribed for 225,000 new ordinary shares in the capital of Alstra, representing 42.9% of the resultant enlarged issued shares in the capital of Alstra at an issue price of $1.00 for each new ordinary share, making an aggregate of $225,000 (the "Subscription Price").

As at 31 December 2006, PG has paid $125,000 in cash to the Company and the balance of $100,000 remains unpaid as at 31 December 2006.

The carrying amount and fair value of identifiable assets and liabilities of Alstra as at the date of acquisition and the net cash inflow on acquisition were as follows:

	Group	
	Carrying amount before combination 2006	Fair value recognised on acquisition 2006
	$'000	$'000
Plant and equipment	(88)	(88)
Cash and cash equivalents	(129)	(129)
Current assets (other than cash and cash equivalents)	(143)	(143)
Current liabilities	120	120
Total net assets	(240)	(240)
Less: Minority interests		137
Share of fair value of assets acquired		(103)
Goodwill (Note 18)		(122)
Total purchase consideration		(225)
Less: Unpaid consideration as at 31 December 2006		100
Cash paid		(125)
Add: Cash acquired from subsidiary		129
Net cash inflow from acquisition of subsidiary		4

35. Acquisition of subsidiaries (cont'd)

Acquisition in financial year 2006 (cont'd)

The acquired subsidiary contributed revenue and net loss after income tax of $418,000 and $3,000 respectively to the consolidated income statement for the financial year 2006, since the date of acquisition, which coincides with the date of control of 20 July 2006.

If the acquisition had occurred on 1 January 2006 (on the assumption that the results of the acquired subsidiary accrues evenly over the period), the Group's revenue and Group's loss after income tax would have been $7,858,000 and $1,218,000 respectively.

The goodwill is attributable to the acquisition of the subsidiary whose cost of acquisition exceeded its fair values of net identifiable assets and arises from expected synergies from the combination.

36. Disposal of subsidiaries

Disposal in financial year 2007

Disposal of Mega Commercial Vehicle Sdn Bhd ("MCV")

The carrying amount of net liabilities of MCV derecognised and the cash flow effects as at the date of disposal were as follows:

	Group Carrying value derecognised upon disposal 2007
	$'000
Cash and cash equivalents	29
Trade receivables	15
Other receivables and prepayments	200
Other payables	(8,614)
Carrying value of net liabilities deconsolidated	(8,370)
Release of post-acquisition results	458
	(7,912)
Proceeds from disposal of subsidiary	–*
Net gain on disposal of subsidiary	(7,912)
Net cash outflow arising on disposal:	
Cash consideration received	–*
Cash and cash equivalents disposed of	(29)
	(29)

*denotes a figure which is less than $1,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

36. Disposal of subsidiaries (cont'd)

Disposal in financial year 2006

Disposal of RR Industrial Packaging Design & Services Pte Ltd ("RR Industrial") and PT RR Packaging Indonesia ("PT RRI")

The carrying amount of net assets of RR Industrial and PT RRI derecognised and the cash flow effects as at the date of disposal were as follows:

	Group Carrying value derecognised upon disposal 2006
	$'000
Cash and cash equivalents	10
Trade receivables	15
Other receivables and prepayments	1
Plant and equipment	88
Intangible assets	2,723
Other payables	(21)
Obligation under finance lease	(46)
Carrying value of net assets deconsolidated	2,770
Release of post acquisition results	(1,690)
	1,080
Proceeds from disposal of subsidiaries	–*
Net loss on disposal of subsidiaries	1,080
Net cash outflow arising on disposal:	
Cash consideration received	–*
Cash and cash equivalents disposed of	(10)
	(10)

* denotes a figure which is less than $1,000

37. Operating lease commitments

	Group	
	2007	2006
	$'000	$'000
Minimum lease payments under operating leases included in the income statement	158	127

At the balance sheet date, the commitments in respect of non-cancellable operating leases of office premises were as follows:

	Group	
	2007	2006
	$'000	$'000
Within one financial year	149	111
In the second to fifth financial year inclusive	267	–
	416	111

The above operating lease commitments are based on the various rental charges, which will be annually revised over the lease period, as specified in the lease agreement.

The Group has entered into a three-year lease for the office premise in financial year 2007, with an option to renew the lease for another three years, after the expiry of the current lease period, at revised terms to be mutually agreed between the Group and the landlord.

38. Segment information

(a) Analysis by business segment

The Group's operating businesses are organised and managed separately according to the nature of products provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's income statement that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and property, plant and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire property, plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade and other payables.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

Segment revenue and results of the Group's continuing business operations are presented in this note.

The information of each segment is as follows:

(i) Restaurant segment in the current financial year is made up of share of results in a joint venture, Ramenten Convention Sdn Bhd.

(ii) Technology segment: The revenue from this segment was derived from the provision of international telecommunication services and sale of prepaid international calling cards.

(iii) Investment trading segment: This represents investments in marketable securities, which are classified as financial assets at fair value through profit or loss.

(iv) Investment holding segment: This mainly consists of the principal activities of the Company and some of its subsidiaries, which are investment holding and rendering management services to subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

38. Segment information (cont'd)

(a) Analysis by business segment (cont'd)

	Restaurant	Technology	Investment trading	Investment holding	Total
	$'000	$'000	$'000	$'000	$'000
2007					
Segment revenue	–	4,369	2,804	–	7,173
Segment results	–	(235)	(1,233)	6,098	4,630
Finance costs					(8)
Income tax credit					36
Minority interests					(101)
Net profit for the financial year					4,557
Segment assets	–	1,792	33,036	13,601	48,429
Tax suspense					3,278
Total assets					51,707
Segment liabilities	–	(1,004)	(1,566)	(146)	(2,716)
Income tax payable					(3,217)
Deferred tax liabilities					(2,376)
Total liabilities					(8,309)
Other information					
Capital expenditure	–	133	10	–	143
Depreciation of property, plant and equipment	–	183	66	40	289
2006					
Segment revenue	–	2,616	5,146	–	7,762
Segment results	(93)	11	1,067	(2,105)	(1,120)
Finance costs					(20)
Income tax expense					(16)
Minority interests					(2)
Net loss for the financial year					(1,158)
Segment assets	–	1,254	7,630	9,972	18,856
Tax suspense					3,278
Total assets					22,134
Segment liabilities	–	(634)	(187)	(456)	(1,277)
Income tax payable					(3,133)
Total liabilities					(4,410)
Other information					
Capital expenditure	–	326	232	1	559
Depreciation of property, plant and equipment	–	129	44	15	188

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2007

38. Segment information (cont'd)

(b) Analysis by geographical segment

Segment revenue: Segment revenue is analysed based on the location of customers regardless of where the goods are produced. In the case of revenue from investment trading, segment revenue is analysed based on the location where the shares are listed

Segment assets and capital expenditure: Segment assets and capital expenditure are analysed based on the location of those assets. In the case of investment trading, segment assets are analysed based on the location where the shares are listed. Capital expenditure includes the total cost incurred to acquire property, plant and equipment, and intangible assets

	2007	2006
	$'000	$'000
Segment revenue by geographical location:		
Singapore	5,059	4,887
UK and USA	493	150
Other Asian countries	1,621	2,725
Total	7,173	7,762
Segment assets by geographical location:		
Singapore	26,586	8,634
UK and USA	7,451	7,618
Other Asian countries	17,670	5,882
Total	51,707	22,134
Segment capital expenditure by geographical location:		
Singapore	99	559
Other Asian countries	44	–
Total	143	559

39. Contingent liabilities and commitments

Continuing financial support

The Company has given undertakings to some of its subsidiaries to provide financial support to these companies, where necessary, to enable them to operate as going concern and to meet their obligations for at least 12 months from the date of their respective audited financial statements.

At the end of the financial year, the subsidiaries had capital deficiencies totaling $38,835,000 (2006: $37,237,000) including amount due by the subsidiaries to the Company totaling $49,359,000 (2006: $40,172,000).

In the opinion of the Directors, no loss is anticipated from these contingent liabilities.

STATISTICS OF SHAREHOLDINGS

as at 18 March 2008

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares	Percentage
1 – 999	171	1.14%	40,076	0.00%
1,000 – 10,000	8,614	57.32%	46,634,693	4.30%
10,001 – 1,000,000	6,180	41.12%	486,102,860	44.79%
1,000,001 and above	63	0.42%	552,556,449	50.91%
	15,028	100.00%	1,085,334,078	100.00%

Number of ordinary shares : 1,085,334,078
Number of treasury shares : NIL
Voting rights : one vote per share

Based on information available to the Company as at 18 March 2008, approximately 88.02% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS AS AT 18 MARCH 2008

S/No.	Name	No. of Shares	Percentage
1	UNITED OVERSEAS BANK NOMINEES PTE LTD	202,595,500	18.67%
2	RAFFLES NOMINEES PTE LTD	65,606,000	6.04%
3	G1 INVESTMENTS PTE LTD	53,963,000	4.97%
4	FRIENDSHIP BRIDGE HOLDING COMPANY PTE LTD	41,722,000	3.84%
5	KIM ENG SECURITIES PTE. LTD.	20,614,000	1.90%
6	DBS NOMINEES PTE LTD	16,366,719	1.51%
7	TAN KIEN GIAP	13,702,000	1.26%
8	ANTIG INVESTMENTS PTE LTD	12,800,000	1.18%
9	OCBC SECURITIES PRIVATE LTD	10,037,100	0.93%
10	OCBC NOMINEES SINGAPORE PTE LTD	8,257,500	0.76%
11	TAN WEE MENG	7,502,142	0.69%
12	LEE TECK LIM	5,819,000	0.54%
13	GOH KIM SENG	5,209,000	0.48%
14	ING NOMINEES (S'PORE) PTE LTD	5,000,000	0.46%
15	CHNG GIM HUAT	4,000,000	0.37%
16	PHILLIP SECURITIES PTE LTD	3,873,610	0.36%
17	WEE CHUAN HENG MERVIN	3,500,000	0.32%
18	ENG CHIN HUAT	3,400,000	0.31%
19	PUA TECK ANN	2,987,000	0.28%
20	DBS VICKERS SECS (S) PTE LTD	2,980,000	0.27%
		489,934,571	45.14%

Substantial Shareholders as at 18 March 2008
(per Register of Substantial Shareholders)

	Name	No. of Shares held	Deemed Interest
1.	Lim Siew Hooi	126,046,000	–

STATISTICS OF WARRANT HOLDINGS

as at 18 March 2008

DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	Percentage	No. of Warrants	Percentage
1 – 999	59	2.31%	29,179	0.02%
1,000 – 10,000	1,494	58.38%	6,646,209	4.67%
10,001 – 1,000,000	992	38.76%	45,988,633	32.34%
1,000,001 and above	14	0.55%	89,534,744	62.97%
Total	2,559	100.00%	142,198,765	100.00%

TOP TWENTY WARRANT HOLDERS AS AT 18 MARCH 2008

No.	Name	No. of warrants	Percentage
1	UNITED OVERSEAS BANK NOMINEES (PTE) LTD	37,622,583	26.46%
2	RAFFLES NOMINEES PTE LTD	13,100,000	9.21%
3	FRIENDSHIP BRIDGE HOLDING COMPANY PTE LTD	8,500,000	5.98%
4	G1 INVESTMENTS PTE LTD	8,485,000	5.97%
5	TAN KIEN GIAP	3,425,000	2.41%
6	OCBC SECURITIES PRIVATE LTD	3,373,000	2.37%
7	ANTIG INVESTMENTS PTE LTD	3,187,500	2.24%
8	TAN JUI YAK	2,912,000	2.05%
9	KIM ENG SECURITIES PTE. LTD.	2,742,500	1.93%
10	GOH KIM SENG	1,302,000	0.91%
11	DBS NOMINEES PTE LTD	1,253,304	0.88%
12	TAN WEE MENG	1,250,357	0.88%
13	LIM & TAN SECURITIES PTE LTD	1,245,000	0.87%
14	LEE TECK LIM	1,136,500	0.80%
15	LIANG HENG YONG	990,000	0.70%
16	LIEW CHEE KONG	953,000	0.67%
17	YU KHEE CHEN	806,000	0.56%
18	CHNG GIM HUAT	750,000	0.53%
19	LOW LEE MENG	625,000	0.44%
20	TAN KENG SOON	525,000	0.37%
		94,183,744	66.23%

NOTICE OF ANNUAL GENERAL MEETING

INNO-PACIFIC HOLDINGS LTD
(Company Registration No.: 197301788K)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 34th Annual General Meeting of the Company will be held at the National Library Board, 100 Victoria Street, Level 5 Imagination Room, Singapore 188064 on Friday, 11 April 2008 at 10.00 a.m. to transact the following businesses:–

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Financial Statements for the financial year ended 31 December 2007 together with the Auditors' Report thereon. [Resolution 1]

2. To approve the Directors' Fees of $55,000/- for the financial year ended 31 December 2007 (2006: $63,500/-). [Resolution 2]

3. To re-elect the following Directors retiring pursuant to the Articles of Association:

   (a) Mr Koay Theam Hock (Article 90) [Resolution 3]

   (b) Mr Abdul Wahab Bin Md Shahir (Article 106) [Resolution 4]

4. To consider, and if thought fit, to pass the following resolution: [Resolution 5]

   "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Dato' Moehamad Izat Emir be and is hereby re-appointed as a Director of the Company, to hold office until the date of the next Annual General Meeting."

5. To re-appoint Messrs BDO Raffles, Certified Public Accountants, as Auditors and to authorise the Directors to fix their remuneration. [Resolution 6]

6. To transact any other business.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without modifications:–

7. Authority to Directors to issue Shares [Resolution 7]

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and subject to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to issue shares or convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that:–

   (i) the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed 50 per cent (50%) of the total number of issued shares excluding treasury shares in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 20 per cent (20%) of the total number of issued shares excluding treasury shares in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);

   (ii) (subject to such manner of calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the total number of issued shares excluding treasury shares shall be based on the total number of issued shares excluding treasury shares in the capital of the Company at the time this Resolution is passed, after adjusting for:–

      (a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of SGX-ST; and

(c) any subsequent consolidation or subdivision of shares; and

(iii) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note (i)]

8. Authority to issue shares under the Inno-Pacific Share Option Scheme and the Inno-Pacific Performance Share Scheme [Resolution 8]

"That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be and are hereby empowered to allot and issue shares in the capital of the Company to the holders of options and awards granted by the Company under the Inno-Pacific Share Option Scheme and the Inno-Pacific Performance Share Scheme respectively (collectively known as the "Schemes") established by the Company upon the exercise of such options or vesting of such share awards in accordance with the terms and conditions of the Schemes provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Schemes shall not exceed fifteen per centum (15%) of the total number of the issued shares in the capital of the Company from time to time." [See Explanatory Note (ii)]

BY ORDER OF THE BOARD

STANLEY CHU KAM PO
Company Secretary

Singapore, 26 March 2008

EXPLANATORY NOTES ON ORDINARY RESOLUTIONS TO BE PASSED

(i) The proposed Resolution 7, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the Company. The number of shares which the Directors may issue under this Resolution shall not exceed 50% of the total number of the issued shares in the capital of the Company. For issue of shares other than on a pro-rata basis to all shareholders of the Company, the aggregate number of shares to be issued shall not exceed 20% of the total number of issued shares in the capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

(ii) The proposed Resolution 8, if passed, will empower the Directors of the Company, from the date of this Meeting until the date of the next Annual General Meeting, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the total number of issued shares in the capital of the Company for the time being pursuant to the exercise of the options or the vesting of the awards under the Schemes.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. A corporation, which is a member of the Company, may authorise by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting.
5. The instrument appointing a proxy must be deposited at the registered office of the Company, at 190 Middle Road, #19-07 Fortune Centre, Singapore 188979 not less than 48 hours before the time appointed for holding the meeting.

STATEMENT PURSUANT TO THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

Note to Resolution 4

Mr Md Abdul Wahab bin Md Shahir will, upon re-election as a Director of the Company, continue to serve as member of the Audit, Nominating and Remuneration Committees. Mr Md Abdul Wahab bin Md Shahir will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Note to Resolution 5

Dato' Moehamad Izat Emir will, upon re-appointment as a Director of the Company, continue to serve as Chairman of the Audit, Nominating and Remuneration Committees. Dato' Moehamad Izat Emir will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

INNO-PACIFIC HOLDINGS LTD
(Company Registration No.: 197301788K)

PROXY FORM

*I/We, ________________________________ *(Name)* ____________________ *(NRIC/Passport No.)*

of ____ *(Address)*

being a member/members of the abovenamed Company, hereby appoint:–

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings
and/or (delete as appropriate)			

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 11 April 2008 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:–

No.	Resolutions	For	Against
1.	Adoption of Directors' Reports and Audited Accounts for the financial year ended 31 December 2007		
2.	Approval of Directors' Fees		
3.	Re-election of Mr Koay Theam Hock		
4.	Re-election of Mr Md Abdul Wahab bin Md Shahir		
5.	Re-appointment of Dato' Moehamad Izat Emir		
6.	Re-appointment of Auditors and fixing their remuneration		
7.	Authority to Directors to issue shares		
8.	Authority to issue shares under the Inno-Pacific Share Option Scheme and Inno-Pacific Performance Share Scheme		

(Please indicate with a cross (X) in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.)

Dated this __________ day of ________________________ 2008.

Total number of shares in	No. of Shares
1. CDP Register	
2. Register of Members	

____
Signature of Shareholder(s) or
Common Seal of Corporate Shareholder

IMPORTANT : PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless the member specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 190 Middle Road, #19-07 Fortune Centre, Singapore 188979 not less than 48 hours before the time appointed for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the annual general meeting as certified by The Central Depository (Pte) Limited to the Company.

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INNO-PACIFIC HOLDINGS LTD
Co. Reg. No 197301788K

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