

CIRCULAR DATED 4 OCTOBER 2007

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Inno-Pacific Holdings Ltd (the "Company"), you should immediately forward this Circular, the enclosed Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the stockbroker or to the bank or to the agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited ("SGX-ST") assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular. The in-principle approval from the SGX-ST is not an indication of the merits of the Rights Shares cum Warrants Issue, the 1,032,372,966 Rights Shares, the 258,093,241 Warrants, the 258,093,241 New Shares, the Company, its subsidiaries or the Shares.



INNO-PACIFIC HOLDINGS LTD

(Incorporated in the Republic of Singapore on 22 September 1973)
(Company Registration No. 197301788K)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 1,032,372,966 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "RIGHTS SHARES") AT AN ISSUE PRICE OF S\$0.035 FOR EACH RIGHTS SHARE WITH UP TO 258,093,241 FREE DETACHABLE WARRANTS (THE "WARRANTS"), EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW ORDINARY SHARE IN THE CAPITAL OF THE COMPANY (THE "NEW SHARE") AT AN EXERCISE PRICE OF S\$0.025 FOR EACH NEW SHARE, ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING ORDINARY SHARE HELD BY SHAREHOLDERS OF THE COMPANY AS AT THE BOOKS CLOSURE DATE TO BE DETERMINED, AND ONE (1) FREE WARRANT FOR EVERY FOUR (4) RIGHTS SHARES SUBSCRIBED, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (THE "RIGHTS SHARES CUM WARRANTS ISSUE")

IMPORTANT DATES AND TIMES:-

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| Last date and time for lodgment of Proxy Form | : | 17 October 2007 at 10:00 a.m. |
| Date and time of Extraordinary General Meeting | : | 19 October 2007 at 10:00 a.m. |
| Place of Extraordinary General Meeting | : | 70 Shenton Way #03-02 Marina House Singapore 079118 |

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DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires:–

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| “Act” | : | Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time |
| “Announcement” | : | Announcement of the Rights Shares cum Warrants Issue made by the Company on 13 August 2007 |
| “ARE” | : | Application and acceptance form for Rights Shares with Warrants and excess Rights Shares with Warrants to be issued to Entitled Depositors in respect of the provisional allotments of Rights Shares with Warrants of such Entitled Depositors under the Rights Shares cum Warrants Issue |
| “ARS” | : | Application and acceptance form for Rights Shares with Warrants to be issued to purchasers in respect of the provisional allotments of Rights Shares with Warrants under the Rights Shares cum Warrants Issue traded on the SGX-ST through the book-entry (scripless) settlement system |
| “ATM” | : | Automated teller machine of a Participating Bank |
| “Board” | : | The board of Directors of the Company as at the date of this Circular |
| “Books Closure Date” | : | Subject to Shareholders’ approval of the Rights Shares cum Warrants Issue at the EGM, the time and date to be determined by the Directors, at and on which the Register of Members and the Transfer Books of the Company will be closed to determine the provisional allotments of Rights Shares with Warrants of Entitled Shareholders under the Rights Shares cum Warrants Issue |
| “CDP” | : | The Central Depository (Pte) Limited |
| “Circular” | : | This circular to Shareholders |
| “Closing Date” | : | The time and date to be determined by the Directors, being the last time and date for acceptance and/or excess application and payment, and renunciation and payment of, the Rights Shares with Warrants under the Rights Shares cum Warrants Issue; or the time and date to be determined by the Directors, being the last time and date for acceptance and/or excess application and payment of the Rights Shares with Warrants under the Rights Shares cum Warrants Issue through an ATM of a Participating Bank |
| “Company” | : | Inno-Pacific Holdings Ltd |
| “CPF” | : | Central Provident Fund |
| “Deed Poll” | : | The deed poll to be executed by the Company constituting the Warrants and containing, <i>inter alia</i> , provisions for the protection of the rights and interests of the Warrantholders |

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| “Designated Account” | : | The bank account to be specified and operated by the Company and maintained with a bank in Singapore for the purpose of crediting moneys received from the exercising Warranholders in satisfaction of the Exercise Price in relation to the Warrants exercised by such exercising Warranholders |
| “Directors” | : | The directors of the Company as at the date of this Circular |
| “EGM” | : | The extraordinary general meeting of the Company, notice of which is set out on page 31 of this Circular |
| “Entitled Depositors” | : | Shareholders with Shares standing to the credit of their Securities Accounts and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have, at least five (5) Market Days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents |
| “Entitled Scripholders” | : | Shareholders whose Shares are registered in their own names in the Register of Members of the Company and whose registered addresses are in Singapore as at the Books Closure Date or who have, at least five (5) Market Days prior to the Books Closure Date, provided the Company with addresses in Singapore for the service of notices and documents |
| “Entitled Shareholders” | : | Entitled Depositors and Entitled Scripholders |
| “EPS” | : | Earnings per Share |
| “Exercise Period” | : | The period during which the Warrants may be exercised commencing on and including the date of issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the second (2 nd) anniversary of the date of issue of the Warrants, unless such date is a date on which the Register of Members of the Company is closed or is not a Market Day, in which event the Warrants shall expire on the date prior to closure of the Register of Members of the Company or on the immediately preceding Market Day, as the case may be (but excluding such period(s) during which the Register of Warranholders may be closed), subject to the terms and conditions of the Warrants to be set out in the Deed Poll. The right to exercise the Warrants will not be extended beyond the Exercise Period. |
| “Exercise Price” | : | The sum payable in respect of each New Share to which the Warranholder will be entitled to subscribe upon the exercise of a Warrant which shall be S\$0.025, subject to certain adjustments in accordance with the terms and conditions of the Warrants to be set out in the Deed Poll |
| “Foreign Shareholders” | : | Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five (5) Market Days prior to the Books Closure Date, provided to CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents |

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| “FY” | : | Financial year ended 31 December |
| “Group” | : | The Company and its subsidiaries |
| “HY” | : | Financial period for the six months ended 30 June |
| “Inno-Pacific Share Option Scheme” | : | The Inno-Pacific Share Option Scheme approved and adopted by Shareholders on 29 April 2005 (as from time to time amended, modified or supplemented) |
| “Inno-Pacific Performance Share Scheme” | : | The Inno-Pacific Performance Share Scheme approved and adopted by Shareholders on 29 April 2005 (as from time to time amended, modified or supplemented) |
| “Issue Price” | : | The issue price of the Rights Shares, being S\$0.035 for each Rights Share |
| “Latest Practicable Date” | : | 28 September 2007, being the latest practicable date prior to the printing of this Circular |
| “Listing Manual” | : | The listing manual of the SGX-ST, as may be amended or modified from time to time |
| “Market Day” | : | A day on which SGX-ST is open for trading in securities |
| “MAS” | : | Monetary Authority of Singapore |
| “Maximum Subscription” | : | Up to 1,032,372,966 Rights Shares which will be issued pursuant to the Rights Shares cum Warrants Issue, assuming that all Shareholders subscribe to the Rights Shares cum Warrants Issue |
| “Minimum Subscription” | : | Up to 114,046,000 Rights Shares which will be issued pursuant to the Rights Shares cum Warrants Issue, assuming that only the Undertaking Shareholder subscribe to the Rights Shares cum Warrants Issue |
| “New Shares” | : | The new Shares to be issued by the Company upon the exercise of the Warrants subject to and in accordance with the terms and conditions of the Warrants to be set out in the Deed Poll |
| “NTA” | : | Net tangible assets |
| “Offer Information Statement” | : | The offer information statement referred to in Section 277 of the SFA, together with the PAL, the ARE, the ARS and all other accompanying documents, to be issued by the Company in connection with the Rights Shares cum Warrants Issue |
| “PAL” | : | Provisional allotment letter to be issued to Entitled Scripholders, setting out the provisional allotment of Rights Shares with Warrants under the Rights Shares cum Warrants Issue |
| “Participating Banks” | : | DBS Bank Ltd (including POSB), Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited and its subsidiary Far Eastern Bank Limited |

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| “Record Date” | : | In relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or with CDP, as the case may be, in order to participate in such dividends, rights, allotments or other distributions |
| “Register of Members” | : | Register of members of the Company |
| “Rights Shares cum Warrants Issue” | : | The proposed renounceable non-underwritten rights issue by the Company of up to 1,032,372,966 new ordinary shares in the capital of the Company at the Issue Price with up to 258,093,241 free detachable Warrants, each Warrant carrying the right to subscribe for one (1) New Share at the Exercise Price for each New Share, on the basis of two (2) Rights Shares for every one (1) existing Share held by Shareholders as at the Books Closure Date, and one (1) free Warrant for every four (4) Rights Shares subscribed, fractional entitlements to be disregarded |
| “Rights Shares” | : | Up to 1,032,372,966 new Shares to be allotted and issued by the Company pursuant to the Rights Shares cum Warrants Issue |
| “Securities Account” | : | A securities account maintained by a Depositor with CDP (but does not include a securities sub-account) |
| “SFA” | : | Securities and Futures Act, Chapter 289 of Singapore, as may be amended or modified from time to time |
| “SGX-ST” | : | Singapore Exchange Securities Trading Limited |
| “Shares” | : | Ordinary shares in the capital of the Company |
| “Share Registrar” | : | Compact Administrative Services Pte Ltd |
| “Shareholders” | : | Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP whose Securities Account are credited with those Shares |
| “Undertaking” | : | Irrevocable undertaking dated 9 September 2007 given by the Undertaking Shareholder to the Company as set out on paragraph 2.6 of this Circular |
| “Undertaking Shareholder” | : | Mdm Lim Siew Hooi |
| “Warrant Agent” | : | B.A.C.S. Private Limited |
| “Warrantholders” | : | Registered holders of Warrants, except that where CDP is the registered holder, the term “Warrantholders” shall, in relation to such Warrants, mean the Entitled Depositors whose Securities Accounts are credited with such Warrants |

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| “Warrants” | : | Up to 258,093,241 free detachable warrants, in registered form to be issued by the Company together with the Rights Shares pursuant to the Rights Shares cum Warrants Issue, and (where the context so admits) such additional warrants as may be required or permitted to be issued by the Company pursuant to the terms and conditions of the warrants to be set out in the Deed Poll (any such additional warrants to rank <i>pari passu</i> with the warrants to be issued together with the Rights Shares and for all purposes to form part of the same series), subject to the terms and conditions to be set out in the Deed Poll, each warrant entitling the holder thereof to subscribe for one (1) New Share at the Exercise Price, subject to the terms and conditions to be set out in the Deed Poll |
| “RM” | : | Malaysian Ringgit |
| “S\$” and “cents” | : | Singapore dollars and cents respectively |
| “%” or “per cent” | : | Percentage or per centum |

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively by Section 130A of the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Words importing persons include corporations.

Any reference to any enactment is a reference to that enactment as for the time being amended or reenacted.

Any word defined under the Act, the SFA or the Listing Manual or any modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Act, the SFA or the Listing Manual or any modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time.

INNO-PACIFIC HOLDINGS LTD

(Incorporated in the Republic of Singapore on 22 September 1973)

(Company Registration No. 197301788K)

Directors:-

Dato' Moehamad Izat Emir (*Chairman*)
Wong Chin Yong (*Managing Director*)
Ong Kah Hock (*Independent Director*)
Md Abdul Wahab bin Md Shahir (*Independent Director*)

Registered Office:-

70 Shenton Way
#03-02 Marina House
Singapore 079118

Date: 4 October 2007

To: The Shareholders of Inno-Pacific Holdings Ltd

Dear Sir/Madam

THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 1,032,372,966 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "RIGHTS SHARES") AT AN ISSUE PRICE OF S\$0.035 FOR EACH RIGHTS SHARE WITH UP TO 258,093,241 FREE DETACHABLE WARRANTS (THE "WARRANTS"), EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW ORDINARY SHARE IN THE CAPITAL OF THE COMPANY (THE "NEW SHARE") AT AN EXERCISE PRICE OF S\$0.025 FOR EACH NEW SHARE, ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING ORDINARY SHARE HELD BY SHAREHOLDERS OF THE COMPANY AS AT THE BOOKS CLOSURE DATE, AND ONE (1) FREE WARRANT FOR EVERY FOUR (4) RIGHTS SHARES SUBSCRIBED, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (THE "RIGHTS SHARES CUM WARRANTS ISSUE")

1. INTRODUCTION

On 13 August 2007, the Company announced the Rights Shares cum Warrants Issue, subject to, *inter alia*, the in-principle approval of the SGX-ST for the listing of and quotation for the Rights Shares, the Warrants and the New Shares on the Main Board of the SGX-ST and the approval of the Shareholders for the Rights Shares cum Warrants Issue at the EGM.

On 6 September 2007, the Company announced a variation to the terms of the proposed Rights Shares cum Warrants Issue as follows:-

"Proposed renounceable non-underwritten rights issue of up to 1,032,372,966 Rights Shares at the Issue Price for each Rights Shares with up to 258,093,241 free detachable Warrants, each Warrant carrying the right to subscribe for one (1) New Share at the Exercise Price for each New Share on the basis of two (2) Rights Shares for every one (1) existing Share held by Shareholders of the Company as at the Books Closure Date and one (1) free Warrant for every four (4) Rights Shares subscribed, fractional entitlements to be disregarded."

The Undertaking Shareholder had undertaken to the Company to subscribe for her full entitlement to the Rights Shares with Warrants and, in the event that the Rights Shares cum Warrants Issue is not fully subscribed by Entitled Shareholders, to apply by way of excess application such number of additional Rights Shares with Warrants that when aggregated with her current shareholdings and her entitlements to the Rights Shares with Warrants shall not exceed 20% (rounded downwards to the nearest 1,000 Rights Shares with Warrants) of the resultant enlarged issued share capital of the Company after the Rights Shares cum Warrants Issue.

Save for the Undertaking given by the Undertaking Shareholder, the Rights Shares cum Warrants Issue will be carried out by the Company on a non-underwritten basis.

On 28 September 2007, the SGX-ST granted approval in-principle for the listing of and quotation for the 1,032,372,966 Rights Shares, the 258,093,241 Warrants and the 258,093,241 New Shares on the Main Board of the SGX-ST, subject to, *inter alia*, the following conditions:-

- (a) compliance with the SGX-ST's listing requirements and guidelines;
- (b) Shareholders' approval being obtained in a general meeting to be convened for the Rights Shares cum Warrants Issue;
- (c) a satisfactory spread of warrant holders to provide an orderly market for the Warrants in compliance with Rule 826 of the Listing Manual. As a guide, SGX-ST expects at least 100 warrant holders for the Warrants; and
- (d) submission of notification in Rule 864(4) of the Listing Manual, if applicable, upon any significant changes affecting the matter in the application.

Shareholders should note that the in-principle approval by the SGX-ST is not to be taken as an indication of the merits of the Rights Shares cum Warrants Issue, the 1,032,372,966 Rights Shares, the 258,093,241 Warrants, the 258,093,241 New Shares, the Company, its subsidiaries or the Shares. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinion expressed in this Circular.

Shareholders should note that in the event permission is not granted by the SGX-ST for the listing and quotation of the Warrants due to an inadequate spread of holdings for the Warrants to provide for an orderly market in the trading of the Warrants, Warranholders will not be able to trade their Warrants on the Main Board of the SGX-ST. Pursuant to the Listing Manual, SGX-ST normally requires a sufficient spread of holdings to provide an orderly market in the securities and as a guide the SGX-ST expects at least 100 warranholders for a class of company warrants. The Company shall nevertheless proceed with and complete the Rights Shares cum Warrants Issue in such an event.

Pursuant to Rule 877(10) of the Listing Manual, preference will be given to the rounding of odd lots in the allotment of any excess Rights Shares, and Directors and substantial Shareholders of the Company will rank last in priority.

The purpose of this Circular is to provide Shareholders with information relating to the Rights Shares cum Warrants Issue and to seek Shareholders' approval for the proposed ordinary resolution set out in the Notice of EGM on page 31 of this Circular.

2. THE RIGHTS SHARES CUM WARRANTS ISSUE

2.1 Basis of the Rights Shares cum Warrants Issue

The Rights Shares cum Warrants Issue is proposed to be made on a renounceable non-underwritten basis to Entitled Shareholders at the Issue Price of S\$0.035 for each Rights Share, with up to 258,093,241 free detachable Warrants, each Warrant carrying the right to subscribe for one (1) New Share at the Exercise Price of S\$0.025 for each New Share, on the basis of two (2) Rights Shares for every one (1) existing Share held by Shareholders as at the Books Closure Date, and one (1) free Warrant for every four (4) Rights Shares subscribed, fractional entitlements to be disregarded.

The Rights Shares are payable in full upon acceptance and/or application. The Rights Shares, when allotted and issued, will rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions, the Record Date for which falls on or after the date of issue of the Rights Shares.

The Undertaking Shareholder has undertaken to the Company to, *inter alia*, subscribe in full for her provisional allotments of Rights Shares with Warrants under the Rights Shares cum Warrants Issue and to apply by way of excess application such number of additional Rights Shares with Warrants not taken up by other Entitled Shareholders that when aggregated with her current shareholdings and her entitlements to the Rights Shares with Warrants shall not exceed 20% (rounded downwards to the nearest 1,000 Rights Shares with Warrants) of the resultant enlarged issued share capital of the Company after the Rights Shares cum Warrants Issue. In view of the Undertaking given by the Undertaking Shareholder (as set out on paragraph 2.6 of this Circular) and the savings in costs by the Company in respect of underwriting fees for an underwritten rights issue, the Directors have decided to proceed with the Rights Shares cum Warrants Issue on a non-underwritten basis.

The Company also believes that the Rights Shares cum Warrants Issue has been appropriately priced to attract subscription interest from Entitled Shareholdings and the investing public. The Issue Price of S\$0.035 for each Rights Share is at a discount of approximately 30% to the volume weighted average price of S\$0.05 per Share on the SGX-ST as at the close of trading on 13 August 2007, being the day the Announcement was released by the Company, and a discount of approximately 22.2% to the last transacted price of S\$0.045 per Share as at the Latest Practicable Date.

As at the Latest Practicable Date, the issued share capital of the Company comprised 516,186,483 Shares. There are no outstanding options granted under the Inno-Pacific Share Option Scheme and the Inno-Pacific Performance Share Scheme. Hence up to 1,032,372,966 Rights Shares with up to 258,093,241 Warrants will be issued pursuant to the Rights Shares cum Warrants Issue as at the Books Closure Date.

Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce or trade their provisional allotments of Rights Shares with Warrants and will be eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights Shares cum Warrants Issue.

Disregarded fractional entitlements of Rights Shares with Warrants will be aggregated with entitlements to the Rights Shares with Warrants which are not taken up or allotted for any reason, and shall be used to satisfy excess applications for Rights Shares with Warrants (if any) or otherwise disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company. In the allotment of excess Rights Shares with Warrants, preference will be given to the rounding of odd lots, and Directors and substantial Shareholders will rank last in priority.

Provisional allotments of the Rights Shares with Warrants which would otherwise have been made to Foreign Shareholders will be dealt with in the manner set out on paragraph 2.5.2 of this Circular.

2.2 Principal Terms of the Rights Shares

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| Number of Rights Shares | : | Up to 1,032,372,966 Rights Shares (with up to 258,093,241 Warrants) to be issued |
| Basis of Provisional Allotment | : | Two (2) Rights Shares for every one (1) existing Share in the capital of the Company held by Entitled Shareholders as at the Books Closure Date, and one (1) free Warrant for every four (4) Rights Shares subscribed, fractional entitlements to be disregarded |
| Issue Price | : | S\$0.035 for each Rights Share with Warrant, payable in full on acceptance and/or application |

- Status of the Rights Shares : The Rights Shares, when allotted and issued, will rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions, the Record Date for which falls on or after the date of issue of the Rights Shares
- Listing of the Rights Shares : In-principle approval for the listing of and quotation for the 1,032,372,966 Rights Shares on the Main Board of the SGX-ST has been granted by the SGX-ST on 28 September 2007 subject to certain conditions, the details of which are set out on paragraph 2.4 of this Circular
- The in-principle approval by the SGX-ST is not to be taken as an indication of the merits of the Rights Shares cum Warrants Issue, the 1,032,372,966 Rights Shares, the 258,093,241 Warrants, the 258,093,241 New Shares, the Company, its subsidiaries or the Shares
- Trading of the Rights Shares : Upon the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, the Rights Shares will be traded on the Main Board of the SGX-ST under the book-entry (scripless) settlement system. For the purposes of trading on the Main Board of the SGX-ST, each board lot of Shares will comprise 1,000 Shares
- Governing law : Laws of the Republic of Singapore

2.3 Principal Terms of the Warrants

- Number of Warrants : Up to 258,093,241 Warrants to be issued free together with the Rights Shares subscribed for
- Basis of Allotment : One (1) free detachable Warrant with every four (4) Rights Shares subscribed, fractional entitlements to be disregarded
- Detachability and Trading : The Warrants will be detached from the Rights Shares on issue and will be listed and traded separately on the Main Board of the SGX-ST under the book-entry (scripless) settlement system upon the listing of and quotation for the Warrants on the Main Board of the SGX-ST, subject to, *inter alia*, an adequate spread of holdings of the Warrants to provide for an orderly market in the Warrants. Each board lot of Warrants will consist of 1,000 Warrants or such other number as may be notified by the Company
- Listing of the Warrants : In-principle approval for the listing of and quotation for the 258,093,241 Warrants on the Main Board of the SGX-ST has been granted by the SGX-ST on 28 September 2007 subject to certain conditions, the details of which are set out on paragraph 2.4 of this Circular
- The in-principle approval by the SGX-ST is not to be taken as an indication of the merits of the Rights Shares cum Warrants Issue, the 1,032,372,966 Rights Shares, the

258,093,241 Warrants, the 258,093,241 New Shares, the Company, its subsidiaries or the Shares

- Form and Subscription Rights : The Warrants will be issued in registered form and will be constituted by the Deed Poll. Subject to the terms and conditions of the Warrants to be set out in the Deed Poll, each Warrant shall entitle the Warrantholder, at any time during the Exercise Period, to subscribe for one (1) New Share at the Exercise Price in force on the relevant exercise date
- Exercise Price : S\$0.025 for each New Share
- Exercise Period : The Warrants may be exercised at any time from and including the date of issue of the Warrants up to 5.00 p.m. on the day immediately preceding the second (2nd) anniversary of the date of issue of the Warrants unless such date is a date on which the Register of Members is closed or is not a Market Day, in which event the Warrants shall expire on the date prior to the closure of the Register of Members or the immediately preceding Market Day, as the case may be (but excluding such period(s) during which the register of Warrantholders may be closed), subject to the terms and conditions of the Warrants to be set out in the Deed Poll. Warrants remaining unexercised at the expiry of the Exercise Period shall lapse and cease to be valid for any purpose. The right to exercise the Warrants will not be extended beyond the Expiry Period.
- End of Exercise Period : One month before the end of the Exercise Period, a notice of expiry will be sent to all Warrantholders and an announcement will be made
- Mode of Payment for Exercise of Warrants : Warrantholders who exercise their Warrants must pay the Exercise Price by way of (a) a remittance in Singapore currency by banker's draft or cashier's order drawn on a bank operating in Singapore in favour of the Company; or (b) subject to the Warrants being listed on the Main Board of the SGX-ST, by debiting the relevant Warrantholder's CPF Investment Account with the specified CPF Approved Bank for the credit of the Designated Account (each term as defined in the Deed Poll); or (c) subject to the Warrants being listed on the Main Board of the SGX-ST, partly in the form of remittance and/or partly by debiting such Warrantholder's CPF Investment Account with the CPF Approved Bank for the credit of the Designated Account
- Adjustments : The Exercise Price and/or the number of Warrants to be held by each Warrantholder will, after their issue, be subject to adjustments under certain circumstances to be set out in the Deed Poll. Such circumstances include, without limitation, consolidation or subdivision of Shares, capitalisation issues, rights issues and certain capital distributions. Any additional Warrants issued shall rank *pari passu* with the Warrants issued under the Rights Shares cum Warrants Issue and will for all purposes form part of

the same series. Any such adjustments shall (unless otherwise provided under the rules of the SGX-ST from time to time) be announced by the Company to the SGX-ST

- Status of the New Shares : The New Shares arising from the exercise of the Warrants, upon issue and allotment, will rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions, the Record Date for which is on or after the relevant exercise date of the Warrants
- Modification of Rights of Warranholders : The Company may, without the consent of the Warranholders but in accordance with the terms of the Deed Poll, effect any modification to the terms of the Deed Poll including the terms and conditions of the Warrants which, in the opinion of the Company is:–
- (a) not materially prejudicial to the interests of the Warranholders;
 - (b) of a formal, technical or minor nature;
 - (c) to correct a manifest error or to comply with mandatory provisions of Singapore law; or
 - (d) to vary or replace provisions relating to the transfer or exercise of the Warrants including the issue of New Shares arising from the exercise thereof or meetings of the Warranholders in order to facilitate trading in or the exercise of the Warrants or in connection with the implementation and operation of the book-entry (scripless) settlement system in respect of trades of the Company's securities on the Main Board of the SGX-ST
- Transfer and Transmission : The Warrants shall be transferable in lots entitling Warranholders to subscribe for whole numbers of New Shares. A Warrant may only be transferred in the manner prescribed in the terms and conditions of the Warrants to be set out in the Deed Poll, including, *inter alia*, the following:–
- (a) lodgment of Warrant certificates and transfer forms — a Warranholder whose Warrants are registered in his own name (the "Transferor") shall lodge, during normal business hours in any business day at the specified office of the Warrant Agent, the Transferor's Warrant certificate(s) together with a transfer form (the "Transfer Form"), duly completed and signed by and on behalf of the Transferor and the transferee and duly stamped in accordance with any law for the time being in force relating to stamp duty and accompanied by the fees and expenses to be set out in the Deed Poll provided that the Warrant Agent may dispense with requiring CDP to sign as transferee any Transfer Form for the transfer of Warrants to CDP; and
 - (b) the executors and administrators of a deceased Warranholder shall be the only persons recognised

by the Company and the Warrant Agent as having any title to the Warrants registered in the name of a deceased Warrantholder. Such persons shall, on producing to the Warrant Agent such evidence as may be reasonably required by the Warrant Agent to prove their title and on completion of a Transfer Form and the payment of such fees and expenses to be set out in the Deed Poll, be entitled to be registered as a holder of the Warrants or to make such transfer as the deceased holder could have made.

Winding-Up : Where there is a members' voluntary winding-up of the Company (other than a winding-up for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement), the Warrantholders may elect to be treated as if they had immediately prior to the commencement of such winding-up exercised the Warrants and had on such date been the holders of the Shares to which they would have become entitled pursuant to such exercise. The Company shall give notice to the Warrantholders in accordance with the terms and conditions to be set out in the Deed Poll of the passing of any such resolution within seven (7) days after the passing thereof.

Subject to the foregoing, if the Company is wound up for any other reason, all Warrants which have not been exercised at the date of the passing of such resolution for the winding-up of the Company shall lapse and cease to be valid for any purpose

Further issues : Subject to the terms and conditions of the Warrants to be set out in the Deed Poll, the Company shall be at liberty to issue Shares to Shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit. However, the Warrantholder shall not have any participation rights in any such issues of Shares by the Company unless otherwise resolved by the Company in general meeting

Warrant Agent : B.A.C.S. Private Limited

Governing law : Laws of the Republic of Singapore

The above terms and conditions of the Rights Shares cum Warrants Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights Shares cum Warrants Issue will be set out in the Offer Information Statement to be despatched to Entitled Shareholders in due course, subject to, *inter alia*, the approval of the Shareholders for the Rights Shares cum Warrants Issue at the EGM.

2.4 Conditions for the Rights Shares cum Warrants Issue

The Rights Shares cum Warrants Issue is conditional upon, *inter alia*, the following:–

- (a) the approval in-principle of the SGX-ST for the listing of and quotation for the 1,032,372,966 Rights Shares, the 258,093,241 Warrants and the 258,093,241 New Shares on the Main Board of the SGX-ST;

- (b) the Rights Shares cum Warrants Issue being approved by the Shareholders at the EGM; and
- (c) the lodgment of the Offer Information Statement in respect of the Rights Shares cum Warrants Issue with the MAS.

On 28 September 2007, the SGX-ST granted in-principle approval for the listing of and quotation for the 1,032,372,966 Rights Shares, the 258,093,241 Warrants and the 258,093,241 New Shares on the Main Board of the SGX-ST, subject to, *inter alia*, the following conditions:–

- (a) compliance with the SGX-ST's listing requirements and guidelines;
- (b) Shareholders' approval being obtained in a general meeting to be convened for the Rights Shares cum Warrants Issue;
- (c) a satisfactory spread of warrant holders to provide an orderly market for the Warrants in compliance with Rule 826 of the Listing Manual. As a guide, SGX-ST expects at least 100 warrant holders for the Warrants; and
- (d) submission of notification in Rule 864(4) of the Listing Manual, if applicable, upon any significant changes affecting the matter in the application.

The in-principle approval by the SGX-ST is not to be taken as an indication of the merits of the Rights Shares cum Warrants Issue, the 1,032,372,966 Rights Shares, the 258,093,241 Warrants, the 258,093,241 New Shares, the Company, its subsidiaries or the Shares. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinion expressed in this Circular.

2.5 Eligibility of Shareholders to Participate in the Rights Shares cum Warrants Issue

2.5.1 Entitled Shareholders

Entitled Shareholders will be entitled to participate in the Rights Shares cum Warrants Issue and to receive the Offer Information Statement together with the AREs or PALs, as the case may be, at their respective Singapore addresses. Entitled Depositors who do not receive the Offer Information Statement and the AREs may obtain them from CDP, Share Registrar or any stockbroking firm during the period up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PALs may obtain them from the Share Registrar during the period up to the Closing Date.

Entitled Shareholders will be provisionally allotted the Rights Shares with Warrants under the Rights Shares cum Warrants Issue on the basis of their shareholdings as at the Books Closure Date. They are at a liberty to accept, decline, renounce or trade on the Main Board of the SGX-ST, during the provisional allotment trading period prescribed by the SGX-ST, in full or in part their provisional allotments of Rights Shares with Warrants and are eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights Shares cum Warrants Issue. Entitled Depositors, who wish to accept their provisional allotments of Rights Shares with Warrants and (if applicable) apply for excess Rights Shares with Warrants, may only do so through CDP and/or by way of an electronic application through an ATM(s) of a Participating Bank. Full details of the Rights Shares cum Warrants Issue, including an indicative timetable of the key events, will be set out in the Offer Information Statement to be despatched to the Entitled Shareholders in due course.

All dealings in and transactions of the provisional allotments of the Rights Shares with Warrants through the Main Board of the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs to be issued to Entitled Scripholders will not be valid for delivery pursuant to trades done on the Main Board of the SGX-ST.

Entitled Scripholders are encouraged to open Securities Accounts if they have not already done so and to deposit such share certificates with CDP before the Books Closure Date so that their Securities Account may be credited by CDP with the Shares and the provisional allotments of Rights Shares with Warrants. Entitled Shareholders should note that their Securities Account will only be credited with the Shares on the twelfth (12th) Market Day from the date of lodgment of the share certificates with CDP or such later date as CDP may determine.

2.5.2 Foreign Shareholders

The Offer Information Statement and its accompanying documents have not been and will not be registered or filed in any jurisdiction other than Singapore. The distribution of the Offer Information Statement and its accompanying documents may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Offer Information Statement and its accompanying documents will not be despatched to Foreign Shareholders.

Foreign Shareholders will not be entitled to participate in the Rights Shares cum Warrants Issue. Accordingly, no provisional allotment of the Rights Shares with Warrants will be made to Foreign Shareholders and no purported acceptance thereof or application therefore by Foreign Shareholders will be valid.

The Offer Information Statement and its accompanying documents will also not be despatched to persons purchasing the provisional allotments of Rights Shares with Warrants through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore (the "Foreign Purchasers"). Foreign Purchasers who wish to accept the provisional allotments of Rights Shares with Warrants credited to their Securities Accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore.

The Company further reserves the right to reject any acceptances of the Rights Shares with Warrants and/or applications for excess Rights Shares with Warrants where it believes, or has reason to believe, that such acceptances and/or applications may violate the applicable legislation of any jurisdiction.

Entitled Depositors should note that all correspondences and notices will be sent to their last registered addresses with CDP.

Foreign Shareholders who wish to be eligible to participate in the Rights Shares cum Warrants Issue may provide a Singapore address by notifying in writing, as the case may be, (i) CDP at 4 Shenton Way, #02-01 SGX Centre 2, Singapore 068807 or (ii) Inno-Pacific Holdings Ltd c/o the Share Registrar, Compact Administrative Services Pte Ltd at 3 Anson Road #27-01 Springleaf Tower Singapore 079909 not later than five (5) Market Days before the Books Closure Date.

If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares with Warrants which would otherwise have been provisionally allotted to Foreign Shareholders to be sold "nil-paid" on the Main Board of the SGX-ST as soon as practicable after dealings in the provisional allotments of Rights Shares with Warrants commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sale, after taking into account expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deducting all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Books Closure Date and sent to them at their own risk by ordinary post. If the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall be retained or dealt with as the Directors may, in their absolute discretion, deem fit for the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP in connection therewith.

Where such provisional allotments of Rights Shares with Warrants are sold “nil-paid” on the Main Board of the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares with Warrants or the Rights Shares with Warrants represented by such provisional allotments.

If such provisional allotments of Rights Shares with Warrants cannot be or are not sold on the Main Board of the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares with Warrants, the Rights Shares with Warrants represented by such provisional allotments will be allotted and issued to satisfy excess applications or disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP in connection therewith.

Shareholders should note that the special arrangements described above will apply only to Foreign Shareholders.

Notwithstanding the above, Shareholders and any other person having possession of the Offer Information Statement and/or its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares with Warrants unless such offer, invitation or solicitation could lawfully be made without compliance with any regulatory or legal requirements in those territories.

The procedures for acceptance, renunciation and/or sale of the provisional allotments of Rights Shares with Warrants and for application for excess Rights Shares with Warrants pursuant to the Rights Shares cum Warrants Issue will be set out in the Offer Information Statement and its accompanying documents to be despatched by the Company to Entitled Shareholders in due course.

2.6 Undertaking

As at the Latest Practicable Date, the Undertaking Shareholder held 12 million Shares in the capital of the Company through her securities account maintained with United Overseas Bank Nominees. She is the beneficial owner of the said Shares and does not hold the same on trust for other persons.

To demonstrate the commitments of the Undertaking Shareholder to the Company, the Undertaking Shareholder had on 9 September 2007 given the Undertaking to the Company, *inter alia*,:-

- (a) to exercise all her voting rights in the Company to vote in favour of the Rights Shares cum Warrants Issue;
- (b) not to transfer, sell or otherwise dispose of her interest in the capital of the Company prior to the Closing Date of the Rights Shares cum Warrants Issue;
- (c) to subscribe in full for her entitlement to the Rights Shares with Warrants under the Rights Shares cum Warrants Issue which comprise 24 million Rights Shares and 6 million Warrants based on her current shareholding in the Company; and
- (d) in the event that the Rights Shares cum Warrants Issue is not fully subscribed, to subscribe, by way of excess application, for such number of additional Rights Shares that when aggregated with her current shareholdings and her entitlements to the Rights Shares

with Warrants shall not exceed 20% (rounded downwards to the nearest 1,000 Rights Shares with Warrants) of the resultant enlarged issued share capital of the Company after the Rights Shares cum Warrants Issue.

No fee, commission or any other form of remuneration is payable by the Company to the Undertaking Shareholder in respect of her Undertaking as aforesaid.

Based on the Undertaking provided by the Undertaking Shareholder and assuming that none of the Entitled Shareholders subscribe for the Rights Shares cum Warrant Issue, the Undertaking Shareholder will subscribe, by way of excess application, of up to a maximum of 90,046,000 Rights Shares with Warrants.

The additional 90,046,000 Rights Shares with Warrants to be subscribed by the Undertaking Shareholder and when aggregated with her current shareholdings and her entitlements to the Right Shares with Warrants under the Rights Shares cum Warrants Issue will result in her holding an aggregate of 126,046,000 Shares, representing approximately 20% of the enlarged resultant issued share capital of 630,232,483 Shares, after the close of the Rights Shares cum Warrants Issue.

The obligations of the Undertaking Shareholder are subject to and conditional upon:–

- (a) the lodgment of the Offer Information Statement in connection with the Rights Shares cum Warrants Issue together with all other accompanying documents by the Company with the MAS;
- (b) approval in-principle having been granted by SGX-ST (and such approval not having been withdrawn or revoked on or prior to the Closing Date of the offer of the Rights Shares with Warrants under the Rights Shares cum Warrants Issue) for the listing of and quotation for the Rights Shares, the Warrants, the New Shares on the Main Board of the SGX-ST and, if such approval is granted subject to conditions, such conditions being acceptable to the Company; and
- (c) the Rights Shares cum Warrants Issue having been approved by the Shareholders at the EGM.

In view of the Undertaking and the savings in costs by the Company in respect of underwriting fees for an underwritten rights issue, the Company has decided to proceed with the Rights Shares cum Warrants Issue on a non-underwritten basis.

The Undertaking Shareholder had also provided to the Company a confirmation from a financial institution confirming that she has the necessary financial resources to subscribe for her entitlements under the Rights Shares cum Warrants Issue and to subscribe, by way of excess application, of up to a maximum of 90,046,000 Rights Shares with Warrants.

Pursuant to Rule 877(10) of the Listing Manual, preference will be given to the rounding of odd lots in the allotment of any excess Rights Shares, and Directors and substantial Shareholders of the Company will rank last in priority.

2.7 Purpose of the Rights Shares cum Warrants Issue and the Use of Proceeds

The estimated net proceeds of the Rights Shares cum Warrants Issue, after deducting estimated expenses of S\$350,000, are expected to be approximately S\$35.78 million before the exercise of the Warrants, assuming Maximum Subscription.

The Company intends to utilise the net proceeds of the Rights Shares cum Warrants Issue as working capital of the Group.

On 6 August 2007, the Company announced that it had entered into an outsourcing agreement (“Outsourcing Agreement”) with Realm Energy Sdn Bhd (“RESB”). Pursuant to the Outsourcing Agreement, the Company has been appointed as RESB’s exclusive agent to provide and supply all the necessary products, equipment and facilities to RESB for the installation of last-mile broadband internet connectivity using Broadband over Power Line (“BPL”) technology, and premium services, such as voice-over-internet-protocol (VOIP), web-TV, IPTV and grid management. Under the terms of the Outsourcing Agreement, RESB has also appointed the Company as its main contractor for the installation of BPL services to RESB’s customers who comprise Internet Service Providers and other persons, such as property developers, property owners and management companies who wish to provide broadband internet connectivity and services and also to the end-users of these customers, within Malaysia.

Under the terms of the Outsourcing Agreement, RESB will pay to the Company the cost of the supply and installation of all necessary BPL hardware to RESB’s customers. The Company will also receive a recurrent fee of RM5 per customer per month, so long as the customer continues to subscribe for RESB’s broadband internet service.

Under the terms of the Outsourcing Agreement, RESB will use its best endeavour to secure one million (1,000,000) subscribers for BPL broadband internet service within the next three (3) years. The total value of the project will be in excess of RM500 million, if this target is achieved.

The Company estimates that it will require a minimum of RM65 million (equivalent to approximately S\$29.25 million) to fund the working capital required to carry out and fulfill its obligations as the exclusive agent and supplier of all the necessary products, equipment and facilities to RESB under the Outsourcing Agreement.

The Company also intends to utilise the remaining net proceeds of the Rights Shares cum Warrants Issue, if any, as general working capital for the Group and for any other business investments and opportunities which the Directors may approve.

Pending the deployment of the net proceeds from the Rights Shares cum Warrants Issue, the net proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, as the Directors may deem appropriate in the interests of the Company.

As and when the Warrants are exercised, the net proceeds arising therefrom may be used by the Company as working capital and/or such other purposes as the Directors may in their absolute discretion deem fit.

There is no minimum amount which must be raised from the Rights Shares cum Warrants Issue.

The Company will make periodic announcements on the use of proceeds from the Rights Shares cum Warrants Issue when materially disbursed and to provide a status report on the use of proceeds in its annual report(s).

2.7.1 Information on RESB

RESB is a privately owned company incorporated in Malaysia and was formed in early 2003 to participate in the initiation and realisation of the Power Line Communications (“PLC”) technology projects that will contribute to the Malaysian government’s National Broadband Plan and the vision of achieving a developed nation status by the year 2020. Its principal activities are the establishment, maintenance and acting as facilitator for the provision of PLC services.

In collaboration with the University Putra Malaysia, Serdang, Malaysia, RESB conducted an extensive trial and testing of several BPL equipment and technology from various vendors. The trials and tests were conducted to meet the stringent requirements of the Energy and the

Communications authorities of Malaysia. Approvals from these authorities were obtained and culminated in the award of a Network Facilities License and a Network Services License to RESB by the Malaysian Communications and Multimedia Commission in April 2006. RESB is the only company in Malaysia approved and licensed to provide last-mile BPL technology and services.

Since April 2006, RESB has successfully carried out several trial commercial installations delivering high-speed broadband internet connectivity capable of up to 205 Mbps using the latest 2nd generation chipsets that are designed to overcome line noises, standing waves, distance problems and non-linearity problems. RESB's BPL service is currently deployed in a 185-room hotel in Kuala Lumpur - providing its guests with high-speed broadband connection from every power socket.

RESB is implementing a nation-wide rollout program in Malaysia to bring broadband internet to every power socket. For further details please visit their website <http://www.resb.net>

2.7.2 Payment terms

Under the terms of the Outsourcing Agreement, RESB will pay to the Company the cost of the supply and installation of all necessary BPL hardware to RESB's customers. The Company will also receive a recurrent fee of RM5 per customer per month, so long as the customer continues to subscribe for RESB's broadband internet service.

The Company will, at the end of every month, invoice RESB for the cost of the equipment supplied and installed to retail customers. The term of credit given to RESB is sixty (60) days from the date of the invoice. For the supply and installation of equipment to wholesale customers, such as building owners, the terms of payment by RESB will be negotiated on a case to case basis.

2.8 **Financial Effects of the Rights Shares cum Warrants Issue**

For illustrative purposes only and based on the latest audited consolidated financial statement of the Group for FY 2006, assuming that the Rights Shares with Warrants are subscribed only by the Undertaking Shareholder ("Minimum Subscription") and all Rights Shares with Warrants are fully subscribed ("Maximum Subscription"), the financial effects of the Rights Shares cum Warrants Issue on the Company and the Group on a proforma basis is set out below.

The proforma analysis below has been prepared solely for illustrative purposes and does not purport to be indicative or a projection of the results and financial position of the Company and the Group after the completion of the Rights Shares cum Warrants Issue.

2.8.1 Share Capital

| | Minimum Subscription | | Maximum Subscription | |
|---|-----------------------------|-----------------|-----------------------------|-----------------|
| | No. of Shares | (\$'000) | No. of Shares | (\$'000) |
| Issued share capital ⁽¹⁾ | 516,186,483 | 33,762 | 516,186,483 | 33,762 |
| Add:- | | | | |
| Rights Shares to be issued | 114,046,000 | 3,992 | 1,032,372,966 | 36,133 |
| Issued share capital after the Rights Shares cum Warrants Issue (before the exercise of any Warrants) | 630,232,483 | 37,754 | 1,548,559,449 | 69,895 |
| Add:- | | | | |
| New Shares assuming the exercise of all the Warrants ⁽²⁾ | 28,511,500 | 713 | 258,093,241 | 6,452 |
| Issued share capital after the Rights Shares cum Warrants Issue and assuming the exercise of all the Warrants | 658,743,983 | 38,467 | 1,806,652,690 | 76,347 |

Notes:–

- (1) Based on the issued and paid-up share capital of the Company as at the Latest Practicable Date.
 (2) Assuming that there are no adjustments to the number of Warrants.

2.8.2 NTA

The Rights Shares cum Warrants Issue will have the following impact on the NTA and the NTA per Share of the Company and the Group based on the latest audited balance sheets of the Company and the Group as at 31 December 2006:–

| | Minimum Subscription | | Maximum Subscription | |
|---|-----------------------------|------------------|-----------------------------|------------------|
| | Group | Company | Group | Company |
| | (S\$'000) | (S\$'000) | (S\$'000) | (S\$'000) |
| NTA as at 31 December 2006 | 17,602 | 15,061 | 17,602 | 15,061 |
| Add: Adjustment in respect of the acquisition of the balance 57.14% interest in Alstra Pacific Pte Ltd | 35 | 300 | 35 | 300 |
| NTA before the Rights Shares cum Warrants Issue | 17,637 | 15,361 | 17,637 | 15,361 |
| Add: Net proceeds from the Rights Shares cum Warrants Issue | 3,992 | 3,992 | 36,133 | 36,133 |
| NTA after the Rights Shares cum Warrants Issue | 21,629 | 19,353 | 53,770 | 51,494 |
| Add: Proceeds assuming the exercise of all the Warrants | 713 | 713 | 6,452 | 6,452 |
| NTA after the Rights Shares cum Warrants Issue and assuming the exercise of all the Warrants | 22,342 | 20,066 | 60,222 | 57,946 |
| Number of Shares in issue as at 31 December 2006 ('000) | 511,901 | 511,901 | 511,901 | 511,901 |
| NTA per Share as at 31 December 2006 (cents) | 3.4 | 2.9 | 3.4 | 2.9 |
| Number of Shares in issue as at the Latest Practicable Date ('000) | 516,186 | 516,186 | 516,186 | 516,186 |
| NTA per Share before the Rights Shares cum Warrants Issue | 3.4 | 3.0 | 3.4 | 3.0 |
| Number of Shares in issue after the Rights Shares cum Warrants Issue ('000) | 630,232 | 630,232 | 1,548,559 | 1,548,559 |
| NTA per Share after the Rights Shares cum Warrants Issue (cents) | 3.4 | 3.1 | 3.5 | 3.3 |
| Number of Shares in issue after the Rights Shares cum Warrants Issue and assuming the exercise of all the Warrants ('000) | 658,744 | 658,744 | 1,806,653 | 1,806,653 |
| NTA per Share, after the Rights Shares cum Warrants Issue and assuming the exercise of all the Warrants (cents) | 3.4 | 3.0 | 3.3 | 3.2 |

Upon exercise of the Warrants, the NTA of the Company and the Group will be increased by an amount equivalent to the aggregate value of the subscription monies received from the issue of the New Shares. The effect on the NTA per Share of the Company and the Group will depend on, *inter alia*, the number of Warrants exercised and the number of Shares then in issue.

2.8.3 EPS

The Rights Shares cum Warrants Issue is expected to have a dilutive effect on the EPS of the Company or the Group in view of the enlarged issued share capital of the Company after the Rights Shares cum Warrants Issue. The financial effects of the Warrants on the EPS of the Group cannot be ascertained as at the Latest Practicable Date as this will depend on, *inter alia*, the number of Warrants exercised and the earnings or returns realised from the proceeds raised from the issue of the New Shares pursuant to the exercise of the Warrants.

2.8.4 Gearing

The Rights Shares cum Warrants Issue will have the following impact on the gearing of the Group, based on the latest audited consolidated financial statements of the Group as at 31 December 2006:–

| | Before the Rights Shares cum Warrants Issue (S\$'000) | Minimum Subscription (S\$'000) | Maximum Subscription (S\$'000) |
|--|--|---|---|
| Total borrowings as at 31 December 2006 | 177 | 177 | 177 |
| Net proceeds from the Rights Shares cum Warrants Issue used to repay bank borrowings | — | — | — |
| Total borrowings after the Rights Shares cum Warrants Issue | — | 177 | 177 |
| Proceeds arising from the exercise of Warrants used to repay bank borrowings | — | — | — |
| Total borrowings after the Rights Shares cum Warrants Issue and the exercise of the Warrants | — | 177 | 177 |
| Shareholders' funds as at 31 December 2006 | 17,581 | 17,581 | 17,581 |
| Shares issued in respect of the acquisition of the balance 57.14% interest in Alstra Pacific Pte Ltd | 300 | 300 | 300 |
| Shareholders' funds before the Rights Shares cum Warrants Issue | 17,881 | 17,881 | 17,881 |
| Add:– | | | |
| Gross proceeds from the Rights Shares cum Warrants Issue | — | 3,992 | 36,133 |
| Less:– | | | |
| Estimated expenses of the Rights Shares cum Warrants Issue | — | (350) | (350) |
| Shareholders' funds after adjusting for the Rights Shares cum Warrants Issue | 17,881 | 21,523 | 53,664 |
| Add: Proceeds from the exercise of the Warrants | — | 713 | 6,452 |
| Shareholders' funds after the Rights Shares cum Warrants Issue and the exercise of the Warrants | 17,881 | 22,236 | 60,116 |
| Gearing as at 31 December 2006 (times) | 0.01 | 0.01 | 0.01 |
| Gearing before the Rights Shares cum Warrants Issue (times) | 0.01 | 0.01 | 0.01 |

| | Before the Rights Shares cum Warrants Issue (S\$'000) | Minimum Subscription (S\$'000) | Maximum Subscription (S\$'000) |
|---|--|---|---|
| Gearing after the Rights Shares cum Warrants Issue (times) | 0.01 | 0.008 | 0.003 |
| Gearing after the Rights Shares cum Warrants Issue and the exercise of the Warrants (times) | 0.01 | 0.008 | 0.003 |

Note:--

- (1) For the purpose of the above calculations, the following expressions bear the meanings set out below:–
- (a) “Shareholders’ funds” means the aggregate of the issued and paid-up share capital, revenue, reserves and other reserves of the Group.
 - (b) “Total borrowings” means the total amount of consolidated liabilities arising from borrowings from banks, other financial institutions (including hire purchase financing) and interest-bearing borrowings.
 - (c) “Gearing” means the ratio of total borrowings to Shareholders’ funds.

3. SUMMARY OF PAST PERFORMANCE

3.1 Profit and loss statements of the Group

The Company was incorporated on 22 September 1973. The audited consolidated profit and loss statement of the Group for FY 2004 to FY 2006 and the unaudited consolidated profit and loss statement for HY 2007 and its corresponding previous period are set out below:–

| | FY 2004 (Audited) S\$'000 | FY 2005 (Audited) S\$'000 | FY 2006 (Audited) S\$'000 | HY 2006 (Unaudited) S\$'000 | HY 2007 (Unaudited) S\$'000 |
|---|--|--|--|--|--|
| Continuing Operations | | | | | |
| Revenue | 5,531 | 4,202 | 7,762 | 3,604 | 5,336 |
| Cost of sales | (1,949) | (3,850) | (6,553) | (2,681) | (3,801) |
| Gross profit | 3,582 | 352 | 1,209 | 923 | 1,535 |
| Other operating income | 141 | 657 | 389 | 6 | (5) |
| Distribution costs | (304) | (16) | (10) | (261) | (1,236) |
| Administrative expenses | (2,133) | (1,128) | (1,086) | (473) | (676) |
| Other operating expenses | (3,293) | (1,097) | (470) | (76) | (246) |
| Finance income | 3 | 3 | 35 | 4 | 2 |
| Finance costs | (4) | (29) | (20) | (14) | (5) |
| Gain on disposal of business operations | 6,998 | — | — | — | — |
| Gain on deconsolidation of subsidiaries | — | — | — | 193 | — |
| Loss on disposal of subsidiaries | — | — | (1,080) | — | — |
| Share of loss of joint venture | — | (35) | (97) | (38) | — |
| Share of loss of associate | — | (7) | (12) | (12) | — |
| (Loss) Profit before tax | 4,990 | (1,300) | (1,142) | 252 | (631) |
| Income tax benefit | — | 201 | (16) | 23 | (5) |
| (Loss) Profit for the year from continuing operations | 4,990 | (1,099) | (1,158) | 275 | (636) |
| Discontinued operation | | | | | |
| Loss for the year from discontinued operation | (297) | (621) | — | — | — |
| (Loss) Profit for the year | 4,693 | (1,720) | (1,158) | 275 | (636) |

3.2 Balance sheets of the Group

The audited consolidated balance sheets of the Group as at FY 2004 to FY 2006 and the unaudited consolidated balance sheet of the Group as at HY 2007 are set out below:–

| | As at 31 December 2004 (Audited) S\$'000 | As at 31 December 2005 (Audited) S\$'000 | As at 31 December 2006 (Audited) S\$'000 | As at 30 June 2007 (Unaudited) S\$'000 |
|---|--|--|--|--|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and bank balances | 464 | 770 | 695 | 944 |
| Investments held for trading | 6,537 | 8,154 | 7,154 | 7,806 |
| Trade receivables | 23 | 6 | 209 | 264 |
| Other receivables and prepayments | 4,674 | 4,071 | 6,122 | 4,811 |
| Inventories | 26 | 7 | 12 | 25 |
| Assets classified as held for sale | — | 2,845 | — | — |
| Total current assets | 11,724 | 15,853 | 14,192 | 13,850 |
| Non-current assets: | | | | |
| Associate | — | 12 | — | — |
| Joint venture | — | 97 | — | — |
| Available-for-sale investment | 7,000 | 7,000 | 7,000 | 7,000 |
| Plant and equipment | 854 | 370 | 820 | 740 |
| Intangible assets | 2,723 | — | 122 | 122 |
| Fixed deposits pledged | 100 | — | — | — |
| Other receivables | 84 | — | — | — |
| Total non-current assets | 10,761 | 7,479 | 7,942 | 7,862 |
| Total assets | 22,485 | 23,332 | 22,134 | 27,712 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Trade payables | 127 | 86 | 184 | 458 |
| Other payables | 1,009 | 617 | 916 | 905 |
| Income tax payable | 3,203 | 3,186 | 3,133 | 3,122 |
| Current portion of finance leases | 43 | 19 | 40 | 40 |
| Liabilities associated with assets held for sale | — | 56 | — | — |
| Total current liabilities | 4,382 | 3,964 | 4,273 | 4,525 |
| Non-current liability: | | | | |
| Finance leases | 117 | 47 | 137 | 117 |
| Capital, reserves and minority interest: | | | | |
| Share capital | 5,119 | 5,119 | 33,462 | 33,462 |
| Share premium | 28,343 | 28,343 | — | — |
| Foreign currency translation reserve | — | 1,884 | 1,308 | 1,290 |
| Accumulated losses | (15,550) | (16,033) | (17,189) | (17,738) |
| Equity attributable to equity holders of the Company | 17,912 | 19,313 | 17,581 | 17,014 |
| Minority interest | 74 | 8 | 143 | 56 |
| Total equity | 17,986 | 19,321 | 17,724 | 17,070 |
| Total liabilities and equity | 22,485 | 23,332 | 22,134 | 21,712 |

3.3 Overview of the performance of the Group

FY 2005 vs FY 2004

The Group's turnover declined by 25% from S\$5.5 million in FY 2004 to S\$4.2 million in FY 2005. The main reason for the decline was due to the disposal and discontinuation of the Shakey's restaurant and franchising business in August 2004. Proceeds from the sale of investments held for trading accounted for 90% or S\$3.8 million of the Group's turnover. The Group's telecommunication subsidiary, PG Communications Pte. Ltd., contributed S\$0.3 million or 8% of the Group's turnover and the balance 2% came from the paper pallet business.

Operating, administrative and distribution costs declined by 53% from S\$6 million in FY 2004 to S\$2.8 million in FY 2005. The main reason for the decline was the disposal of the loss-making Shakey's restaurant and franchising business. In addition, the Group continued to rationalise expenditures through cost-cutting measures.

The Group's loss for FY 2005 was S\$1.7 million, compared to a profit of S\$4.7 million in FY 2004. The profit in FY 2004 was mainly attributed to the one off S\$7.0 million gain from the sale of the Shakey's restaurant and franchising business. The Group adopted Singapore Financial Reporting Standards ("FRS") 39 on 1 January 2005, resulting in a S\$3 million gain in fair value of investments held for trading which was recorded through the revenue reserves account. The Group's earnings for FY 2005 would have been a profit of S\$1.3 million instead of a loss of S\$1.7 million, if the changes in fair value of investments held for trading were recorded through the profit and loss account.

The Group adopted FRS 105 in FY 2005, and non-current assets held for sale were reclassified as current assets held for sale. As a result, the working capital of the Group improved from S\$7.3 million as at 31 December 2004 to S\$11.9 million as at 31 December 2005.

FY 2006 vs FY 2005

The Group's turnover increased by 85% from S\$4.2 million in FY 2005 to S\$7.8 million in FY 2006. Proceeds from sale of investments held for trading was S\$5.1 million compared to S\$3.8 million in FY 2005, accounting for 65% of the Group's turnover. The Group's telecommunication business, which had its first full year of operations, had a turnover of S\$2.6 million compared to S\$0.3 million in FY 2005, contributing 33% of the Group's turnover.

The Group's gross profit for FY 2006 was S\$1.2 million, compared to S\$0.35 million in the previous corresponding period, an increase of 241%. Investments held for trading accounted for S\$1.0 million of the gross profit.

Operating, administrative and distribution costs declined by 44% from S\$2.8 million in FY 2005 to S\$1.56 million in FY 2006. Approximately S\$0.5 million of the Group's operating, administrative and distribution costs were attributable to RR Industrial Packaging & Design Services Pte Ltd ("RR Industrial") in FY 2005. The Group's operating, administrative and distribution costs would have declined by approximately 32% in FY 2006 compared to FY 2005 if the operating, administrative and distribution costs attributable to RR Industrial were excluded.

The Group had been able to control its costs despite the general rise in wages, rental and business costs in FY 2006 through prudent management and tight budgetary controls. This had reduced the Group's loss from S\$1.7 million in FY 2005 to S\$1.16 million for FY 2006 and it would have been reduced further if not for a one-time charge (loss) of S\$1.08 million from the disposal of subsidiaries.

The investments held for trading activity remained the main profit contributor with the telecommunication business breaking-even in FY 2006. However, the S\$1.08 million profit generated by the investments held for trading activity was offset by the one-time charge (loss) on disposal of subsidiaries, recognised in the FY 2006 in compliance with FRS 39.

HY 2006 (unaudited) vs HY 2007 (unaudited)

The Group's turnover increased by 47% from S\$3.6 million in HY 2006 to S\$5.3 million in HY 2007. The main reason for the increase was due to growth in sales in the telecommunication business. The Group's telecommunication business generated a turnover of S\$3.5 million, accounting for 66% of the Group's turnover, in HY 2007. Turnover of telecommunication business in HY 2006 would have been S\$1.2 million if sales commission of S\$0.26 million had not been offset against turnover. Sales commission of S\$1.21 million had been included as distribution and marketing expenses of S\$1.24 million in HY 2007. Proceeds from the sale of investments held for trading was S\$1.8 million in HY 2007 compared with S\$2.4 million in HY 2006, and accounted for 34% of the Group's turnover in HY 2007.

The Group's gross profit increased by 129% from S\$0.7 million in HY 2006 to S\$1.5 million in HY 2007. Investments held for trading contributed S\$0.3 million in HY 2007 compared to S\$0.7 million in HY 2006. The balance of S\$1.2 million was attributable to the telecommunication business in HY 2007. The telecommunication business broke even in HY 2006.

Operating, administrative and distribution costs increased by 166% from S\$0.81 million in HY 2006 to S\$2.16 million in HY 2007. The main reason for the increase was the increased sales commission expenses related to substantially higher sales volume and business activities in the Group's telecommunication business.

3.4 Working Capital

Based on the audited consolidated financial statements of the Group, the working capital of the Group as at FY 2004 to FY 2006 and the working capital of the Group as at 30 June 2007 based on the unaudited consolidated financial statement of the Group for HY 2007 are as follows:—

| | As at 31 December 2004 (Audited) S\$'000 | As at 31 December 2005 (Audited) S\$'000 | As at 31 December 2006 (Audited) S\$'000 | As at 30 June 2007 (Unaudited) S\$'000 |
|--|---|---|---|---|
| Current assets: | | | | |
| Cash and bank balances | 464 | 770 | 695 | 944 |
| Investments held for trading | 6,537 | 8,154 | 7,154 | 7,806 |
| Trade receivables | 23 | 6 | 209 | 264 |
| Other receivables and prepayments | 4,674 | 4,071 | 6,122 | 4,811 |
| Inventories | 26 | 7 | 12 | 25 |
| Assets classified as held for sale | — | 2,845 | — | — |
| Total current assets | 11,724 | 15,853 | 14,192 | 13,850 |
| Current liabilities: | | | | |
| Trade payables | 127 | 86 | 184 | 458 |
| Other payables | 1,009 | 617 | 916 | 905 |
| Income tax payable | 3,203 | 3,186 | 3,133 | 3,122 |
| Current portion of finance leases | 43 | 19 | 40 | 40 |
| Liabilities associated with assets held for sale | — | 56 | — | — |
| Total current liabilities | 4,382 | 3,964 | 4,273 | 4,525 |
| Net current assets | 7,342 | 11,889 | 9,919 | 9,325 |

FY 2005 vs FY 2004

Total current assets as at FY 2005 increased by 35% to S\$15.85 million compared to S\$11.7 million as at FY 2004. The assets and liabilities (S\$2.85 million) attributable to RR Industrial Packaging Design and Services Pte Ltd and its subsidiary PT RR Packaging Indonesia which were expected to be sold within twelve months from December 2005, were re-classified as assets held for sale under current assets as at FY 2005. Investments held for trading had also increased in value by S\$1.62 million.

Total current liabilities as at FY 2005 decreased by 10% to S\$3.96 million compared to S\$4.38 million as at FY 2004. The decrease in current liabilities was a result of the decline in turnover.

Net current assets as at FY 2005 increased by 62% to S\$11.89 million compared to S\$7.34 million as at FY 2004.

FY 2006 vs FY 2005

Total current assets as at FY 2006 decreased by 10% to S\$14.19 million compared to S\$15.85 million as at FY 2005. Sale of marketable securities reduced the balance of investments held for trading as at FY 2006 by S\$1 million.

Total current liabilities as at FY 2006 increased by 8% to S\$4.27 million compared to S\$3.96 million as at FY 2005. There was an increase of turnover in the Group's telecommunication business.

Net current assets as at FY 2006 decreased by 17% to S\$9.92 million compared to S\$11.89 million as at FY 2005.

HY 2006 (unaudited) vs HY 2007 (unaudited)

Total current assets as at HY 2007 increased by 6% to S\$13.85 million compared to S\$13.10 million as at HY 2006. Total current liabilities as at HY 2007 increased by 5% to S\$4.52 million compared to S\$4.29 million as at HY 2006. Net current assets as at HY 2007 increased by 6% to S\$9.33 million compared to S\$8.81 million as at HY 2006. The growth in the Group's telecommunication business resulted in the increase in both the current assets and current liabilities.

3.5 Liquidity and capital resources

FY 2005 vs FY 2004

The Group's current ratio as at FY 2005 increased to 4.0 from 2.7 as at FY 2004.

The balance of cash together with investments held for trading totaled S\$8.92 million as at FY 2005. The balance was 2.25 times of the balance of the Group's current liabilities.

FY 2006 vs FY 2005

The Group's current ratio as at FY 2006 decreased slightly to 3.3 from 4.0 as at FY 2005. Sale of marketable securities reduced the balance of investments held for trading as at FY 2006 by S\$1 million.

The balance of cash together with investments held for trading totaled S\$7.85 million as at FY 2006. The balance was 1.84 times of the balance of the Group's current liabilities.

HY 2006 (unaudited) vs HY 2007 (unaudited)

The Group's current ratio was 3.1 as at HY 2007 and HY 2006.

The balance of cash together with investments held for trading totaled S\$8.75 million as at HY 2007. The balance was 1.93 times of the balance of the Group's current liabilities.

4. OFFER INFORMATION STATEMENT

An Offer Information Statement will be despatched to the Entitled Shareholders subject to, *inter alia*, the approval of Shareholders for the Rights Shares cum Warrants Issue being obtained at the EGM. Acceptances and applications under the Rights Shares cum Warrants Issue may only be made on the PAL (in the case of Entitled Scripholders) or the ARE (in the case Entitled Depositors) or the ARS (in the case of persons purchasing provisional allotments of Rights Shares with Warrants through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore) as the case may be, accompanying and forming part of the Offer Information Statement.

5. DISCLOSURE OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and substantial Shareholders in the Shares as at the Latest Practicable Date, as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained under the provisions of the Act, are as follows:

| | Direct Interests | | Deemed Interests | |
|--|------------------------------|---------------------|------------------------------|------|
| | No. of Shares ⁽¹⁾ | % | No. of Shares ⁽¹⁾ | % |
| <u>Directors</u> | | | | |
| Dato' Moehamad Izat Emir | — | — | — | — |
| Wong Chin Yong | — | — | — | — |
| Ong Kah Hock | 1,000 | N.M. ⁽²⁾ | — | — |
| Md Abdul Wahab bin Md Shahir | — | — | — | — |
| <u>Substantial Shareholders</u> | | | | |
| Bintang Piramid (M) Sdn Bhd ⁽³⁾ | 43,379,000 | 8.40 | — | — |
| Lt Jen (K) Tan Sri Mohamed bin Ngah Said | — | — | 43,379,000 | 8.40 |
| Dato' Soh Chee Wen | — | — | 43,379,000 | 8.40 |

Notes:-

- (1) Based on the issued share capital of 516,186,483 Shares as at the Latest Practicable Date.
- (2) Not meaningful.
- (3) Based on the notifications given to the Company on 10 November 1994 and 10 April 1995 (collectively referred to as the "Bintang Notifications"), 43,379,000 Shares were held by various nominees in trust for Bintang Piramid (M) Sdn Bhd ("Bintang"), a Malaysian corporation. According to the Depository Register, as at 31 January 2007, the said nominees stated in the Bintang Notifications no longer appears as Depositors. However, Bintang has not notified the Company of any changes in its shareholdings since the Bintang Notifications. The Company has written to Bintang to obtain confirmation of its interest in Shares of the Company and in relation to Bintang's obligations to notify the Company of any change of its interest as a substantial Shareholder but the Company had not received any response from Bintang. Therefore, the Company is unable to ascertain whether Bintang continues to be a substantial Shareholder of the Company. Dato' Soh Chee Wen's and Lt Jen (K) Tan Sri Mohamad bin Ngah Said's deemed interests in 43,379,000 Shares were by virtue of their being substantial shareholders of Bintang (based on notifications dated 28 October 1994). A companies' information search on Bintang conducted on 21 December 2001 showed that based on information extracted from Bintang's documents lodged up to 29 September 1999, Dato' Soh Chee Wen and Lt Jen (K) Tan Sri Mohamed bin Ngah Said were still substantial shareholders of Bintang.

6. MATERIAL LITIGATION

Save as disclosed in paragraph 7 in respect of the Additional Tax Assessments (as defined below), neither the Company nor any of its subsidiaries is engaged in any litigation as plaintiff or defendant in respect of any claims or amounts that are or may be material and the Directors have no knowledge of any legal or arbitration proceedings which are pending or threatened against any member of the Group during the last twelve (12) months preceding the date of this Circular which may materially and adversely affect the financial position or the business of the Group taken as a whole.

7. OUTSTANDING TAXATION MATTER

The Company has been assessed with additional tax assessments for years of assessment 1998 and 1990 to 2004 (“Additional Tax Assessments”) by the Inland Revenue Authority of Singapore (IRAS) amounting to S\$3.1 million. The Company has objected to the Additional Tax Assessments but is liable to pay additional tax notwithstanding its objections to the assessments.

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 S\$50 million. The Company’s contention is that its investments were sizeable and it was an active investment holding company, and all its expenses 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 S\$3.1 million, the Company’s and the Group’s cashflow will be adversely affected and its viability compromised.

8. MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group during the two (2) years preceding the date of this Circular:–

- (a) Share subscription agreement dated 28 November 2005 entered into between Awana Rentak Sdn Bhd (“ARSB”), a wholly owned subsidiary of the Company, and Mega Highlights Sdn Bhd (“Mega Highlights”) pursuant to which ARSB subscribed for 42,857 new ordinary shares in the capital of Mega Highlights for an aggregate subscription price of RM42,857;

- (b) Shareholders agreement dated 28 November 2005 entered into between ARSB and Khoriri bin Hj. Abu Sabri, a major shareholder of Mega Highlights, to set out the financial, managerial, administrative and other arrangements agreed between ARSB and Khoriri bin Hj. Abu Sabri in relation to their participation and shareholdings in Mega Highlights;
- (c) Loan agreement dated 28 November 2005 entered among ARSB, Mega Highlights and Khoriri bin Hj, Abu Sabri pursuant to which ARSB extended an interest-free loan of up to RM2 million to Mega Highlights for the sole purpose of the construction of a factory and commercial vehicle assembly facility located at Sungai Dara, Tanjung Malim, Perak Darul Ridzuan, Malaysia;
- (d) Settlement agreement dated 28 February 2006 entered among the Company, Lim Cheng Yong, RR Industrial Packaging & Design Services Pte. Ltd. and Straits Law Practice LLC (acting as the escrow agent) pursuant to which all outstanding matters relating to and in connection with the sale and purchase agreement dated 19 September 2003 were settled;
- (e) Subscription and shareholders agreement dated 20 July 2006 entered among PG Communications Pte Ltd (“PG Communications”), a wholly owned subsidiary of the Company, Kang Teow Beng, Ng Teck Huat, Tan Chien Wei and Tan Wee Meng pursuant to which PG Communications subscribed for 225,000 new ordinary shares in the capital of Alstra Pacific Pte Ltd for an aggregate subscription price of S\$225,000;
- (f) Supplemental loan agreement dated 6 September 2006 entered among ARSB, Mega Highlights and Khoriri bin Hj. Abu Sabri pursuant to which certain terms of the loan agreement dated 28 November 2005 were varied, amended or modified;
- (g) Sale and purchase agreement dated 17 July 2007 entered among PG Communications, Kang Teow Beng, Ng Teck Huat, Tan Chien Wei and Tan Wee Meng (the “Vendors”) pursuant to which PG Communications acquired 300,000 ordinary shares in the capital of Alstra Pacific Pte Ltd for a purchase consideration of S\$300,000; and
- (h) Termination of subscription and shareholders agreement dated 17 July 2007 entered between PG Communications and the Vendors pursuant to which the subscription and shareholders’ agreement dated 20 July 2006 was terminated.

9. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 31 of this Circular, will be held at 70 Shenton Way #03-02 Marina House Singapore 079118 on 19 October 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolution set out in the Notice of EGM.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company not less than 48 hours before the time fixed for the EGM. The completion and lodgment of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

11. BOOKS CLOSURE DATE

The Books Closure Date for the purpose of determining Entitled Shareholders’ entitlements under the Rights Shares cum Warrants Issue will be announced at a later date.

12. DIRECTORS' RECOMMENDATION

The Directors, having fully considered the rationale of the Rights Shares cum Warrants Issue, are of the view that the Rights Shares cum Warrants Issue is in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution set out in the Notice of EGM to be proposed at the EGM.

The Undertaking Shareholder, who has an interest of approximately 2.32% of the issued share capital of the Company as at the Latest Practicable Date, had undertaken to, *inter alia*, vote in favour of the ordinary resolution relating to the Rights Shares cum Warrants Issue.

13. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by all Directors who collectively and individually accept responsibility for this Circular and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Circular misleading.

Where any information contained in this Circular has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company at 70 Shenton Way #03-02 Marina House Singapore 079118 during normal business hours from the date hereof up to and including the date of the EGM:—

- (a) the Memorandum and Articles of Association of the Company;
- (b) the annual reports of the Company for FY 2005 and FY 2006;
- (c) the announcement dated 16 July 2007 in connection with the unaudited financial statements for HY 2007;
- (d) the Undertaking dated 9 September 2007 referred to in paragraph 2.6; and
- (e) the material contracts referred to in paragraph 8.

Yours faithfully
for and on behalf of the Board of Directors
INNO-PACIFIC HOLDINGS LTD

Wong Chin Yong
Managing Director

INNO-PACIFIC HOLDINGS LTD

(Incorporated in the Republic of Singapore on 22 September 1973)
(Company Registration No. 197301788K)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Inno-Pacific Holdings Ltd (the "Company") will be held at 70 Shenton Way #03-02 Marina House Singapore 079118 on 19 October 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as Ordinary Resolution:—

ORDINARY RESOLUTION

The Renounceable Non-Underwritten Rights Shares cum Warrants Issue

That a renounceable non-underwritten rights issue of up to 1,032,372,966 new ordinary shares in the capital of the Company (the "Rights Shares") of S\$0.035 for each Rights Share, with up to 258,093,241 free detachable warrants (the "Warrants"), each Warrant carrying the right to subscribe for one (1) new ordinary share ("New Share") in the capital of the Company at an exercise price of S\$0.025 for each New Share, on the basis of two (2) Rights Shares for every one (1) existing Share held by the Entitled Shareholders of the Company as at a time and date to be determined ("Books Closure Date"), and one (1) free Warrant for every four (4) Rights Shares subscribed, fractional entitlements to be disregarded ("Rights Shares cum Warrants Issue"), be and is hereby approved and authority be and is hereby given to the Board of Directors to:—

- (A) create and issue:—
- (i) such number of Rights Shares as the Directors may determine up to 1,032,372,966 Rights Shares at an issue price of S\$0.035 for each Rights Share;
 - (ii) such number of Warrants as the Directors may determine up to 258,093,241 Warrants in registered form to be issued together with the Rights Shares, each such Warrant to entitle the holder thereof to subscribe for one (1) new ordinary share in the capital of the Company (the "New Share") at an exercise price of S\$0.025 for each New Share at any time during the period commencing on the date of issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the second (2nd) anniversary of the date of issue of the Warrants subject to the terms and conditions of the deed poll (the "Deed Poll") constituting the Warrants to be executed by the Company on such terms and conditions as the Directors may deem fit;
 - (iii) such further Warrants as may be required or permitted to be issued in accordance with the terms and conditions of the Deed Poll (any such further Warrants to rank *pari passu* with the Warrants and for all purposes to form part of the same series, save as may otherwise be provided in the terms and conditions of the Deed Poll); and
- (B) provisionally allot and to issue up to 1,032,372,966 Rights Shares with up to 258,093,241 Warrants at an issue price of S\$0.035 for each Rights Share on the basis of two (2) Rights Shares for every one (1) existing ordinary share in the capital of the Company held by shareholders of the Company (the "Shareholders") as at the Books Closure Date, and one (1) free Warrant for every four (4) Rights Shares, fractional entitlements to be disregarded;
- (C) allot and issue, notwithstanding that the issue thereof may take place after the next or any ensuing annual or other general meeting of the Company:—
- (i) up to 258,093,241 New Shares on the exercise of the Warrants, credited as fully paid, subject to and otherwise in accordance with the terms and conditions of the Deed Poll, such New Shares (when issued and paid) to rank *pari passu* in all respects with the then existing shares of the Company (save as may otherwise be provided in the terms and conditions of the Deed Poll) save for any dividends, rights, allotments or other distributions the record date for which falls before the date of issue of the New Shares; and

- (ii) on the same basis as paragraph (C)(i) above, such further new ordinary shares in the capital of the Company as may be required to be allotted and issued on the exercise of any of the Warrants referred to in paragraph (A)(iii) above,

on the terms and conditions set out below and/or otherwise on such terms and conditions as the Directors may deem fit:–

- (a) the provisional allotments of the Rights Shares with Warrants under the Rights Shares cum Warrants Issue shall be made on a renounceable basis to the Shareholders whose names appear in the Register of Members of the Company or the records of the Central Depository (Pte) Limited (“CDP”) as at the Books Closure Date with registered addresses in Singapore or who have, at least five (5) market days prior to the Books Closure Date, provided to the CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents, on the basis of two (2) Rights Shares for every one (1) existing ordinary share in the capital of the Company then held by the Shareholders, and one (1) Warrant for every four (4) Rights Shares subscribed or in such other proportions as the Directors may deem fit;
- (b) no provisional allotment of the Rights Shares with Warrants shall be made in favour of Shareholders with registered addresses outside Singapore as at the Books Closure Date or who have not, at least five (5) market days prior thereto, provided to the CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents (the “Foreign Shareholders”);
- (c) the entitlements to the Rights Shares with Warrants which would otherwise accrue to Foreign Shareholders shall be disposed of by the Company in such manner and on such terms and conditions as the Directors shall deem fit for the purpose of renouncing the rights entitlements relating thereto to purchasers thereof and to pool and thereafter distribute the net proceeds, if any, thereof (after deducting all expenses) proportionately among such Foreign Shareholders in accordance with their respective shareholdings as at the Books Closure Date provided that if the amount to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall instead be retained or dealt with for the sole benefit of the Company;
- (d) the entitlements to the Rights Shares with Warrants not taken up or allotted for any reason (other than allotments to Foreign Shareholders referred to above) shall be allotted in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company; and
- (e) the Rights Shares when issued and fully paid up will rank *pari passu* in all respects with the then existing ordinary shares in the capital of the Company save for any dividends, rights, allotments or other distribution, the record date for which falls before the date of the Rights Shares,

and the Directors be and are hereby authorised to take such steps, do all such acts and things, make such amendments to the terms of the Rights Shares and Warrants and exercise such discretion as the Directors may in their absolute discretion deem fit, advisable or necessary in connection with all or any of the above matters.

By Order of the Board

Chu Kam Po
Company Secretary

Dated this 4th day of October 2007

NOTES:

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend at the same meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 70 Shenton Way #03-02 Marina House Singapore 079118 not later than 48 hours before the time appointed for holding the Extraordinary General Meeting.

INNO-PACIFIC HOLDINGS LTD

(Incorporated in the Republic of Singapore on 22 September 1973)
(Company Registration Number: 197301788K)

PROXY FORM — EXTRAORDINARY GENERAL MEETING

IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of Inno-Pacific Holdings Ltd, this circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We, _____ NRIC/Passport No./Company Registration

No. _____ of _____ (Address)

being a member/members of INNO-PACIFIC HOLDINGS LTD hereby appoint:

| Name | Address | NRIC/ Passport No. | No. of Shares Represented |
|------|---------|-----------------------|------------------------------|
| | | | |

and/or (delete as appropriate)

| Name | Address | NRIC/ Passport No. | No. of Shares Represented |
|------|---------|-----------------------|------------------------------|
| | | | |

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at 70 Shenton Way #03-02 Marina House Singapore 079118 on 19 October 2007 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the ordinary resolution to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Extraordinary General Meeting.

| ORDINARY RESOLUTION | For* | Against* |
|---|------|----------|
| To approve the Rights Shares cum Warrants Issue | | |

* Please indicate with an "X" in the space provided whether you wish your vote to be cast for or against the Ordinary Resolution.

Dated this _____ day of _____ 2007

| Total number of Shares in: | No. of Shares |
|----------------------------|---------------|
| (a) CDP Register | |
| (b) Register of Members | |

Signature of Shareholder(s)/Common Seal of
Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM



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), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 70 Shenton Way #03-02 Marina House Singapore 079118 not less than 48 hours before the time set for the meeting.
4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) 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 an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Ltd to the Company.