Inno-Pacific Holdings Ltd

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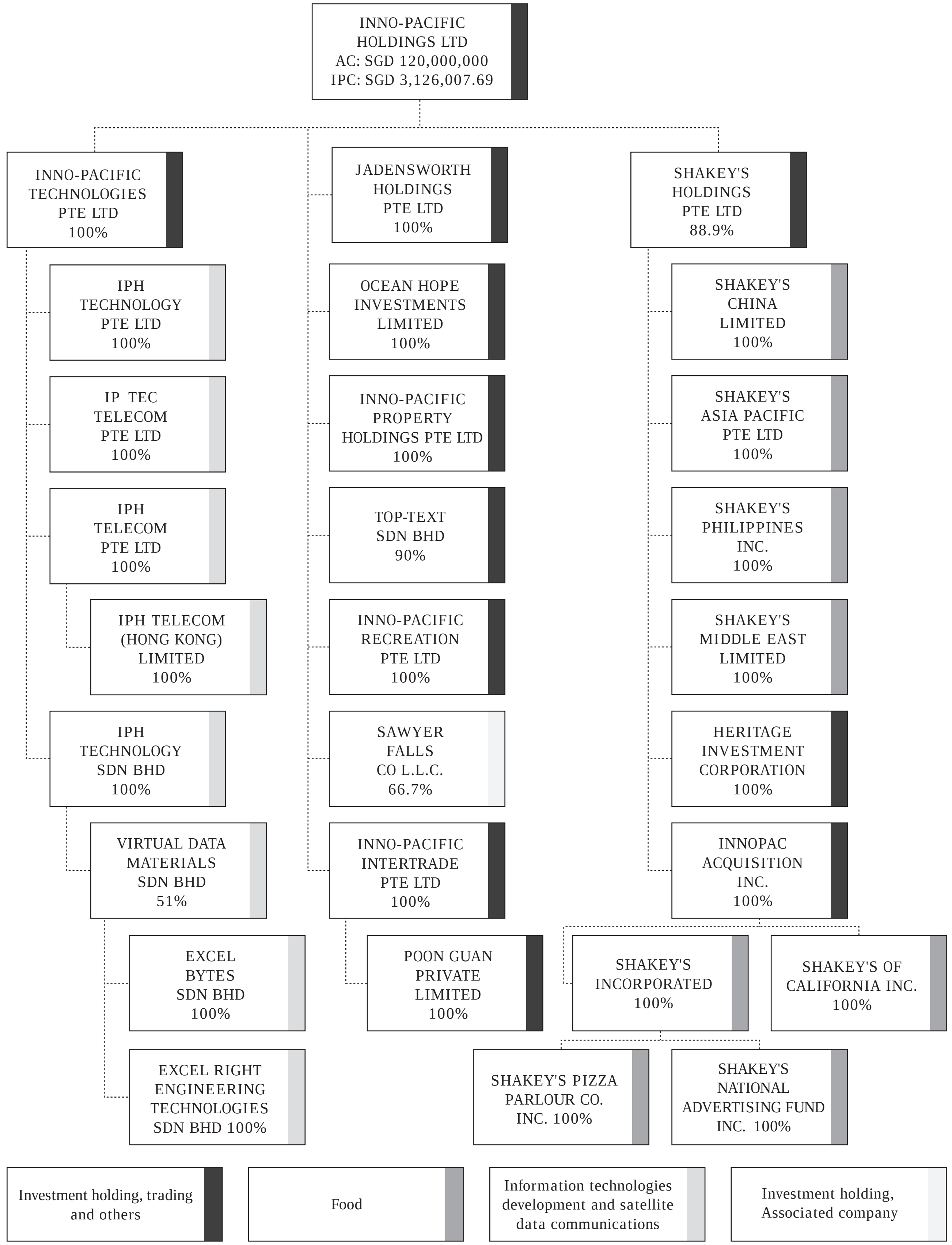
CONTENTS

CORPORATE STRUCTURE

INNO-PACIFIC GROUP AS AT 15 MAY 2002



AC: Authorised Capital IPC: Issued and Paid Up Capital

Directors

Dato' Moehamad Izat Emir	Executive Chairman
Quek Chek Lan	Deputy Chairman (appointed on 8 August 2001)
Wong Chin Yong	Managing Director and Chief Executive Officer (appointed on 8 August 2001)
Phang Ian Cher Shen	Executive Director and Chief Operating Officer (elected Director on 31 August 2001 and appointed as Executive Director and Chief Operating Officer on 1 November 2001)
Lee Lee King	(elected on 7 August 2001)
Ong Kah Hock	(elected on 31 August 2001)
Lim Teck Hui	(elected on 31 August 2001)
Phang Yul Cher Yeow	(appointed on 6 October 2001)
Abdul Khader Mohamed Ismail	(elected on 7 August 2001 and resigned on 14 December 2001)
Datuk Phang Miow Sin	(elected on 31 August 2001 and resigned on 20 October 2001)
Chua Leong Hin	(appointed on 8 August 2001 and resigned on 6 October 2001)
Dato' Soh Chee Wen	(resigned on 16 February 2001)
Lim Chee Kiang	(appointed on 23 March 2001 and retired on 31 May 2001)
Neo Eng Kee	(appointed on 23 March 2001 and retired on 31 May 2001)
Lew Foh Hin	(retired on 31 May 2001)
Yin Kum Choy	(retired on 31 May 2001)
Wong Wai Kin	(resigned on 25 June 2001)
Dick Gwee Yow Pin	(resigned on 22 July 2001)
Chew Kok Liang	(removed on 7 August 2001)
Melvin Tong Keng Meng	(removed on 7 August 2001)
Phua Teck Chew	(removed on 7 August 2001)

Audit Committee

Lee Lee King	Chairman
Ong Kah Hock	
Lim Teck Hui	
Wong Chin Yong	

Secretaries

Jennifer Lee Siew Jee	
Lee Koh Sing	(appointed on 23 March 2001)

Registered Office
70 Shenton Way
#03-02 Marina House
Singapore 079118

Auditor
Ernst & Young
Engagement Partner : Lim Siew Koon (Mrs)

Registrar & Transfer Office
Compact Administrative Services Pte Ltd
95 South Bridge Road #09-00
Pidemco Centre
Singapore 058717

Solicitors
Khattar Wong & Partners
Robert Wong & Company

Bankers
The Development Bank of Singapore Ltd
HL Bank
Standard Chartered Bank

Dato' Moehamad Izat Emir, Executive Chairman
Dato' Izat, 63, has been a director of the Company since 1 November 1995. He is a prominent Malaysian businessman with extensive international business and corporate experiences. He was an active member of the Malay Chamber of Commerce, Kuala Lumpur, Malaysia for more than 20 years and was its Chairman from 1984 to 1997. Dato' Izat is currently the Chairman of PERDASAMA - the Malaysian Malay Businessmen & Industrialists Association. He also sits on the board of directors of several public-listed companies on the Kuala Lumpur Stock Exchange.

Wong Chin Yong, Managing Director & CEO
Mr Wong, 50, was appointed by the Board on 8 August 2001. He graduated with a Business Administration degree from the University of Singapore in 1974. He has more than 25 years experience in financial markets, investment banking and consulting. Mr Wong spent his early career in treasury management with several international banks in Singapore before joining the Monetary Authority of Singapore as a senior officer. He also headed the Singapore branch of a U.S. investment bank in the 80s. In the 90s, Mr Wong was the chief executive of several public-listed companies in Canada, Hong Kong and Malaysia that were engaged in oil & gas exploration, gemstone mining, marketing and distribution.

Quek Chek Lan, Deputy Chairman
Mr Quek, 58, was appointed by the Board on 8 August 2001. He graduated from the then Nanyang University in the 1960s. Mr. Quek was elected as Deputy Executive Chairman of the Company on 10 August 2001 but relinquished his executive function on 5 December 2001. Mr. Quek has been engaged in trading through his privately owned company. He has personal direct investment experience in People's Republic of China.

Phang Ian Cher Shen , Executive Director & COO
Mr Ian Phang, 36, was elected as a director by the Company on 31 August 2001. He became an Executive Director and Chief Operating Officer on 1 November 2001. After receiving his tertiary education at the University of British Columbia, Canada, Mr Phang amassed numerous awards in recognition of his outstanding performance consulting in the financial markets.

Lee Lee King, Director
Mr Lee, 49, was elected as a director of the Company on 7 August 2001. He is a partner of Moores Rowland, Singapore. He is a member of the Institute of Chartered Accountants in England and Wales and also a practising member of the Institute of Certified Public Accountants in Singapore. Mr Lee has more than 25 years experience in audit, corporate recovery and investigations. Mr Lee is the Chairman of the Audit Committee.

Lim Teck Hui, Director
Mr Lim, 61, was elected as a director by the Company on 31 August 2001. He graduated from the University of Singapore with Bachelor of Law degree with Honours in 1966 and has been an Advocate and Solicitor of the Supreme Court of Singapore for over three decades. Mr Lim has been actively involved with public and social work and is the Chairman of the Criminal Law Review Board, a Deputy Registrar of Marriages, a board member of the Eye Bank and a Rotarian amongst others. The Singapore Government in 1984 awarded him the Public Service Medal (PBM), in recognition of his years of contribution to public service. He is also a Justice of Peace. Mr Lim is also a director of another company listed on the Singapore Exchange Securities Trading Limited.

Ong Kah Hock, Director
Mr Ong, 48, was elected as director by the Company on 31 August 2001. He holds a Masters of Business Administration degree from the University of Bradford and B.Sc. (Hons) degree. He has about 20 years experience in marketing and general management in the shipbuilding, machinery and chemical industries. He is currently a director and general manager of a group of companies manufacturing and distributing chemical products.

Phang Yul Cher Yeow, Director
Mr Yul Phang, 35, was appointed by the Board on 6 October 2001.He holds a Bachelor of Business Administration degree from the Simon Fraser University, Canada in 1987. He has about 10 years of investment banking experience initially with a European and subsequently an Asian based investment bank. During this period, he had leading involvement ranging from corporate and project advisory work, structured and corporate financing, mergers and acquisitions, to divestments and private placements. Thereafter he moved to the treasury division of a North American MNC where he was responsible for customer financing, securitisation of receivables and other customer related treasury activities for the Asia South Pacific region.He is also an active grassroot leader in Singapore.

Dear Shareholders,
I am pleased to report the Group's activities and operations for the past year ended 31 December 2001.

2001 had been an eventful year for the Company. August 2001 saw the incumbent board of directors and management removed by the initiatives of a group of disgruntled shareholders. In April 2001, these shareholders, unhappy with the Group's performance and the disproportionately high remuneration paid to the board of directors and management, petitioned to remove them.

Your former Chairman, Mr. Melvin Tong Keng Meng (acting at the behest of your former Deputy Executive Chairman, Mr. Phua Teck Chew) resisted the shareholders' wishes by countering with Court injunctive orders against the Company. The shareholders' proxy fights did not end until October 2001 when the shareholders wishes were vindicated at an Extraordinary General Meeting held on 10 October 2001.

Mr. Melvin Tong's actions against the Company to defend and protect his position and that of several other directors virtually immobilized the functioning of the Company from August 2001 to October 2001. Furthermore, the shareholders' proxy fights and associated shareholders' meetings cost the Company more than S$1million in professional fees and other related expenses. The Company hopes that such counter-productive events will not be repeated.

In October 2001, your newly constituted Board of Directors conducted an investigation of the Company's past affairs. The investigation has revealed that the Company has been operating under an extravagant and wasteful regime. Your new board of directors and management proceeded to implement a relentless cost-cutting exercise and I am pleased to report that monthly operating overhead has been reduced from more than S$400,000 to less than S$150,000.

Until their removal in August 2001, the former board of directors paid themselves more than S$1.06 million or an average of S$151,000 a month. Your current board of directors only received some S$275,000 or an average of S$55,000 a month from August 2001 to December 2001. Details of each director's remuneration can be found in the Corporate Governance Report.

The investigation also revealed that the former management have invested or entered into contracts that may not have been in the best interest of the Company. Your current management has had to and continues to deal with the problems arising from these transactions. The restructuring and rationalization of the Company's investments are ongoing.

Some of the ousted directors have not returned certain Company's assets despite demands made by the Company. The Company will continue to pursue and recover these assets from the concerned parties.

Inno-Pacific Group Results
Group turnover for the 12-month period to 31st December 2001, solely contributed by Shakey's declined by about 9% from S$8.1 million in 2000 to S$7.3 million. The decline was a result of lower royalties income because the average number of franchised stores/restaurants was reduced from about 80 in year 2000 to approximately 70 in year 2001.

Group losses before tax and before minority interest decreased by 9% to S$11.7 million as compared to S$12.8 million in the previous corresponding period.

Shakey's Group of Companies
Shakey's operating companies were Shakey's Incorporated and Shakey's International Limited (please refer to corporate structure chart).

Shakey's group losses were reduced from S$5.3 million in 2000 to S$3.2 million in 2001, a 40% improvement, due mainly to lower provision for diminution in value of investments and lower loss on disposal of fixed assets in 2001. Turnover reduced by approximately S$750,000 because of lower royalties income as the average number of franchised stores/restaurants fell from about 80 units in 2000 to about 70 in 2001.

Shakey's Incorporated
Shakey's Incorporated owns the Shakey's trademarks and operates Shakey's franchise restaurants system in the United States.

Gross food and beverage sales for the Shakey's entire franchised restaurant in 2001 was about US$62 million. Royalty income fell to US$2.34 million in 2001 (US$2.60 million in 2000) as the average number of franchised restaurants fell to 70 in 2001 (80 in 2000). Operating loss increased to US$730,000 (loss of US$190,000 in 2000) primarily due to increased professional and legal fees.

In March 2001, two franchisees sued Shakey's Inc alleging breach of contract, fraud and emotional stress. Shakey's Inc has denied all the allegations and is defending the suit in the Superior Court of California.

Shakey's International Limited

Shakey's trademarks and system outside the United States was held and operated by Shakey's International Limited ("SIL"). SIL operated in Malaysia, Mexico, Canada and China and had insignificant contribution to the Shakey's group turnover or bottom-line.

SIL was sold in January 2002 for a cash consideration of S$1.25 million as the Company felt that the continued ownership of SIL and it businesses is not in the Company's best interest. SIL had been unprofitable and the prospect of developing SIL in the foreseeable future is limited.

Technology and Telecommunication Group

During the year, the technology and telecommunication group of companies incurred S$1.8million losses due mainly to amortization of goodwill amounting to S$757,000 and startup cost for director and staff cost and professional fee of $516,000 and S$454,000 respectively.

The Company's wholly owned subsidiary, IPH Telecom Pte Ltd, has a Service Based Operator (SBO) licence issued by Info-Comm Development Authority of Singapore. IPH Telecom signed several memorandums of understanding (MOUs) with Russian and Chinese telecommunication partners in early 2001 for International Traffic Exchange business. These MOUs have no contractual obligations and the Company is currently negotiating with other potential telecom partners in Singapore, China, USA and Europe on the detailed technical specifications and commercial terms in respect of International Traffic Exchange business. The Company is hopeful of commencing such business in the current year but does not expect any meaningful contribution in the next 12 months.

Property Development

At the beginning of 2001, your Company had a 50% equity interest in Sawyer Falls LLC ("SFC"), a Washington, USA corporation. SFC owns a 450 acres development property known as Fennel Creek located in Pierce County, Washington, USA.

The development of the Fennel Creek property has been slow because the other shareholders of SFC were unwilling or unable to contribute to its development cost. On 18th July 2001, your Company entered into an agreement to purchase 16.7% of the common equity from two of SFC's shareholders for a total consideration of US$1.2 million.

On 7 September 2001, your Company entered into another agreement to purchase another 33.3% of the common equity of SFC from Newton Centre Development Ltd ("Newton") for a total consideration of US$1.7 million. It was the Company's intention to own 100% of SFC. However, the 11 September 2001 terrorist attacks in the USA has affected the outlook of the development property market in the USA and your Company decided not to pursue this plan. Accordingly, on 25th February 2002, the Company and Newton entered into an agreement to terminate the agreement of 7th September 2001.

Following the termination of the agreement of 7th September 2001, the Company owns 66.7% of the issued and paid-up common units of SFC. Newton has also undertaken to use its best effort to procure the termination of the agreement of 18th July 2001 between the Company and its vendors.

Marketable Securities

Provision for diminution in value of marketable securities was S$967,000 which was approximately 78% or S$3.5 million lower than that of year 2000. Loss on sale of marketable securities also reduced by S$900,000 from S$1.38 million to S$479,000.

An Investment Committee formed in 1999 was responsible for the trading in marketable securities. The Company had formulated an Investment Policy, however, the policies have not been strictly observed and adhered to by the Investment Committee. In August 2001, the new board dissolved the Investment Committee.

The Company

On 20th December 2000, your Company received Notices of Assessment from the Comptroller of Income Tax for Years of Assessment 1988 and 1990 to 1997. Your Company was assessed to tax and penalties of approximately S$4.8 million on the basis that it was a passive investment holding company, as a result of which, deduction of certain expenses incurred by the Company in the ordinary course of business were disallowed. The Company has raised an objection to the assessments. The professional advisors of your Company are of the opinion that these assessments can be successfully resisted though the Company has a legal liability to settle the tax liability while discussions with the authorities are ongoing. Accordingly, provision was made in the accounts for this tax liability.

Adoption of New Articles

At the Extraordinary General Meeting held on 28th March 2002, Shareholders approved the adoption of new Articles of Association.

Capital Reduction

On 17 April 2002 the High Court approved your Company's application to reduce the par value of each ordinary share in the capital of the Company from $0.20 to $0.01 and to reduce the share premium account of your Company from $40,903,456.42 to $22,277,018.91. The effective date of the capital reduction was 29 April 2002.

Termination of proposed acquisition of Health One Pte Ltd

On 15th January 2002, the Company announced that it has decided not to proceed with the proposed acquisition of 20% of the issued share capital of Health One Pte Ltd. The Company has informed the vendors to exchange the S$300,000 non-refundable deposit paid to the Vendors for 8,000 ordinary shares of S$1.00 each in Health One Pte Ltd.

Placement of New Shares

On 10 May 2002, your Company entered into a Conditional Placement Agreement with Kim Eng Ong Asia Pte Ltd for the placement of 62,500,000 new ordinary shares of S$0.01 each at S$0.06 per share. The placement is conditional upon receipt of in-principle approval from the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing and quotation of these new shares on the SGX-ST.

Appreciation

I sincerely thank you for the support this past year and look forward to your continued support for my fellow directors, the management and staff. The future is by no means easy but I have every confidence in my fellow directors, management and staff to face and deal with the challenges ahead.

Dato' Moehamed Izat Emir
Chairman
15 May 2002

The Directors and management are committed to the highest standards of corporate governance and adopted, implemented and complied, where applicable, with the Code of Corporate Governance announced by the Ministry of Finance on 4 April 2001; and the best practices set out in the Best Practices issued by the Singapore Exchange Securities Trading Limited.

The Board Of Directors

Last year saw a major change in the Board. In August 2001, seven new members were appointed to the eight-member Board. The Board comprised the Executive Chairman, the Chief Executive Officer, the Executive Deputy Chairman (who relinquished his executive function on 5 December 2001) and one Executive Director and four non-executive Directors (five, after Deputy Chairman relinquished his executive function). The five non-executive Directors are considered by the Board to be independent of management. The Directors have a wide range of international business and financial expertise.

The Board meets at least twice a year to decide the direction and strategy of the Group. The Board met 13 times (5 times from January to July 2001 and 8 times from August 2001 to December 2001). A wide range of matters such as corporate restructuring, major acquisitions or disposals, and Group performance were discussed. Prior to each Board meeting, Directors are sent an agenda and a set of Board papers for agenda items to be discussed.

Each Board member will also receive monthly review of performance and regular reviews on key aspects of the Group's activities.

Each Director (who held office as a member of the board during the period) attended the following Board and Audit Committee meetings during the year :

	Board		Audit Committee	
	a	b	a	b
Dato' Soh Chee Wen [1]	-	-		
Dick Gwee Yow Pin [2]	5	2		
Dato' Moehamad Izat Emir [3]	13	10	1	1
Yin Kum Choy [4]	3	3	1	1
Lew Foh Hin [5]	3	3	1	1
Wong Wai Kin [6]	3	-	1	-
Phua Teck Chew [7]	5	4		
Melvin Tong Keng Meng [8]	5	3		
Chew Kok Liang [9]	5	5		
Lim Chee Kiang [10]	2	2		
Neo Eng Kee [11]	2	2		
Lee Lee King [12]	8	6	1	1
Abdul Khader Mohamed Ismail [13]	8	4		
Wong Chin Yong [14]	8	7	1	1
Quek Chek Lan [15]	8	5		
Chua Leong Hin [16]	5	3	1	1
Phang Ian Cher Shen [17]	5	5		
Ong Kah Hock [18]	5	4		
Lim Teck Hui [19]	5	2		
Datuk Robert Phang Miow Sin [20]	3	3	1	0
Phang Yul Cher Yeow [21]	2	1		

Column a : number of meetings held while being a member of the board
Column b : number of meetings attended

(1) Appointed as director on 29 November 1994, acting managing director on 25 January 1995, managing director on 26 March 1996. Relinquished as managing director on 6 April 1999 and resigned as director on 16 February 2001.
(2) Appointed as director on 25 January 1995, executive director on 15 February 1995, resigned as director on 22 July 2001.
(3) Appointed as director on 1 November 1995, chairman on 10 August 2001 and executive chairman on 14 August 2001.
(4) Appointed as director on 1 November 1995, executive director on 11 September 1998. Retired as director on 31 May 2001.

(5) Appointed as director on 23 February 1998 and retired on 31 May 2001.
(6) Appointed as director on 11 September 1998 and resigned on 25 June 2001.
(7) Appointed as director on 5 March 1999, managing director on 6 April 1999 and executive deputy chairman on 23 March 2001. Removed as director on 7 August 2001.
(8) Appointed as director and chairman on 31 May 1999. Removed as director and chairman on 7 August 2001.
(9) Appointed as director and executive director on 27 November 2000 and managing director on 23 March 2001. Removed as director on 7 August 2001.
(10) Appointed as director on 23 March 2001 and retired on 31 May 2001.
(11) Appointed as director on 23 March 2001 and retired on 31 May 2001.
(12) Elected as director on 7 August 2001.
(13) Elected as director on 7 August 2001 and resigned as a director on 14 December 2001.
(14) Appointed as director on 8 August 2001 and managing director on 10 August 2001.
(15) Appointed as director on 8 August 2001, deputy executive chairman on 10 August 2001. Relinquished executive position on 5 December 2001.
(16) Appointed as director on 8 August 2001 and resigned as a director on 6 October 2001. Resigned as member of Audit Committee, Nominating Committee and Remuneration Committee on 6 October 2001.
(17) Elected as director on 31 August 2001 and executive director and Chief Operating Officer on 1 November 2001.
(18) Elected as director on 31 August 2001.
(19) Elected as director on 31 August 2001.
(20) Elected as director on 31 August 2001 and resigned as director on 20 October 2001. Resigned as member of Audit Committee, Nominating Committee and Remuneration Committee on 20 October 2001.
(21) Appointed as director on 6 October 2001.

Directors' Remuneration

The following table shows the Directors who served during the year in the previous year and analysis of the remuneration of the individual Executive Directors and fees of individual Non-Executive Directors :-

	2001				2000			
	Salary annual leave pay, CPF and fees $	Short Term performances related annual bonus and CPF $	Allowances and benefits $	Total $	Salary annual leave pay, CPF and fees $	Short Term performances related annual bonus and CPF $	Allowances and benefits $	Total $
Tong Keng Meng (until 7 August 2001)	-	-	-	-	15,000	-	-	15,000*
Phua Teck Chew (until 7 August 2001)	348,828	-	2,311	351,139	316,392	210,000	2,909	529,301
Chew Kok Liang (until 7 August 2001)	274,696	-	1,798	276,494	28,294	111,000	228	139,522
Dick Gwee Yow Pin (until 22 July 2001)	355,553	-	2,835	358,388	509,699	214,050	4,738	728,487
Yin Kum Choy (until 31 May 2001)	74,800	-	1,705	76,505	172,839	72,000	2,206	247,045
Lew Foh Hin (until 31 May 2001)	-	-	-	-	20,000	-	-	20,000*
Lim Chee Kiang (from 23 March 2001 until 31 May 2001)	-	-	-	-	-	-	-	-
Neo Eng Kee (from 23 March 2001 until 31 May 2001)	-	-	-	-	-	-	-	-
Wong Wai Kin (until 25 June 2001)	-	-	-	-	15,000	-	-	15,000*
Dato' Soh Chee Wen (until 16 February 2001)	-	-	-	-	-	-	-	-
Total (Previous Board of Directors including those resigned during the year)	1,053,877	-	8,649	1,062,526	1,077,224	607,050	10,081	1,694,355

Director' Remuneration (cont'd)

	2001				2000			
	Salary annual leave pay, CPF and fees $	Short Term performances related annual bonus and CPF $	Allowances and benefits $	Total $	Salary annual leave pay, CPF and fees $	Short Term performances related annual bonus and CPF $	Allowances and benefits $	Total $
Dato' Moehamad Izat Emir	31,932	-	-	31,932	15,000	-	-	15,000*
Quek Chek Lan (from 8 August 2001)	73,667	-	-	73,667	-	-	-	-
Wong Chin Yong [1] (from 8 August 2001)	114,365	-	1,628	115,993	-	-	-	-
Chua Leong Hin (from 8 August 2001 until 6 October 2001)	2,000	-	-	2,000	-	-	-	-
Lee Lee King (from 7 August 2001)	3,500	-	-	3,500	-	-	-	-
Abdul Khader Mohamed Ismail (from 7 August 2001 until 14 December 2001)	2,000	-	-	2,000	-	-	-	-
Phang Ian Cher Shen [2] (from 31 August 2001)	45,920	-	-	45,920	-	-	-	-
Lim Teck Hui (from 31 August 2001)	1,000	-	-	1,000	-	-	-	-
Ong Kah Hock (from 31 August 2001)	2,000	-	-	2,000	-	-	-	-
Datuk Robert Phang Miow Sin (from 31 August 2001 to 20 October 2001)	1,500	-	-	1,500	-	-	-	-
Phang Yul Cher Yeow (from 6 October 2001)	500	-	-	500	-	-	-	-
Total (Present Board of Directors including those resigned during the year)	278,384	-	1,628	280,012	15,000	-	-	15,000
Grand total	1,332,261	-	10,277	1,342,538	1,092,224	607,050	10,081	1,709,355

[1] Entered into Sevice Agreement with the company on 18 September 2001

[2] Entered into Sevice Agreement with the company on 1 November 2001

* See Note 25

Apart from its statutory responsibilities, the Board approves the Group's strategic plans, key operational initiatives, including budgets, for achieving that strategy. All major investment and other strategic decisions are subject to Board approval. Whilst the Board retains overriding responsibility for control of the Company, the following sub committees conduct the management of the Company:

Executive Committee

The Executive Committee currently comprises:

Dato' Moehamad Izat Emir
Wong Chin Yong
Phang Ian Cher Shen

The Committee meets and communicates regularly to review the Group's operating performance, examines strategies and policies and implementation of appropriate systems to manage the affairs of the Company and its subsidiaries.

Investment Committee

The Investment Committee was dissolved in August 2001.

Audit Committee

The members of the Audit Committee are Messrs Lee Lee King (Chairman), Lim Teck Hui, Ong Kah Hock and Wong Chin Yong. The Committee met twice last year.

Specific functions of the Audit Committee include:

(a) review with the external auditors, their audit plans, their findings and recommendations to the Board;
(b) review the draft accounts of the Company and Group in conjunction with the external auditor's comments thereon prior to their submission to the Board of Directors;
(c) review the internal control procedures of the Company;
(d) review interested person transactions;
(e) review the external auditors' management letter and the response from management;
(f) carry out special purpose projects to assist management in performing evaluation and decision-making;
(g) to ensure the independence and objectivity of external auditors.

In the Audit Committee's opinion, Ernst & Young are suitable for re-appointment and it has accordingly recommended to the Board that they be nominated for re-appointment as auditors at the next Annual General Meeting.

Securities Transactions

The Company has adopted the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited with regard to dealings in securities by directors and employees.

The Directors are pleased to present their report to the members together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2001.

Principal activities
The principal activities of the Company are that of investment holding and management of companies. The principal activities of the subsidiary companies are stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the year.

Results for the financial year

	Group $'000	Company $'000
Loss after taxation and minority interests	12,813	10,147
Accumulated losses brought forward	79,387	78,020
Accumulated losses carried forward	92,200	88,167

In the opinion of the Directors, the results of the operations of the Company and of the Group during the financial year have not been affected by any item, transaction or event of a material and unusual nature.

Material movements in reserves and provisions
The following net transfer has been credited to reserves :-

	Group $'000	Company $'000
Foreign currency translation reserve	251	-

There were no material transfers to or from reserves or provisions during the financial year apart from the amount shown above and except for normal amounts set aside for such items as depreciation and amortisation of non-current assets and provisions for doubtful debts and income tax as disclosed in the financial statements.

Dividends
No dividend has been paid or declared since the end of the previous financial year.

No dividend was proposed or paid by the Company in respect of the financial year under review.

Issue of shares and debentures
During the financial year, a wholly-owned subsidiary, IPH Telecom (HK) Limited issued additional 98 shares of HK$1 each at par for cash to provide for additional working capital.

The Company did not issue any shares or debentures during the financial year.

Arrangements to enable Directors to acquire shares and debentures
Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Acquisition and disposal of subsidiary companies
The following subsidiary company was acquired during the financial year :-

Name of subsidiary	Interest acquired %	Consideration HK$	Attributable net tangible assets at acquisition HK$
By subsidiary :			
IPH Telecom (HK) Limited	100	2	2

With effect from 9 July 2001, the subsidiary company changed its name from China Gateway Technology Limited to IPH Telecom (HK) Limited.

No subsidiary companies were disposed of during the financial year.

Directors
The Directors of the Company in office at the date of this report are :-

Executive Directors :

Dato' Moehamad Izat Emir	Executive Chairman
Wong Chin Yong	Managing Director and Chief Executive Officer (appointed on 8 August 2001)
Phang Ian Cher Shen	Executive Director and Chief Operating Officer (effective on 31 August 2001)

Non-Executive Directors :

Quek Chek Lan	Deputy Chairman (appointed on 8 August 2001)
Lee Lee King	(appointed on 7 August 2001)
Ong Kah Hock	(appointed on 31 August 2001)
Lim Teck Hui	(appointed on 31 August 2001)
Phang Yul Cher Yeow	(appointed on 6 October 2001)

Directors' interests in shares and debentures
The following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Company as stated below :-

	Ordinary shares of $0.20 each			
	Held in the name of directors and their respective nominees		Deemed interest	
Name of director	At date of appointment	At 31.12.01	At date of appointment	At 31.12.01
Quek Chek Lan	600,000	600,000	3,800,000	3,800,000
Ong Kah Hock	1,000	1,000	-	-

There were no changes in any of the abovementioned interests between the end of the financial year and 21 January 2002.

None of the other Directors of the Company who held office at the end of the financial year had an interest in shares or debentures of the Company or the Company's subsidiary companies, other than those disclosed above.

Director's contractual benefits
Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest, other than those disclosed in Note 25 to the financial statements.

Bad and doubtful debts
Before the profit and loss account and the balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and have satisfied themselves that all known bad debts if any have been written off and that where necessary adequate provision has been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render any amount written off or provided for bad and doubtful debts in the group of companies inadequate to any substantial extent.

Current assets
Before the profit and loss account and balance sheet of the Company were made out, the Directors took reasonable

Current assets (cont'd)
steps to ascertain that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or adequate provision had been made for the diminution in the value of such current assets.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the consolidated financial statements misleading.

Charges on assets and contingent liabilities
Since the end of the financial year, and up to the date of this report, no charge on the assets of the Company or any corporation in the Group has arisen which secures the liabilities of any other person and no contingent liability has arisen, other than those disclosed in Note 30 to the financial statements.

Ability to meet obligations
No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

Other circumstances affecting the financial statements
At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or in the consolidated financial statements which would render any amount stated in the financial statements of the Company and consolidated financial statements misleading.

Unusual items after the financial year
In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

Options
There were no unissued shares under option as at the date of this report.

Auditor
Ernst & Young have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board,

Wong Chin Yong
Managing Director

Phang Ian Cher Shen
Executive Director

15 May 2002
Singapore

We, Wong Chin Yong and Phang Ian Cher Shen, being two of the Directors of Inno-Pacific Holdings Ltd., do hereby state that, in the opinion of the Directors :

(i) the balance sheets, profit and loss accounts, statements of changes in equity and consolidated cash flows statement together with the notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001; the results of the business and changes in equity of the Company and of the Group and cash flows of the Group for the year then ended; and

(ii) the completion of the capital reduction exercise as set out in Note 33(d) will give the Company the necessary flexibility to raise the additional funds that are necessary in order for the Company to meet its obligations as and when they fall due within the twelve month period after the end of the financial year.

The Board of Directors authorised these financial statements for issue on 15 May 2002.

On behalf of the Board,

Wong Chin Yong
Managing Director

Phang Ian Cher Shen
Executive Director

15 May 2002
Singapore

We have audited the financial statements of Inno-Pacific Holdings Ltd and the consolidated financial statements of the Group set out on pages 20 to 45. These financial statements comprise the balance sheets of the Company and of the Group as at 31 December 2001, the profit and loss accounts and the statements of changes in equity of the Company and of the Group and the cash flow statement of the Group for the year ended 31 December 2001, and notes thereto. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As detailed in Note 14 and Note 20, the Company has a tax suspense of $4,760,482 arising from tax assessed by the Comptroller of Income Tax (CIT) for years of assessment 1988 and 1990 to 1997. The Company has raised an objection against the CIT's assessments and the Directors are of the opinion that these assessments can be resisted and accordingly, the amount has not been charged to the profit and loss account. We have presently not been able to satisfy ourselves as to the final settlement of these assessments. In the event that the Company is unable to obtain the agreement of the Comptroller of Income Tax in discharging these tax liabilities, the amount will be charged to the profit and loss account. Had the amount been charged to the profit and loss accounts, the loss of the Group and Company for the year would have been increased from $12.81 million to $17.57 million and $10.15 million to $14.91 million respectively. Accordingly, the net current liabilities position of the Group and Company would have been increased from $2.73 million to $7.49 million and $1.07 million to $5.83 million respectively.

In our opinion, except for the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known,

(a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (Act) and Singapore Statements of Accounting Standard and so as to give a true and fair view of:-

(i) the state of affairs of the Company and of the Group as at 31 December 2001, the results and changes in equity of the Company and of the Group and cash flows of the Group for the year ended on that date; and

(ii) the other matters required by section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;

(b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiary companies of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of the subsidiary companies are stated in Note 4 to the financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in a form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under section 207(3) of the Act.

Without further qualifying our opinion, we draw attention to Note 1 to the financial statements. The Group and the Company incurred a net loss of $12.81 million and $10.15 million respectively for the year ended 31 December 2001 and current liabilities exceeded current assets by $2.73 million and $1.07 million respectively as at 31 December 2001.

As disclosed in Note 1 and Note 33(d), (e) and (f) to the financial statements, the Company proposed a capital reduction to reduce the par value of each ordinary share in the capital of the Company from $0.20 to $0.01. On 31 January 2002, the Singapore Exchange Securities Trading Limited ("SGX-ST") gave its in-principle approval and the shareholders approved the proposed capital reduction at the extraordinary general meeting held on 28 March 2002. The capital reduction exercise would give the Company the necessary flexibility to raise additional funds for working capital requirements. On 10 May 2002, the Company entered into a Conditional Placement Agreement with Kim Eng Ong Asia Securities (Pte) Ltd for the placement of up to 62,500,000 new ordinary shares of $0.01 each at $0.06 per share. This placement is conditional upon receipt of in-principle approval from the SGX-ST for the listing and quotation of these new shares on the SGX-ST.

We have considered the adequacy of the disclosures made in the financial statements concerning the matters set out in the preceding paragraph. The validity of the going concern assumption on which the financial statements are prepared depends on the successful completion of the abovementioned fund raising exercise. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or the amounts and classification of liabilities that may be necessary should the aforesaid assumption be inappropriate.

ERNST & YOUNG
Certified Public Accountants

15 May 2002
Singapore

BALANCE SHEETS AS AT 31 DECEMBER 2001

	Note	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Non-current assets					
Fixed assets	6	1,403	3,211	341	922
Subsidiary companies	7	-	-	2,037	13,488
Associated companies	8	13,008	7,916	14,070	8,747
Intangibles, net	9	1,679	3,054	-	-
Other receivables	10	404	413	-	-
Other investments	11	16	16	16	16
Current assets					
Cash and cash equivalents	12	1,247	7,841	85	1,170
Trade debtors	13	922	794	-	-
Other debtors	14	6,023	2,241	5,060	2,963
Marketable securities	15	52	7,032	-	-
Inventories	16	19	45	-	-
		8,263	17,953	5,145	4,133
Deduct : Current liabilities					
Trade creditors		1,361	1,036	-	-
Other creditors	17	4,677	4,425	1,410	1,267
Finance leases	18	28	159	28	157
Line of credit, secured	19	139	-	-	-
Provision for taxation	20	4,786	36	4,777	17
		10,991	5,656	6,215	1,441
Net current (liabilities)/assets		(2,728)	12,297	(1,070)	2,692
Non-current liabilities					
Long-term creditors	21	(245)	(368)	-	-
Finance leases	18	(138)	(462)	(138)	(462)
		13,399	26,077	15,256	25,403
Capital and reserves					
Share capital	22	62,520	62,520	62,520	62,520
Reserves		(49,207)	(36,645)	(47,264)	(37,117)
		13,313	25,875	15,256	25,403
Minority interest		86	202	-	-
		13,399	26,077	15,256	25,403

The accounting policies and explanatory notes on pages 24 through 45 form an integral part of the financial statements.

PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Revenue	23	7,346	8,097	-	-
Cost of sales		(926)	(1,121)	-	-
Gross profit		6,420	6,976	-	-
Other revenue	24	2,780	5,819	413	3,587
Distribution costs		(381)	(209)	(68)	(3)
Administrative costs	25	(6,975)	(6,933)	(2,219)	(2,410)
Other operating costs	26	(13,455)	(18,310)	(5,457)	(21,005)
Loss from continuing operating activities		(11,611)	(12,657)	(7,331)	(19,831)
Finance costs	27	(46)	(163)	(11)	(63)
Share of loss of associated companies		(52)	(9)	-	-
Loss from continuing operations before taxation and minority interests		(11,709)	(12,829)	(7,342)	(19,894)
Taxation	28	(1,235)	(821)	(2,805)	-
Minority interest		131	105	-	-
Net loss for the financial year		(12,813)	(13,545)	(10,147)	(19,894)
Loss per share (cents)	29	4.10¢	4.33¢		

The accounting policies and explanatory notes on pages 24 through 45 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2001

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Share capital [1]				
Balance, beginning and end of year	62,520	62,520	62,520	62,520
Share premium				
Balance, beginning and end of year	40,903	40,903	40,903	40,903
Revaluation reserve				
Balance, beginning of year	-	328	-	-
Disposal	-	(328)	-	-
Balance, end of year	-	-	-	-
Foreign currency translation				
Balance, beginning of year	1,839	1,479	-	-
Foreign currency translation adjustment	251	360	-	-
Balance, end of year	2,090	1,839	-	-
Revenue reserve				
Balance, beginning of year	(79,387)	(65,842)	(78,020)	(58,126)
Net loss for the financial year	(12,813)	(13,545)	(10,147)	(19,894)
Balance, end of year	(92,200)	(79,387)	(88,167)	(78,020)
Total	13,313	25,875	15,256	25,403

[1] The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The accounting policies and explanatory notes on pages 24 through 45 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2001

	2001	2000
	$'000	$'000
Cash flows from operating activities :		
Loss before taxation and minority interests	(11,709)	(12,829)
Adjustments for :		
Gain on disposal of fixed assets	(291)	(4,765)
Fixed assets written off	100	3
Provision for impairment of assets	-	1,212
Write-off of investment in associated companies	23	1,911
Depreciation of fixed assets	683	980
Amortisation of intangibles	702	676
Write-off of intangibles	771	-
Currency realignment	101	32
Provision for doubtful debts	228	23
Bad debts recovered	-	(33)
Share of loss of associated company	52	9
Interest income	(57)	(176)
Interest expense	46	163
Operating loss before reinvestment in working capital	(9,351)	(12,794)
Decrease in stocks	26	11
(Increase)/decrease in debtors	(267)	1,494
Increase/(decrease) in creditors	577	(284)
Decrease in marketable securities	6,980	3,323
Cash applied in operations	(2,035)	(8,250)
Interest received	57	176
Interest paid	(46)	(163)
Payment of intangibles	(12)	(57)
(Payment)/refund of income tax	(257)	49
Net cash used in operating activities	(2,293)	(8,245)
Cash flows from investing activities		
Purchase of fixed assets	(791)	(786)
Proceed from sale of fixed assets	2,244	5,735
Increase in interest in associated companies	(155)	(126)
Decrease/(increase) in other receivables	9	(73)
(Decrease)/increase in long term creditors	(123)	93
Acquisition of subsidiary company, net of cash acquired	-	(545)
Advance to an associated company	(5,169)	(1,796)
Net cash (used in)/provided by investing activities	(3,985)	2,502
Cash flow from financing activities		
Proceeds from hire purchase creditors and bank loan	139	421
Repayment of hire purchase creditors and bank loan	(455)	(1,534)
Net cash used in financing activities	(316)	(1,113)
Net decrease in cash and cash equivalents	(6,594)	(6,856)
Cash and cash equivalents at beginning of year (Note 12)	7,841	14,697
Cash and cash equivalents at end of year (Note 12)	1,247	7,841

The accounting policies and explanatory notes on pages 24 through 45 form an integral part of the financial statements.

1. Going concern

The Group and the Company incurred a net loss of $12.81 million and $10.15 million respectively for the financial year ended 31 December 2001 and current liabilities exceeded current assets by $2.73 million and $1.07 million respectively.

Due to the significant losses incurred by the Group and the Company, the Group faces liquidity requirements given the impending need to settle liabilities where payments have been deferred due to cash flow constraints being experienced by the Group. Based on the current estimates of available cash flows, the Group does not have sufficient cash to make repayments due to creditors and to meet daily operational requirements. Accordingly, the ability of the Group to continue as a going concern is dependent upon the Group's ability to raise additional funds for working capital requirements.

As disclosed in Note 33(d) and (e) to the financial statements, the Company proposed a capital reduction to reduce the par value of each ordinary share in the capital of the Company from $0.20 to $0.01 and to reduce the share premium account of the Company from $40,903,456.42 to $22,277,018.91. On 31 January 2002, the Singapore Exchange Securities Trading Limited gave its in-principle approval for the listing and quotation of 312,600,769 ordinary shares of $0.01 each upon the capital reduction taking effect. On 28 March 2002, the shareholders approved this proposed capital reduction during an extraordinary meeting held. As stated in the Circular to shareholders dated 6 March 2002, the rationale for the capital reduction is due to the Company's shares being mostly traded below their par value of $0.20 from 19 September 2000 to 20 February 2002. The lowest price at which the shares traded during that period was $0.105 on 21 to 23 March 2001, 2 April 2001, 4 April 2001 and 9 April 2001. In view of the fact that new shares cannot be issued at a discount to par value under the Articles of Association of the Company and the Companies Act without the approval of the court, it was proposed that the par value of the shares be reduced from $0.20 to $0.01 each. This would give the Company the necessary flexibility to undertake rights issues, future equity or equity-related fund raising and/or undertake acquisitions or restructuring exercises with corresponding issues of shares to recapitalise and strengthen the balance sheet of the Company.

The Company entered into a Conditional Placement Agreement on 10 May 2002 with Kim Eng Ong Asia Securities Pte Ltd for the placement of up to 62,500,000 new ordinary shares of $0.01 each at $0.06 per share. The above Placement is conditional upon receipt of in-principle approval from the Singapore Exchange Securities Trading Limited for the listing and quotation of these new shares and compliance with other conditions stipulated in the above Agreement [Note 33(f)].

The financial statements of the Group and the Company have been prepared on a going concern basis. The validity of the going concern assumption on which the financial statements are prepared depends on the successful completion of the abovementioned fund raising exercise. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or the amounts and classification of liabilities that may be necessary should the aforesaid assumption be inappropriate.

2. Corporate information

The financial statements of Inno-Pacific Holdings Ltd for the year ended 31 December 2001 were authorised for issue in accordance with a resolution of the Directors on 15 May 2002.

Inno-Pacific Holdings Ltd is a public limited liability company which is incorporated in Singapore.

The registered office of Inno-Pacific Holdings Ltd is located at 70 Shenton Way, #03-02 Marina House, Singapore 079118.

The principal activities of the Company are that of investment holding and management of companies. The principal activities of the subsidiary companies are stated in Note 4 to the financial statements. There have been no significant changes in the nature of these activities during the year.

The Company and the Group employed 10 and 84 (2000 : 13 and 113) employees as of 31 December 2001 respectively. The Group operates in 5 countries.

3. Summary of significant accounting policies

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Singapore Statements of Accounting Standard and applicable provisions of the Companies Act.

The consolidated financial statements have been prepared on a historical cost basis except for the measurement at fair value of trading and marketable securities.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

The financial statements are presented in Singapore dollars (SGD or S$).

(b) Principles of consolidation

The consolidated financial statements comprise the accounts of Inno-Pacific Holdings Ltd (the parent company) and its controlled subsidiaries, after the elimination of all material intercompany transactions.

Subsidiaries are consolidated from the date the parent obtains control until such time as control ceases. Subsidiary companies are accounted for by using the pooling of interests method when 90% or more of the capital of the subsidiaries are acquired by exchange of shares. All other acquisitions are accounted for, by using the purchase method.

When the pooling of interests method is used, the difference between the cost of the investment and the share capital of the subsidiary company is taken to a capital reserve or written off to the profit and loss account as appropriate.

When the purchase method is used, any excess of the consideration over the net assets at the date of acquisition is included in goodwill on consolidation and written off in the profit and loss account.

Assets, liabilities and results of overseas subsidiaries are translated into Singapore dollars on the basis outlined in paragraph (e) below.

Details of the Company's subsidiary companies are shown in Note 4 to the financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, which ends on 31 December, using consistent accounting policies.

(c) Investments in subsidiaries

Shares in subsidiary companies are stated in the Company's balance sheet at cost after write-down for permanent impairment in values.

(d) Investments in associated companies

Investments in associated companies over which the Company has significant influence (typically those that are 20-50% owned) are accounted for under the equity method of accounting and are carried in the balance sheet at the lower of the equity-accounted amount and the recoverable amount, and the pro rata share of income or loss of associates is included in income. The Company's investments in associated companies are shown in Note 4 to the financial statements.

Shares in associated companies are stated in the Company's balance sheet at cost and provision is made for permanent impairment in values.

(e) Foreign currency translation

Foreign currency transactions

Monetary assets and liabilities denominated in non-SGD currencies are translated into SGD equivalents using year-end foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions are included in the profit and loss accounts.

3. Summary of significant accounting policies (cont'd)

(e) Foreign currency translation (cont'd)

Foreign entities

Assets and liabilities of foreign entities are translated into SGD equivalents using year-end foreign exchange rates. Revenues and expenses are translated using year-end foreign exchange rates. The effects of translating these operations are taken directly to exchange translation reserve as a separate component of the shareholders' funds.

Goodwill and fair value adjustments owing on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

(g) Depreciation

Depreciation is calculated on the straight line method to write off the cost of fixed assets over their estimated useful lives. Depreciation charge is computed as from the dates the assets are put into use. No depreciation is charged for equipment and projects not commissioned. The depreciation rates in use are :-

Computers	- 33% – 100%
Plant, restaurant and kitchen equipment	- 10% – 20%
Other assets	- 10% – 33%

Fully depreciated fixed assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(h) Intangibles

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary or associate at the date of acquisition. Goodwill is written off in full in the profit and loss accounts.

Trademarks and franchise payments

Costs relating to trademarks and franchise payments are capitalised and amortised on a straight-line basis over the following periods :-

Trademark	- 15 years
Franchise payments	- 8 to 10 years

(i) Other investments

Other investments held on a long term basis are stated at average cost. Provision is made for any diminution in value which is considered to be permanent.

(j) Marketable securities

Marketable securities are stated at the lower of average cost and market value, cost being the fair value of the consideration given and including organisation charges associated with the investment. Market value is the last transacted market price at year-end date. Dividend income is accrued on the basis of the dates dividends are declared by the investee company.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Cost of work-in-progress comprises direct costs and attributable overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale and after making adequate provision for damaged, obsolete or slow-moving items.

(l) Revenue recognition

Recognition of initial franchise fees and related direct expenses are deferred, if significant, until the Group's services under its franchise agreements are performed and cash received. Royalties are accrued based on food and beverage sales of franchised restaurants.

Dividend income from subsidiary companies is accrued on the basis of dividends declared up to the date of the Directors' report.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts. Cash on hand and in banks are carried at cost.

(n) Trade and other receivables

Trade receivables, which generally have 30 - 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Recoverables from related parties are recognised and carried at cost less an allowance for any uncollectible amounts.

(o) Loans and borrowing

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing/loan.

After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement.

(p) Trade and other payables

Liabilities for trade and other amounts payable which are normally settled on 30 - 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at cost.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(r) Employee benefits

Defined contribution plan

As required by law, the Group's companies in Singapore and Malaysia make contributions to the state pension scheme, the Central Provident Fund (CPF) and Employees Provident Fund (EPF) respectively. CPF and EPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

3. Summary of significant accounting policies (cont'd)

(s) Income taxes

Deferred income tax is accounted for under the liability method whereby the tax charge for the year is based on the disclosed book profit after adjusting for all permanent differences. The amount of taxation deferred on account of all timing differences is reflected in the deferred taxation account. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

4. Group companies

Details of subsidiary and associated companies at 31 December 2001 are :-

	Subsidiary company	Principal activities	Country of incorporation	Cost to Company 2001 $'000	Cost to Company 2000 $'000	Percentage of interest held by the Group 2001	Percentage of interest held by the Group 2000
+	Inno-Pacific Property Holdings Pte Ltd	Investment holding	Singapore	10,300	10,300	100	100
+	Inno-Pacific Intertrade Pte Ltd	Investment holding	Singapore	15,429	15,429	100	100
+	Poon Guan Private Limited	Dormant	Singapore	-	-	100	100
+	Jadensworth Holdings Pte Ltd	Investment dealing	Singapore	-	-	100	100
+ +	Top-Text Sdn Bhd	Investment holding	Malaysia	15	15	90	90
+	Ocean Hope Investments Limited	Investment dealing	Hong Kong	-	-	100	100
+	Inno-Pacific Recreation Pte Ltd	Dormant	Singapore	-	-	100	100
+	Inno-Pacific Technologies Pte Ltd	Management, operations and provision of information technology and other related services	Singapore	-	-	100	100
+	IPH Technology Pte Ltd	Management, operations and provision of information technology and other related services	Singapore	-	-	100	100
+	IP Tec Telecom Pte Ltd	Dormant	Singapore	-	-	100	100
+	IPH Telecom Pte Ltd	Dormant	Singapore	50	50	100	100
*	IPH Telecom (HK) Limited	Dormant	Hong Kong	-	-	100	-
+ +	IPH Technology Sdn Bhd	Dormant	Malaysia	-	-	100	100
+	Virtual Data Materials Sdn Bhd	Management of call centre and data communications related activities	Malaysia	1,003	1,003	51	51
+	Excel Bytes Sdn Bhd	Management of call centre and data communications related activities	Malaysia	1	1	51	51
+	Excel Right Engineering Technologies Sdn Bhd	Dormant	Malaysia	1	1	51	51
+	Shakey's Holdings Pte Ltd	Investment holding	Singapore	2,340	2,340	88.9	88.9
+	Shakey's China Limited	Sub-licencing of territorial licence rights	Hong Kong	-	-	88.9	88.9
+	Shakey's Asia Pacific Pte Ltd	Investment holding and operation of Shakey's Pizza Restaurants	Singapore	-	-	88.9	88.9
+	Shakey's International Limited	Investment holding and Shakey's franchise owner worldwide except Japan, USA and Philippines	Hong Kong	-	-	88.9	88.9
#	Heritage Investment Corporation	Investment dealing	British Virgin Islands	-	-	88.9	88.9
#	Shakey's Middle East Ltd	Management of Shakey's Restaurants	British Virgin Islands	-	-	88.9	88.9
+	Shakey's Philippines Inc	Dormant	Philippines	-	-	88.9	88.9

4. Group companies (cont'd)

	Subsidiary company	Principal activities	Country of incorporation	Cost to Company 2001 $'000	Cost to Company 2000 $'000	Percentage of interest held by the Group 2001	Percentage of interest held by the Group 2000
#	Foods International Ltd	Dormant	British Virgin Islands	-	-	45.3	45.3
+	Innopac Acquisition Incorporated	Investment holding	USA	-	-	88.9	88.9
+	Shakey's Incorporated	Franchise owner and rendering services and assistance to franchisees of Shakey's Pizza Restaurant System in USA	USA	-	-	88.9	88.9
+	Shakey's of California, Inc	Operator and management of Shakey's restaurants	USA	-	-	88.9	88.9
+	Shakey's Putt N' Hoops Inc	Playland with food operations	USA	-	-	88.9	88.9
+	Shakey's Pizza Parlor Co. Inc	Trading of restaurant equipment	USA	-	-	88.9	88.9
+	Shakey's National Advertising Fund, Inc	Co-ordinates marketing activities of the Shakey's Systems in USA	USA	-	-	88.9	88.9
+	Wyoming Shakey's Pizza Parlor No. 4, Inc	Dormant	USA	-	-	88.9	88.9
+	Monarch Foods, Inc	Investment holding	USA	-	-	88.9	88.9
+	G&D Foods, Inc	Dormant	USA	-	-	88.9	88.9

Note
(i) Companies indicated with a (+) are audited by Ernst & Young, Singapore or associated firms
(ii) Companies indicated with a (++) are audited by other firms
(iii) Companies indicated with a (#) are not required to be audited in their respective countries of incorporation
(iv) Companies indicated with a * are not required to be audited in their respective countries of incorporation when the company has not commenced operations

(v) All active companies operate in their respective countries of incorporation except for the following :

Subsidiary company	Place of business
Shakey's Middle East Ltd	Middle East
Foods International Ltd	Jamaica
Shakey's International Limited	Singapore
Shakey's China Limited	Singapore
Heritage Investment Corporation	Singapore
Ocean Hope Investments Limited	Singapore

	Associated company	Principal activities	Country of incorporation	Cost to Company 2001 $'000	Cost to Company 2000 $'000	Percentage of interest held by the Group 2001	Percentage of interest held by the Group 2000
	Inno-Pacific (Thailand) Company Limited	Dormant	Thailand	-	-	49	49
	Shakey's (Thailand) Company Limited	Dormant	Thailand	-	-	49	49
	Ramnakorn Development Co Ltd	Dormant	Thailand	-	-	25	25
	Ben Franks International	Dormant	USA	-	-	40	40
*	Sawyer Falls Co, LLC	Property development	USA	5,825	5,671	66.7	50

* On 18 July 2001, the Company placed a deposit of $154,896 (US$84,000) to acquire an additional 16.7% of Sawyer Falls Co, LLC. On 7 September 2001, the Company entered into a sale and purchase agreement to acquire an additional 33.3% interest in Sawyer Falls Co, LLC (SFC) at a consideration of $3.06 million (US$1.75 million) and placed a deposit of $305,375 (US$175,000) to acquire the 33.3% interest. This agreement has been subsequently terminated on 25 February 2002 and the deposit has been charged to the profit and loss accounts for the year ended 31 December 2001.

Sawyer Falls Co, LLC. is not treated as a subsidiary and its results are not consolidated in the Group financial statements as the management has no controlling or significant influence on its financial or operating policies. The management is currently in the process of terminating the sale and purchase agreement of the additional 16.7% with the vendor.

In view of the temporary nature of this additional interest of 16.7%, the management has recorded the deposit of $154,896 (US$84,000) as cost of investment and the balance of $2,064,600 (US$1,116,000) is disclosed as commitment (refer to Note 31 to the financial statements).

5. Segment information

	Restaurants		Royalties and franchise fee		Investment and management financial services		Technology		Others (general trading)		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Business segment														
Segment revenue														
Sales to external customers	2,690	3,365	4,656	4,839	-	-	-	-	-	10	-	(117)	7,346	8,097
Unallocated revenue	8	335	18	135	3,355	9,843	-	-	41	12	(642)	(4,506)	2,780	5,819
Total revenue	2,698	3,700	4,674	4,974	3,355	9,843	-	-	41	22	(642)	(4,623)	10,126	13,916
Segment result	(449)	(1,875)	10,996	(1,285)	(22,645)	(22,564)	(1,979)	(436)	20	(400)	2,446	13,903	(11,611)	(12,657)
Operating loss													(11,611)	(12,657)
Finance costs													(46)	(163)
Share of loss of associated companies													(52)	(9)
Loss from continuing operations before taxation and minority interest													(11,709)	(12,829)
Taxation													(1,235)	(821)
Minority interest													131	105
Net loss for the year													(12,813)	(13,545)
Business segment														
Segment assets	97	2,206	3,779	28,294	25,785	48,217	279	1,107	15,066	16,616	(33,241)	(71,793)	11,765	24,647
Investment in associated companies	-	-	-	-	13,008	7,916	-	-	-	-	-	-	13,008	7,916
Total assets per balance sheet	97	2,206	3,779	28,294	38,793	56,133	279	1,107	15,066	16,616	(33,241)	(71,793)	24,773	32,563
Segment liabilities	(255)	(6,412)	(2,125)	(36,190)	(8,960)	(26,638)	(148)	(1,330)	(75)	(1,555)	103	65,437	(11,460)	(6,688)
Total liabilities per balance sheet	(255)	(6,412)	(2,125)	(36,190)	(8,960)	(26,638)	(148)	(1,330)	(75)	(1,555)	103	65,437	(11,460)	(6,688)
Other segment information :														
Capital expenditures	27	-	143	-	365	767	256	19	-	-	-	-	791	786
Depreciation	296	484	121	112	246	309	20	5	-	70	-	-	683	980
Amortisation	12	16	690	666	-	(19)	-	13	-	-	-	-	702	676
Write-off of intangibles	13	-	-	-	-	-	758	-	-	-	-	-	771	-
Impairment losses	-	1,212	-	--	-	-	-	-	-	-	-	-	-	1,212
Provision for diminution in value of marketable securities	-	-	-	-	967	4,462	-	-	-	-	-	-	967	4,462

	Singapore		Other Asian countries		USA and Mexico		Others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Geographical segments												
Segment revenue												
Sales to external customers	38	180	282	166	7,006	7,756	20	113	-	(118)	7,346	8,097
Intersegment sales	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	3,395	9,855	9	2	18	466	-	-	(642)	(4,504)	2,780	5,819
Total revenue	3,433	10,035	291	168	7,024	8,222	20	113	(642)	(4,622)	10,126	13,916
Other geographical information :												
Segment assets	34,599	71,561	835	2,630	3,790	29,916	167	249	(14,618)	(71,793)	24,773	32,563
Capital expenditure	571	778	50	8	170	-	-	-	-	-	791	786

6. Fixed assets

	Plant, restaurant and kitchen equipment $'000	Other assets $'000	Total $'000
Group			
Cost			
At 1 January 2001	1,516	5,920	7,436
Additions	26	765	791
Disposals/write-off	(1,344)	(5,109)	(6,453)
Impairment losses written back	329	997	1,326
Currency realignment	92	257	349
At 31 December 2001	619	2,830	3,449
Accumulated depreciation			
At 1 January 2001	838	3,387	4,225
Charge for the year	125	558	683
Disposals/write-off	(644)	(2,430)	(3,074)
Currency realignment	54	158	212
At 31 December 2001	373	1,673	2,046
Charge for 2000	162	818	980
Net book value			
At 31 December 2001	246	1,157	1,403
At 31 December 2000	678	2,533	3,211

Other assets comprise motor vehicles, leasehold improvements, office equipment and furniture.

	Motor vehicles $'000	Other assets $'000	Total $'000
Company			
Cost			
At 1 January 2001	1,157	259	1,416
Additions	-	117	117
Transfer from a subsidiary company	212	-	212
Disposals	(1,157)	(4)	(1,161)
At 31 December 2001	212	372	584
Accumulated depreciation			
At 1 January 2001	277	217	494
Charge for year	176	17	193
Disposals	(439)	(5)	(444)
At 31 December 2001	14	229	243
Charge for 2000	231	37	268

6. Fixed assets (cont'd)

	Motor vehicles $'000	Other assets $'000	Total $'000
Company (cont'd)			
Net book value			
At 31 December 2001	198	143	341
At 31 December 2000	880	42	922

At the balance sheet date, the net book value of motor vehicles under finance leases amount to $198,000 (2000 : $884,000) for the Group and $198,000 (2000 : $879,000) for the Company.

7. Subsidiary companies

	Company	
	2001 $'000	2000 $'000
Unquoted shares, net of amount written off	28,084	28,084
Loans from subsidiary companies	(4,688)	(4,201)
Loans to subsidiary companies, net of amount written off	1,803	1,917
Amounts due from subsidiary companies - non-trade, net of amount written off	10,498	14,910
Amounts due to subsidiary companies - non-trade	(31,078)	(27,222)
Write-down of amount due from subsidiary companies	(2,582)	-
	2,037	13,488

The amounts due from/to and loans from subsidiary companies are unsecured and interest-free. These amounts are not due for payment within the next 12 months.

8. Associated companies

	Group		Company	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Unquoted shares, net of amount written off	5,825	5,693	5,825	5,670
Share of post-acquisition losses less profits	(1,005)	(853)	-	-
Currency realignment	(57)	-	-	-
	4,763	4,840	5,825	5,670
Amounts due from associated companies - non-trade, net of amount written off	3,035	1,576	3,035	1,577
Loans to associated companies, net of amount written off	5,210	1,500	5,210	1,500
	13,008	7,916	14,070	8,747

Amounts due from associated companies are unsecured and interest-free. These amounts are not due for payment within the next 12 months.

9. Intangible assets

	Goodwill $'000	Trademark $'000	Others $'000	Total $'000
Group				
Cost				
At 1 January 2001	771	10,856	88	11,715
Additions	-	8	4	12
Write-offs	(771)	(16)	(64)	(851)
Reclassification	-	(71)	-	(71)
Currency realignment	-	624	2	626
At 31 December 2001	-	11,401	30	11,431
Accumulated amortisation				
At 1 January 2001	13	8,602	46	8,661
Charge for the year	-	689	13	702
Write-offs	(13)	(8)	(59)	(80)
Currency realignment	-	469	-	469
At 31 December 2001	-	9,752	-	9,752
Charge for 2000	13	650	13	676
Net book value				
At 31 December 2001	-	1,649	30	1,679
At 31 December 2000	758	2,254	42	3,054

10. Other receivables

	Group		Company	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Other receivables are stated after deducting provision for doubtful debts of	347	347	-	-
Analysis of provision for doubtful debts :				
Balance at 1 January/31 December	347	347	-	-

Included in other receivables is a loan of $257,000 (2000 : $240,000) to a franchisee. It is interest-free and repayable semi-annually in four equal instalments of $58,200 (C$50,000) each with the first repayment commencing on 28 February 2003.

11. Other investments

Unquoted shares, at cost	4	4	4	4
Unquoted corporate club membership, at cost	12	12	12	12
	16	16	16	16

12. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts :-

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Cash and bank balances	1,247	2,951	85	670
Fixed deposits	-	4,890	-	500
	1,247	7,841	85	1,170

13. Trade debtors

	Group	
	2001	2000
	$'000	$'000
Trade debtors are stated after deducting provision for doubtful debts of	868	1,090
Analysis of provision for doubtful debts :		
Balance at 1 January	1,090	1,392
Charge to profit and loss account	155	23
Bad debts written off	(425)	(395)
Bad debts recovered	-	(33)
Currency realignment	48	39
Reclassification	-	64
Balance at 31 December	868	1,090

14. Other debtors

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Deposits	65	233	62	61
Prepaid expenses	128	143	23	27
Staff loan	14	26	14	26
Tax recoverable	66	953	54	2,805
Tax suspense	4,760	-	4,760	-
Sundry debtors	1,817	1,640	215	44
	6,850	2,995	5,128	2,963
Less : Provision for uncollectible amount	(827)	(754)	(68)	-
	6,023	2,241	5,060	2,963
Analysis of provision :				
Balance at 1 January	754	754	-	-
Charge to profit and loss account	73	-	68	-
Balance at 31 December	827	754	68	-

For details of tax suspense, please refer to Note 20 to the financial statements.

15. Marketable securities

	Group	
	2001	2000
	$'000	$'000
At cost :		
Quoted shares in corporations	2,954	11,508
Write-down in value	(2,902)	(4,476)
	52	7,032
Market value :		
Quoted shares in corporations	52	7,046
Analysis of write-down in value :		
Balance at 1 January	4,476	721
Charge to profit and loss account	967	4,462
Write-back	(2,540)	(704)
Currency realignment	(1)	(3)
Balance at 31 December	2,902	4,476

16. Inventories

At cost -		
Food stocks	19	45

17. Other creditors

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Accrued operating expenses	1,074	1,346	721	852
Sundry creditors	1,125	601	686	415
Other creditors	2,478	2,478	3	-
	4,677	4,425	1,410	1,267

18. Finance leases

Unsecured :-				
Repayable within one year	28	159	28	157
Repayable after one year	138	462	138	462
	166	621	166	619

The future lease payments under finance leases are as follows :-

2001	-	182	-	180
2002	33	180	33	180
2003	33	174	33	174
2004	33	140	33	140
2005	33	30	33	30
2006	33	7	33	7
2007	33	-	33	-
	198	713	198	711
Less : Amounts representing interest	(32)	(92)	(32)	(92)
	166	621	166	619

19. Line of credit, secured

The line of credit of a subsidiary company of $138,750 (US$75,000) is secured by the assignment of a bank deposit account of the subsidiary company to the bank. The line of credit bears interest at 5.5% per annum and is repayable on 1 October 2002.

20. Provision for taxation

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Provision for income tax	9	19	-	-
Tax suspense	4,760	-	4,760	-
Provision for withholding tax	17	17	17	17
	4,786	36	4,777	17

The Comptroller of Income Tax ("CIT") has assessed the Company to be liable to income tax for the years of assessment 1988 and 1990 to 1997 amounting to $4,760,482 after deducting tax deducted source. The liability to tax for these years of assessment arose from the CIT assessing the Company on the basis that it was a passive investment holding company, as a result of which deduction of certain expenses incurred by the Company in the ordinary course of business were disallowed. The Company has raised an objection against the CIT's assessments. The Company has made a provision of $4,760,482 in the financial statements in respect of the tax assessed and recognised a tax suspense of the same amount (see Note 14) because based on professional advice received, the Directors are of the opinion that these assessments can be successfully resisted.

21. Long-term creditors

Lease creditors	199	368	-	-
Deferred income - franchise fee	46	-	-	-
	245	368	-	-

22. Share capital

	Group and Company	
	2001	2000
	$'000	$'000
Authorised :		
600,000,000 ordinary shares of $0.20 each	120,000	120,000
Issued and fully paid :		
312,600,769 ordinary shares of $0.20 each	62,520	62,520

23. Revenue

Revenue represents cash and invoiced sales and services, franchise fees and royalties, net of sales tax. It excludes dividends, interest income and, in respect of the Group, intra-group transactions.

24. Other revenue

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Rental income				
- investment property	-	17	-	-
- sub-lease	10	108	1	1
Write-back of provision for diminution in value of marketable securities	2,540	704	-	-
Dividends				
- quoted equity investment	124	212	-	-
- unquoted subsidiary company	-	-	-	3,000
Interest				
- related parties	-	5	-	5
- deposits	56	147	7	81
- accounts receivable	1	24	-	-
Management and advisory fees received from subsidiary companies	-	-	315	380
Recharged of expenses to subsidiary companies	-	-	90	120
Gain on sale of a freehold property	-	4,262	-	-
Proceeds from litigation settlement	-	324	-	-
Other income	18	16	-	-
Trade creditors written back	31	-	-	-
	2,780	5,819	413	3,587

25. Administrative costs

Included in administrative costs are :-

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Auditors' remuneration -				
Auditors of the company				
- current year	120	127	65	79
- overprovision in prior years	(7)	(35)	(15)	(28)
- other fees	174	78	174	71
Other auditors				
- current year	97	138	-	-
Directors' emoluments				
- Proposed fees	32	65*	32	65*
- Other emoluments	1,256	1,554	1,105	1,398
- Central Provident Fund	55	76	55	76
Fees paid to a firm in which a director is a member	-	14	-	14
Fees paid to a firm in which two of the directors have deemed interests	30	-	25	-
Staff costs				
- Central Provident Fund	124	100	63	57
- Employees Provident Fund	19	3	-	-
- Salaries and other benefits	4,624	4,583	476	607

*The proposed fees of $65,000 was not approved by the shareholders during the last annual general meeting meeting held. Accordingly, the amount has not been paid.

25. Administrative costs (cont'd)

Directors' remuneration of the Company disclosed pursuant to the Singapore Exchange Securities Trading Limited listing rules is as follows :-

	Group	
Number of directors in remuneration bands	2001	2000
$500,000 and above	-	2
$250,000 to $499,999	3	1
Below $250,000	9	5
Total	12	8

The aggregate emoluments of the Directors of the Company were as follows :

	$'000	$'000
Non-executive directors' fees	32	65
Executive directors' emoluments	1,311	1,644
Aggregate emoluments	1,343	1,709

26. Other operating costs

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Included in other operating costs are :-				
Amortisation of intangibles	702	676	-	-
Write-off of intangibles	771	-	-	-
Depreciation of fixed assets	683	980	193	268
(Gain)/loss on disposal of fixed assets	(291)	(172)	88	(39)
Provision for asset impairment	-	1,212	-	-
Provision for diminution in value of marketable securities	967	4,462	-	-
Inventories written off	-	1	-	-
Foreign exchange (gain)/loss - net	(403)	(9)	(325)	12
Provision for non-recovery of recoverables	228	23	68	-
Loss on disposal of marketable securities	3,019	2,084	-	-
Bad debts recovered	-	(33)	-	-
Fixed assets written off	100	3	-	-
Write off of investment in associated companies	23	1,911	-	1,911
Write off of loan to an associated company	-	425	-	425
Write off of interest on loan to an associated company	-	3	-	3
Write back of provision for contingency (Bear Valley lease obligation)	-	(19)	-	-
Write off of investment in subsidiary companies	-	-	-	9,352
Write off of amount due from subsidiary companies	-	-	-	7,163
Write down of amount due from an associated company	27	-	-	-
Write down of amount due from subsidiary companies	-	-	2,582	-

27. Finance costs

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Interest expense :-				
Related party loans	-	-	-	41
Loans and borrowings	-	98	-	-
Overdraft facility	-	37	-	-
Finance charges - lease liability (Note 18)	15	22	11	22
Equipment lease	31	-	-	-
Others	-	6	-	-
	46	163	11	63

28. Income tax

Major components of income tax expense for the year ended 31 December were :-

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Current tax - Singapore	-	(55)	-	-
- Foreign	(26)	(1)	-	-
Overprovision in respect of previous years	110	79	-	-
Tax paid in advance written off	(276)	-	-	-
Tax deducted at source written off	(943)	-	(2,805)	-
	(1,135)	23	(2,805)	-
Associated companies	(100)	(844)	-	-
	(1,235)	(821)	(2,805)	-

The taxation charge for the Company and the Group mainly comprises tax deducted at source written off in view that these amounts have been used to offset the tax assessments of 1998 and 1990 therefore resulting in a net tax suspense of $4,760,482 (Note 20).

Tax paid in advance of a subsidiary company relating to a Section 44 charge has been written off to profit and loss account in view of the uncertainty of realisation in the foreseeable future.

As at 31 December 2001, certain of the subsidiary companies have tax losses amounting to approximately $7,623,000 (2000 : $7,750,000) and wear and tear allowances amounting to approximately $207,000 (2000 : $148,000). The availability of these losses to be carried forward to offset future profits is subject to the provisions of the Income Tax Act. The deferred tax benefit relating to these tax losses and wear and tear allowances of approximately $1,918,000 (2000 : $1,935,000) has not been recognised in the financial statements as its realisation is not certain.

29. Loss per share

Loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the loss and share data used in the basic loss per share computation for the years ended 31 December :-

	Group	
	2001	2000
	$'000	$'000
Net loss attributable to ordinary shareholders for basic loss per share	12,813	13,545
Weighted average number of ordinary shares on issue applicable to basic loss per share	312,601	312,601

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

30. Contingent liabilities

Litigation cases of Shakey's Inc.

Sterling Foods and John J. Mc Nulty, Jr vs Shakey's Incorporated

In March 2001, Shakey's Incorporated (Shakey's Inc.), an indirect subsidiary of the Company incorporated in Delaware, USA was served with two separate claims by two of Shakey's franchisees, namely Sterling Foods, Inc., and Mr John J McNulty Jr (collectively the "plaintiffs"). The plaintiffs' primary claim is that Shakey's Inc. committed numerous breaches of duty in connection with its franchise agreements with the plaintiffs. The plaintiffs collectively demand for compensatory damages in excess of US$7 million, in addition to special and punitive damages and attorney's fees and costs.

Shakey's Incorporated vs Lombard Investments LLC. (Lombard)

Shakey's Inc. filed a claim against Lombard for breach of contract, breach of fiduciary duty, wilful misconduct and gross negligence in connection with its role as a consultant to Shakey's Inc. Shakey's Inc. is seeking unspecified compensatory damages and declaratory relief of liability against Lombard for any adverse judgment in specified actions, along with attorney's fees and costs. Lombard has generally denied Shakey's claim, and has counterclaimed for breach of contract, slander and unjust enrichment against Shakey's. Lombard is seeking compensatory damages in excess of US$20,000 plus attorney's fees and costs.

Management and its legal counsel are of the view that the above claims can be successfully resisted and accordingly no provision has been made in the financial statements in respect of these claims.

31. Commitments

Operating lease commitments

Rental expense (principally for offices and restaurants) for the Company and the Group was $204,000 and $855,000 (2000 : $247,000 and $1,314,000) for the years ended 31 December 2001 and 2000, respectively.

Future minimum rentals under non-cancellable leases are as follows as of 31 December :-

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Within one year	576	843	184	211
After one year but not more than five years	663	1,784	-	184
More than five years	292	603	-	-
	1,531	3,230	184	395

Capital expenditure commitments

Capital expenditure commitments not provided for in the financial statements :-

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Commitments for motor vehicle in respect of contract placed	-	230	-	-
Commitments in respect of sale and purchase agreement of 16.7% interest in Sawyer Falls Co, LLC (Note 4)	2,065	-	2,065	-
Commitments in respect of termination agreement of 33.3% interest in Sawyer Falls Co, LLC (Note 4)	1,159	-	1,159	-

32. Related party transactions

The following are the related party transactions entered into by the Company and the Group :-

Fees paid to a firm in which a director is a member	-	14	-	14
Amount paid for services rendered by company in which a director has an interest	35	273	8	210
Fees paid to a firm in which two of the directors have deemed interests	30	-	25	-

33. Subsequent event

(a) A sale and purchase agreement was entered into on 18 June 2001 by the Company with Oneworld Investments Pte Ltd and Healthcare Group Inc. (collectively referred to as the "Vendors") for the acquisition of 320,000 shares of $1.00 each in the capital of Health One Pte Ltd (H1), representing 20% of the total issued and paid-up share capital of H1.

By the contemplated date and its extensions, the Vendors have not provided all the information required by the Company and its financial advisor to complete its due diligence exercise of H1. Accordingly, the Company has decided not to proceed with the proposed acquisition and pursuant to the agreement, informed the Vendors to exchange the S$300,000 non-refundable deposit paid to the Vendors for 8,000 ordinary shares of S$1.00 each of H1.The 8,000 ordinary shares represent 0.5% of the issued share capital of H1.

(b) A shares sale and purchase agreement was completed on 24 January 2002 between a subsidiary company, Shakey's Holdings Pte Ltd (SHPL) and a third party whereby SHPL disposed off its entire shares in Shakey's International Ltd for a total consideration of $1.25 million. According to the sale and purchase agreement, Shakey's Holdings Pte Ltd, a subsidiary of the Company, will be liable under the warranties contained or referred to in the agreement. The warranties include the representations, warranties and undertakings on the accounts, management accounts, tax records and returns and corporate matters. The warranties will cease after six months from the completion dated 24 January 2002 and are limited to a maximum aggregate amount of 50% of the consideration of $1,250,000.

(c) On 7 September 2001, the Company entered into a sale and purchase agreement to acquire an additional 33.3% interest in Sawyer Falls Co, LLC at a consideration of $3.06 million (US$1.75 million). This agreement has been subsequently rescinded via a Termination Agreement dated on 25 February 2002.

33. Subsequent event (cont'd)

(d) During the financial year, the Company submitted an application to SGX-ST, and subject to shareholders' approval to propose a capital reduction exercise to reduce the par value of each ordinary share in the capital of the Company from $0.20 to $0.01 and to reduce the share premium account of the Company from $40,903,456.42 to $22,277,018.91.

On 31 January 2002, the SGX-ST gave its in-principle approval for the listing and quotation of 312,600,769 ordinary shares of $0.01 each upon the capital reduction taking effect.

(e) At an Extraordinary General Meeting held on 28 March 2002, the shareholders of the Company approved inter-alia the following : -

1. THAT pursant to Article 49 of the Existing Articles and subject to the confirmation of the High Court of the Republic of Singapore : -

(a) the capital of the Company be reduced from $120,000,000.00 divided into 600,000,000 ordinary shares of $0.20 each, of which 312,600,769 ordinary shares of $0.20 each have been issued and are fully paid up, or credited as fully paid-up, to $120,000,000 divided into 12 billion ordinary shares of $0.01 each, of which 312,600,769 ordinary shares of $0.01 each will be issued and fully paid-up or credited as fully paid-up, and that the reduction be effected by :

(i) canceling paid-up capital to the extent of $0.19 on each of the 312,600,769 ordinary shares which have been issued and are fully paid-up, or credited as fully paid-up; and

(ii) reducing the share premium account of the Company from $40,903,456.42 to $22,277,018.91 i.e. by canceling the sum of $18,626,437.51 standing to the credit of the share premium account in the books of the Company; and

(iii) reducing the nominal amount of all ordinary shares, both issued and unissued, from $0.20 to $0.01; and

(iv) that forthwith upon the reduction of capital (the "Capital Reduction") taking effect, an amount which is equal to $78,020,583.62, being the credit arising on the proposed Capial Reduction taking effect be applied in writing-off the accumulated losses of the Company; and

(b) subject to and contingent upon the Capital Reduction taking effect, the authorized ordinary share capital of the Company be increased to its former capital of $120,000,000.00 by the creation of an additional 11,400,000,000 ordinary shares of $0.01 each.

2. The adoption of a new set of Articles of Assocaition.

(f) On 10 May 2002, the Company has entered into a Conditional Placement Agreement with Kim Eng Ong Asia Securities Pte Ltd pursuant to which the latter has agreed to procure subscriptions on a best endeavours basis only, for up to 62,500,000 new ordinary shares of $0.01 each in the capital of the Company at $0.06 per share.

According to the Agreement, the Placement is conditional upon receipt of in principle approval from SGX-ST for the listing and quotation of these shares on the SGX-ST.

34. Financial risk management objectives and policies

The Company and the Group is exposed to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Foreign exchange risk

In financial year 2001, almost all of the sales and purchase of the Group are denominated in United States currency. However, the functional currencies of the entities generating these sales are also mainly United States currency, there is minimal risk involved.

In terms of transactional exposures of the Group in currencies other than the functional currencies of the operating entities, the Group ensures that the net exposure is kept to an acceptable level.
The Company and the Group also have a number of investments in foreign subsidiaries, which net assets are exposed to currency translation risk. These assets are long-term in nature and the exchange differences arising from translation are taken directly to the foreign currency translation reserve. The exchange rates are monitored regularly.

Although the Group does not enter into any hedging contracts, it does hedge the fluctuation in certain currency when the management deems necessary.

Interest rate risk

Where necessary, the Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available.

Surplus funds are placed with reputable banks. As at balance sheet date, the Group has no significant interest rate risks other than those associated with cash and bank balances.

Credit risk

The carrying amount of cash and cash equivalents, trade debtors and other debtors represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Liquidity risk

The Group ensures availability of funds through an adequate amount of cash and when necessary fundraising exercise will be considered via right issues, private placements, other equity or equity related exercise.

Fair values

The fair values of non-current finance leases which are not carried at fair value in the financial statements are presented in the following table as of 31 December. The fair values are estimated using discounted cash flow analysis, based on current lending rates for similar finance leases.

	Group and Company			
	Total carrying amount		Aggregate net fair value	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Non-current finance leases	138	462	70	285

The carrying amounts of trade and other receivables, cash, bank overdraft, trade and other payables approximate their fair values due to their short-term nature.

35. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation and changes in the Singapore Statements of Accounting Standard.

Size of Shareholdings

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 - 1,000	906	5.75%	854,504	0.27%
1,001 - 10,000	10,725	68.08%	62,036,578	19.84%
10,001 - 1,000,000	4,103	26.04%	159,538,771	51.04%
1,000,001 and above	21	0.13%	90,170,916	28.85%
	15,755	100%	312,600,769	100%

Authorised share capital	:	S$120,000,000
Issued share capital	:	S$3,126,007.69
Number of shares	:	312,600,769
Class of shares	:	ordinary shares of S$0.01 each
Voting rights	:	one vote per share

Top Twenty Shareholders as at 10 May 2002

S/No.	Name	No. of Shares	Percentage
1	Kim Eng Ong Asia Securities Pte Ltd	16,529,000	5.29%
2	ABN Amro Nominees S'pore Pte Ltd	9,333,000	2.99%
3	Lim Siak Khee	8,707,000	2.78%
4	DBS Nominees Pte Ltd	8,530,500	2.73%
5	United Overseas Bank Nominees Pte Ltd	7,828,666	2.50%
6	Morgan Stanley Asia (S'pore) Securities Pte Ltd	6,976,000	2.23%
7	Lim Sek Hui	6,767,000	2.16%
8	Oversea Chinese Bank Nominees Pte Ltd	4,407,500	1.41%
9	Pua Teck Ann	2,987,000	0.96%
10	Overseas Union Bank Nominees Pte Ltd	2,410,750	0.77%
11	UOB Kay Hian Pte Ltd	2,169,000	0.69%
12	OCBC Securities Private Ltd	1,892,000	0.61%
13	Ho Weng Yew	1,814,000	0.58%
14	Chng Nai Rui (Zhuang Nairui)	1,550,000	0.50%
15	Lim Lee Shia	1,333,000	0.43%
16	Phillip Securities Pte Ltd	1,216,000	0.39%
17	Sukardi Tandijono Tang	1,200,000	0.38%
18	Raffles Nominees Pte Ltd	1,165,000	0.37%
19	Kong Lee Hua	1,158,000	0.37%
20	Ng Cheng Fern Jolene	1,130,000	0.36%
		89,103,416	28.50%

Substantial Shareholders as at 10 May 2002
(per Register of Substantial Shareholders)

	Name	No. of Shares held	Deemed Interest
*1.	Bintang Piramid (M) Sdn Bhd	43,379,000	-
*2.	Lt Jen (K) Tan Sri Mohamed bin Ngah Said	-	43,379,000
*3.	Dato' Soh Chee Wen	-	43,379,000

* Dato' Soh Chee Wen is a Director and substantial shareholder of Bintang Piramid (Sdn) Bhd ("Bintang") and Lt Jen (K) Tan Sri Mohamed bin Ngah Said is also a substantial shareholder of Bintang. Based on the notifications given to the Company on 10 November 1994 and 10 April 1995, 43,379,000 shares were being held by various nominees in trust for Bintang. According to the CDP register, as at 30 April 2002, none of the said nominees stated in the notifications of 10 November 1994 and 10 April 1995 were still registered shareholders of Bintang. However, Bintang has not notified the Company of any changes in its shareholdings since the notifications of 10 November 1994 and 10 April 1995. The Company has written to Bintang to obtain confirmation of its interest in shares of the Company and in relation to Bintang's obligation to notify the Company of any change of its interest as a substantial shareholder but as of the date of printing this Annual Report the Company had not received any response from Bintang. Therefore, the Company is unable to ascertain whether Bintang continued to be a substantial shareholder of the Company.

Directors' Shareholdings as at 21 January 2002

	Name of Director	No. of Shares	% of holding
	Direct Interest		
1.	Quek Chek Lan	600,000	0.19%
2.	Ong Kah Hock	1,000	-
	Deemed Interest		
1.	Quek Chek Lan[1]	3,800,000	1.22%

[1] Mr Quek's 3,800,000 Shares are held through a depository agent, Kim Eng Ong Asia Securities Pte Ltd

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of the Company will be held at 70 Shenton Way, #03-02 Marina House, Singapore 079118 on Friday, 14 June 2002 at 9:30 a.m. to transact the following businesses: -

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 December 2001 together with the Auditors' Report thereon. [Resolution 1]

2. To approve the Directors' Fees of $32,500 for the year ended 31 December 2001 (2000 : S$NIL). [Resolution 2]

3. To re-elect the following Directors retiring pursuant to the Articles of Association:
   (a) Mr Quek Chek Lan (Article 90) [Resolution 3]
   (b) Mr Phang Yul Cher Yeow (Article 90) [Resolution 4]
   (c) Dato' Moehamad Izat Emir (Article 106) [Resolution 5]
   (d) Mr Lee Lee King (Article 106) [Resolution 6]

4. To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to fix their remuneration. [Resolution 7]

5. To transact any other business.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:-

6. Authority to Directors to issue Shares [Resolution 8]

   "THAT pursuant to the provisions of Section 161 of the Companies Act (Chapter 50) and subject to Clause 941(3) of the Listing Manual of Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue Shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, provided that the aggregate number of Shares to be issued pursuant to this resolution does not exceed 50% of the then existing issued share capital of the Company, of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the then existing issued share capital of the Company, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

BY ORDER OF THE BOARD

LEE KOH SING
JENNIFER LEE SIEW JEE
Company Secretaries

Singapore, 29 May 2002

EXPLANATORY NOTE ON ORDINARY RESOLUTION TO BE PASSED

The proposed Resolution 8, if passed, will empower the Directors of the Company from the date of the above meeting until the date of the next Annual General Meeting, to issue shares in the Company. The number of shares which the Directors may issue under this Resolution would not exceed 50% of the issued share capital of the Company for the time being. For issue of shares other than on a pro-rata basis to all shareholders of the Company, the aggregate number of shares to be issued shall not exceed 20% of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notes:
1. A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
2. 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.
3. A proxy need not be a member of the Company.
4. A corporation, which is a member of the Company, may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting.
5. The instrument appointing a proxy must be deposited at the registered office of the Company, at 70 Shenton Way, #03-02 Marina House, Singapore 079118 not less than 48 hours before the time appointed for holding the meeting.

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

Mr Lee Lee King will, upon re-election as a Director of the Company, continue to serve as member and Chairman of the Audit Committee. Mr Lee Lee King will be considered independent for the purpose of Clause 902(4)(a) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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INNO-PACIFIC HOLDINGS LTD
(Incorporated in the Republic of Singapore)

PROXY FORM

*I/We,_______________________________ (Name) _______________(NRIC No.)

of ____(Address)

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

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

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 14 June 2002 at 9.30 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions	For	Against
1.	Adoption of Reports and Accounts		
2.	Approval of Directors' Fees		
3a.	Re-election of Mr Quek Chek Lan		
3b.	Re-election of Mr Phang Yul Cher Yeow		
3c.	Re-election of Dato' Moehamad Izat Emir		
3d.	Re-election of Mr Lee Lee King		
4.	Appointment of Auditors and fixing their remuneration		
5.	Any other routine business		
6.	Special Business : Authority to issue shares pursuant to Section 161 of the Companies Act, Cap. 50		

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

Dated this __________ day of __________ 2002.

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

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

IMPORTANT : PLEASE READ NOTE OVERLEAF

NOTES :

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 70 Shenton Way, #03-02 Marina House, Singapore 079118 not less than 48 hours before the time appointed for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation, which is a member, may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the annual general meeting as certified by The Central Depository (Pte) Limited to the Company.