

CIRCULAR DATED 4 AUGUST 2004

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold all your ordinary shares of S\$0.01 each ("Shares") in the capital of Inno-Pacific Holdings Ltd ("IPH" or the "Company"), please forward this Circular, the Notice of Extraordinary General Meeting and the enclosed Proxy Form immediately to the purchaser or to the stockbroker, bank or agent through whom the sale was effected for onward transmission to the purchaser.

The Singapore Exchange Securities Trading Limited ("SGX-ST") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



INNO-PACIFIC HOLDINGS LTD

(Company Registration Number: 197301788K)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

**IN RELATION TO THE PROPOSED
DISPOSAL OF THE BUSINESS, ASSETS AND UNDERTAKINGS OF
SHAKEY'S INCORPORATED AND SHAKEY'S OF CALIFORNIA**

IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Form	:	18 August 2004 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	20 August 2004 at 10.00 a.m.
Place of Extraordinary General Meeting	:	70 Shenton Way #03-02 Marina House Singapore 079118

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:–

“Act”	:	The Companies Act, Chapter 50 of Singapore
“Affiliate”	:	An affiliate of a company is a person who directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such a company
“Asset Purchase Agreements”	:	The Asset Purchase Agreements dated 30 June 2004 entered into between the Company, the Sellers and the Purchasers for the sale of the Sale Assets by the Sellers to the Purchasers
“Board”	:	The board of Directors of the Company
“Business Day”	:	A day (other than a Saturday, Sunday or Singapore public holiday) on which commercial banks are open for business in Singapore
“CDP”	:	The Central Depository (Pte) Limited
“Closing”	:	Completion of the Disposal of Sale Assets
“Closing Date”	:	31 August 2004 or such other date as the Sellers and the Purchasers shall mutually agree upon
“Directors”	:	The Directors of the Company as at the date of this Circular
“Disposal of Sale Assets”	:	Sale of the Sale Assets by the Company to the Purchasers pursuant to the Asset Purchase Agreements
“EGM”	:	The extraordinary general meeting of the Company to be held on 20 August 2004, notice of which is set out on page 15 of this Circular
“EPS”	:	Earnings per Share
“Franchisee Litigation”	:	A lawsuit styled Nisar Ahmed, et al vs. Shakey’s et al filed on 30 December 2002 in the Superior Court of California, Los Angeles County (Case No. BC 287817), alleging breach of contract, breach of the covenant of good faith and fair dealing, fraud, negligent misrepresentation and accounting
“FY2001”	:	Financial year ended 31 December 2001
“FY2002”	:	Financial year ended 31 December 2002
“FY2003”	:	Financial year ended 31 December 2003
“IPH” or the “Company”	:	Inno-Pacific Holdings Ltd
“IPH Group” or the “Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 30 July 2004
“Listing Manual”	:	Listing Manual of the SGX-ST, as amended or modified from time to time

“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“NAV”	:	Net Asset Value
“NTA”	:	Net Tangible Assets
“PER”	:	Price earning ratios
“Purchasers”	:	The Jacmar Companies, Shakey’s Restaurants Franchising Company, LLC and Jacmar Covina, LLC and a “Purchaser” shall mean any one of them, as the case may be
“Sale Assets”	:	The business, assets and undertakings of Shakey’s and Shakey’s of California, details of which are more particularly set out in the Asset Purchase Agreements
“Sale Consideration”	:	The aggregate sum of US\$4,500,000
“Sellers”	:	Shakey’s and Shakey’s of California
“Shakey’s”	:	Shakey’s, Incorporated
“Shareholders”	:	Persons who are registered as holders of the Shares except where the registered holder is CDP, in which case the term “Shareholders” shall in relation to such Shares mean the Depositors whose securities accounts maintained with CDP are credited with the Shares
“Shares”	:	Ordinary shares of S\$0.01 each in the capital of the Company
“US”	:	United States of America
“\$” or “S\$” and “cents”	:	Singapore dollars and cents, respectively
“US\$”	:	United States dollars
“%” or “per cent.”	:	Per centum or percentage

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

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and not otherwise defined in this Circular, shall have the same meaning assigned to it under the Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

INNO-PACIFIC HOLDINGS LTD

(Incorporated in the Republic of Singapore)

Directors

Dato' Moehamad Izat Emir
Wong Chin Yong
Lim Kok Hui
Ong Kah Hock
Phang Ian Cher Shen
Quek Chek Lan
Tay Yong Hua

Registered Office

70 Shenton Way
#03-02 Marina House
Singapore 079118

Date : 4 August 2004

To: The Shareholders

Dear Sir/Madam

THE PROPOSED DISPOSAL OF THE SALE ASSET

1. INTRODUCTION

On 1 July 2004, your Directors announced that the Company and its subsidiaries, Shakey's and Shakey's of California have on 30 June 2004 entered into two Asset Purchase Agreements to sell, *inter alia*, the right, title and interest of the Sellers in and to the business, properties, assets and rights of any kind, whether tangible or intangible, real or personal and constituting, or used in connection with or related to the Sellers' businesses comprising of (i) Shakey's restaurants franchise in the US; and (ii) a Shakey's restaurant in Covina, California to the Purchasers for the Sale Consideration.

As at 31 December 2003, the NAV of the Sale Assets was S\$720,032 and the Group's NAV value was S\$12,699,000. In addition, for the year ended 31 December 2003, the net loss attributable to the Sale Assets was S\$313,000 and the Group's net loss was S\$1,885,000. The Sale Consideration compared with the Company's market capitalization of S\$14,307,023 as at 31 December 2003 is approximately 53.5%. In accordance with the bases of computations set out in Rules 1006(a), 1006(b) and 1006(c) of the Listing Manual, the Disposal of Sale Assets would exceed 20% and therefore constitutes a major transaction under Rule 1013 of the Listing Manual. Shareholders' approval is therefore required.

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:-

(a) Net book value of the assets to be disposed compared with the Group's net asset value	5.7%
(b) The net profits attributable to the assets disposed of compared with the Group's net profits.	n.m.
(c) The aggregate value of the consideration given or received compared with the Company's market capitalization:-	
— before adjusting for escrow shares ⁽¹⁾	61.3%
— after adjusting for escrow shares	53.6%
(d) The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	n.a.

Note:-

(1) Please refer to Note (1) of the section "Interests of Directors and Substantial Shareholders" on page 11 of this Circular for details of the escrow shares.

n.m. means not meaningful

n.a. means not applicable

The purpose of this Circular is to provide Shareholders with information pertaining to the Disposal of Sale Assets and to seek Shareholders' approval for the same at the EGM.

2. THE DISPOSAL OF SALE ASSETS

2.1 Sale Consideration

The Sale Consideration which was agreed upon on a willing-buyer and willing-seller basis, is to be satisfied by the Purchasers in cash.

The factors considered by the Company for the Disposal of the Assets and the Sale Consideration include:–

- (a) the agreement by the Purchasers to use commercially reasonable efforts to settle the Franchisee Litigation prior to the Closing, such settlement shall include the release of the Company, the Sellers, the Purchasers and their respective Affiliates from and against all claims by the plaintiffs arising out of or relating to the franchisee system and any franchisee agreements between the franchisees and the Sellers;
- (b) the future prospects of continuing ownership of the assets and business in the light of the discriminatory and litigious environment; and
- (c) the acrimonious and irreconcilable relationship between Shakey's and its franchisees.

2.2 Conditions Precedent

Completion of the Disposal of Sale Assets is conditional upon, inter alia, the following:–

- (a) all representations and warranties contained in the Asset Purchase Agreements shall be true and correct as at the date of the Asset Purchase Agreements and as of the Closing Date, except as and to the extent that the facts and conditions upon which such representations and warranties are based are expressly required or permitted to be changed by the terms thereof, and the parties have performed and satisfied all material agreements and covenants required to be performed by them prior to or on the Closing Date;
- (b) Shareholders of the Company representing at least a majority of a quorum have consented to, approved and adopted the Asset Purchase Agreements and the transactions contemplated thereby;
- (c) all permits and waivers necessary to the consummation of the transactions contemplated under the Asset Purchase Agreements, including all required third party consents (to the extent not waived), have been obtained;
- (d) no action by any governmental authority or other person shall have been instituted or threatened which questions the validity or legality of the transactions contemplated and which could reasonably be expected to (i) materially affect the right or ability of the Purchasers to own, operate, possess or transfer the Sale Assets after the Closing, or (ii) materially damage the Sellers if the transactions contemplated are consummated. There shall not be any statute, rule or regulation that makes the purchase and sale of the business or the Sale Assets contemplated illegal or otherwise prohibited;
- (e) the Franchisee Litigation shall have been settled, concurrently with the Closing. Such settlement shall include releases of the Sellers, the Company, the Purchasers and their respective Affiliates (including, without limitation, officers, directors and shareholders) in form and substance acceptable to the Sellers and the Purchasers from and against all known and unknown claims by the plaintiffs from the beginning of time to the present, whether or not asserted to date in the Franchisee Litigation, arising out of or relating to the franchise system and any franchise agreements between any such franchisees and the Sellers.

In the event the Franchisee Litigation is not settled by the Closing Date, the Purchasers and the Sellers may terminate the Asset Purchase Agreements and following such termination, the Franchisee Litigation shall continue for trial on October 27, 2004.

The Conditions Precedent are to be satisfied by Closing. As at the date of this Circular, none of the Conditions Precedent have been satisfied.

2.3 Identity and details of the Purchasers

The Purchasers are The Jacmar Companies (“Jacmar”), Shakey’s Restaurants Franchising Company, LLC (“Shakey’s Restaurants”) and Jacmar Covina, LLC (“Jacmar Covina”).

The Purchasers have provided the following information on their substantial shareholders⁽¹⁾ as at 22 July 2004:–

	Name of substantial shareholder	Percentage of shareholding
Jacmar	William H. Tilley Trust	67.6%
	James Dal Pozzo	9.3%
	Jaclyn Tilley Hill Trust	6.0%
	Robert R. Hill	5.4%
Shakey’s Restaurants	Jacmar	100%
Jacmar Covina	Jacmar	100%

Note:–

(1) Shareholders holding 5% or more of the issued and paid-up share capital of the Purchasers.

Jacmar, a California corporation, is a privately held company engaged in foodservice distribution, real estate management and the operations of franchised restaurants in California and through its majority owned subsidiary, in Guam. Jacmar is the largest Shakey’s franchisee in the US with 19 restaurants. It also operates Taco Bell and Long John Silver restaurants in Guam. Jacmar provides foodservice distribution to over 1,400 accounts throughout California and Nevada from its facilities in Irwindale and Sacramento, California.

Shakey’s Restaurants and Jacmar Covina are California limited liability companies wholly owned by Jacmar. Shakey’s Restaurants was formed for the sole purpose of acquiring all of the assets and business of Shakey’s, Incorporated and to operate its restaurants franchising business following the acquisition. Jacmar Covina was formed for the purpose of acquiring substantially all of the assets of Shakey’s of California, and to operate its Shakey’s restaurant in Covina, California following the acquisition.

The address for Jacmar, Shakey’s Restaurants and Jacmar Covina is at 2200 W. Valley Blvd., Alhambra, California 91803.

Jacmar did not previously own the Sale Assets. Jacmar, and each of its officers, directors and shareholders, has no investment in, either directly or indirectly, Inno-Pacific or any of its subsidiaries or affiliates.

2.4 Rationale for the Disposal of Sale Assets

The principal activity of Shakey’s of California is the operatorship and management of Shakey’s® restaurants while Shakey’s is the owner, franchisor and licensor of the Shakey’s pizza restaurant trademarks and system in the US.

The Company had acquired the Shakey’s® pizza franchise business in the US in 1989 when it was shrinking and in decline. Over the past 15 years, the Company has expended more than S\$46 million into reviving and rebuilding the Shakey’s business but with little success.

The Company’s efforts to rebuild the Shakey’s business have been plagued by the acrimonious relationship with its franchisees and have often ended in the court room. Over the past 15 years, there were 3 major franchisee litigations that spanned more than 2 years each and cost Shakey’s millions of dollars in legal fees and immeasurable unproductive executive time. 2 of the major

franchisee litigations had been settled in 1992 and 2002 respectively. In the latest litigation, Nisar Ahmed et al against Shakey's et al filed on 30 December 2002, more than 35% of the franchisees are plaintiffs to this action. Though Shakey's expects a favourable determination of this litigation, the soured relationship with these franchisees would be a major obstacle for it to move forward and to succeed in its business.

The Directors of the Company are of the opinion that it is in the best interest of the Company to dispose of the Sale Assets and to use the proceeds from the disposal for its other existing businesses and other investment opportunities which they believe would provide a more stable source of income for the Group.

The financial positions of the Sale Assets for the last 3 financial years are as follows:–

	FY2001	FY2002	FY2003
	S\$'000	S\$'000	S\$'000
Profit/(loss) for the year	(1,577)	144	(313)

2.5 Financial Effects of the Disposal of Sale Assets

The net profit/loss generated by each of the Sale Assets assuming the Sale Assets were disposed off as at 31 December 2003 are as follows:–

	NTA/(NTL)	Attributable	Profit/(loss)	Currency
	S\$	profit/(loss)	on disposal	translation
		S\$	S\$	(loss) arising
				on disposal
				S\$
As at 31 December 2003				
Shakey's	8,251,000	6,335,000	6,855,394	(153,011)
Shakey's of California	(1,353,000)	295,000	247,085	(6,000)
Total	<u>6,898,000</u>	<u>6,630,000</u>	<u>7,102,479</u>	<u>(159,011)</u>

Upon the Disposal of Sale Assets, there will be an excess of proceed over the net book value of S\$6,943,468 (equivalent to approximately US\$4,077,198) as at 31 December 2003.

The net proceeds from the Disposal of Sale Assets is about S\$7,300,000 after deducting expenses for the transaction, closure of operations and winding-up of Shakey's and Shakey's of California.

The Company intends to use the net proceeds of about S\$7,300,000 as follows:–

1. S\$1,300,000 for the Company's working capital and overhead for the next 12 months;
2. S\$1,000,000 for working capital and upgrading of its telecommunication business;
3. S\$1,000,000 for working capital and expansion of its paper pallet business; and
4. S\$4,000,000 will be invested in short-term bank deposits and marketable securities pending investments in new businesses and investments, which the Directors of the Company are currently investigating and reviewing.

The Sale Assets in US\$ equivalent based on an exchange rate of U\$1=S\$1.703 as at 31 December 2003 are as follows:

	US\$	S\$
Sale Consideration	4,500,000	7,663,500
Less: Net book value of Sale Assets	<u>(422,802)</u>	<u>(720,032)</u>
Excess of proceeds over net book value	<u>4,077,198</u>	<u>6,943,468</u>

The valuation of the Sale Assets is based on net book value and not based on open market value or valuation by professional valuers as there is no acceptable or applicable model for such valuation.

The Sale Assets are exposed to currency translation risk. As these assets are long term in nature, the Group's policy for managing foreign exchange risk is to take these exchange differences arising from the translation directly to the foreign currency reserve. On disposal of the Sale Assets, the accumulated currency translation differences will be recognised in the profit and loss statement as part of the profit on disposal.

Purchase consideration for:

	US\$	S\$
Fixed assets (Shakey's)	64,642	110,086
Fixed assets (Shakey's of California)	316,160	538,420
Non-current receivables (Shakey's of California)	14,000	23,842
Stocks (Shakey's of California)	11,000	18,733
Other debtors (Shakey's of California)	<u>17,000</u>	<u>28,951</u>
Total	<u>422,802</u>	<u>720,032</u>

Assuming that the Disposal of Sale Assets had taken place on 31 December 2003, the effect of the disposal on the NTA per Share is set out below:-

As at 31 December 2003	Before Disposal (S\$'000)	After Disposal (S\$'000)
NTA	9,549	16,492
Number of Shares as at 31 December 2003		
— without adjusting escrow shares	416,901	416,901
— after adjusting escrow shares	476,901	476,901
NTA per share (cents)		
— without adjusting escrow shares	2.29 cents	3.96 cents
— after adjusting escrow shares	2.00 cents	3.46 cents

Assuming that the Disposal of Sale Assets had been completed on 1 January 2003 (being the beginning of FY2003), the financial effect of the Disposal of Sale Assets on the EPS of the Group is estimated to be as follows:-

FY 2003	Before Disposal (S\$'000)	After Disposal (S\$'000)
Profit/(Loss) attributable to Shareholders	(1,885)	5,058
Weighted Average Number of Shares during FY 2003	394,772	394,772
Earnings/(Loss) per Share (cents)	(0.48) cents	1.28 cents

2.6 The business of IPH Group after the Disposal of Sale Assets

Upon completion of the Disposal of Sale Assets, the Group's business will comprise its telecommunication and paper pallet businesses. The Company will be evaluating investment opportunities in other new businesses. Currently, the Company has not identified any specific investment.

The segmented information on the Group's businesses as at 31 December 2003 is as follows:-

(S\$'000)	Restaurants	Royalties and franchise fee	Telecom- munications	Paper Pallet
Business segment				
Segment revenue				
Sales to external customers	2,229	3,192	2,211	—
Segment result	54	(484)	(422)	(418)
Segment assets	662	3,478	655	590
Segment liabilities	(2,257)	(1,933)	(3,293)	(611)
Other segment information				
Capital expenditures	153	5	306	322
Depreciation	86	52	43	—
Amortisation	—	493	76	—

3. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling Shareholders and/or their respective associates (as defined under the Listing Manual) has any interest, direct or indirect, in the Asset Purchase Agreements.

4. DIRECTORS' RECOMMENDATION

In respect of the Disposal of Sale Assets, all the Directors of the Company having considered and reviewed, amongst others, the terms of the Asset Purchase Agreements, and based on the rationale for the Disposal of Sale Assets set out in paragraph 2.4 above, are of the opinion that the Disposal of Sale Assets is in the best interest of the Company and recommend that Shareholders vote in favour of the resolution to the Disposal of Sale Assets to the Purchasers.

5. AUDIT COMMITTEE STATEMENT

The Audit Committee of the Company is of the view that the Disposal of Sale Assets is on normal commercial terms and based on the rationale for the Disposal of Sale Assets as set out in paragraph 2.4 above, is not prejudicial to the interests of the Company and its minority Shareholders.

6. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 15 of this Circular, will be held at 70 Shenton Way #03-02 Marina House Singapore 079118 on 20 August 2004 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the ordinary resolution set out therein.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 70 Shenton Way #03-02 Marina House Singapore 079118 not later than 48 hours before the time fixed for the EGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular constitute full and true disclosure of all material information relevant to Shareholders for the purpose of the EGM as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Circular misleading.

Yours faithfully
For and on behalf of the Board of Directors

Wong Chin Yong
Managing Director and Chief Executive Officer
Inno-Pacific Holdings Ltd

GENERAL INFORMATION

1. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and substantial Shareholders in the Shares as at 30 July 2004, as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained under the provisions of the Act, are as follows:—

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Directors				
Dato' Moehamad Izat Emir	—	—	—	—
Wong Chin Yong	—	—	<u>1,1130,000</u>	<u>0.2</u>
Lim Kok Hui	5,000	—	—	—
Ong Kah Hock	1,000	—	—	—
Phang Ian Cher Shen	—	—	—	—
Quek Chek Lan	—	—	—	—
Tay Yong Hua	7,000	—	—	—
Substantial Shareholders other than Directors				
Lim Cheng Yong ⁽¹⁾	—	—	60,000,000	12.6
Bintang Piramid (M) Sdn Bhd ⁽²⁾	43,379,000	9.1	—	—
Lt Jen (K) Tan Sri Mohamed bin Ngah Said ⁽²⁾	—	—	43,379,000	9.1
Dato' Soh Chee Wen ⁽²⁾	—	—	43,379,000	9.1

Notes:—

- (1) Mr Lim Cheng Yong is deemed to have an interest of the 60,000,000 ordinary shares pursuant to a Sale and Purchase Agreement dated 19 September 2003 and an Amendment Agreement dated 20 February 2004 between the Company and Lim Cheng Yong. Pursuant to the Amendment Agreement, the said 60,000,000 shares are held in a securities account maintained by the escrow agent, Mr Wong Kwan Seng Robert, a Director from Straits Law Practice LLC., as stakeholder in accordance with the terms set out in an Escrow Agreement dated 20 February 2004.
- (2) Based on the notifications given to the Company on 10 November 1994 and 10 April 1995 (collectively referred to as "the Bintang Notifications"), 43,379,000 Shares were held by various nominees in trust for Bintang Piramid (M) Sdn Bhd ("Bintang"), a Malaysian corporation. According to the CDP register, as at 29 February 2004, the said nominees stated in the Bintang Notifications no longer appear as Depositors. However, Bintang has not notified the Company of any changes in its shareholdings since the Bintang Notifications. The Company has written to Bintang to obtain confirmation of its interest in shares of the Company and in relation to Bintang's obligations to notify the Company of any change of its interest as a substantial shareholder but the Company had not received any response from Bintang. Therefore, the Company is unable to ascertain whether Bintang continues to be a substantial shareholder of the Company. Dato' Soh Chee Wen's and Lt Jen (K) Tan Sri Mohamed bin Ngah Said's deemed interests in 43,379,000 shares were by virtue of their being substantial shareholders of Bintang (based on notifications dated 28 October 1994). A companies' information search on Bintang conducted on 21 December 2001 showed that based on information extracted from Bintang's documents lodged up to 29 September 1999, Dato' Soh Chee Wen and Lt Jen (K) Tan Sri Mohamed bin Ngah Said were still substantial shareholders of Bintang.

Save as disclosed above, no Director or substantial Shareholder has any interest, direct or indirect, in the Shares.

2. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries within two (2) years preceding the date of this Circular and are or may be material:–

- (a) A Sale and Purchase Agreement dated 31 July 2002 between IPH Technology Sdn Bhd, a wholly-owned subsidiary of the Company and Dato Megat Fairouz Junaidi Bin Megat Junid (the “Purchaser”) pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the 51% issued share capital owned by the seller for a cash consideration of RM1.
- (b) A shareholders agreement dated 31 January 2003 between, Inno-Pacific Technologies Pte. Ltd (“IPT”), a wholly-owned subsidiary of the Company and Zenith Management Inc (“Zenith”), pursuant to which the parties agreed to form a joint venture company, IPH Telecom Pte. Ltd., a wholly-owned subsidiary of IPT, that was re-named Zenith Member Singapore Pte. Ltd (“ZMS”), to provide value-added telecommunication services in Singapore.
- (c) License and Service Agreement dated 31 January 2003 between ZMS and Zenith, which allows ZMS to use Zenith’s marks and connection/terminations network to more than 700 destinations world-wide. Zenith will also provide ZMS with 24/7 system monitoring and technical support and billing solutions.
- (d) A Placement Agreement dated 30 May 2003 between the Company and Kim Eng Ong Asia Securities Pte Ltd (“Kim Eng”) pursuant to which Kim Eng agreed to use its best endeavours to procure subscription of up to 69,450,000 new ordinary shares of \$0.01 each in the capital of the Company at \$0.033 per share.
- (e) Sale and Purchase Agreement dated 9 September 2003 between the Company and Lim Cheng Yong (the “Vendor”) pursuant to which the Company acquired 51% equity interest in RR Industrial Packaging & Design Services Pte Ltd (“RRI”) from the Vendor for a total consideration of \$3,000,000 to be satisfied by the allotment and issue of 60 million new ordinary shares of S\$0.01 each in the Company (“Performance Shares”), subject to the achievement of a guaranteed profit after tax of \$1,200,000 by RRI.
- (f) Amendment Agreement (to the Sale and Purchase Agreement dated 9 September 2003) dated 20 February 2004 between the Company and the Vendor pursuant to which the parties agreed, *inter alia*, that the Company shall allot and issue the Performance Shares to be held in a securities account maintained by an escrow agent as stakeholder in accordance with the terms of an escrow agreement.
- (g) Escrow Agreement dated 20 February 2004 among the Company, the Vendor and Straits Law Practice LLC (as escrow agent”) pursuant to which the escrow agent agrees to hold the Performance Shares as stakeholder in accordance with the terms set out therein.
- (h) Asset Purchase Agreement dated 30 June 2004 among the Company and Shakey’s, Incorporated as Seller and The Jacmar Companies, and Shakey’s Restaurants Franchising Company, LLC pursuant to which the Seller agreed to sell, *inter alia*, the right, title and interest of the Seller in and to the business, properties, assets and rights of any kind, whether tangible or intangible, real or personal and constituting, or used in connection with or related to the Seller’s businesses comprising of the Shakey’s restaurants franchise in the United States of America.
- (i) Asset Purchase Agreement dated 30 June 2004 among the Company, Shakey’s, Incorporated and Shakey’s of California as Sellers and The Jacmar Companies, and Jacmar Covina, LLC pursuant to which the Sellers agreed to sell, *inter alia*, the right, title and interest of the Sellers in and to the business, properties, assets and rights of any kind, whether tangible or intangible, real or personal and constituting, or used in connection with or related to the Sellers’ businesses comprising of a Shakey’s restaurant in Covina, California, United States of America.

3. LITIGATION

Save as disclosed below, neither the Company nor its subsidiaries is engaged in any litigation as plaintiff or defendant in respect of any claims or amounts which are or may be material and the Directors have no knowledge of any proceedings which are pending or threatened against the Company or its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of the Company or any of its subsidiaries during the last 12 months:-

- (1) The Comptroller of Income Tax ("CIT") has assessed the Company to income tax on the basis that it is a pure investment holding company with effect from the Year of Assessment 1988. Accordingly, its dividend and interest income have been assessed to tax under Sections 10(1)(d) of the Income Tax Act and management fees under Section 10(1)(g) of the said Act. As a result of this incorrect assessment, the Company has been denied the carry forward of unabsorbed losses as deductions of certain expenses incurred by the Company in the ordinary course of business were disallowed.

The Company was initially assessed to additional tax including late payment penalties of \$4,760,482.11 in December 2000 based on the aforesaid basis of assessment for the Years of Assessment 1988 to 1997 and \$280,131.66 in July 2003 for the Years of Assessment 1998 to 2002 after deducting Repayment Assessment for Years of Assessment 2000 and 2001. The combined assessments of \$5,040,613.77 were subsequently amended by CIT to \$3,377,640.98 in April 2003 and to \$3,316,004.70 in October 2003.

As at December 31, 2003, the Company has provided for \$3,326,000 (2002: \$4,931,905) in its financial statements in respect of the tax assessed, net of subsequent payments and deducting tax at source, and recognized it as Tax Suspense. The Company has been objecting to the assessments and based on professional advice received, the Directors are of the opinion that these assessments can be successfully resisted.

- (2) A lawsuit styled Nisar Ahmed et al, vs Shakey's et al, was filed on 30 December 2002 in the Superior Court of the State of California, Los Angeles County (Case No. BC 287817), alleging breach of contract, breach of covenant of good faith and fair dealing, fraud, negligent misrepresentation and accounting.

There were originally 40 plaintiffs in the lawsuit, but in January 2003, the plaintiffs filed a First Amended Complaint and dropped one of the named plaintiffs, John J. McNulty from the action.

Shakey's filed a demurrer to the First Amended Complaint which was sustained by the Court on April 16, 2003 with leave to amend. The plaintiffs thereafter filed a Second Amended Complaint. When Shakey's demurrer to the Second Amended Complaint was overruled, Shakey's filed an Answer to the Second Amended Complaint on October 1, 2003, which denied the allegations in the Second Amended Complaint and contained affirmative defenses.

In September 2003, after a failed settlement conference, the plaintiffs added Shakey's Chief Executive Officer, Wong Chin Yong, as a "Doe" defendant for fraud and negligent misrepresentation. In December 2003, Mr. Wong's demurrer application was sustained by the Court and the plaintiffs were given 10 days to refile their Complaint, resulting in the filing of the Third Amended Complaint by the plaintiffs. In February 2004, Mr. Wong's demurrer to the Third Amended Complaint was sustained without leave to amend and the plaintiffs' action against Mr. Wong was dismissed with costs awarded to Mr. Wong.

Shakey's filed a motion for summary judgment that was heard on March 5, 2004. The Judge granted Shakey's motion in part and dismissed the causes of action for breach of covenant of good faith and fair dealing, fraud and negligent misrepresentation and dismissed the claims of eight of the remaining plaintiffs entirely.

The trial date, which was continued from May 12, 2004 to July 14, 2004 is now set for October 27, 2004 to provide the parties sufficient time to complete the proposed acquisition of Shakey's and to settle and dismiss the lawsuit. If the case is not dismissed, Shakey's intends to continue vigorously defending this action.

4. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 70 Shenton Way #03-02 Marina House Singapore 079118 during normal business hours for a period of three months from the date of this Circular:—

- (i) the Asset Purchase Agreements dated 30 June 2004;
- (ii) Memorandum and Articles of Association of the Company;
- (iii) the Annual Reports 2002 and 2003 of the Company;
- (iv) the audited financial statements of the Company and Shakey's
- (v) the management financial statements of Shakey's of California for FY2001, FY2002 and FY2003; and
- (vi) the material contracts referred to in paragraph 2 above.

INNO-PACIFIC HOLDINGS LTD

(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Inno-Pacific Holdings Ltd (the "Company") will be held at 70 Shenton Way #03-02 Marina House Singapore 079118 on 20 August 2004 at 10.00 a.m., for the purpose of considering and, if thought fit, passing the following ordinary resolution, with or without any modifications:—

ORDINARY RESOLUTION:—

The Company and its subsidiaries, Shakey's, Incorporated and Shakey's of California be and are hereby authorized to sell, transfer or otherwise dispose of the Sale Assets (as defined in the Circular accompanying this Notice) to The Jacmar Companies, Shakey's Restaurants Franchising Company, LLC and Jacmar Covina, LLC for an aggregate consideration of US\$4,500,000.

By Order of the Board

Tan Tiong Heng
Jennifer Lee Siew Jee
Company Secretaries

4 August 2004
Singapore

Notes:—

- (1) A Shareholder entitled to attend and vote at a meeting of the Company is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a Shareholder of the Company.
- (2) Where a Shareholder appoints two proxies, the Company may treat the appointment as invalid unless the Shareholder specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- (3) The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 70 Shenton Way #03-02 Marina House Singapore 079118 not less than 48 hours before the time appointed for holding the Extraordinary General Meeting.
- (4) The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

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INNO-PACIFIC HOLDINGS LTD

(Incorporated in the Republic of Singapore)

EXTRAORDINARY GENERAL MEETING — PROXY FORM

IMPORTANT:-

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

PROXY FORM — EXTRAORDINARY GENERAL MEETING

I/We, _____ NRIC/Passport No. _____

of _____

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

Name	Address	NRIC/Passport No.	Number of Shares Represented

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Number of Shares Represented

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Extraordinary General Meeting of the Company to be held at 70 Shenton Way #03-02 Marina House Singapore 079118 on 20 August 2004 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolution as set out in the Notice of Extraordinary General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Extraordinary General Meeting).

ORDINARY RESOLUTION:-	FOR	AGAINST
Disposal of Sale Assets		

Dated this _____ day of _____ 2004

	No. of Shares
CDP Register	
Register of Members	

Signature(s) of Member(s) or Common Seal

IMPORTANT : PLEASE READ NOTES OVERLEAF

Notes:–

- (1) Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert the number of Shares. If you have Shares registered in your name in the Register of Members of the Company, 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. If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.
- (2) A Shareholder 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. A proxy need not be a Shareholder of the Company.
- (3) The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 70 Shenton Way #03-02 Marina House Singapore 079118 not less than 48 hours before the time appointed for holding the Extraordinary General Meeting.
- (4) Where a Shareholder appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- (5) The instrument appointing a proxy or proxies must be under the hand of the appointor or 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 any officer or attorney duly authorised.
- (6) Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- (7) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
- (8) The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy lodged if such Shareholder 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 Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.