

INNO-PACIFIC HOLDINGS LTD

Company Registration No : 197301788K

Financial Statement & Dividend Announcement for the Half Year Ended 30 June 2011 (Unaudited)

INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL-YEAR ANNOUNCEMENTS

- 1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP		
	6 months ended		
	30 Jun 2011 S\$'000	30 Jun 2010 S\$'000	+ / (-) %
Turnover	6,038	6,475	(6.7)
Cost of sales	(5,933)	(6,713)	(11.6)
Gross profit / (loss)	105	(238)	150.5
Other income	2,523	600	320.5
Administrative expenses	(708)	(665)	6.5
Other operating costs	(580)	(324)	79.0
Finance costs	(43)	(26)	65.4
Profit /(Loss) before income tax	1,297	(653)	298.6
Income tax (expenses) / credit	(409)	12	(3508.3)
Profit /(Loss) after income tax	888	(641)	238.5
Other comprehensive (loss) / income			
Exchange differences arising from translating foreign operations	(168)	370	(145.4)
Reversal of revaluation reserve arising from depreciation of leasehold land	(33)	(35)	(5.7)
Realisation of revaluation reserve arising from depreciation of leasehold land	33	35	(5.7)
Other comprehensive (loss) / income for the year, net of tax	(168)	370	(145.4)
TOTAL COMPREHENSIVE INCOME /(LOSS) FOR THE PERIOD	720	(271)	365.7
Profit / (Loss) attributable to :			
Shareholders of the Company	720	(271)	365.7
Minority interests	-	-	-
	720	(271)	365.7
Total comprehensive income / (loss) attributable to :			
Shareholders of the Company	720	(271)	365.7
Minority interests	-	-	-
	720	(271)	365.7

1(b)(i) Statements of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	30 Jun 2011	31 Dec 2010	30 Jun 2011	31 Dec 2010
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current Assets :				
Subsidiaries	-	-	5,403	5,403
Plant and equipment	8,849	8,808	30	34
Available-for-sale investment	4,600	4,600	4,600	4,600
Total non-current assets	13,449	13,408	10,033	10,037
Current Assets :				
Inventories	2,741	2,805	-	-
Investments held for trading	36,612	33,650	4,736	5,162
Trade receivables	3	23	-	30
Other receivables and prepayments	113	112	18,445	16,860
Cash and cash equivalents	69	156	28	97
Total current assets	39,538	36,746	23,209	22,149
Total assets	52,987	50,154	33,242	32,186
LIABILITIES AND EQUITY				
Current Liabilities :				
Trade and other payables	3,015	3,248	6,542	6,449
Provision for directors' fees	-	45	-	45
Income tax payable	1,528	1,225	-	-
Current portion of finance leases	51	17	-	-
Total current liabilities	4,594	4,535	6,542	6,494
Non-Current Liabilities :				
Finance leases	198	-	-	-
Deferred tax liabilities	1,930	1,994	-	-
Total non-current liabilities	2,128	1,994	-	-
Equity				
Issued capital	56,818	54,898	56,818	54,898
Assets revaluation reserve	1,136	1,169	-	-
Share options reserve	546	546	546	546
Foreign currency translation reserve	675	843	-	-
Accumulated losses	(12,910)	(13,831)	(30,664)	(29,752)
Equity attributable to Shareholders of the Company	46,265	43,625	26,700	25,692
Total liabilities and equity	52,987	50,154	33,242	32,186

1(b)(ii) Group Borrowings	Group		Company	
	30 Jun 11	31 Dec 10	30 Jun 11	31 Dec 10
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable within one year	51	17	-	-
Amount repayable after one year	198	-	-	-

The borrowing relates to finance lease liabilities secured on the fixed asset purchased.

1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	1 Jan 2011 to 30 Jun 2011	1 Jan 2010 to 30 Jun 2010
	S\$'000	S\$'000
Cash flows from operating activities :		
Profit / (Loss) before income tax	1,297	(653)
Adjustments for :		
Gain in fair value of investments held for trading	(2,369)	(563)
Gain on disposal of fixed assets	(131)	-
Loss on disposal of subsidiaries	4	-
Depreciation of plant and equipment	92	133
Reversal of stock write off	-	(1)
Allowance for impairment in stock value	2	-
Reversal of bad debts written off	-	(6)
Interest expense	43	26
Operating cashflow before working capital changes	(1,062)	(1,064)
Decrease / (Increase) in inventories	76	(145)
Decrease in debtors	19	2,015
Increase in investments held for trading	(593)	(704)
Decrease in creditors	(263)	(1,539)
Cash used in operations	(1,823)	(1,437)
Interest paid	(43)	(26)
Income tax paid	(117)	(36)
Net cash used in operating activities	(1,983)	(1,499)
Cash flows from investing activities :		
Purchase of plant and equipment	(391)	(1)
Proceed from disposal of fixed asset	131	-
Proceed from disposal of subsidiaries	15	-
Decrease in fixed deposit pledged to a bank	-	30
Effect of foreign currency alignment on investing activities	160	(362)
Net cash used in investing activities	(85)	(333)
Cash flows from financing activities :		
Repayment of hire purchase creditors	-	(17)
Proceeds from finance lease	232	-
Net proceeds from issue of placement shares	1,920	1,615
Net cash generated from financing activities	2,152	1,598
Effect of changes in foreign exchange rates	(171)	373
Net (decrease) / increase in cash and cash equivalents	(87)	139
Cash and cash equivalents at beginning of the period	126	75
Cash and cash equivalents at end of the period (Note A)	39	214

Note A: CASH AND CASH EQUIVALENTS	30 Jun 2011	30 Jun 2010
	S\$'000	S\$'000
Cash and bank balances	39	214
Fixed deposits (pledged)	30	30
Cash and cash equivalents	69	244
Fixed deposit pledged to a bank	(30)	(30)
	39	214

1(d)(i) Statement (for the issuer and group) of changes in equity

	Share capital	Share option reserve	Foreign currency translation reserve	Accumulated losses	Asset Revaluation reserve	Attributable to equity holders of the Company	Minority interest	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
GROUP								
Balance as at 1.1.2011								
As previously reported	54,898	546	843	(13,831)	1,169	43,625	-	43,625
Total comprehensive income for the period	-	-	(168)	921	(33)	720	-	720
Net proceeds from issue of placement shares	1,920	-	-	-	-	1,920	-	1,920
Balance as at 30.06.2011	56,818	546	675	(12,910)	1,136	46,265		46,265
GROUP								
Balance as at 1.1.2010								
As previously reported	53,283	546	695	(20,403)	1,238	35,359	-	35,359
Total comprehensive loss for the period	-	-	370	(606)	(35)	(271)	-	(271)
Net proceeds from issue of placement shares	1,615	-	-	-	-	1,615	-	1,615
Balance as at 30.06.2010	54,898	546	1,065	(21,009)	1,203	36,703	-	36,703

	Share capital	Share option reserve	Accumulated losses	Total
	S\$'000	S\$'000	S\$'000	S\$'000
COMPANY				
Balance as at 1.1.2011				
As previously reported	54,898	546	(29,752)	25,692
Total comprehensive loss for the period	-	-	(912)	(912)
Net proceeds from issue of placement shares	1,920	-	-	1,920
Balance as at 30.06.2011	56,818	546	(30,664)	26,700
COMPANY				
Balance as at 1.1.2010				
As previously reported	53,283	546	(24,078)	29,751
Total comprehensive loss for the period	-	-	(338)	(338)
Net proceeds from issue of placement shares	1,615	-	-	1,615
Balance as at 30.06.2010	54,898	546	(24,416)	31,028

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

On 28 January 2011, the Company issued 215,000,000 ordinary shares fully paid in cash at S\$0.009 per share pursuant to separate private placement agreements to various subscribers ("the Placement Shares"). The Placement Shares were listed and quoted on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 2 February 2011, and trading of the Placement Shares commenced with effect from 9.00 a.m. on the same date.

The net proceeds from the Placement Shares, after deducting expenses, was approximately S\$1.92 million. As at 30 June 2011, the amount has been deployed as follows:

	<u>S\$'000</u>
Cash deployed for operation	947
Purchase of marketable securities	593
Payment to creditors	263
Payment of income tax	<u>117</u>
Total deployed	<u>1,920</u>

A total of 29,600,000 share options were granted under the Inno-Pacific Share Option Scheme on 23 May 2008 with a one year vesting period. Each option carries the right to subscribe for one ordinary share in the capital of the Company at the exercise price of \$0.025. 23,500,000 share options are outstanding as at 30 June 2011. A total of 6,100,000 of the said options granted, were forfeited, cancelled or lapsed as holders of these options left the Group before these options were vested or unexercised.

At an Extraordinary General Meeting of the Company held on 15 June 2011, approvals were obtained by the Group to acquire (1) the entire issued and paid-up share capital of Enigma Venture (M) Sdn Bhd; (2) a 25% interest in the issued and paid-up share capital of Grand Prosper Group Limited; (3) a 35% interest in the issued and paid-up share capital of Trackplus Sdn Bhd; (4) 3 residential units of a condominium known as "Clear Water Residence" located in Kuala Lumpur Malaysia; (5) 3 shophouses located in Kota Kinabalu Sabah Malaysia, and (6) the entire issued and paid-up share capital of Megan Midas Sdn Bhd. A total of 1,091,437,210 new ordinary shares at a price of \$0.01 each will be issued in satisfaction of the purchase consideration for these acquisitions upon completion, and approvals to issue and allot these consideration shares were also obtained at the same meeting.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	No. of shares
GROUP / COMPANY	
Balance as at 1 Jan 2011	1,186,245,285
Issue of Placement Shares	215,000,000
Balance as at 30 Jun 2011	1,401,245,285
GROUP / COMPANY	
Balance as at 1 Jan 2010	1,086,245,285
Issue of Placement Shares	100,000,000
Balance as at 31 Dec 2010	1,186,245,285

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable as there was no treasury share in issue throughout the current period under review and its corresponding period last year.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications of emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied.

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2010.

5. If there are any changes in accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preferential dividends.

	GROUP	
	30 Jun 2011 cents	30 Jun 2010 cents
Earnings / (Loss) per ordinary share based on net profit / (loss) attributable to shareholders based on :		
(i) based on weighted average number of ordinary shares in issue	0.06	(0.06)
(ii) on a fully diluted basis	0.06	(0.06)

Earnings / (Loss) per ordinary share is calculated based on the weighted average number of shares of 1,369,173,462 (2010: 1,117,736,998) in issue during the period.

The fully diluted earnings/(loss) per ordinary share is calculated based on the weighted average number of shares of 1,369,173,462 (2010: 1,117,736,998) in issue during the period. The share options are non-dilutive for calculation of earnings per share in H1 2011 as their exercise price is higher than the average share price traded in the market for the period.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	GROUP		COMPANY	
	30 Jun 2011 cents	31 Dec 2010 cents	30 Jun 2011 cents	31 Dec 2010 cents
Net asset value per ordinary share based on existing issued share capital	3.30	3.68	1.91	2.17

Computation of net asset per ordinary share is based on 1,401,245,285 existing issued ordinary shares at end of period under review (2010: 1,186,245,285 ordinary shares).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonable or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Turnover

Turnover for H1 2011 was S\$6.0 million compared to S\$6.5 million in H1 2010, a decrease of 6.7%. Proceeds from the sale of investments held for trading of S\$6.0 million accounted for 99.4% of the Group's turnover for H1 2011. The balance of the Group's turnover of 0.6% was generated by its subsidiary, PG Communications Sdn Bhd in the telecommunication. Sales from the telecommunication sector decreased by \$0.3 million as compared to H1 2010, due to the Group's exit from telecommunications services business in Singapore since 31 December 2010.

Gross profit from telecommunication service

The Group's telecommunication business operated in an extremely competitive environment with incumbent telecommunications companies offering services at very low prices. Despite the difficult environment, our telecommunication business managed to breakeven at the gross margin level.

Realized gain arising from sale of investments held for trading

The Group realised a gain of S\$0.1 million on its sale of investments held for trading.

Other income

Other income increased by 320.5% to S\$2.5 million from S\$0.6 million in H1 2010. The increase was mainly due to gain in fair value in investments held for trading of \$2.4 million and gain upon disposal of fixed asset of S\$0.1 million. Gain in fair value in investments held for trading was \$0.6 million in H1 2010.

Administrative cost

Administrative cost increased by 6.5% to S\$0.71 million from S\$0.67 million in H1 2010.

Other operating cost

Other operating cost increased by 79.0% to S\$0.58 million from S\$0.32 million in H1 2010. The increase was mainly due to foreign exchange loss of S\$0.1 million arising from translation of net financial assets denominated in foreign currency on the books in H1 2011 compared to a foreign exchange gain of S\$0.1 million arising from translation of net financial assets denominated in foreign currency on the books in H1 2010.

Finance costs

Finance costs increased to S\$0.04 million H1 2011 compared to S\$0.03 million in H1 2010.

Profit before income tax

Profit before income tax was S\$1.30 million in H1 2011 compared to a loss of S\$0.65 million for H1 2010. The increase in profit was mainly due to gain in fair value in investments held for trading of S\$2.37 million in H1 2011. The gain in fair value in investments held for trading was S\$0.56 million in H1 2010.

Income tax expenses

Income tax expenses were S\$0.41 million in H1 2011 compared to a tax credit of S\$0.01 million in H1 2010. The tax expenses were due to the unrealised gain arising from fair value change in investments held for trading by the Group's wholly owned subsidiary.

Cash and cash equivalents

Cash and cash equivalents decreased to S\$0.1 million as at end of H1 2011 compared to S\$0.2 million at the end of FY 2010.

Other receivables and prepayment

Other receivables and prepayment remained at S\$0.1 million at the end of H1 2011 and as at end of FY 2010.

Investments held for trading

Investments held for trading increased to S\$36.6 million at end of H1 2011 from S\$33.7 million at end of FY 2010 mainly due to fair value gain of S\$2.4 million and additional purchase of investments held for trading of S\$0.5 million.

Trade and other payables

Trade and other payables decreased to S\$3.0 million at end of H1 2011 from S\$3.2 million at end of FY 2010. The decrease of S\$0.2 million was mainly due to settlement of trade payable in relation to purchase of marketable securities.

Tax payable

Tax payable increased to S\$1.5 million at end of H1 2011 from S\$1.2 million at end of FY2010 mainly due to the estimated income tax liability of a wholly owned subsidiary of the Group in relation to its income for H1 2011.

Working Capital

Current assets and current liabilities stood at S\$39.5 million and S\$4.6 million respectively. Current ratio of the Group improved to 8.6 times compared to current ratio as at end of FY 2010 of 8.10 times.

Non-current liabilities to Equity ratio

The non-current liability and total equity of the Group stood at S\$2.1 million and S\$46.3 million respectively. The non-current liability to equity ratio is 4.6% at the end of H1 2011. (4.6% as at end of FY 2010).

Net cash used in operating activities

S\$2.0 million net cash was used in operating activities during H1 2011. This net cash outflow was mainly financed by the placement of shares raising net proceeds of S\$1.9 million.

Cash generated from financing facilities

S\$2.2 million cash was generated from financing facilities in H1 2011. Placement of 215,000,000 ordinary shares in January 2011 raised net proceeds of S\$1.9 million. Another S\$0.2 million was raised from the arrangement of a finance lease.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next twelve months.

The Group's main business activities are in investment, investment holding, provision of management services to related companies, and telecommunication services.

Portfolio Management in Investments Held for Trading and Financial Instruments

The Group invests its surplus cash not immediately required for operations in investments held for trading. Future performance of the Group's investments held for trading is affected by global economic conditions, market liquidity, interest rates trend, investors' risk aversion and general market sentiment. The Group continues to monitor market developments closely.

Telecommunications Services Business

The Group's wholly-owned subsidiary, PG Communications Sdn. Bhd. ("PGSB"), has been providing a suite of telecommunications services, such as discounted international calls, VoIP, prepaid calling cards, Virtual Roam, Call Shops, Virtual Office, Callback and Virtual Operator services in Malaysia.

PGSB also provides High Speed Internet Access using Power Line Communications ("PLC") technology to customers in Malaysia. Power Line Communications technology is a cost-effective and innovative last-mile solution that utilises existing power infrastructure, i.e., electrical power cable, as a medium to deliver data, voice and multimedia services. PLC technology transmits and receives high frequency (1-38 MHz) signals through existing power cables via couplers. Through a 50Hz power supply, the power line simultaneously carry modulated signals within the frequency (1-38Mhz) that enable high speed broadband communication of up to 205Mbps to every power socket. PGSB believes that it is well positioned to be a leading player in Malaysia's Internet Broadband market using PLC technology.

PGSB in collaboration with Setia Haruman Technology ("SHTech") is using PLC technology to deploy HSIA services in Petaling Jaya, Bangsar South, Cyberjaya and Iskandar. SHTech is a subsidiary of Setia Haruman Sdn Bhd, the master developer of Cyberjaya. SHTech owns the fibre network and a data centre in Cyberjaya. PGMY also offers a "Zero Investment" total communication service for hotels. This service uses PLC technology to provide HSIA and voice calls from all guest rooms and the hotels, without any investment by the hotel. PLC technology uses existing power infrastructure thereby allowing for fast installation and minimal down-time for the deployment of the services. A PGMY "Zero Investment" service is currently used by a luxurious, five-star hotel in downtown Kuala Lumpur. The Group believes that the Malaysian telecommunication market, especially the HSIA sector remains underserved and is an opportunity that PGMY would be concentrating.

Technology Risk

PLC technology is continually improving and new Broadband over powerline ("BPL") products and equipment are periodically introduced. Group's inventory of BPL products and equipment are subject to the risk of technological obsolescence. The Group's inventory of BPL products and equipment is S\$2.7 million as at end of H1 2011.

Other Risks

The Group's investment portfolio is subject to volatility in market prices. Price movements in stock markets during the coming months will affect the results of the Group. The policies adopted by governments worldwide in response to the global economic condition, policies of central banks around the world in relation to money supply, future trend of global interest rates, and the profit performance of our investee companies in the coming years will have a bearing on the performance of our investment portfolio. Concerns about the sovereign debts situation in Europe and worries about an economic slowdown in China during recent months have sent shock waves to the global financial markets. There is no guarantee that the Group will be able to generate profits from its investments held for trading in future.

11. If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared recommended)

Not applicable.

(b) (i) Amount per share

Not applicable.

(ii) Previous corresponding period

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the Company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividends have been recommended for the current financial period.

BY ORDER OF THE BOARD

Stanley Chu Kam Po

Company Secretary

Date: 22 July 2011

13. Statement of Directors pursuant to Listing Rule 705(4)

Wong Chin Yong and Ong Kah Hock, being two directors of Inno-Pacific Holdings Ltd, do hereby confirm on behalf of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the first half year 2011 (unaudited) interim financial results to be false or misleading.

On behalf of the Board of Directors

Wong Chin Yong

Director

Date: 22 July 2011

Ong Kah Hock

Director

Date: 22 July 2011