annual report 2003

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INNO-PACIFIC HOLDINGS LTD

Contents

Corporate Profile

Directors

Dato' Moehamad Izat Emir	***Chairman***
Wong Chin Yong	***Managing Director and Chief Executive Officer***
Lim Kok Hui	***Director***
Ong Kah Hock	***Director***
Phang Ian Cher Shen	***Director***
Quek Chek Lan	***Director***
Tay Yong Hua	***Director***

Audit Committee

Dato' Moehamad Izat Emir	***Chairman***
Lim Kok Hui	
Ong Kah Hock	

Secretaries

Jennifer Lee (Ms)
Lee Koh Sing (Ms)

Registered Office

70 Shenton Way
#03-02 Marina House
Singapore 079118

Auditors

Deloitte & Touche, Certified Public Accountants
Partner in charge: William Lim Choon Hock (Appointed May 29, 2004)

Shares Registrar & Transfer Office

Compact Administrative Services Pte Ltd
6 Shenton Way #28-09
DBS Building Tower Two
Singapore 068809

Solicitors

Straits Law Practice L L C
Khattar Wong & Partners

Bankers

Standard Chartered Bank
The Development Bank of Singapore Ltd

Corporate Structure

INNO-PACIFIC HOLDINGS LTD

Food

- Shakey's Holdings Pte Ltd
  - *Subsidiary*
  - Innopac Acquisition Inc.
    - *Subsidiaries*
    - Shakey's of California
    - Shakey's Incorporated
      - *Subsidiaries*
      - Shakey's Pizza Parlor Co, Inc
      - Shakey's National Advertising Fund, Inc.

Manufacturing

- RR Industrial Packaging & Design Pte Ltd
  - *Subsidiary*
  - PT RR Packaging Indonesia

Investment holding, trading & others

- Heritage Investment Corporation
- Inno-Pacific Property Holdings Pte Ltd
- Inno-Pacific Technologies Pte Ltd
- Jadensworth Holdings Pte Ltd
- Top-Text Sdn Bhd
- Inno-Pacific Intertrade Pte Ltd
  - *Subsidiary*
  - Poon Guan Private Limited

Telecommunication

- Zenith Member Singapore Pte Ltd

Dato' Moehamad Izat Emir, 65, has been a director of the Company since 1 November 1995 and was appointed as Executive Chairman of the Company on 10 August 2001. He relinquished his executive role with the Company on 23 August 2002 but remains as Chairman of the Board. Dato' Izat is also the Chairman of the Audit Comittee.

Dato' Izat is a prominent Malaysian businessman with extensive international business and corporate experiences. From 1984 to 1997 he was the Chairman of the Malay Chamber of Commerce, Kuala Lumpur, Malaysia. Currently he sits on the Board of Directors of Torsco Berhad, SKB Shutters Corporation Berhad and Tenaga Kimia Berhad. He also acts as Chairman to various organizations such as IMPSA (M) Sdn Bhd, Emir Equity Sdn Bhd, Equity Acceptance Sdn Bhd, New Sutrak Sdn Bhd. Since December 1998, he has been President of Malaysian Malay Businessmen and Industrialists Association (PERDASAMA).

Due to his vast achievements and public services, he was awarded the Dato' Paduka Mahkota Perak (DPMP) and the Ahli Mangku Negara (AMN). He held the office of Chairman of the National Consumer Affairs Council of Malaysia for three terms beginning from 1995. Amongst his other accomplishments are: member of the Petaling Jaya Municipal Council from 1992 to 1995, member of the Subang Jaya Municipal Council from 1996 to 1998.

Dato' Izat also held several positions in the UMNO Puchong Division beginning from 1991 and in 1994 was elected Vice Chairman. From 1994 to 1995, he held the position of Vice Chairman and Treasurer in the UMNO Subang Division. He was elected as Permanent Chairman of UMNO Youth from 1998 to 2001 and Chairman of Seri Utama division in the UMNO Petaling Jaya Selatan Division.

Directors' Profile

Mr. Wong Chin Yong, 52, is Managing Director and Chief Executive Officer since 18 September 2001. Mr. Wong is a Business Administration graduate from the University of Singapore. He has more than 25 years experience in financial markets, investment banking, and management. Mr. Wong spent his early career in treasury management with several international banks in Singapore before joining the Monetary Authority of Singapore as a senior officer. He also headed the Singapore branch of a U.S. investment bank in the 1980s. In the 1990s, Mr. Wong was the chief executive of several public-listed companies in Canada, Hong Kong and Malaysia that were engaged oil & gas exploration and development, gemstone mining, marketing and distribution.

Mr. Lim Kok Hui, 34, was appointed an Independent Director on 26 July 2002. He graduated with an Honours degree in Estate Management from the National University of Singapore. He was a senior property executive in EM Services Pte Ltd before he joined KLW Holdings Ltd in 1996 where he is now the Managing Director and CEO. Mr Lim is also the Managing Director and CEO of Barang Barang Pte Ltd, a subsidiary of KLW Holdings Ltd.

Mr. Ong Kah Hock, 50, was elected as director of the Company on 31 August 2001. He holds a MBA degree and B.Sc. (Hons) degree from the University of Bradford. He has more than 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.

Mr. Phang Ian Cher Shen, 38, was elected as a director of the Company on 31 August 2001. He was appointed as an Executive Director and Chief Operating Officer on 1 November 2001. After his tertiary education at the University of British Columbia, Canada, Mr. Phang worked as a consultant in financial markets, where he received awards in recognition for his outstanding performance. He relinquished his executive position on 10 February 2003 to pursue his own interest. Mr Phang is a member of the Institute of Directors, Singapore.

Mr. Quek Chek Lan, 60, is a non-executive director of the Company. Mr. Quek was appointed as Deputy Executive Chairman of the Company on 10 August 2001 but relinquished his executive position on 5 December 2001. He attended the then Nanyang University in the 1960s. Mr Quek has been engaged in investments and trading through his privately owned company.

Mr. Tay Yong Hua, 39, was appointed an Independent Director on 26 July 2002 and was last re-elected on 27 June 2003. He is the founder and director of Teeni Universal Group of Companies., a subsidiary of KLW Holdings Ltd.

Key Executives' Profile

Ms Sonia Barajas-Najera is Director, Executive Vice President and Chief Operating Officer of Shakey's Incorporated. She obtained her Bachelor's of Business Administration degree, Accounting Major in 1993 from the California State University Los Angeles, Los Angeles, CA. She has over 15 years of accounting and management experience acquired from various organizations in the quick service food industry. Prior to joining the Group as Controller in 1999, she was Controller of a corporation that operated 7 Burger Kings restaurants, 2 El Pollo Loco's restaurants, 3 Chevron Gas Station/C-Store/Deli; development and construction of assisted living facilities with combined revenue of US$15million.

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

Ms Lee Koh Sing, is the Group Financial Controller and Company Secretary. She is primarily responsible for overseeing the day to day operations of the Finance Department. Ms Lee ensures timely financial reporting of our Group's performance for both Singapore and USA. Besides taking care of our Group's cash flow management and reporting, Ms Lee also ensures that the internal control systems are in place. She obtained her Bachelor's degree in Accountancy from the Nanyang Technological University in 1992 and membership of the Institute of Certified Public Accountants in 1996. Prior to joining the Group as Finance Manager in September 2000, she was Accounting Executive of a real estate developer. In March 2001, she was appointed as Company Secretary for the Company and its local subsidiaries and was promoted to Group Financial Controller in July 2001.

Our success will depend on the hard work and commitment of our staff, and on behalf of the board of directors, I would like to take this opportunity to thank them for their contributions to the company during the past year.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors and the management of Inno-Pacific Holdings Ltd., I am pleased to report that your company's financial position has improved further in 2003. In the last two years, your management team has implemented wide-ranging changes and cost-cutting exercises to put the Group on a sound financial footing. This has resulted in a stronger balance sheet with no gearing.

For the year ended 31 December 2003, the *Group's Sales* were $7.7million, an increase of $2million or 34.6% from the previous year. This increase was contributed by the new telecommunication services business which recorded sales of $2.2million compared to $96,000 in 2002, when it had only two months of operations. Sales from Shakey's fell slightly from $5.6million to $5.4million.

Cost of Sales increased by 294% from $708,000 to $2.7million due primarily to the cost of $2million for terminating (connecting) calls incurred by the telecommunication services business compared to $93,000 in 2002.

Other Revenue decreased by 87% as 2002 included a write back of $5.5million consisting of *Provision for Marketable Securities* disposed of $2.9million and write-back of *Provision for Expenses* of $2.6million.

I am pleased to report to you that the *Group's Loss after Tax and Minority Interest* decreased substantially by 74% to $1.7million, compared to $6.1million in the previous year, due mainly to reduction in expenses like *Distribution Costs* which decreased by 18%, *Administrative Expenses* by 13% and *Other Operating Expenses* fell by 67%. The substantial drop in expenses was due mainly to the following:

1) No provision for *Other Investment* (2002: $7million)
2) No loss on *Disposal of Marketable Securities* (2002: $1.3million)
3) Total savings from *Other Expenses* amounted to about $1.8million

Last year, I reported that an amount totaling $1.58million, which was the proceeds from the sale of shares in Links Island Holdings Ltd was encumbered by the Commercial Affairs Department ("CAD") pending the conclusion of its investigation on the Links Island Holdings Ltd matter. I am pleased to report that the CAD had released the said proceeds to the respective subsidiary companies on 15 July 2003.

On 19 June 2003, Inno-Pacific completed a private placement of 69,450,000 new ordinary shares of $0.01 each for cash at the price of $0.033 each. As at 31 December 2003, the net cash proceeds of $2.3million has been used by our Group's local and overseas operations as working capital, which was consistent with the stated purpose of the placement.

We have diversified and broaden our investments over the past two years and will continue to look for new investments in Singapore and the region. I am confident that you will continue to give your support for our plans and proposals.

Our success will also depend on the hard work and commitment of our staff, and on behalf of the board of directors, I would like to take this opportunity to thank them for their contributions to the company during the past year. Last but not least, I wish to thank our most valued customers, business partners and our shareholders for their unfailing support.

Dato' Moehamad Izat Emir
Chairman

31 March 2004










Corporate Review

Review of Operations & Investments

The Company

Inno-Pacific Holdings, Ltd., the Company, is an investment holding and management services company. During the year under review, its investments/subsidiaries were primarily engaged in the ownership and management of restaurants, restaurants franchising, telecommunications services and manufacturing.

Website: http://www.innopacific.com

The Company successfully raised about $2.3million for the Group's working capital by placing 69,450,000 new ordinary shares of $0.01 each for cash at $0.033 a share in June 2003.

Though the Group's financial position continued to improved, the Company's future remains clouded by its unresolved tax position. In late 2000, the Comptroller of Income Tax issued Notices of (Additional) Assessment for the Years of Assessment 1988 and 1990 to 1997 for approximately $4.3million on the basis that the Company was engaged in the "passive business" of investment holding. As a result of the Comptroller's interpretation and definition of the type of business that the Company was engaged in, deductions of certain expenses were disallowed.

The Company's tax position for these years of assessments would have been favourably different if such expenses were allowed and a tax refund of about $2.4million would be due to the Company.

The Company has objected to the Comptroller's Assessments and has been appealing to the Inland Revenue Authority to resolve this dispute expediently because this issue has impacted the Company and the Group negatively.

The Company does not have the funds to meet this taxation and there is no assurance that the Inland Revenue Authority will defer or not enforce collection of this taxation pending the resolution of this dispute.

As at the end of 2002, the tax assessed on the Company for the Years of Assessment 1988 and 1990 to 1998 was $4.8million, including penalties.

During the financial year 2003, the Comptroller of Income Tax raised additional tax assessments and penalties of $239,678 for the Years of Assessment 1998 to 1999 and 2002 but discharged approximately $1.7 million of taxes for the Years of Assessment 1990 to 1994 and 1996 (including penalties) bringing the Company's tax liability down to $3.3million at year end 2003.

Review of Operations & Investments

Shakey's

The Company's indirect subsidiary, Shakey's Incorporated, is the owner of the Shakey's® trademarks in the United States of America and is the franchisor of the Shakey's® restaurants system. As at year-end 2003, there were 63 Shakey's restaurants in operations, mostly in California. Shakey's royalty revenue was about US$1.9million in 2003 compared to about US$2.1million in 2002. Net loss for 2003 was US$210,000, compared to US$460,000 in 2002.

The Company's other indirect subsidiary, Shakey's of California which owns and operates one Shakey's restaurant at Covina, CA, generated US$1.3million in total revenue and net profit of about US$30,000. In 2002, total revenue was US$1.2million and net profit was US$80,000.

In the last annual report, we reported that a group of Shakey's franchisees sued Shakey's Incorporated in December 2002 in the Los Angeles Superior Court alleging, inter-alia, breach of contract, fraud and misrepresentation. The allegations are similar to the lawsuits by two former franchisees filed in early 2001 that were settled in May 2002. In January 2003, the plaintiffs filed a First Amended Complaint and dropped one of the named plaintiffs, John J. McNulty from the action. McNulty, a former franchisee, was one of the plaintiffs in the 2001 actions and also the President of the Shakey's Franchised Dealers Association. Shakey's demurrer to the First Amended Complaint was sustained, resulting in the filing of a Second Amended Complaint by the plaintiffs.

In September 2003, the plaintiffs added Shakey's Chief Executive Officer and your Managing Director, Wong Chin Yong, as a "Doe" - fictitious - defendant. In December 2003, Mr Wong's demurrer to the Second Amended Complaint was sustained and the plaintiffs were given 10 days to re-file their Complaint, resulting in the filing of the Third Amended Complaint by the plaintiffs. Mr Wong's demurrer to the Third Amended Complaint was sustained and he was dismissed from the litigation in February 2004. Shakey's filed a motion for summary judgment which was heard on March 5, 2004. The presiding Judge has yet to give his decisions and ruling. Trial is set in May 2004. Shakey's believes that the franchisees' allegations and claims are vexatious and without merit and is vigorously defending the lawsuit.

Website: http://www.shakeys.com

The Company acquired Shakey's in 1989, and its ownership of Shakey's to date, has been marked by discrimination, harassments and interferences in its business. The lawyer representing the plaintiffs in the current franchisee litigation has represented almost every franchisee litigation against Shakey's. Shakey's is positioning itself to eliminate any future potential lawsuits and tortuous interference of its business by this lawyer and any franchisee.

Despite, the distraction of the litigation, 2003 saw two new franchised restaurants opening in Chino, CA and West Covina, CA. Another new franchised restaurant is scheduled to open in Fresno, CA in April 2004. Total system food & beverage sales was about US$54million or 1.4% increase and average annual same store sales was about US$890,000 or 1% increase. January and February 2004 system food and beverage sales increased by 9.5% and 6.5% respectively (month on month).

Review of Operations & Investments

Telecommunications

The Company's, indirect 51% owned subsidiary, Zenith Member Singapore Pte Ltd. ("ZMS") commenced operations in late 2002. ZMS recorded revenue of $2.2million or 28.7% of the Group's total revenue in 2003 vs. 1.7% in 2002.

ZMS provides international voice communication to pre-paid and post paid customers in Singapore. It competes with the major telcos as well as other value-added service providers for customers, through pricing and quality of services. Pricing is often affected by regulatory changes, foreign exchange fluctuations and credit risk. Quality of service is also affected by the termination partners' connectivity, equipment and infrastructure. ZMS is in a very competitive business segment but we expect to maintain our market share in 2004. We are evaluating new technologies and products to expand and improve the services.

Paper Pallets and Packaging Manufacturing

In October 2003, the Company acquired 51% of the issued and paid-up share capital of RR Industrial Packaging & Design Services Pte Ltd ("RRI"). RRI designs, manufactures and markets Corrugated Paper Pallets and other paper packaging products. RRI owns proprietary designs and manufacturing techniques for Corrugated Paper Pallets.

The Company has been looking to broaden and diversify its earnings base through acquisition of businesses with high growth and profitability potentials. The acquisition of RRI will enable the Company to participate in the expected exponential growth of the paper pallets industry as wood pallets are being substituted in the years ahead.

Legislations and regulations in the US, Canada, the EC and many other countries to address phytosanitary issues will limit cross-border mobility of wood pallets and wood packaging. These countries require wood and wood products, including wood pallets, to be heated treated, fumigated or treated with preservatives for insect infestation before crossing into their borders. This will result in higher cost and inconveniences. RRI's Corrugated Paper Pallets meet all the regulatory conditions imposed on wood pallets.

RRI's Corrugated Paper Pallets are light, weighing from 3.5 kg to 10 kg each; they are strong, capable of up to 15 tonnes of loading weight; water resistant, easier and safe to handle and recycleable.

The global pallet market is estimated at US$30billion with paper pallets accounting for less than 1% only and its market share is expected to increase exponentially as the phytosanitory standards and regulations are implemented in the months and years ahead.

A shift in demand to paper pallets from wood pallets is expected.

Financial Report

CORPORATE GOVERNANCE STATEMENT

For the financial year ended 31 December 2003

IMPLEMENTATION OF CORPORATE GOVERNANCE PRACTICES UNDER THE CODE OF CORPORATE GOVERNANCE

Last year the Board implemented the guidelines in the code of corporate governance issued by the Corporate Governance Committee on 21 March 2001. It recognizes the importance of good business practices and corporate governance and has adopted measures and practices set out in the Singapore Exchange Securities Trading Ltd ("SGX-ST") Listing Manual requirements.

BOARD MATTERS

The Board's Conduct of its Affairs (Principle 1)

At the Company's Extraordinary General Meeting held on 28 March 2002, the Articles of Association of the Company was amended to provide for telephone conference or other methods of simultaneous communication by electronic means meetings for the Board, in compliance with the Code. The Board meets 2 times annually and *ad hoc* meetings are convened when circumstances require. The attendance of the Directors at meetings of the Board and Board Committees held since the 22 April 2003 is disclosed below:

	Inno-Pacific Board Meeting		Audit Committee Meeting		Nominating Committee Meeting		Remuneration Committee Meeting	
	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended
Dato' Moehamad Izat Emir	2	2	2	2	1	1	–	–
Wong Chin Yong [1]	2	2	2	2	1	1	–	–
Lim Kok Hui	2	2	2	2	1	1	–	–
Ong Kah Hock	2	2	2	2	1	1	–	–
Phang Ian Cher Shen	2	2	NA	NA	NA	NA	NA	NA
Quek Chek Lan	2	1	NA	NA	NA	NA	NA	NA
Tay Yong Hua	2	1	NA	NA	NA	NA	NA	NA

1. Mr Wong Chin Yong, Managing Director and CEO, was invited to attend the various Board Committees meetings.

The Board sets business direction for the Group, monitors and reviews the financial performance of the Group, safeguards the Group's assets, oversees internal controls and sets and approves the Group's strategic plans.

The Board is assisted by management and various sub-committees to carry out its duties and to provide effective corporate governance within the Group.

Board Composition and Balance (Principle 2)

The Board's members comprise 1 executive director, 2 non-executive directors and 3 non-executive independent directors.

Dato' Moehamad Izat Emir *Chairman*
Mr Wong Chin Yong *Managing Director & CEO*
Mr Lim Kok Hui *Independent Director*
Mr Ong Kah Hock *Independent Director*
Mr Phang Ian Cher Shen *Non-Executive Director*
Mr Quek Chek Lan *Non-Executive Director*
Mr Tay Yong Hua *Independent Director*

The independence of each director is reviewed annually by the Nominating Committee ("NC"). The NC adopts the Codes definition of what constitutes an independent director in its review. As a result of NC's review of the independence of each director for FY 2003, the NC is of the view that the non-executive independent directors are independent directors and further that no individual or small group of individuals dominate the Board's decision making process. The NC is also of the view that the current board comprises persons who as a group provide core competencies necessary to meet the Company's performance targets.

Directors' Information

Board of Directors	Date of Ist appointment	Date of last Re—election	Audit Committee	Nominating Committee	Remuneration Committee
Dato' Moehamad Izat Emir	1 Nov 1995	14 Jun 2002	Chairman	Chairman	Chairman
Wong Chin Yong	8 Aug 2001	—	—	—	—
Lim Kok Hui	26 Jul 2002	27 Jun 2003	Member	Member	Member
Ong Kah Hock	31 Aug 2001	—	Member	Member	Member
Phang Ian Cher Shen	31 Aug 2001	27 Jun 2003	—	—	—
Quek Chek Lan	8 Aug 2001	14 Jun 2002	—	—	—
Tay Yong Hua	26 Jul 2002	27 Jun 2003	—	—	—

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO") (Principle 3)

The roles of the Chairman and Chief Executive Officer are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman ensures that the board meetings are held when necessary and sets the board meeting agenda. The CEO bears the executive responsibility for the Group's business performance. The CEO reviews the board papers before they are presented to the Board and ensures that board members are provided with complete, adequate and timely information.

NOMINATING COMMITTEE (Principle 4 & 5)
(Board Membership/Board Performance)

The Board has set up a Nominating Committee ("NC") comprising of non-executive directors who are independent of management to make recommendations to the Board on all board appointments. The NC comprises Dato' Moehamad Izat Emir (Chairman), Messrs Lim Kok Hui and Ong Kah Hock. All directors shall be required to submit themselves for re-nomination and re-election at regular interval and at least every 3 years.

The NC is tasked with the following function:

1. Make recommendations to the Board on appointment of new executive and non-executive directors, including making recommendations to the composition of the board structure, size and composition and the balance between executive and non-executive directors appointed to the Board.
2. Responsible for identifying and nominating candidates and reviewing nominations for the approval of the Board, determining annually whether or not a director is independent to fill board vacancies and when they arise as well as put in place plans for succession.
3. Decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.

4. Access the effectiveness of the Board as a whole, contribution by each individual directors to the effectiveness to the Board including the discharge of his obligation, duty and responsibility as a director and decides and recommends to the board of directors the removal or retirement of the directors, if appropriate.

New directors are at present appointed by way of a board resolution after the NC approves their appointment. Such new directors must submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company. Article 106 requires one third of the Board to retire by rotation at every AGM.

ACCESS TO INFORMATION (Principle 6)

In order to ensure the Board is able to fulfill its responsibilities, Management provides the CEO with monthly management accounts within 21 days after each month-end and supply the board with complete, adequate information in a timely manner. The directors have also been provided with the mobile phone numbers and e-mail addresses of the Company's senior management and company secretary to facilitate access.

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

The company secretary attends all board meetings and is responsible to ensure that board procedures are followed and that the Company complies with the requirements of the Companies Act.

REMUNERATION COMMITTEE (Principle 7, 8 & 9)
(Remuneration Matters / Level and Mix of Remuneration / Disclosure of Remuneration)

The Board has set up a Remuneration Committee ("RC") comprising a majority of non-executive directors who are independent of management. The RC comprises Dato' Moehamad Izat Emir (Chairman), Messrs Lim Kok Hui and Ong Kah Hock.

Apart from recommending to the Board a framework of remuneration for the Board and key executives, the RC also determine specific remuneration packages for executive directors. The RC's recommendations would be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board and the scope of remuneration would cover all aspects of remuneration, including but not limited to directors' fees, salaries and benefits-in-kind.

The Company has only 1 executive director (the CEO) whose remuneration package is as per his service contract of 3 years which commenced on 18 September 2001. The other Directors who are non-executive are only paid yearly directors' fees of an agreed amount and the number of attendance. Such fee is subjected to shareholders' approval at AGM. Currently, the Company does not have any long-term incentive scheme for its Directors.

Directors' Remuneration

	Executive Directors Salary, AWS, CPF, Gratuity & Benefits-in-kind	Non-Executive Directors Director Fee
$500,000 and above	—	—
$250,000 to $499,999	Wong Chin Yong	—
Below $250,000	Phang Ian Cher Shen (relinquished his executive position on 10 Feb 2003)	Dato' Moehamad Izat Emir Lim Kok Hui Ong Kah Hock Phang Ian Cher Shen Quek Chek Lan Tay Yong Hua

There are no employees whose remuneration exceeds $150,000 during the year who are related to Directors/CEO or Substantial Shareholders. The remuneration policy for key executives is a fixed salary commensurate with their job scope and responsibilities, plus one-month annual wage supplement. We do not have any employee share option scheme.

Accountability and Audit (Principle 10)

The Board of Directors is accountable to the shareholders while the management of the Company is accountable to the board. The management presents to the board the half-year and full-year financial statements and Audit Committee reports on the results for review and approval. The board approved the results and authorized the release of the results to the SGX-ST and the public via MASNET.

Audit Committee (Principle 11)

The members of the Audit Committee ("AC") are Dato' Moehamad Izat Emir (Chairman), Messrs Lim Kok Hui and Ong Kah Hock. As all of them are non-executive and independent directors, the Code in this respect has been complied with.

The AC held 3 meetings since 22 April 2003 and has reviewed, *inter-alia*, the following:

(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; and

(f) carry out special purpose projects to assist management in performing evaluation and decision-making.

To carry out its functions, the AC reported regularly to the Board, interacted with external auditors and senior management staff. It also suggested improvements in management's format of reporting to the Board to enhance transparency.

The AC also reviews the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors.

INTERNAL CONTROLS (Principle 12 & 13)

The Board has the ultimate responsibility for the systems of internal control maintained by the Group and for reviewing their effectiveness. The systems are intended to provide reasonable assurance, but not an absolute guarantee, against material financial misstatement or loss, and include the safeguarding of assets, maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices and the identification and containment of business risk.

During the year, the AC, on behalf of the Board, has reviewed the effectiveness of the Group's internal controls, including financial, operational and compliance controls, identification and management of risks and monitoring systems. The Board believes that in the absence of any evidence to the contrary and from due enquiry, this system of internal controls that has been maintained by the Company's management throughout the financial year is adequate to meet the needs of the Company in its current business environment.

COMMUNICATION WITH SHAREHOLDERS (Principle 14)

The Company announced its half-year and full-year results via the MASNET which includes an assessment of the Company's performance, position and prospects. Such results and annual reports are announced and issued within the mandatory period.

All shareholders of the Company receive the notice of AGM which is also advertised in the newspaper. At AGMs, shareholders are given the opportunity to air their views and ask directors or management questions regarding the Company. The external auditors will be present to assist the directors in addressing the relevant queries by shareholders. The Company's Articles allow a member to appoint one or two proxies to attend and vote instead of the member.

DEALING IN SECURITIES

All the directors and affected employees of the Group have complied with the internal code which mirrors the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited with regard to dealings in securities by directors and employees.

The Company has reminded all directors and affected employees of the Group about the prohibition to trade in the shares of the Company during "closed" window periods and has accordingly notify all directors and affected employees in advance of each "closed" window period by internal memorandum.

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

Risk management is essential to the Group's business. The Group has established risk management policies, guidelines and control procedures to identify operational risks and monitor and manage these risks.

Inno-Pacific has implemented a Group insurance program and has in place a system for financial monitoring and control.

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

There were no material contracts entered into by the Company and its subsidiaries during the financial year 2003 which involved the interests of the Chief Executive Officer, any director or controlling shareholder of the Company.

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

There were no interested person transactions carried out during the financial year 2003 by the Company and its subsidiaries.

On behalf of the Board,

Wong Chin Yong
Managing Director & Chief Executive Officer

Phang Ian Cher Shen
Director

31 March 2004

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited financial statements of the Company and of the Group for the financial year ended December 31, 2003.

1 DIRECTORS

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

Dato' Moehamad Izat Emir — *Chairman*
Wong Chin Yong — *Managing Director and Chief Executive Officer*
Lim Kok Hui
Ong Kah Hock
Phang Ian Cher Shen
Quek Chek Lan
Tay Yong Hua

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings in which directors have a direct interest		Other shareholdings in which the directors are deemed to have an interest	
The Company	**Ordinary shares of $0.01 each**			
Name of directors and company in which interest is held	**As at December 31, 2002**	**As at December 31, 2003**	**As at December 31, 2002**	**As at December 31, 2003**
Quek Chek Lan	600,000	–	3,800,000	–
Ong Kah Hock	1,000	1,000	–	–
Tay Yong Hua	9,007,000	7,000	–	–
Lim Kok Hui	5,000	5,000	–	–

There were no changes in any of the above mentioned interest between the end of the financial year and January 21, 2004.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements. Certain directors have received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 OPTIONS TO TAKE UP UNISSUED SHARES

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

6 OPTIONS EXERCISED

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

7 UNISSUED SHARES UNDER OPTION

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

8 AUDIT COMMITTEE

The Audit Committee consists of three non-executive directors, all of whom including the Chairman of the Committee are independent directors. At the date of this report, the members of the Audit Committee are:

Dato' Moehamad Izat Emir (Chairman)
Lim Kok Hui
Ong Kah Hock

The Audit Committee performed the functions specified in the Singapore Code of Corporation Governance, Singapore Companies Act and the Singapore Exchange Securities Trading Limited Listing Manual.

In relation to the financial statements of the Company and the Group for the year ended December 31, 2003, the Audit Committee reviewed the audit plans and scope of the audit examination of the external auditors of the Company. The external auditors' findings on the internal controls of the companies within the Group, and management's response to these findings were also discussed with the auditors and management. The Audit Committee's activities included a review of the financial statements of the Company and the Group for the year ended December 31, 2003, and the report of the external auditors thereon.

The Committee recommends to the Board of Directors the nomination of Deloitte & Touche as external auditors at the forthcoming Annual General Meeting of the Company.

9 AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....

Wong Chin Yong

....

Phang Ian Cher Shen

Singapore
March 31, 2004

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

1. We have audited the financial statements of Inno-Pacific Holdings Ltd ("the Company") for the financial year ended December 31, 2003 set out on pages 24 to 47. These financial statements comprise the balance sheets of the Company and of the Group as at December 31, 2003, the statements of changes in equity of the Company and of the Group, the profit and loss account and the cash flow statement of the Group for the year ended December 31, 2003, 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.

2. The financial statements for the year ended December 31, 2002 were audited by another firm of auditors, whose report dated April 22, 2003 was qualified as follows:

   "The Company has a tax suspense of $4,931,905 arising from tax assessed by the Comptroller of Income Tax ("CIT") for years of assessment 1988 to 2000. 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 with 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 losses of the Group and Company for the year would have been increase from $6.07 million to $11.00 million and $8.61 million to $13.54 million respectively. Accordingly, the net current assets position of the Group would have been decreased from $1.40 million to a net current liabilities position of $3.53 million and the net current liabilities position of the Company would have been increased from $0.79 million to a net current liabilities position of $5.72 million respectively".

3. For the current financial year, except as discussed in paragraphs 4 and 5 below, 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.

4. As detailed in Notes 9 and 17, the Company has tax suspense of $3.38 million arising from tax assessed by the Comptroller of Income Tax ("CIT") for years of assessment 1988 to 2000. 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 and has instead been included as tax suspense amount in "Other Receivables and Prepayments". Pending the final settlement of these assessments, we have presently not been able to satisfy ourselves as to the recoverability of the amount of tax suspense included in "Other Receivables and Prepayments". In the event that the Company is unable to obtain the agreement with the Comptroller of Income Tax in discharging these tax liabilities, the amount of $3.38 million will have to be recognised in the profit and loss account as an expense. Had the amount been charged to the profit and loss account, the losses of the Group and Company for the year would have been increased from $1.89 million to $5.27 million and $0.55 million to $3.93 million respectively.

5. We draw your attention to Note 33 to the financial statements. One of the Company's indirect subsidiaries, Shakey's Incorporated, is the defendant in a lawsuit alleging breach of the covenant of good faith and fair dealing, fraud, negligent misrepresentation and accounting. Shakey's Incorporated believes that the allegations and claims are without merit and is vigorously defending the case. It is, however, not possible at this stage to predict the eventual outcome of the lawsuit with reasonable certainty. No provision for any liability has been made in the financial statements in respect of this lawsuit.

6. 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 matters referred to in the paragraphs 4 and 5, been known with reasonable certainty,

   (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards ("FRS") so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2003, changes in equity of the Group and of the Company, the results and cash flows of the Group for the year ended on that date; and

   (b) the accounting and other records 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.

AUDITORS' REPORT TO THE MEMBERS OF INNO-PACIFIC HOLDINGS LTD — cont'd

7. 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 11 to the financial statements.

8. We are satisfied that the financial statements of the subsidiaries that are consolidated with the financial statements of the Company are in 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.

9. The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification, except for Shakey's Holdings Pte Ltd which is qualified in respect of the matter set out in paragraph (5) above, and in respect of the subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

10. Without further qualifying our opinion, we draw your attention to Note 2 to the financial statements. The Group and the Company have incurred losses of $1.89 million and $0.55 million respectively for the financial year ended December 31, 2003. These matters, together with the matters described in paragraphs 4 and 5 above concerning recoverability of the tax suspense account, amounting to $3.38 million as at December 31, 2003, and uncertainties concerning the eventual outcome of the litigation which an indirect subsidiary is facing, cast significant doubt on the ability of the Group and the Company to continue as going concerns. The validity of the going concern assumption on which the financial statements are prepared depends on the satisfactory outcome of these matters and on the ability of the Group and the Company to have access to funds in order for the Group and the Company to meet their obligations as and when they fall due. If the Group and the Company were unable to continue in operational existence, adjustments may have to be made to reflect that assets may need to be realised other than in the ordinary course of business and at amounts which may differ significantly from amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to reclassify long-term assets and long-term liabilities as current assets and current liabilities. The financial statements do not include such adjustments.

DELOITTE & TOUCHE
Certified Public Accountants

William Lim Choon Hock
Partner
Appointed on May 29, 2003

Singapore
March 31, 2004

BALANCE SHEETS

December 31, 2003

	Note	Group 2003 $'000	Group 2002 $'000	Company 2003 $'000	Company 2002 $'000
ASSETS					
Current assets:					
Cash and cash equivalents	6	2,418	1,113	239	143
Marketable securities	7	–	186	–	–
Trade receivables	8	777	650	–	–
Other receivables and prepayments	9	3,837	7,119	3,606	5,217
Inventories	10	41	27	–	–
Total current assets		7,073	9,095	3,845	5,360
Non-current assets:					
Investment in subsidiaries	11	–	–	6,243	2,336
Other investment	12	7,000	7,000	7,000	7,000
Plant and equipment	13	1,283	1,050	94	107
Intangible assets	14	3,076	490	–	–
Other receivables		369	82	–	–
Total non-current assets		11,728	8,622	13,337	9,443
Total assets		18,801	17,717	17,182	14,803
LIABILITIES AND EQUITY					
Current liabilities:					
Trade payables	15	874	899	–	–
Other payables	16	1,324	1,884	489	1,256
Income tax payable	17	3,326	4,895	3,326	4,891
Current portion of finance leases	18	19	19	–	–
Total current liabilities		5,543	7,697	3,815	6,147
Non-current liabilities:					
Finance leases	18	85	104	–	–
Long-term liabilities	19	474	607	–	–
Total non-current liabilities		559	711	–	–
Minority interest		74	79	–	–
Issued capital	20	4,169	3,475	4,169	3,475
Share premium		25,503	23,938	25,503	23,938
Capital reserve		3,000	–	3,000	–
Currency translation reserve		2,090	2,069	–	–
Accumulated losses		(22,137)	(20,252)	(19,305)	(18,757)
Net equity		12,625	9,230	13,367	8,656
Total liabilities and equity		18,801	17,717	17,182	14,803

See accompanying notes to financial statements.

CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended December 31, 2003

	Note	Group 2003 $'000	Group 2002 $'000
Revenue	21	7,690	5,715
Cost of sales		(2,787)	(708)
Gross profit		4,903	5,007
Other operating income	22	844	6,216
Distribution costs		(772)	(943)
Administrative expenses		(2,624)	(3,010)
Other operating expenses		(4,524)	(13,311)
Loss from operations	23	(2,173)	(6,041)
Finance costs	24	(4)	(30)
Loss before income tax		(2,177)	(6,071)
Income tax expense	25	(7)	(2)
Loss after income tax		(2,184)	(6,073)
Minority interests		299	1
Net loss for the year		(1,885)	(6,072)
Basic loss per share (cents)	26	0.48	1.82

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2003

GROUP

	Issued capital $'000	Share premium $'000	Capital reserve $'000	Currency translation reserve $'000	Accumulated losses $'000	Total $'000
Balance at December 31, 2001	62,520	40,903	–	2,090	(92,200)	13,313
Currency translation differences	–	–	–	(21)	–	(21)
Net loss for the year	–	–	–	–	(6,072)	(6,072)
Reduction of par value of each ordinary share from $0.20 to $0.01 due to capital reduction exercise	(59,394)	(18,626)	–	–	78,020	–
Issue of share capital	349	–	–	–	–	349
Premium on issue of ordinary shares, net of expenses	–	1,661	–	–	–	1,661
Balance at December 31, 2002	3,475	23,938	–	2,069	(20,252)	9,230
Shares to be issued held in an escrow account (Note 11)	–	–	3,000	–	–	3,000
Currency translation differences	–	–	–	21	–	21
Net loss for the year	–	–	–	–	(1,885)	(1,885)
Issue of share capital	694	–	–	–	–	694
Premium on issue of ordinary shares, net of expenses	–	1,565	–	–	–	1,565
Balance at December 31, 2003	4,169	25,503	3,000	2,090	(22,137)	12,625

COMPANY

	Issued capital $'000	Share premium $'000	Capital reserve $'000	Accumulated losses $'000	Total $'000
Balance at December 31, 2001	62,520	40,903	–	(88,167)	15,256
Net loss for the year	–	–	–	(8,610)	(8,610)
Reduction of par value of each ordinary share from $0.20 to $0.01 due to capital reduction exercise	(59,394)	(18,626)	–	78,020	–
Issue of share capital	349	–	–	–	349
Premium on issue of ordinary shares, net of expenses	–	1,661	–	–	1,661
Balance at December 31, 2002	3,475	23,938	–	(18,757)	8,656
Shares to be issued held in an escrow account (Note 11)	–	–	3,000	–	3,000
Net loss for the year	–	–	–	(548)	(548)
Issue of share capital	694	–	–	–	694
Premium on issue of ordinary shares, net of expenses	–	1,565	–	–	1,565
Balance at December 31, 2003	4,169	25,503	3,000	(19,305)	13,367

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2003

	Group	
	2003	2002
	$'000	$'000
Cash flows from operating activities:		
Loss before income tax	(2,177)	(6,071)
Adjustments for:		
Gain on disposal of plant and equipment	(34)	4
Gain on disposals of subsidiaries	–	(605)
Gain on dilution of shareholdings in subsidiary	(31)	–
Plant and equipment written off	26	98
Depreciation of plant and equipment	245	236
Amortisation of intangible assets	585	542
Intangible assets written off	–	104
Currency realignment	22	29
Allowance for doubtful debts	–	292
Interest income	(7)	(2)
Interest expense	4	30
Write off of investment	–	16
Allowance for doubtful debts written back	(69)	–
Provision for impairment in value of other investment	–	6,915
Provision for expense written back	(52)	(2,575)
Operating loss before working capital changes	(1,488)	(987)
Decrease (increase) in inventories	26	(8)
Decrease (increase) in debtors	1,668	(390)
Decrease in creditors	(630)	(1,129)
Decrease (increase) in marketable securities	186	(134)
Cash used in operations	(238)	(2,648)
Interest received	7	2
Interest paid	(4)	(30)
Payment of intangible assets	–	(20)
Income tax paid	(20)	(11)
Net cash used in operating activities	(255)	(2,707)
Cash flows from investing activities:		
Purchase of plant and equipment	(315)	(131)
Proceed from sale of plant and equipment	55	4
(Increase) decrease in other receivables	(287)	117
(Decrease) increase in long term creditors	(133)	362
Disposals of subsidiaries, net of cash disposed (Note 27)	–	1,233
Advance to an associated company	–	(840)
Net cash (used in) from investing activities	(680)	745

CONSOLIDATED CASH FLOW STATEMENT — cont'd

Year ended December 31, 2003

	Group	
	2003	2002
	$'000	$'000
Cash flow from financing activities		
Repayment of hire purchase creditors and secured line of credit	(19)	(182)
Net proceeds from issuance of shares	2,259	2,010
Net cash from financing activities	2,240	1,828
Net increase (decrease) in cash and cash equivalents	1,305	(134)
Cash and cash equivalents at beginning of year	1,113	1,247
Cash and cash equivalents at end of year (Note 6)	2,418	1,113

See accompanying notes to financial statements.

1 GENERAL

The Company was incorporated in the Republic of Singapore with its principal place of business and registered office at 70 Shenton Way, #03-02 Marina House, Singapore 079118. The financial statements are expressed in Singapore dollars.

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 11 to the financial statements.

The financial statements of the Company and consolidated financial statements of the Group for the year ended December 31, 2003 were authorised for issue by the Board of Directors at their meeting held on March 31, 2004.

2 GOING CONCERN

As disclosed in Note 33 to the financial statements, one of the Company's indirect subsidiaries, Shakey's Incorporated is the defendant in a lawsuit alleging inter-alia, breach of contract, breach of the covenant of good faith and fair dealing, fraud, negligent misrepresentation and accounting. Shakey's Incorporated believes that the allegations and claims are without merit and is vigorously defending the case. It is, however, not possible at this stage to predict the eventual outcome of the lawsuit with reasonable certainty. No provision for any liability has been made in the financial statements in respect of this lawsuit.

The Group and the Company have incurred losses of $1.89 million and $0.55 million respectively for the financial year ended December 31, 2003. These matters, together with the matter described in the preceding paragraph concerning uncertainties about the eventual outcome of the litigation which the subsidiary is facing and the matters described in Note 17 to the financial statements concerning recoverability of the tax suspense account, amounting to $3,376,000 as at December 31, 2003 cast significant doubt on the ability of the Group and the Company to continue as going concerns. The validity of the going concern assumption on which the financial statements are prepared depends on the satisfactory outcome of these matters and on the ability of the Group and the Company to have access to funds in order for the Group and the Company to meet their obligations as and when they fall due. If the Group and the Company were unable to continue in operational existence, adjustments may have to be made to reflect that assets may need to be realised other than in the ordinary course of business and at amounts which may differ significantly from amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to reclassify long-term assets and long-term liabilities as current assets and current liabilities. The financial statements do not include such adjustments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost convention and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS").

The Company and the Group have adopted all the applicable new/revised FRS and INT FRS which become effective during the year. The adoption of the new/revised FRS and INT FRS does not affect the results of the Company and of the Group for the current or prior periods.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to December 31 each year. Control is achieved when the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group. All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — cont'd

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

FINANCIAL ASSETS – Financial assets include bank balances and cash, trade and other receivables and equity investments. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Marketable securities held on a short-term basis are carried at market value at the balance sheet date. Increases and decreases in the carrying amount of marketable securities are recognised as income or expense of the period.

FINANCIAL LIABILITIES AND EQUITY – Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include finance lease obligations and trade and other payables.

The accounting policy adopted for finance lease obligations is outlined below, and trade and other payables are stated at their nominal value.

MINORITY INTEREST – Minority interest is stated at the appropriate proportion of the fair values of the net identifiable assets of the subsidiary at the time of acquisition adjusted for the appropriate share of post acquisition profit and loss and other reserve movements.

OTHER INVESTMENTS – Investments held for long-term are stated at cost less any impairment in net recoverable value.

INVENTORIES – Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

PLANT AND EQUIPMENT – Plant and equipment are carried at cost, less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Plant, restaurant and kitchen equipment	–	10% to 20%
Furniture and fittings	–	10%
Other assets	–	10% to 100%

Fully depreciated assets still in use are retained in the financial statements.

Assets held under finance lease arrangements are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

GOODWILL – Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis over its estimated useful life.

Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — cont'd

OTHER INTANGIBLE ASSETS – Other intangible assets include expenditure on trademarks and franchise, are amortised using the straight-line method over their useful lives on the following bases:

Trademark	–	15 years
Franchise payments	–	8 to 10 years

Intangible assets are stated at cost less amortisation. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

IMPAIRMENT OF ASSETS – At each balance sheet date, the Company and the Group review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS – Provisions are recognised when the Group has a present obligation as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease using the effective interest rate method.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

REVENUE RECOGNITION – Revenue from 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.

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

Revenue from sale of used cars is recognised upon delivery to customer.

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable, on an effective yield basis.

Dividend income from subsidiaries is recognised when the right to receive payment has been established.

Royalties are accrued based on food and beverage sales of franchised restaurants.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes, such as Singapore Central Provident Fund) are charged as an expense when incurred.

INCOME TAX –Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, except that a debit to the deferred tax balance is not carried forward unless there is a reasonable expectation of realisation in the foreseeable future.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — cont'd

Deferred tax is charged or credited to the profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – Transactions in foreign currencies are recorded using the rates ruling on the dates of the transactions. At each balance sheet date, recorded monetary balances and balances carried at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment profits and losses are dealt with in the profit and loss statement.

For inclusion in the consolidated financial statements, assets and liabilities of the foreign entities are translated at the rates of exchange approximating those ruling at the balance sheet date. The profit and loss statements are translated at the average rates of exchange for the year, and the opening net investment in the foreign entities are translated at the historical rates. The resulting currency translation differences are taken to the currency translation reserve. On disposal of a foreign entity, the accumulated currency translation differences are recognised in the profit and loss statement as part of the profit or loss on disposal.

CASH – Cash for the cash flow statement includes cash and cash equivalents.

4 FINANCIAL RISKS AND MANAGEMENT

The Group manages its exposure to financial risks using a variety of techniques and instruments. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group has established risk management policies and guidelines which set out its overall risk management strategies. Such policies are reviewed annually, and periodic checks are undertaken to ensure such guidelines are adhered to.

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.

It is the Group's policy to enter into financial instruments with a diversity of credit-worthy counterparties. The Group manages these risks by monitoring credit-worthiness and limiting the aggregate risk to any individual counterparty. Where appropriate, the Group obtains collaterals from the customers. Therefore, the Group does not expect to incur material credit losses on its financial instruments.

Cash and fixed deposits are held with creditworthy financial institutions.

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.

Foreign exchange risk

For the financial year 2003, a significant portion of the sales and purchase of the Group are denominated in United States currency. The functional currencies of the entities generating these sales are also mainly in United States currency.

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.

4 FINANCIAL RISKS AND MANAGEMENT — cont'd

The Company and the Group also have a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. These assets are long-term in nature and the exchange differences arising from the 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.

Liquidity risk

The Group ensures availability of funds through an adequate amount of cash and where necessary, fund raising exercise will be considered via right issues, private placements, other equity or equity-related exercise. (Note 2)

Fair value of financial assets and financial liabilities

Financial assets include cash and cash equivalents and trade and other receivables. Financial liabilities, which include trade and other payables, are classified according to the substance of the contractual arrangements entered into.

The carrying values of cash and cash equivalents, trade receivables and payables, other receivables and payables approximate their fair values.

5 RELATED PARTY TRANSACTIONS

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

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and without fixed repayment terms unless stated otherwise.

Significant related party transactions, other than those disclosed elsewhere in the notes to profit and loss statement:

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Purchase of services	1,601	–	–	–

6 CASH AND CASH EQUIVALENTS

	Group 2003 $'000	Group 2002 $'000	Company 2003 $'000	Company 2002 $'000
Cash at bank and on hand	2,302	998	123	28
Fixed deposits	116	115	116	115
	2,418	1,113	239	143

7 MARKETABLE SECURITIES

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Quoted shares in corporations, at cost	–	225	–	–
Impairment loss	–	(39)	–	–
	–	186	–	–
Market value of:				
Quoted shares in corporations	–	186	–	–

8 TRADE RECEIVABLES

	Group 2003 $'000	Group 2002 $'000	Company 2003 $'000	Company 2002 $'000
Outside parties	920	1,672	–	–
Less allowance for doubtful debts	(143)	(1,022)	–	–
	777	650	–	–

9 OTHER RECEIVABLES AND PREPAYMENTS

	Group 2003 $'000	Group 2002 $'000	Company 2003 $'000	Company 2002 $'000
Staff loan	–	9	–	9
Tax recoverable	1	11	–	–
Tax suspense (Note 17)	3,376	4,932	3,376	4,932
Other receivables	358	2,084	226	285
Prepayments	102	114	4	8
Less allowance for doubtful debts	–	(31)	–	(17)
	3,837	7,119	3,606	5,217

10 INVENTORIES

	Group 2003 $'000	Group 2002 $'000	Company 2003 $'000	Company 2002 $'000
At cost:				
Food stocks	19	15	–	–
Pre-paid calling cards	22	12	–	–
	41	27	–	–

11 INVESTMENTS IN SUBSIDIARIES

	Company	
	2003	2002
	$'000	$'000
Unquoted shares, net of amount written off	30,945	27,945
Loans from subsidiary companies	(4,318)	(4,318)
Loans to subsidiary companies, net of amount written off	500	1,725
Amounts due from subsidiary companies, non-trade net of amount written off	11,850	9,136
Amount due to subsidiary companies, non-trade	(30,035)	(29,260)
Write-down of amount due from subsidiary companies	(2,699)	(2,892)
	6,243	2,336

The amounts due from/to and loans from subsidiary companies are unsecured and interest-free and not expected to be repaid within the next 12 months.

Details of subsidiaries at December 31, 2003 are:

Name of company	Principal activities/ Country of incorporation	Cost of investment held by the Company		Effective equity interest held by Group	
		2003	2002	2003	2002
		$'000	$'000	%	%
Inno-Pacific Property Holdings Pte Ltd	Investment holding Singapore	10,300	10,300	100	100
Inno-Pacific Intertrade Pte Ltd	Dormant 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 (1)	Dormant Malaysia	15	15	90	90
Ocean Hope Investments Limited (5)	Dormant Hong Kong	–	–	–	100
Inno-Pacific Recreation Pte Ltd (5)	Dormant Singapore	–	–	–	100
Inno-Pacific Technologies Pte Ltd	Management operations and provision of information technology and other related services Singapore	–	–	100	100
IPH Technology Pte Ltd (5)	Dormant Singapore	–	–	–	100
IP Tec Telecom Pte Ltd (5)	Dormant Singapore	–	–	–	100
Zenith Member Singapore Pte Ltd (7)	Telecommunication service provider Singapore	–	–	51	100

11 INVESTMENTS IN SUBSIDIARIES — cont'd

Name of company	Principal activities/ Country of incorporation	Cost of investment held by the Company		Effective equity interest held by Group	
		2003	2002	2003	2002
		$'000	$'000	%	%
Shakey's Holdings Pte Ltd	Investment holding Singapore	2,340	2,340	88.9	88.9
Shakey's China Limited (6)	Dormant Hong Kong	–	–	88.9	88.9
Shakey's Asia Pacific Pte Ltd (5)	Dormant Singapore	–	–	–	88.9
Heritage Investment Corporation (3)	Investment dealing British Virgin Islands	–	–	88.9	88.9
Shakey's Middle East Ltd (3)	Dormant British Virgin Islands	–	–	88.9	88.9
Innopac Acquisition Incorporated (2)	Investment holding USA	–	–	88.9	88.9
Shakey's Incorporated (2)	Owner, franchisor and licensor of the Shakey's Pizza Restaurant trademark and system in the USA	–	–	88.9	88.9
Shakey's of California, Inc (2)	Operator and management of Shakey's restaurants USA	–	–	88.9	88.9
Shakey's Putt N' Hoops Inc (5)	Dormant USA	–	–	–	88.9
Shakey's Pizza Parlor Co. Inc (2)	Dormant USA	–	–	88.9	88.9
Shakey's National Advertising Fund, Inc (2)	Co-ordinates marketing activities of the Shakey's Systems in USA USA	–	–	88.9	88.9
Wyoming Shakey's Pizza Parlour No. 4, Inc (5)	Dormant USA	–	–	–	88.9
Monarch Foods, Inc (2)	Dormant USA	–	–	88.9	88.9
G & D Foods, Inc (5)	Dormant USA	–	–	–	88.9
RR Industrial Packaging & Design Services Pte Ltd (8)	Investment holding Singapore	3,000	–	51	–
PT RR Packaging Indonesia (4), (9)	Designing, manufacturing and marketing of corrugated paper pallets and paper packaging Indonesia	–	–	51	–
		31,084	28,084		

11 INVESTMENTS IN SUBSIDIARIES — cont'd

All the companies are audited by Deloitte & Touche, Singapore except for the subsidiaries that are indicated as follows:

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

(2) Audited by another firm of auditors, Kieckhafer, Schiffer & Company LLP, Certified Public Accountants, USA. The Board and the Audit Committee are satisfied that the engagement of Kieckhafer, Schiffer & Company LLC would not compromise the standard and effectiveness of the audit of the Group in accordance with Rule 716(1).

(3) Unaudited management accounts were used by the management for consolidation purposes, as an audit is not required by law in its country of incorporation and as management is of the view that the financial statements of the subsidiaries are not material to the Group.

(4) Unaudited management accounts were used for consolidation as the subsidiary was incorporated in November 2003.

(5) Deregistered

(6) In the process of deregistering

(7) During the financial year, the Group reduced its equity interest in Zenith Member Singapore Pte Ltd to 51%. Zenith Member Singapore Pte Ltd has increased its issued share capital from 50,000 to 500,000 ordinary shares at $1 par value, of which the Group has acquired additional 205,000 ordinary shares to have an effective equity interest of 51%.

(8) On September 19, 2003, the Group acquired 51% equity interest in RR Industrial Packaging & Design Services Pte Ltd, a company incorporated in Singapore, for a total consideration of $3,000,000 to be satisfied by the allotment and issuance of 60,000,000 new ordinary shares of par value $0.01 (market price $0.05) each in the Company (see Note 32 for more information).

(9) During the financial year, RR Industrial Packaging & Design Services Pte Ltd incorporated PT RR Packaging Indonesia and contributed USD200,000 (S$344,000) as share capital.

(10) All active companies operate in their respective countries of incorporation except for Heritage Investment Corporation which operates in Singapore.

12 OTHER INVESTMENT

	Group and Company	
	2003	2002
	$'000	$'000
Cost of investment net of write off	5,825	5,825
Advances	9,085	9,085
	14,910	14,910
Provision for impairment in value	(7,910)	(7,910)
	7,000	7,000

This represents the Company's 50% equity interest in and Advances to Sawyer Falls Co, LLC ("SFC"), a Washington USA corporation. Advances are acknowledged with promissory notes issued by SFC to the Company. SFC owned 450 acres of raw land located in Pierce County, Washington, USA, known as Fennel Creek.

On April 23, 2002, SFC entered into a Vacant Land Sale and Purchase Agreement ("VLSPA") to sell Fennel Creek. The purchase consideration for the land was USD3,500,000 and net proceeds from 85 finished lots from the property.

On February 26, 2004, an agreement between the Company, SFC and its members was entered whereby SFC agreed to distribute to the Company net proceeds from the first 35 lots of the 85 lots that SFC is entitled to under the VLSPA as settlement of the promissory notes issued by SFC. All net proceeds from the remaining lots, net of any obligations to creditors of SFC and advances made after the date of the VLSPA by members of SFC, will be distributed to the members according to their equity interest. Based on its equity interest of 50%, the Company will be entitled to 25 lots.

12 OTHER INVESTMENTS — cont'd

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

The Company does not have board or management control of SFC and its expected return on this investment comprises the net proceeds from the total 60 lots of the property due to the Company. The amount of $7,000,000 is based on estimates made by directors of the Company of the current value of the 60 finished lots. The recoverability of the investment is dependent on the net proceeds from the 60 lots and the eventual successful completion of the development project.

13 PLANT AND EQUIPMENT

	Plant, restaurant and kitchen equipment	Furniture and fittings	Other assets	Total
	$'000	$'000	$'000	$'000
GROUP				
Cost:				
At beginning of year	569	2,155	350	3,074
Exchange differences	(9)	(27)	(3)	(39)
Additions	374	98	64	536
Disposals	–	(47)	(24)	(71)
At end of year	934	2,179	387	3,500
Accumulated depreciation:				
At beginning of year	388	1,443	191	2,022
Exchange differences	(11)	(15)	(1)	(27)
Depreciation for the year	61	150	34	245
Disposals	–	(23)	–	(23)
At end of year	438	1,555	224	2,217
Depreciation for last year	36	142	58	236
Net book value:				
At beginning of year	186	705	159	1,050
At end of year	496	624	163	1,283

Motor vehicle included in other assets with carrying amount of $123,000 (2002 : $159,000) has been acquired under finance lease arrangement.

13 PLANT AND EQUIPMENT — cont'd

COMPANY

	Furniture and fittings $'000	Other assets $'000	Total $'000
Cost:			
At beginning and end of year	237	138	375
Accumulated depreciation:			
At beginning of year	130	138	268
Depreciation for the year	13	–	13
At end of year	143	138	281
Depreciation for last year	10	58	68
Net book value:			
At beginning of year	107	–	107
At end of year	94	–	94

14 INTANGIBLE ASSETS

	Goodwill $'000	Trademark $'000	Total $'000
GROUP			
Costs:			
At beginning of year	–	8,516	8,516
Exchange differences	–	(121)	(121)
Additions (Note 28)	2,918	250	3,168
At end of year	2,918	8,645	11,563
Accumulated amortisation:			
At beginning of year	–	8,026	8,026
Exchange differences	–	(124)	(124)
Amortisation for the year included in other operating expenses	–	585	585
At end of year	–	8,487	8,487
Amortisation for last year	–	542	542
Net book value:			
At beginning of year	–	490	490
At end of year	2,918	158	3,076

The additions to Goodwill during the financial year arose from the acquisition of RR Industrial Packaging & Design Services Pte Ltd described in Note 11 to the financial statements. The goodwill will be amortised over a period of 15 years.

15 TRADE PAYABLES

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Outside parties	874	899	–	–

16 OTHER PAYABLES

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Accrued operating expenses	776	695	333	729
Deferred income	158	–	–	–
Sundry creditors	314	1,099	153	524
Other creditors	76	90	3	3
	1,324	1,884	489	1,256

17 INCOME TAX PAYABLE

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Provision for income tax	–	(54)	–	(58)
Tax suspense	3,309	4,932	3,309	4,932
Provision for withholding tax	17	17	17	17
	3,326	4,895	3,326	4,891

The Comptroller of Income Tax ("CIT") has assessed the Company to be liable to income tax for the years of assessment 1988 to 2000 amounting to $3,376,000, as amended (2002 : $4,931,905), after deducting tax deducted at source. The tax assessment for these years arose from the CIT assessing the Company on the basis that it was a passive investment holding company, as a result of which deduction of certain expenses incurred by the Company in the ordinary course of business were disallowed. The Company has raised objections against the CIT's assessments. As at December 31, 2003, the Company has made a provision of $3,326,000 (2002 : $4,931,905) in the financial statements in respect of the tax assessed net of subsequent payments and deducting tax deducted at source, and recognised tax suspense of $3,376,000 based on CIT's assessment. Based on professional advice received, the Directors are of the opinion that these assessments can be successfully resisted.

18 OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Amounts payable under finance leases:				
Within one year	23	23	19	19
In the second to fifth years inclusive	92	92	77	104
After five years	9	32	8	–
	124	147	104	123
Less: Future finance charges	(20)	(24)		
Present value of lease obligations	104	123		
Less: Amount due for settlement within 12 months (shown under current liabilities)	(19)	(19)		
Amount due for settlement after 12 months	85	104		

The average effective borrowing rate was 3.25% (2002 : 2.72%) per annum.

19 LONG-TERM LIABILITIES

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Lease payables	–	176	–	–
Deferred income	471	422	–	–
Others	3	9	–	–
	474	607	–	–

20 ISSUED CAPITAL

	Group and Company			
	2003	2002	2003	2002
	Number of ordinary shares of $0.01 each		$'000	$'000
Authorised:	12,000,000,000	12,000,000,000	120,000	120,000
Issued and fully paid:				
At beginning of year	347,450,769	312,600,769	3,475	62,520
Reducion of par value	–	–	–	(59,394)
Issued during the financial year	69,450,000	34,850,000	694	349
At end of year	416,900,769	347,450,769	4,169	3,475

21 REVENUE

	Group 2003 $'000	Group 2002 $'000
Sales of goods	58	7
Rendering of services	2,211	96
Royalties & franchise fees	3,192	3,484
Restaurant fees	2,229	2,128
Total	7,690	5,715

22 OTHER OPERATING INCOME

	2003 $'000	2002 $'000
Rental income	–	3
Interest – deposits	7	2
Dividends		
– quoted equity investment	–	25
Write-back of provision for impairment in value of marketable securities	39	2,902
Write-back of allowance for doubtful debts	69	–
Write-back of provision for expenses	52	2,575
Write-back of trade payables	–	7
Write-back of other payables	576	–
Gain on disposal of plant and equipment	40	–
Gain on dilution of shareholdings in subsidiary	31	–
Gain on disposal of subsidiaries	–	605
Other income	30	70
Write-back of bad debts	–	27
Total	844	6,216

23 LOSS FROM OPERATIONS

	Group 2003	Group 2002
Number of employees at end of year	58	57

23 LOSS FROM OPERATIONS — cont'd

Number of directors of the Company in remuneration bands is as follows:

	Group	
	2003	2002
$500,000 and above	–	–
$250,000 to $499,999	1	1
Below $250,000	6	7
	7	8

	2003 $'000	2002 $'000
Directors' remuneration	321	426
Directors' fees	55	71
Staff costs (including directors' remuneration)	2,276	2,538
Costs of defined contribution plans included in staff costs	74	67
Non-audit fees paid to auditors		
Other auditors	15	14
Provision for impairment in value of other investments included in other operating expenses	–	6,915
Legal fees and related costs included in other operating expenses	1,429	1,133
Foreign currency exchange loss	34	606

24 FINANCE COSTS

Interest expense to non-related companies:		
Bank borrowings	–	8
Finance leases	4	22
	4	30

25 INCOME TAX EXPENSE

Current:		
Singapore	–	4
Foreign	6	4
Deferred		
Under provision in prior years	–	(7)
Tax deducted at source	1	1
	7	2

25 INCOME TAX EXPENSE — cont'd

The income tax expense varied from the amount of income tax benefit determined by applying the Singapore income tax rate of 22% (2002 : 22%) to loss before income tax as a result of the following differences:

	Group	
	2003	**2002**
	$'000	**$'000**
Income tax benefit at statutory rate	(479)	(1,336)
Unrecorded deferred tax benefit	145	585
Non-allowable items and others	327	749
Total income tax expense	(7)	(2)

As at December 31, 2003, certain of the Singapore subsidiary companies have tax losses amounting to approximately $12,592,000 (2002 : $12,329,000) and unutilized wear and tear allowances amounting to approximately $64,000 (2002 : $87,000). The availability of these losses and unutilized allowances 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 $2,784,000 (2002 : $2,731,000) has not been recognised in the financial statements as its realisation is not certain.

In addition, the Company's US subsidiaries have unused net operating losses carryforwards that may be applied against future taxable income amounting to USD 3,920,000 (2002 : USD 3,767,000) which will expire between financial years 2004 to 2018. The deferred tax benefit relating to these net operating losses carryforwards has not been recognised in the financial statements as its realisation is not certain.

26 LOSS PER SHARE

The calculation of basic loss per ordinary share is calculated on the Group loss after taxation and minority interests of $1,885,000 (2002 : $6,072,000) divided by the weighted average number of ordinary shares of 394,771,865 (2002 : 333,224,331) in issue during the year.

No fully diluted earnings per ordinary shares is presented as the Company did not have any dilutive potential ordinary shares outstanding as at the balance sheet dates.

27 DISPOSAL OF SUBSIDIARIES

Non-current assets	–	96
Net current assets	–	532
Group's share of net assets disposed	–	628
Gain on disposal of subsidiaries	–	605
	–	1,233
Consideration net of cash disposed:		
Proceeds from disposal of subsidiaries	–	1,233

28 ACQUISITION OF SUBSIDIARY

	Group 2003 $'000	Group 2002 $'000
Non-current assets	220	–
Net current liability	(60)	–
Minority interest	(78)	–
Group's share of net liability acquired	82	–
Goodwill arising (Note 14)	2,918	–
Consideration – shares to be issued	3,000	–

This relates to the acquisition of RR Industrial Packaging & Design Services Pte Ltd (Note 11).

29 CAPITAL EXPENDITURE COMMITMENT

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	1,901	2,065	1,901	2,065

This commitment pertains to the sale and purchase agreement entered into by the Company on July 18, 2001 to purchase an additional 16.7% interest in Sawyer Falls Co, LLC from two of SFC's shareholders (see Note 12 to the financial statements).

30 OPERATING LEASE COMMITMENTS

	Group 2003 $'000	Group 2002 $'000
Minimum lease payments under operating leases	572	359

At the balance sheet date, the commitments in respect of operating leases with a term of more than one year were as follows:

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Within one year	294	359	133	184
In the second to fifth years inclusive	283	277	–	168
After five years	135	–	–	–

31 Segment information

Business segments

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

Segment information:

(i) Restaurants segment is made up of the corporate-owned Shakey's store in California, USA and its revenue was derived from sale of food and beverages and redemption games receipts.

(ii) Royalties and franchise fee segment : Shakey's Incorporated is the owner of the Shakey's trademark and system in the USA, and operates as its franchisor and licensor. Shakey's incorporated charges a franchisee an initial fee and a royalty on food and beverage sales. A franchise agreement is for a 20 year-term.

(iii) Investment and management financial services segment : This is mainly consists of the principal activities of the Company and some of its subsidiaries which are investment holding and rendering management services to subsidiaries. It also includes investment dealings in marketable securities.

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

Segment accounting policies are the same as the policies described in Note 3. The Group generally accounts for intersegment sales and transfers as if the sales of transfers were to third parties at current market prices. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

	Restaurants		Royalties and franchise fees		Investment and management financial services		Technology		Others (general) trading		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Business segments														
Segment revenue:														
Sales external customers	2,229	2,128	3,192	3,484	–	–	2,211	96	58	7	–	–	7,690	5,715
Segment result	54	577	(484)	(2,016)	(1,197)	(1,060)	(422)	(237)	156	1,141	(280)	(4,446)	(2,173)	(6,041)
Finance costs													(4)	(30)
Taxation													(7)	(2)
Minority interest													299	1
Net loss for the year													(1,885)	(6,072)
Segment assets	662	597	3,478	1,622	25,977	29,265	655	296	7,486	16,153	(22,833)	(35,148)	15,425	12,785
Tax suspense													3,376	4,932
Total assets													18,801	17,717
Segment liabilities	(2,257)	(163)	(1,933)	(1,729)	(2,960)	(1,501)	(3,293)	(32)	(1,419)	(88)	9,086	–	(2,776)	(3,513)
Tax suspense													(3,326)	(4,895)
Total liabilities													(6,102)	(8,408)
Other segment information:														
Capital expenditures	153	74	5	11	–	–	306	43	322	–	2,918	–	3,704	128
Depreciation of plant and equipment	86	68	52	68	50	85	43	15	14	–	–	–	245	236
Amortisation of intangible assets	–	–	493	542	–	–	76	–	16	–	–	–	585	542
Write-off of intangible assets	–	104	–	–	–	–	–	–	–	–	–	–	–	104
Provision for impairment in value of marketable securities	–	–	–	–	–	39	–	–	–	–	–	–	–	39

31 Segment information — cont'd

	Singapore		Other Asian Countries		USA & Mexico		Others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Geographical segments												
Segment revenue												
Sales to external customers	2,211	96	–	–	5,421	5,619	58	–	–	–	7,690	5,715
Other geographical information:												
Segment assets	35,078	37,460	1,114	792	2,066	2,206	–	289	(22,833)	(27,962)	15,425	12,785
Capital expenditure	56	43	562	–	158	85	–	–	2,796	–	3,572	128

32 SUBSEQUENT EVENTS

On September 19, 2003, the Company acquired 51% equity interest in RR Industrial Packaging & Design Services Pte Ltd ("RR Industrial") for a total consideration of S$3,000,000 which was arrived on the basis that the prospective net profit after tax of RR Industrial, warranted and guaranteed by the vendor, will not be less than S$1,200,000 for a continuous period of 12 months (the "Warranty Period"), which shall not end later than 31 December 2004.

The total consideration of S$3,000,000 was to be satisfied by the allotment and issuance of 60 million new ordinary shares of S$0.01 each in the Company (the "Consideration Shares") to the vendor. Pursuant to an Amendment Agreement dated February 20, 2004, the parties have agreed, *inter alia*, that the Company shall allot and issue to an escrow agent (the "Escrow Agent") the Consideration Shares to be held in a securities account (the "Escrow Shares") maintained by the Escrow Agent as stakeholder in accordance with the terms set out in an Escrow Agreement. The Consideration Shares were issued subsequent to the financial year end on February 24, 2004. The Escrow Shares will be released to the vendor if the audited financial statements of RR Industrial for the Warranty Period show a net profit after tax of at least S$1,200,000.

The value of the Escrow Shares issued on February 24, 2004 has been recorded in Capital Reserves as at year end.

33 CONTINGENT LIABILITIES AND COMMITMENTS

Continuing financial support

As at December 31, 2003, the Company has given undertakings to some of its subsidiaries to provide financial support to these companies, where necessary, to enable them to operate as going concerns and to meet their obligations for at least 12 months from the date of their reports.

At the end of the financial year, these subsidiaries had capital deficiencies totaling $44,850,000 (2002 : $43,998,000).

Outstanding litigation

As at the end of the year, a lawsuit entitled Ahmed, et al v. Shakey's Incorporated filed on December 30, 2002 in the Los Angeles Superior Court is still pending. This lawsuit was filed by a number of Shakey's franchisees against Shakey's Incorporated, an indirect of the Company alleging, inter-alia, breach of contract, breach of the convenant of good faith and fair dealing, fraud, negligent misrepresentation and accounting. Shakey's Incorporated believes that the allegations and claims are without merit and is vigorously defending the case. It is, however, not possible in respect of this lawsuit to predict the outcome of the case at this time. No provision for any liability has been made in the financial statements.

34 RECLASSIFICATIONS AND COMPARATIVE FIGURES

The financial statements for the financial year ended December 31, 2002 were audited by another firm of auditors whose report dated April 22, 2003 expressed a qualified opinion on those statements, as disclosed in the auditors' report.

STATEMENT OF DIRECTORS

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 consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at December 31, 2003, changes in equity of the Group and of the Company, the results and cash flows of the Group for the year then ended; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due, save for the disputed assessed tax for the years of assessment 1988 to 2000, and subject to the Company's ability to raise additional funds.

ON BEHALF OF THE DIRECTORS

....

Wong Chin Yong

....

Phang Ian Cher Shen

March 31, 2004

SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 999	86	0.54%	38,401	0.01%
1,000 – 10,000	10,998	68.54%	59,731,431	12.52%
10,001 – 1,000,000	4,936	30.76%	266,311,271	55.84%
1,000,001 and above	26	0.16%	150,819,666	31.62%
	16,046	100%	476,900,769	100%

Authorised share capital	:	S$120,000,000.00
Issued share capital	:	S$4,769,007.69
Number of shares	:	476,900,769
Class of shares	:	ordinary shares of S$0.01 each
Voting rights	:	one vote per share

Based on information available to the Company as at 26 March 2004, approximately 78.32% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Top Twenty Shareholders as at 26 March 2004

S/No.	Name	No. of Shares	Percentage
*1	WONG KWAN SENG ROBERT	60,000,000	12.58%
2	UNITED OVERSEAS BANK NOMINEES PTE LTD	10,920,166	2.29%
3	DBS NOMINEES PTE LTD	9,750,000	2.04%
4	ABN AMRO NOMS S'PORE PTE LTD	9,333,000	1.96%
5	LIM SIAK KHEE	8,707,000	1.83%
6	RAFFLES NOMINEES PTE LTD	6,976,000	1.46%
7	LIM SEK HUI	6,767,000	1.42%
8	OVERSEA CHINESE BANK NOMS PTE LTD	5,563,500	1.17%
9	PUA TECK ANN	2,987,000	0.63%
10	KIM ENG SECURITIES PTE. LTD.	2,903,000	0.61%
11	UOB KAY HIAN PTE LTD	2,897,000	0.61%
12	OCBC SECURITIES PRIVATE LTD	2,260,000	0.47%
13	ANG ENG KOK	2,150,000	0.45%
14	SOH SEY HUA @ SOH TAI PING OR LEE LIAN KIM	2,100,000	0.44%
15	CHING MUN FONG	2,000,000	0.42%
16	HO WENG YEW	1,814,000	0.38%
17	PHILLIP SECURITIES PTE LTD	1,752,000	0.37%
18	NG BOON HOO	1,647,000	0.34%
19	CHANDRA MULJONO OR WILLY DJOHAN CHANDRA	1,600,000	0.33%
20	LEE KWONG SANG	1,553,000	0.33%
		143,679,666	30.13%

SIZE OF SHAREHOLDINGS — cont'd

Substantial Shareholders as at 26 March 2004
(per Register of Substantial Shareholders)

	Name	No. of Shares held	Deemed Interest
* 1.	Lim Cheng Yong	–	60,000,000
# 2.	Bintang Piramid (M) Sdn Bhd	43,379,000	–
# 3.	Lt Jen (K) Tan Sri Mohamed bin Ngah Said	–	43,379,000
# 4.	Dato' Soh Chee Wen	–	43,379,000

Notes:

* 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 Inno-Pacific Holdings Ltd 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.

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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 30th Annual General Meeting of the Company will be held at 70 Shenton Way, #03-02 Marina House, Singapore 079118 on Friday, 30 April 2004 at 10.00 a.m. to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 December 2003 together with the Auditors' Report thereon. [Resolution 1]
2. To approve the Directors' Fees of $53,800/- for the year ended 31 December 2003 (2002: $69,000/-). [Resolution 2]
3. To re-elect the following Directors retiring pursuant to the Articles of Association:
   (a) Mr Quek Chek Lan (Article 106) [Resolution 3]
   (b) Mr Ong Kah Hock (Article 106) [Resolution 4]
4. To re-appoint Messrs Deloitte & Touche as Auditors and to authorise the Directors to fix their remuneration. [Resolution 5]
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 6]

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

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

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

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

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

      c. any subsequent consolidation or subdivision of shares; and

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

BY ORDER OF THE BOARD

LEE KOH SING
JENNIFER LEE SIEW JEE
Company Secretaries

Singapore, 14 April 2004

EXPLANATORY NOTE ON ORDINARY RESOLUTIONS TO BE PASSED

The proposed Resolution 6, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting, to 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 at the time of passing this Resolution. 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 Ong Kah Hock will, upon re-election as a Director of the Company, continue to serve as member of the Audit, Nominating and Remuneration Committees. Mr Ong Kah Hock will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

INNO-PACIFIC HOLDINGS LTD

(Incorporated in the Republic of Singapore)

PROXY FORM

*I/We, ______________________________ (***Name***) ______________ (***NRIC***)

of ____ (***Address***)

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

Name	NRIC/Passport No	No. of shares	%
Address:			

*and/or

Name	NRIC/Passport No	No. of shares	%
Address:			

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, 30 April 2004 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion, as *he/she will on any other matter arising at the Meeting:

No.	Resolutions	For	Against
1.	Adoption of Reports and Accounts		
2.	Approval of Directors' Fees		
3a.	Re-election of Mr Quek Chek Lan		
3b.	Re-election of Mr Ong Kah Hock		
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 ______________________ 2004

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

* Delete where applicable

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES :

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

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

3. Where a member appoints two proxies, the appointments shall be invalid unless 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.

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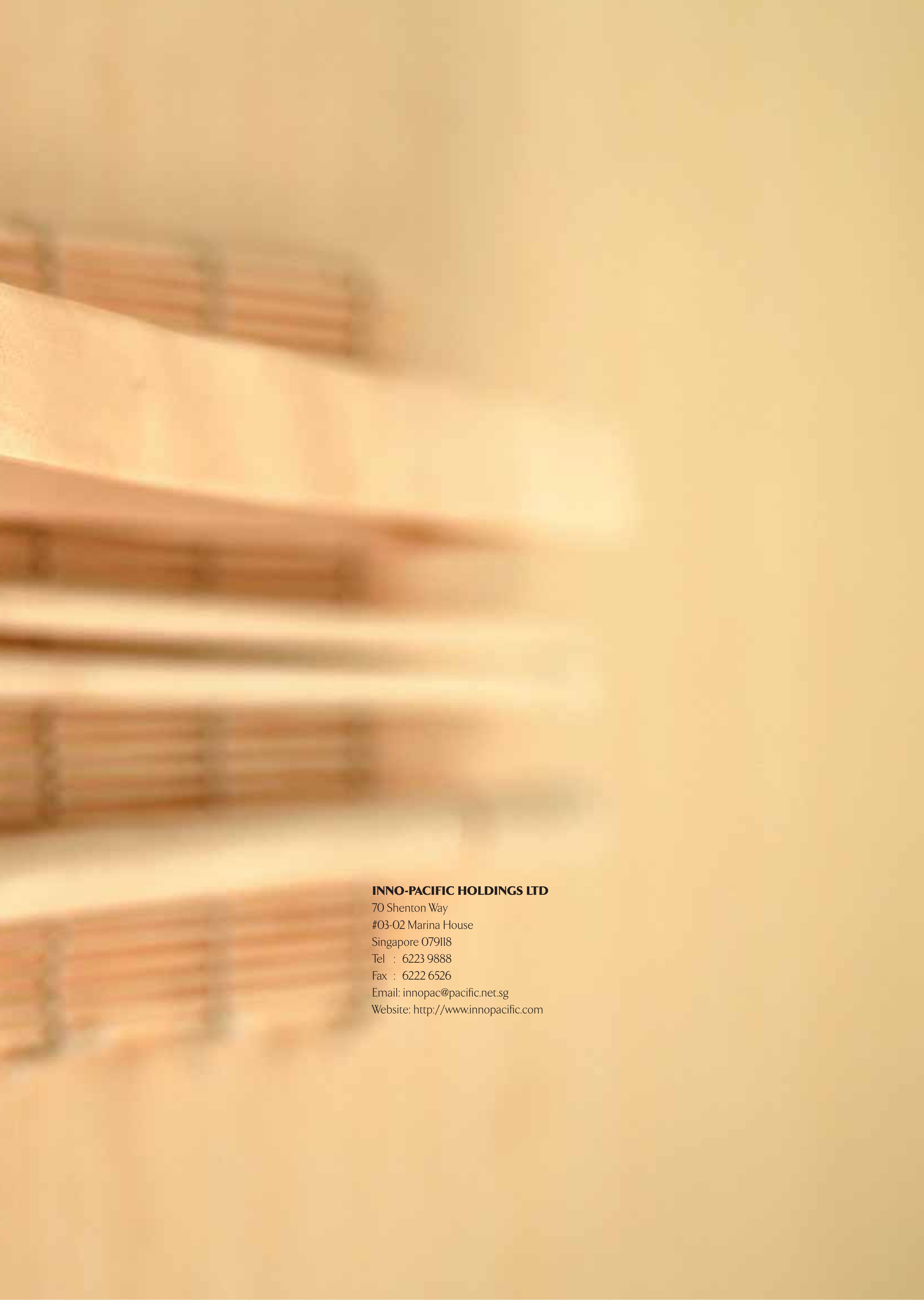

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