FACING CHALLENGES WITH KNOWLEDGE AND EXPERIENCE

INNO-PACIFIC HOLDINGS LTD
2011 Annual Report

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CORPORATE PROFILE

Directors

Dato' Moehamad Izat Emir
Chairman

Wong Chin Yong
Managing Director

Ong Kah Hock
Director

Yoon Wai Nam
Director
(Appointed on 1 September 2011)

Audit Committee

Ong Kah Hock
Wong Chin Yong
Yoon Wai Nam

Company Secretary

Stanley Chu Kam Po

Registered Office

190 Middle Road
#19-07 Fortune Centre
Singapore 188979

Shares Registrar & Transfer Office

Intertrust Singapore Corporate Services Pte Ltd

3 Anson Road #27-01
Springleaf Tower
Singapore 079909

Auditors

BDO LLP
Public Accountants and Certified Public Accountants
Partner in charge: Khoo Gaik Suan
(Appointed on 1 November 2011)

Solicitors

Straits Law Practice LLC

Bankers

DBS Bank Ltd

United Overseas Bank Ltd

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Inno-Pacific Holdings Ltd ("your Company"), I am pleased to present the Annual Report and financial statements of your Company and its subsidiaries ("the Group") for the year ended 31 December 2011 ("FY2011).

FY2011 FINANCIAL REVIEW

The Group achieved a net profit attributable to shareholders of $2.3 million on revenue of $13.5 million in FY2011. This represented a decline of 65% from the net profit of $6.5 million in the previous corresponding year (FY2010).

Group revenue decreased by 4.7% to $13.5 million in FY2011 from $14.1 million in FY2010. The lower revenue was due mainly to the closure of the telecommunication services unit in Singapore.

Proceeds from sale of marketable securities was $13.4 million and accounted for 99.3% of the Group's turnover in FY2011 compared to $13.7 million and 96.9%, respectively in FY2010.

Other income represented an unrealised gain of $4.3 million from fair value adjustments in investments held for trading. The Group's administrative cost increased marginally from $1.3 million to $1.4 million due to higher personnel cost. However, other operating cost decreased from $3.8 million to $1.5 million mainly due to the absence of a $2.4 million write-down in available-for-sale investments and a $0.8 million provision for impairment of a factory building under construction in FY2010, and offset by a $0.9 million provision for diminution in value of equipment in FY2011.

The Group's total assets increased to $56.0 million at 2011 year end from $50.1 million at the 2010 year end. This increase was due mainly to the Group's equity investments in Grand Prosper Group Limited and Trackplus Sdn Bhd in 2011 and fair value gain in investments held for trading.

Trade and other payables decreased to $2.5 million at the end of FY2011 compared to $3.2 million at the end of FY2010, as a short term share financing borrowing was paid down.

I am very proud to report that despite the uncertain and weak economic conditions in 2011, your management had been able to improve and strengthen the Group's financial position. As at 31 December 2011, our Group's shareholders' equity increased to $51.1million from $43.6 million as at 31 December 2010 and the net current ratio also improved to 14.9 times from 8.2 times.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

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

During 2011, the Company made several significant corporate actions which I will highlight below:

On 28 January 2011, the Company issued 215,000,000 new ordinary shares for cash at S$0.009 per share pursuant to separate private placement agreements with various subscribers (the "Placement Shares"). The Placement Shares were listed and quoted on the Main Board of the SGX-ST on 2 February 2011. The net proceeds from the Placement Shares, after deducting expenses, was approximately S$1.92 million. The placement proceeds were mostly used as working capital for the Company and purchases of marketable securities. The detailed usage can be found in the unaudited 2011 full year result announcement released through SGX-NET dated 7 February 2012.

On 14 February 2011, the Company announced the incorporation of a new company in Malaysia known as Inno-Pacific Realty Sdn Bhd ("IPR"). IPR's principal activity is investment holding of real estate properties in Malaysia.

On 16 February 2011, the Company announced several proposed acquisitions, namely:

(1) that it had entered into a Sale and Purchase Agreement with Dimensi Cita Sdn Bhd to acquire the shares of Enigma Venture (M) Sdn Bhd for a purchase consideration of S$2,000,000.

(2) that it had entered into a Sale and Purchase Agreement with Dragon Seed Resources Limited to acquire shares in Grand Prosper Group Limited for a purchase consideration of S$2,000,000.

(3) that IPR had entered into a Master Purchase Agreement with Clear Water Developments Sdn Bhd to acquire three condominium units known as Clear Water Residence located in Kuala Lumpur, Malaysia for a total purchase consideration of RM6,398,872 (equivalent to approximately S$2,684,878).

(4) that IPR had entered into a Sale and Purchase Agreements with Mr Lim Kuan Yew to acquire three shop houses in Kota Kinabalu at a total purchase consideration of RM1,230,030 (equivalent to approximately S$516,168).

On 17 February 2011, the Company announced that it had entered into a Sale and Purchase Agreement with Tria Holdings Pte Ltd to acquire shares in Trackplus Sdn Bhd for a purchase consideration of RM5,250,000 (equivalent to approximately S$2,202,828).

On 24 February 2011, the Company announced that IPR had entered into a Sale and Purchase Agreement with Messrs Lim Kuan Yew and Chiew Kim Lee to acquire the entire issued share capital of Megan Midas Sdn Bhd for a purchase consideration of RM3,600,000 (equivalent to approximately S$1,510,510).

The details of these proposed acquisitions were contained in the Circular to shareholders dated 31 May 2011.

At the time of writing, the Company has completed the acquisition of the shares in Trackplus Sdn Bhd and Grand Prosper Group Limited. The remaining proposed acquisitions are scheduled to be completed by 30 April 2012.

TELECOMMUNICATION SERVICES BUSINESS

With the Group's exit from its telecommunications services business in Singapore in December 2010, our remaining telecommunications services business is through PG Communications Sdn. Bhd., ("PGMY") in Malaysia.

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

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

PGMY has been providing a suite of other telecommunications services, such as discounted international calls, VoIP, prepaid calling cards, Virtual Roam, Call Shops, Virtual Office, Callback and Virtual Operator services in Malaysia.

Though the Group's telecommunication business' turnover was only $0.1 million in FY2011, your Company and PGMY believe that the Malaysian telecommunication market, especially the HSIA sector remains underserved and is an opportunity that PGMY will continue to focus.

PORTFOLIO MANAGEMENT IN MARKETABLE SECURITIES AND FINANCIAL INSTRUMENTS

The Group invests its surplus cash not immediately required for operations in marketable securities and financial instruments.

The Group's investment portfolio has performed well in FY2011, however, there is no guarantee that it will generate profits in the future.

2011 was a year marked by increased volatility in the financial markets as a result of the global political, economic and Euro-zone sovereign debt events. We expect equally challenging conditions for businesses and investments in 2012.

ONLINE FOREIGN EXCHANGE BROKERAGE BUSINESS

In last year's Annual Report, I reported that the Group's intention to launch the online foreign exchange trading business by the second half of 2011. However, the fast shifting global political and economic landscape during the year led to increased volatility in the currency market which prompted your management's decision to adopt a more cautious stance in entering this business. Your management is sparing no effort to source for the lowest risk trading platform, technology and partner. Meanwhile, we have also applied for a licence in a respectable jurisdiction. I am hopeful that this business can commence soon.

OUTLOOK

In the US, economic growth is expected to remain anaemic and fragile. China is looking at an economic slowdown. The Euro zone countries' sovereign debt problems will likely continue to hog the headlines. In 2012, we will see political leadership changes in China and the US Presidential election. These developments are certainly recipe for an uncertain and challenging 2012.

However, your management will continue to exercise prudent risk management as they have done in the past and to seek new businesses and investments opportunities in order to enhance shareholders' value.

ACKNOWLEDGMENTS

On behalf of Board of Directors, I would like to thank Mr. Koay Theam Hock who resigned on 30 June 2011 for his invaluable services as a director of your Company and wish him every success in his future endeavours. We also welcome Mr Yoon Wai Nam, who was appointed as independent non-executive director on 1 September 2011.

Finally, I would like to thank the Board of Directors, the management and staff of the Company and the Group for their dedication and contributions and our shareholders for their continued support.

Dato' Moehamad Izat Emir
Chairman

3 April 2012

KEY PLAYERS

DIRECTORS' PROFILE

DATO' MOEHAMAD IZAT EMIR has been a director of the Company since 1 November 1995 and he 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 a prominent Malaysian businessman with extensive business and corporate experiences. In recognition of his vast achievements and public services, he was awarded the Dato' Paduka Mahkota Perak (DPMP) and the Ahli Mangku Negara (AMN).

Currently he is the Deputy Chairman of a Bursa Malaysia public listed company, SKB Shutters Corporation Berhad. Dato' is also the Chairman of Impsa (Malaysia) Sdn Bhd and Forever Fresh Coldstore Technology Sdn Bhd.

Since December 1998, Dato' has been the President of the Malaysian Malay Businessmen and Industrialists Association (PERDASAMA), an association with a 14,000 plus strong membership nationally.

Dato' is also actively involved in the promotion of international trade and is a committee member of the Malaysian-China Business Association, Malaysian-Thai Business Association and executive committee member of the Malaysian-Finnish Business Council. He is also the Chairman of the Sub-Committee for Economics – Trade and Investments of the Malaysia-Thailand Association. Dato' was also appointed by the Ministry of International Trade and Industry (MITI), Malaysia as a member of the Malaysia-Singapore Business Council in 2004. He is also a member of the Malaysia-Cambodia Business Council.

He has served in various public organizations such as Chairman, National Consumer Affairs of Malaysia (1995-2000), Chairman (1984-1997) and Deputy Chairman (1974-1984), Malay Chamber of Commerce, Kuala Lumpur. Dato' was also active in the Subang Jaya Municipal Council (MPSJ) (1996-1998) and Petaling Jaya Municipal Council (MPPJ) (1992-1994).

Dato' is the Chairman of UMNO Setia Budi branch. He had previously been with the UMNO Puchong Division and lastly as its Vice-Chairman (1991-1994), UMNO Subang Division (1994-1996) and also the Permanent Chairman of UMNO Youth of the Petaling Jaya Selation Division (1998-2001). Dato' was reappointed as a MARDI (Ministry of Agriculture, Malaysia) Scientific Council member in June 2005.

WONG CHIN YONG 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 30 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 in oil & gas exploration, gemstone mining, marketing and distribution.

ONG KAH HOCK was elected as director of the Company on 31 August 2001. Mr. Ong holds a MBA degree from University of Bradford, B.Sc. (Hons) degree from the University of Salford and Diploma in Marketing from Institute of Marketing, UK. 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 chemical products distribution company.

YOON WAI NAM was appointed as an independent director of the Company on 1 September 2011. Currently, he is with the Centre for Non Profit Leadership (CNPL) as a Director. Prior to joining CNPL, Mr. Yoon was the Country Lead for a top US MNC in the Philippines. His other leadership roles encompassed CFO of a Hong Kong listed petrochemical company as well as regional leadership positions within Asia with a leading French multinational, providing leadership in the areas of business development, strategy and mergers & acquisitions. He has lived in Kuala Lumpur, Malaysia and Beijing, China in these various roles.

Mr Yoon received his initial training as an accountant in England and joined an international public accounting firm when he returned to Singapore.

Mr Yoon graduated with Honours from Nottingham Trent University and is a Fellow Member of the Chartered Institute of Management Accountant, United Kingdom. Mr Yoon holds an MBA from the Strathclyde Graduate Business School, Scotland and participated in Executive Programs organized by INSEAD.

He had served as an independent director of a Singapore listed company and was also director in several subsidiary companies of the organisations where Mr Yoon held leadership roles.

KEY EXECUTIVES' PROFILE

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.

STANLEY CHU KAM PO is the Group Financial Controller and Company Secretary. He joined the Company on 18 June 2007 and took on the primary responsibility of overseeing the day to day operations of the finance department as well as the group accounts, finance, taxation, secretarial and other related functions. Mr. Chu holds a MBA degree from the Chinese University of Hong Kong, a Master degree in Information Systems from the Hong Kong Polytechnic, a Bachelor of Business degree from Curtin University of Technology, Western Australia and Bachelor of Laws degree from the University of Wolverhampton. He attained membership of the Chartered Institute of Management Accountants and the Institute of Certified Public Accountants Hong Kong in 1985. Before assuming this role, he was a director of an accounting and consulting service company for 5 years. Prior to this, he had over 20 years working experience in several corporations based in Hong Kong and Singapore, engaged in manufacturing, technology and ship repairing.

DZULKHAIRI BIN AHMAD is Country Manager of PG Communications Sdn Bhd, an indirect wholly-owned subsidiary of the Company. Dzulkhairi graduated from the University Putra Malaysia with a Bachelor of Science degree in Forestry. He has more than 12 years of experience in the ICT industry and co-founded Netsmart Sdn Bhd, a pioneer in the Internet Services and Network Security Solutions for telcos and ISPs. His career included a senior management position with a multinational company that provides IP security solutions for banks, telcos and ISPs, Project Consultant for data centers, e-ticketing for airlines and network security. He is experienced in network and data centre site development having developed and implemented nationwide IP-VPN networks for major organisations and setting up data centre for a major ISP. Prior to joining the Group, he was the executive director of the Malaysia subsidiary of a Tokyo-based corporation that provides RADIUS solutions for major ISPs.

CORPORATE GOVERNANCE STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

The Board of Directors (the "Board") and management continue to be committed in ensuring and maintaining a high standards of corporate governance in line with the Singapore Code of Corporate Governance introduced in April 2001 and as amended in 2005 ("the Code"). This statement outlines the main corporate governance practices of the Company that were in place throughout the financial year with specific reference made to the principles and guidelines of the Code. The Board is pleased to confirm that for the financial year ended 31 December 2011, the Company has complied with the guidelines of the Code.

BOARD MATTERS

Board's Conduct of Its Affairs (Principle 1)

The Board meets regularly to oversee and supervise the management of the business affairs of the Group. Apart from its statutory responsibilities, the Board approves the Group's strategic plans, key operational initiatives, major investments and funding decisions, identifies principal risks and ensures the implementation of internal control procedures to manage these risks, reviews the performance of the Group and evaluates the performance and compensation of senior management personnel. Some of these roles are carried out directly or through sub-committees like the Remuneration Committee ("RC") which reviews management performance to determine the award of variable bonus and other incentive schemes. Minutes of the Board committee meetings are available to all Board members.

The Company's Articles of Association provide for Directors to convene meetings by teleconferencing or videoconferencing. When a physical Board meeting is not possible, timely communication with members of the Board can be achieved through electronic means.

Since 31 March 2011, the number of Board meetings held in the year and meetings of specialised committees established by the Board is disclosed below:

	Inno-Pacific Board Meeting		*Audit Committee Meeting*		*Nominating and 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
Dato' Moehamad Izat Emir[1]	2	2	4	2	–	–
Wong Chin Yong	2	2	4	3	–	–
Ong Kah Hock	2	2	4	4	–	–
Yoon Wai Nam[2]	2	1	4	3	–	–
Koay Theam Hock[3]	2	–	4	–	–	–

1. *Dato' Moehamad Izat Emir was invited to attend two of the Audit Committee meetings.*
2. *Mr Yoon Wai Nam was appointed as member of the Audit Committee and Remuneration Committee on 1 September 2011.*
3. *Mr Koay Theam Hock resigned as Director on 30 June 2011.*

To enhance effectiveness of the Board, a newly appointed director receives a thorough briefing by existing Directors of the Group's businesses, governance practices and recent financial performance. Directors are also welcome to request further explanations, briefings or information on any aspect of our operations or business issues from management.

Board Composition and Guidance (Principle 2)

The Board comprises 4 members, 1 of whom is an executive director, 3 independent non-executive directors (including the Chairman):

Dato' Moehamad Izat Emir *Chairman*
Wong Chin Yong *Managing Director & CEO*
Ong Kah Hock *Independent Non-Executive Director*
Yoon Wai Nam *Independent Non-Executive Director*

The Nominating Committee ("NC") adopts the Codes' definition of an independent director in its review. As 75% of the Board comprises of independent and non-executive directors, the Committee is of the view that the non-executive directors are independent directors and that no individual or small group of individuals dominate the Board's decision making process. The Board considers the current Board size as adequate for its present operations as there is appropriate mix of expertise and each Board member has extensive experience and knowledge, thus providing valuable contribution to the decision-making process of the Board.

During meetings, non-executive directors regularly discuss matters such as the Group financial performance, corporate governance and where necessary, the Company co-ordinates informal meeting for non-executive Directors to meet without the presence of the management.

Chairman and Chief Executive Officer (Principle 3)

The roles of the Chairman and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. There is no relationship between the Chairman and CEO.

The Chairman ensures that Board meetings are held when necessary and sets the Board meeting agenda. He monitors the translation of the Board's decisions and wishes into executive action. He is responsible for steering the strategic direction of the Group, the workings of the Board of Directors and communicating the performance of the Group to the Board and shareholders. He reviews and exercises control over the quality, quantity and timeliness of information flow between the Board and management thereby setting constructive relationship and ensure that each member of the Board works well together with the management. He also leads in ensuring the Company's compliance with corporate governance guidelines.

The CEO, with the assistance of a team of executive officers, bears the day-to-day executive and administration responsibilities. He manages the businesses of the Group and implements the Board's decisions.

Board Membership (Principle 4)

The Board established the NC in 2001 which comprises two independent directors. The role of the NC is to establish a formal and transparent process for the Company, for the appointment of new directors and re-nomination and re-election of directors at regular intervals after taking into consideration the respective director's contributions in terms of experience, business perspective, management skills, individual expertise and pro-activeness in participation of meetings.

The NC which was reconstituted on 1 September 2011, conducts an annual review of directors' independence and is of the view that Dato' Moehamad Izat Emir, Mr Ong Kah Hock and Mr Yoon Wai Nam are independent directors and that no individual or small group of individuals dominate the Board's decision making process.

CORPORATE GOVERNANCE STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Board Membership (Principle 4) *(Continued)*

The NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointments of new directors. The NC then nominates the most suitable candidate for the Board's approval. 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.

The NC also reviewed and is satisfied that Dato' Moehamad Izat Emir, who sits on multiple boards, has been able to devote adequate time and attention to the affairs of the Company to fulfil his duties as director and Chairman of the Company, in addition to his multiple board and committee appointments.

Board of Directors	Board Membership	Date of 1st appointment	Date of last re-election	Audit Committee	Nominating Committee	Remuneration Committee
Dato' Moehamad Izat Emir	Non-executive/Independent	1 Nov 1995	29 Apr 2011	–	Chairman	Chairman
Wong Chin Yong	Executive/Non-Independent	8 Aug 2001	–	Member	Member	–
Ong Kah Hock	Non-executive/Independent	31 Aug 2001	29 Apr 2011	Chairman	Member	Member
Yoon Wai Nam	Non-executive/Independent	1 Sep 2011	–	Member	–	Member

Board Performance (Principle 5)

In evaluating the Board's performance and effectiveness, the NC has established an annual review process to assess the contribution of each director. The Board, through the NC, used its best effort to ensure that directors appointed possess the background, experience, knowledge in the business, competencies in finance and management skills which is critical to the Group's business.

The review process for Board's performance takes into account, inter-alia, directors' attendance and participation at meetings, the quality of directors' interventions and special skills and contributions made by directors. The assessment of the Chairman's and the CEO's performance is undertaken by the RC together with the Chairman of the NC and the results are reviewed by the Board.

Access to Information (Principle 6)

In order to ensure the Board is able to fulfil its responsibilities, management provides the CEO with monthly management accounts and provides the Board with complete, adequate information in a timely manner. A typical monthly management report includes an analysis of the month's performance, explanation to any budget variances and forecast. The Directors have also been provided with the mobile phone numbers and email 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, appoint a professional advisor selected by the group or the individual and approved by the Chairman to render 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. The appointment and removal of Company Secretary is undertaken by the Board as a whole.

Procedures for Developing Remuneration Policies (Principle 7)

The Board established the RC in 2001 which comprises three independent directors.

The RC which was reconstituted on 1 September 2011 is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration. It reviews the remuneration packages for the Directors and senior management with the aim of building capable and committed management team through competitive compensation and focused management policies.

Procedures for Developing Remuneration Policies (Principle 7) *(Continued)*

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, bonuses, share options and benefits-in-kind. No director is involved in deciding his own remuneration.

Level and Mix of Remuneration (Principle 8)

The RC reviews the compensation of the executive director and senior management to ensure that the remuneration commensurate with the Group's performance with regard to the financial and business needs of the Group, taking into consideration the employment conditions within the industry and in comparable companies.

The remuneration policy for key executives is a fixed salary commensurate with their job scope and responsibilities, plus one-month annual wage supplement and performance bonus, if any. The independent directors who are non-executive are paid yearly directors' fees of an agreed amount and out-of-pocket expenses.

Such fee is recommended by the Board for shareholders' approval at the Company's AGM. The RC reviews the adequacy and form of remuneration of these directors to ensure that the compensation commensurate with the responsibilities and risks involved in being a director.

The Company has only 1 executive director (the CEO) whose remuneration package is as per his service contract dated 17 December 2004.

The RC administered the Inno-Pacific Share Option Scheme and the Inno-Pacific Performance Share Scheme that was approved by the members of the Company at an Extraordinary General Meeting held on 29 April 2005.

Disclosure of Remuneration (Principle 9)

A breakdown of each individual Director's remuneration, in percentage terms showing the level and mix for the year ended 31 December 2011 is as follows:–

Remuneration Band & Name of Director	Fixed Salary and benefits %	Performance Related Bonus %	Directors' fees %	Total %
(Above $500,000) Wong Chin Yong	92	8	–	100
($250,000 to $500,000)	–	–	–	–
(Below S$250,000)				
Dato Moehamad Izat Emir	–	–	100	100
Ong Kah Hock	–	–	100	100
Yoon Wai Nam	–	–	100	100
Koay Theam Hock	–	–	100	100

A breakdown of remuneration of the key executives (who is not a director) in percentage terms for the year ended 31 December 2011 is as follows:–

Remuneration Band & Name of Key Executives	Fixed Salary%	Performance Related Bonus%	Total%
(Below S$250,000)			
Jenny Soh Woon Chuen	92	8	100
Stanley Chu Kam Po	92	8	100
Dzulkhairi bin Ahmad	100	–	100

CORPORATE GOVERNANCE STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Disclosure of Remuneration (Principle 9) *(Continued)*

There are no employees whose remuneration exceeds $150,000 during the financial year who are related to Directors/CEO or Substantial Shareholders.

A total of 29,600,000 share options were granted under the Inno-Pacific Share Option Scheme on 23 May 2008 with vesting period of one year. Each option carries the right to subscribe for one ordinary share in the capital of the Company at the exercise price of $0.025. Options granted to group executives and group directors have a life span of ten years (24 May 2008 to 23 May 2018) while those granted to non-executive directors have a life span of five years (24 May 2008 to 23 May 2013). 7,100,000 of the said options granted were forfeited, cancelled or lapsed as holders of these options left the Group before the options were vested or without exercising the options. There were 22,500,000 share options outstanding as at 31 December 2011 compared to 25,000,000 as at 31 December 2010.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees and directors become unconditionally entitled to the options. Further details of the share options can be found on page 16 to 17 of the Report of the Directors.

Accountability (Principle 10)

The Board aims to provide the shareholders with detailed analysis and a balanced and understandable assessment of the Group's performance, financial position and prospects through the announcement of the half year and full year results via Singapore Exchange Securities Trading Limited ("SGX-ST") and SGXNET.

The Board of Directors is accountable to the shareholders while the management of the Company is accountable to the Board. The management provides Directors with a monthly financial management report which includes the management accounts, other financial statements and an analysis of the Group's performance. The report is submitted within 15 days of the month-end for effective monitoring and decision making.

Audit Committee (Principle 11)

The Audit Committee ("AC") was established in 1990 and currently comprises two independent directors and one executive director. As its members, these directors have the expertise or experience in financial management and are qualified to discharge its responsibilities. The AC which was reconstituted on 1 September 2011 is authorised to investigate any matter within its terms of reference and has full access to, and the co-operation of the management with full discretion to invite the executive officers to attend its meetings.

The AC holds regular meetings with the management and its auditors and performs the following duties and activities:

(a) reviews the audit plans of the external auditors and results of the audit, the cost effectiveness, their independence while seeking to balance the maintenance of their objectivity and ability to provide value-for-money professional services;

(b) reviews the half year and full year unaudited results, SGXNET announcements and all related disclosures to shareholders before recommending to the Board for approval;

(c) reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management of the Company through discussion with management and its auditors;

(d) recommends the appointment, re-appointment and removal of auditors to the Board and approves the remuneration and terms of engagement of the auditors;

(e) reviews the financial reports so as to ensure the integrity of the financial statements of the Company and focus, in particular, on the changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit and compliance with financial reporting standards;

Audit Committee (Principle 11) *(Continued)*

(f) reviews interested person transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST; and

(g) discusses with the management the management letters issued by the external auditors', together with the management's responses and actions to correct any deficiencies so that an effective system of control is maintained in the Group.

Except as disclosed in the financial statements, there is no other non-audit related work carried out by the external auditors during the financial year and the AC is satisfied with their independence.

The Company has put in place a whistle-blowing framework, endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and for appropriate follow up actions.

Internal Controls (Principle 12)

The AC, together with the Board, reviewed the effectiveness of the Group's system of internal controls including financial, operational and compliance controls, identification and management of risks and monitoring systems.

The Board believes in the importance of maintaining a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. To achieve this, internal reviews are constantly being undertaken to ensure that the system of internal controls maintained by the Group is sufficient to provide reasonable assurance that the Group's assets are safeguarded against loss from unauthorised use or disposal, transactions are properly authorised and proper financial records are being maintained.

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.

Based on information provided by the external auditors and management on the system of internal controls put in place, the Board, with the concurrence of the AC, has assessed the internal controls and is of the opinion that there are adequate controls in place within the Group addressing financial, operational and compliance risks.

Internal Audit (Principle 13)

The Company does not have an internal audit department but review of internal control procedures has been carried out by the AC who is closely monitoring the Group's internal control systems and procedures with the management. The AC is satisfied that the internal controls of the Group are adequate and is of the opinion that the Company does not require a separate internal audit function based on its current operations.

Communication with Shareholders (Principle 14)

The Company believes that a high level of disclosure on a timely basis is essential to enhance the standard of corporate governance. Hence, the Company gives full disclosures on all material information on the performance and development of the Group in all public announcements via SGXNET system and annual reports. Such announcements including the half year and full year results and annual reports are issued within the mandatory period and are also available on the Company's website – www.innopacific.com

Greater Shareholder Participation (Principle 15)

Our Articles of Association allow a shareholder to appoint up to two proxies to attend and vote in his place at general meetings. Our AGM procedures provide shareholders the opportunity to ask questions relating to each resolution tabled for approval. All our resolutions at our general meetings are single item resolutions. The Board and management are present at general meetings to address questions by shareholders. The external auditors are present to assist the Board and address shareholders' queries.

CORPORATE GOVERNANCE STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

INTERNAL CODE ON DEALINGS IN SECURITIES

The Company has adopted an internal code with regard to dealings in securities by Directors and employees. The Directors and relevant officers are advised from time to time not to deal in the Company's shares during the periods commencing one month before the announcement of the Company's half year and annual results, as the case may be, and ending on the date of announcement of the relevant results. They are also expected to observe the insider trading laws and to avoid potential conflicts of interest at all times when dealing in securities. All officers of the Company have been advised not to deal in the securities of the Company on short-term considerations.

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

Risk management is essential to the Group's business. As the Company does not have a risk management committee, the AC and management assume the responsibility of the risk management function. Management reviews regularly the Company's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

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 2011 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)

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no interested person transactions carried out during the financial year 2011 by the Company and its subsidiaries.

On behalf of the Board,

Wong Chin Yong Managing Director & Chief Executive Officer	Ong Kah Hock Director

3 April 2012

REPORT OF THE DIRECTORS

We are pleased to submit this Report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2011.

1. DIRECTORS

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

Dato' Moehamad Izat Emir
Wong Chin Yong
Ong Kah Hock
Yoon Wai Nam (appointed on 1 September 2011)

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except for the share options described in paragraph 5 of the Report of the Directors.

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act (the "Act"), except as follows:

Name of Director and corporation in which interest are held	Holdings at beginning of the year	Holdings at end of the year
Dato' Moehamad Izat Emir		
Company		
Inno-Pacific Holdings Ltd		
options to subscribe for ordinary shares at:		
– $0.025 per share between 23/5/2009 to 22/5/2013	5,000,000	5,000,000
Subsidiary		
Awana Rentak Sdn Bhd		
ordinary shares of RM1 each		
– interests held	1*	1*
Wong Chin Yong		
Company		
Inno-Pacific Holdings Ltd		
ordinary shares		
– deemed interests	4,000,000	4,000,000
options to subscribe for ordinary shares at:		
– $0.025 per share between 23/5/2009 to 22/5/2018	10,000,000	10,000,000
Subsidiary		
Top-Text Sdn Bhd		
ordinary shares of RM1 each		
– interests held	–	9*

* *held in trust for the Company*

REPORT OF THE DIRECTORS

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES *(Continued)*

Name of Director and corporation in which interest are held	Holdings at beginning of the year	Holdings at end of the year
Ong Kah Hock		
Company		
Inno-Pacific Holdings Ltd		
ordinary shares		
– interests held	3,000	3,000
options to subscribe for ordinary shares at:		
– $0.025 per share between 23/5/2009 to 22/5/2013	2,500,000	2,500,000

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that at 21 January 2012, according to the Register of Directors' shareholdings, the Directors' interests in the shares and options of the Company have not changed from those disclosed as at 31 December 2011.

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit which is disclosed under Section 201(8) of the 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 for salaries, bonuses and other benefits as disclosed in the financial statements.

5. SHARE OPTIONS AND SHARE AWARDS SCHEMES

At an Extraordinary General Meeting held on 29 April 2005, the members of the Company approved the following share-based incentive schemes:

(a) The Inno-Pacific Share Options Scheme (the "IPSO")

The IPSO is operative for ten years from 29 April 2005. Under the IPSO, share options may be granted to group executives, group executive directors and non-executive directors who have been employed by the Company or any member of the Group for at least one year and have attained 21 years of age on or before the date of grant. No options were granted at a discount to the prevailing market price of the share. The options granted under the IPSO do not entitle the holders of the options, by virtue of such holding, to participate in any share issue of any other company in the Group.

An option granted under the IPSO may be exercised in whole or in part and in accordance with a vesting schedule and conditions (if any) to be determined by the Remuneration Committee ("RC") on the date of grant of the respective options. Options with exercise prices, which are equal to or higher than the market price, may be exercised at any time after one year from the date of the grant. Options with exercise prices, which represent a discount to the market price, may be exercised at any time after two years from the date of the grant.

Options granted to group executives and group executive directors have a life span of ten years while those granted to non-executive directors have a life span of five years from the date of grant.

A total of 29,600,000 share options were granted under the IPSO on 23 May 2008 with a one year vesting period. Each option carries the right to subscribe for one ordinary share in the capital of the Company at the exercise price of $0.025. As at 31 December 2011, out of the total options granted, 7,100,000 were forfeited, cancelled or lapsed as holders of these options left the Group before these options were vested or exercised.

5. SHARE OPTIONS AND SHARE AWARDS SCHEMES *(Continued)*

(a) The Inno-Pacific Share Options Scheme (the "IPSO") *(Continued)*

Share options that lapsed during the financial year and outstanding as at 31 December 2011 were as follows:

Date granted	As at 1 January 2011	Lapsed	Exercised	As at 31 December 2011	Exercise price	Exercise period
23 May 2008	16,000,000	(1,000,000)	–	15,000,000	$0.025	23/5/09 to 22/5/18
23 May 2008	8,000,000	(500,000)	–	7,500,000	$0.025	23/5/09 to 22/5/13
	24,000,000	(1,500,000)	–	22,500,000		

There are no options granted to any of the Company's controlling shareholders or their associates under the IPSO.

Options granted to Directors of the Company under the IPSO and still outstanding are as follows:

Name	Options granted during 2011	Aggregate options granted since commencement of the IPSO to 31 December 2011	Aggregate options exercised since commencement of the IPSO to 31 December 2011	Aggregate options lapsed since commencement of the IPSO to 31 December 2011	Aggregate options outstanding at 31 December 2011
Dato' Moehamad Izat Emir	–	5,000,000	–	–	5,000,000
Wong Chin Yong	–	10,000,000	–	–	10,000,000
Ong Kah Hock	–	2,500,000	–	–	2,500,000

Pursuant to Rule 852(1)(b)(iii) of the listing manual of SGX-ST, the following employees have received more than 5% of the total number of options available under the IPSO as at the end of the financial year:

Name	Options granted during 2011	Aggregate options granted since commencement of the IPSO to 31 December 2011	Aggregate options exercised since commencement of the IPSO to 31 December 2011	Aggregate options lapsed since commencement of the IPSO to 31 December 2011	Aggregate options outstanding at 31 December 2011
Jenny Soh Woon Chuen	–	3,000,000	–	–	3,000,000
Stanley Chu Kam Po	–	2,000,000	–	–	2,000,000

The exercise price is based on the average last done prices for the shares of the Company on the SGX-ST for the five market days preceding the date of offer. As such, an option may be exercised at any time after one year but no later than the expiry date. The one-year vesting period is intended to encourage employees to take a longer-term view of the Company.

Except as disclosed in this Report, there were no other unissued shares of the Company or its subsidiaries under option granted by the Company or its subsidiaries as at the end of the financial year.

REPORT OF THE DIRECTORS

5. SHARE OPTIONS AND SHARE AWARDS SCHEMES *(Continued)*

(b) The Inno-Pacific Performance Share Scheme (the "PSS")

The PSS is operative for ten years from 29 April 2005. Under the PSS, fully paid shares of the Company may be awarded free of charge to group executives, group executive directors and non-executive directors. Awards are released once the RC is satisfied that the prescribed performance target(s) have been achieved. There is no vesting period beyond the performance achievement period.

The number of shares that may be awarded and the selection of participant shall be at the discretion of the RC taking into account criteria such as the participant's rank, job performance, years of service, potential for future development, contribution to the success and development of the Company and the Group, and the extent of the effort required to achieve the performance target(s) within the performance period.

The total number of new shares which may be issued pursuant to awards granted under the PSS, when added to the number of new shares issued and issuable in respect of all options granted under the IPSO shall not exceed 15% of the issued share capital of the Company on the day preceding the relevant date of grant or award.

Holders of the shares shall undertake that they will not sell, realise, dispose of or transfer any part of their shareholdings for a period of three months from the date the shares are allotted and issued to them on the exercise of the options, or release of the awards.

Since the date of inception, no shares were awarded under the PSS.

The IPSO and the PSS are administered by the RC which comprises three Independent Directors:

Dato' Moehamad Izat Emir (Chairman)
Ong Kah Hock
Yoon Wai Nam

6. AUDIT COMMITTEE

At the date of this Report, the Audit Committee ("AC") of the Company comprises two Independent/Non-Executive Directors and one Executive Director:

Ong Kah Hock (Chairman)	–	(Independent/Non-Executive)
Wong Chin Yong	–	(Executive)
Yoon Wai Nam	–	(Independent/Non-Executive)

The AC carried out its functions in accordance with Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance, including a review of the financial statements of the Company and of the Group for the financial year and the independent auditors' report thereon.

The AC has held four meetings since the date of the last report of the Directors and has reviewed the following, where relevant, with the external auditors of the Company:

(a) the audit plans;

(b) the Group's financial and operating results and accounting policies;

6. AUDIT COMMITTEE *(Continued)*

(c) the financial statements of the Company and the consolidated financial statements of the Group and external auditors' report on those financial statements before their submission to the Directors of the Company;

(d) the half-yearly and annual announcements on the results and financial position of the Group and Company, consolidated statement cash flows and changes in equity and statement of changes in equity of the Company;

(e) the co-operation and assistance given by the management to the external auditors;

(f) interested person transaction (as defined in Chapter 9 of the SGX Listing Manual); and

(g) the re-appointment of the external auditors of the Company.

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The AC also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees. The external auditors have unrestricted access to the AC.

The AC has undertaken a review of non-audit services provided by the external auditors of the Company and its subsidiaries and they would not, in the opinion of the AC, affect their independence. The AC is satisfied with the independence and objectivity of all the external auditors and has recommended to the Board of Directors that the auditors, BDO LLP, be nominated for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, the Group has complied with Rules 712, 715 and 716 of the SGX Listing Manual.

7. AUDITORS

The auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

WONG CHIN YONG	**ONG KAH HOCK**
Director	Director

Singapore
3 April 2012

STATEMENT BY DIRECTORS

In the opinion of the Board of directors,

(a) the accompanying statements of financial position, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with the notes thereon are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results of the business, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) 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.

On behalf of the Board of Directors

WONG CHIN YONG	**ONG KAH HOCK**
Director	Director

Singapore
3 April 2012

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

Report on the Financial Statements

We have audited the accompanying financial statements of Inno-Pacific Holdings Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2011, and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 22 to 90.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and the subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Certified Public Accountants

Singapore
3 April 2012

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	Group 2011	Group 2010	Company 2011	Company 2010
		$'000	$'000	**$'000**	$'000
ASSETS					
Non-current assets:					
Subsidiaries	8	**–**	–	**5,403**	5,403
Property, plant and equipment	9	**2,218**	8,808	**27**	34
Investment property	10	**9,007**	–	**–**	–
Available-for-sale investments	11	**6,000**	4,600	**6,000**	4,600
Total non-current assets		**17,225**	13,408	**11,430**	10,037
Current assets:					
Asset classified as held-for-sale	12	**1,542**	–	**1,542**	–
Inventories	13	**10**	2,805	**–**	–
Derivative receivables and other assets	14	**182**	–	**–**	–
Investments held for trading	15	**36,855**	33,650	**5,466**	5,162
Trade receivables	16	**6**	23	**–**	30
Other receivables and prepayments	17	**145**	112	**17,753**	16,860
Cash and cash equivalents	18	**42**	156	**31**	97
Total current assets		**38,782**	36,746	**24,792**	22,149
Total assets		**56,007**	50,154	**36,222**	32,186
LIABILITIES AND EQUITY					
Current liabilities:					
Trade and other payables	19	**2,516**	3,248	**6,950**	6,449
Provision for directors fees	20	**43**	45	**43**	45
Income tax payable	21	**–**	1,225	**–**	–
Finance lease liabilities	22	**51**	17	**–**	–
Total current liabilities		**2,610**	4,535	**6,993**	6,494
Non-current liabilities:					
Finance lease liabilities	22	**173**	–	**–**	–
Deferred tax liabilities	23	**2,083**	1,994	**–**	–
Total non-current liabilities		**2,256**	1,994	**–**	–
Equity and reserves:					
Share capital	25	**59,760**	54,898	**59,760**	54,898
Asset revaluation reserve	26	**1,562**	1,169	**–**	–
Share options reserve	27	**546**	546	**546**	546
Foreign currency translation reserve	28	**714**	843	**–**	–
Accumulated losses		**(11,441)**	(13,831)	**(31,077)**	(29,752)
Equity attributable to owners of the Company		**51,141**	43,625	**29,229**	25,692
Non-controlling interests		**–***	–*	**–**	–
Total equity		**51,141**	43,625	**29,229**	25,692
Total liabilities and equity		**56,007**	50,154	**36,222**	32,186

* *Below $1,000. Applicable to two (2) subsidiaries.*

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
		$'000	$'000
Revenue	29	**13,461**	14,120
Cost of sales		**(13,535)**	(14,145)
Gross loss		**(74)**	(25)
Other items of income			
Other operating income	30	**4,317**	12,913
Other items of expense			
Administrative expenses		**(1,396)**	(1,269)
Other expenses		**(1,532)**	(3,820)
Finance costs	31	**(88)**	(53)
Profit before income tax	32	**1,227**	7,746
Income tax credit/(expense)	33	**1,096**	(1,243)
Profit for the financial year		**2,323**	6,503
Other comprehensive income, net of tax	34		
Exchange differences on translating foreign operations		**(129)**	148
Revaluation of property, plant and equipment		**460**	–
Total comprehensive income for the financial year		**2,654**	6,651
Profit attributable to:			
Owners of the Company		**2,323**	6,503
Non-controlling interests		**–***	–*
		2,323	6,503
Total comprehensive income attributable to:			
Owners of the Company		**2,654**	6,651
Non-controlling interests		**–***	–*
		2,654	6,651
Earnings per share attributable to owners of the Company			
Basic (cents)	35	**0.15**	0.56
Diluted (cents)	35	**0.15**	0.56

* *Below $1,000. Applicable to two (2) subsidiaries.*

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Share capital	Share options reserve	Foreign currency translation reserve	Accumulated losses	Asset revaluation reserve	Equity attributable to owners of the Company	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Balance as at 1 January 2011		54,898	546	843	(13,831)	1,169	43,625	–	43,625
Profit for the financial year		–	–	–	2,323	–	2,323	–	2,323
Other comprehensive income:									
Exchange differences on translating foreign operations		–	–	(129)	–	–	(129)	–	(129)
Revaluation of property, plant and equipment	9	–	–	–	–	460	460	–	460
Transfer of revaluation reserve to accumulated losses arising from depreciation of leasehold land		–	–	–	67	(67)	–	–	–
Total other comprehensive income for the financial year, net of tax		–	–	(129)	67	393	331	–	331
Total comprehensive income for the financial year		–	–	(129)	2,390	393	2,654	–	2,654
Contributions by owners									
Proceeds from issue of placement shares	25	1,935	–	–	–	–	1,935	–	1,935
Share issue expenses	25	(15)	–	–	–	–	(15)	–	(15)
Issue of ordinary shares related to:									
–acquisition of available-for-sale investment	25	1,400	–	–	–	–	1,400	–	1,400
–acquisition of asset classified as held-for-sale	25	1,542	–	–	–	–	1,542	–	1,542
Balance as at 31 December 2011		59,760	546	714	(11,441)	1,562	51,141	–	51,141

	Note	Share capital	Share options reserve	Foreign currency translation reserve	Accumulated losses	Asset revaluation reserve	Equity attributable to owners of the Company	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Balance as at 1 January 2010		53,283	546	695	(20,403)	1,238	35,359	–	35,359
Profit for the financial year		–	–	–	6,503	–	6,503	–	6,503
Other comprehensive income:									
Exchange differences on translating foreign operations		–	–	148	–	–	148	–	148
Transfer of revaluation reserve to accumulated losses arising from depreciation of leasehold land		–	–	–	69	(69)	–	–	–
Total other comprehensive income for the financial year, net of tax		–	–	148	69	(69)	148	–	148
Total comprehensive income for the financial year		–	–	148	6,572	(69)	6,651	–	6,651
Contributions by owners									
Proceeds from issue of placement shares	25	1,640	–	–	–	–	1,640	–	1,640
Share issue expenses	25	(25)	–	–	–	–	(25)	–	(25)
Balance as at 31 December 2010		54,898	546	843	(13,831)	1,169	43,625	–	43,625

The accompanying notes form an integral part of these financial statements.

	Note	Share capital	Share options reserve	Accumulated losses	Total
		$'000	$'000	$'000	$'000
Company					
Balance as at 1 January 2011		**54,898**	**546**	**(29,752)**	**25,692**
Loss for the financial year, representing total comprehensive loss for the financial year		**–**	**–**	**(1,325)**	**(1,325)**
Contributions by owners					
Proceeds from issue of placement shares	25	**1,935**	**–**	**–**	**1,935**
Share issue expenses	25	**(15)**	**–**	**–**	**(15)**
Issue of ordinary shares related to:					
–acquisition of available-for-sale investments	25	**1,400**	**–**	**–**	**1,400**
–acquisition of asset classified as held-for-sale	25	**1,542**	**–**	**–**	**1,542**
Balance as at 31 December 2011		**59,760**	**546**	**(31,077)**	**29,229**
Balance as at 1 January 2010		53,283	546	(24,078)	29,751
Loss for the financial year, representing total comprehensive loss for the financial year		–	–	(5,674)	(5,674)
Contributions by owners					
Proceeds from issue of placement shares	25	1,640	–	–	1,640
Share issue expenses	25	(25)	–	–	(25)
Balance as at 31 December 2010		54,898	546	(29,752)	25,692

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
		$'000	$'000
Cash flows from operating activities:			
Profit before income tax		**1,227**	7,746
Adjustments for:			
Write-down of inventories	13	**931**	12
Allowances for impairment loss on property, plant and equipment	9	**–**	761
Allowances for impairment loss on available-for-sale investments	11	**–**	2,400
Provision for unutilised leave		**314**	263
Fair value gain on derivative receivables and other assets		**(182)**	–
Fair value gain on investments held for trading	15	**(4,285)**	(12,856)
Property, plant and equipment written off		**–**	5
(Gain)/loss on disposal of property, plant and equipment		**(129)**	1
Loss on disposal of a subsidiary	8	**4**	–
Depreciation of property, plant and equipment	9	**194**	250
Reversal for doubtful trade receivables	16	**(121)**	(15)
Provision for directors fees		**(2)**	(6)
Finance costs		**88**	53
Operating cash flows before working capital changes		**(1,961)**	(1,386)
Investments held for trading		**1,081**	(660)
Inventories		**50**	91
Trade receivables		**138**	(37)
Other receivables and prepayments		**3**	2,138
Trade and other payables		**(1,047)**	(1,489)
Cash used in operations		**(1,736)**	(1,343)
Interest paid		**(88)**	(53)
Income tax paid		**(152)**	(105)
Net cash used in operating activities		**(1,976)**	(1,501)
Cash flows from investing activities:			
Purchase of property, plant and equipment	9	**(138)**	(53)
Capital acquisition cost	17	**(36)**	–
Decrease in fixed deposit pledged to bank		**30**	30
Proceeds from sale of property, plant and equipment		**132**	–
Disposal of a subsidiary	8	**30**	–
Net cash from/(used in) investing activities		**18**	(23)

The accompanying notes form an integral part of these financial statements.

	Note	2011	2010
		$'000	$'000
Cash flows from financing activities:			
Repayment of finance lease		**(46)**	(40)
Net proceeds from placement of shares	25	**1,920**	1,615
Net cash from financing activities		**1,874**	1,575
Net (decrease)/increase in cash and cash equivalents		**(84)**	51
Cash and cash equivalents at beginning of the financial year		**126**	75
Cash and cash equivalents at end of the financial year	18	**42**	126

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

Inno-Pacific Holdings Ltd (the "Company") (Registration No. 197301788K) is a public limited company incorporated and domiciled in Singapore with its principal place of business and registered office at 190 Middle Road #19-07 Fortune Centre Singapore 188979. The Company is listed on the mainboard of the SGX-ST.

The principal activities of the Company are those of investments, investments holding and provision of management services to related companies. The principal activities of its subsidiaries are stated in Note 8 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2011 were authorised for issue by the Board of Directors on 3 April 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and the statement of changes of equity of the Company are presented in Singapore dollar, which is the functional currency of the Company and all values presented are rounded to the nearest thousand ("$'000") unless otherwise stated.

In the current financial year, the Group and the Company have adopted all the new and revised FRS and INT FRS that are relevant to their operations and effective for current financial year. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation of financial statements *(Continued)*

FRS 24 (Revised) Related Party Disclosures

FRS 24 (Revised) has been adopted beginning 1 January 2011 and has been applied retrospectively. The revised standard clarified the definition of a related party and does not have any impact on the amounts reported for the current or prior financial years.

FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS that are relevant to the Group and Company were issued but not yet effective:

			Effective date (annual periods beginning on or after)
FRS 1	–	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 12	–	Amendments to FRS 12 Deferred Tax: Recovering of Underlying Assets	1 January 2012
FRS 19	–	Employee Benefits	1 January 2013
FRS 27	–	Separate Financial Statements	1 January 2013
FRS 28	–	Investment in Associate and Joint Ventures	1 January 2013
FRS 32	–	Offsetting of Financial Assets and Financial Liabilities	1 January 2014
FRS 101	–	Amendments to FRS 101 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
FRS 107	–	Amendments to FRS 107 Disclosures – Transfer of Financial Assets	1 July 2011
FRS 107	–	Offsetting of Financial Assets and Financial Liabilities	1 January 2013
FRS 110	–	Consolidated Financial Statements	1 January 2013
FRS 111	–	Joint Arrangements	1 January 2013
FRS 112	–	Disclosures of Interests in Other Entities	1 January 2013
FRS 113	–	Fair Value Measurements	1 January 2013

Consequential amendments were also made to various standards as a result of these new and revised standards. The management anticipates that the adoption of the above FRS, if applicable, in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except as discussed below:

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income ("OCI")

The amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affect the presentation of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation of financial statements *(Continued)*

FRS issued but not yet effective (Continued)

FRS12 Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets

The amendment introduced a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale and the presumption can only be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted. The adoption of amended FRS 12 does not have any material impact on the basic and diluted EPS of the Group on adoption on 1 January 2012.

FRS 110 Consolidated Financial Statements

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 110 will become effective for annual periods beginning on or after 1 January 2013. The Group will determine the impact of this standard when it becomes effective.

FRS 112 Disclosures of Interests in Other Entities

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group and the Company when implemented.

FRS 113 Fair Value Measurements

FRS 113 provides guidance on how to measure fair values including those for both financial and non-financial items and introduces significantly enhanced disclosure about fair values. It does not address or change the requirements on when fair values should be used. When measuring fair value, an entity is required to use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. It establishes a fair value hierarchy for doing this. This FRS is to be applied for annual periods beginning on or after 1 January 2013. The Group and the Company will determine the impact of this standard when it becomes effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation of financial statements *(Continued)*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the Group's and the Company's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Company has the power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority of the voting rights, as to obtain benefits for their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies. Accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in the profit or loss.

2.3 Business combination

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held-for-Sale and Discontinued Operations,* which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combination *(Continued)*

Business combinations from 1 January 2010 *(Continued)*

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits,* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment;* and
- assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-current Assets Held-for-Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the profit or loss as a bargain purchase gain.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combination *(Continued)*

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Property, plant and equipment

Land is revalued by independent professional valuers with sufficient regularity such that the carrying amount do not differ materially from that which would be determined using fair values at the end of financial year.

Any revaluation increase arising on the revaluation of such land is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land is charged to the profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Property, plant and equipment *(Continued)*

Depreciation is charged so as to write off the cost or valuation of assets, other than factory under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Plant and equipment	10% to 20% per annum
Furniture and fittings	10% to 33% per annum
Other assets	10% to 100% per annum

The leasehold land has a lease period of 99 years upon issuance of the title deed to the Group, and is depreciated over the lease period.

No depreciation has been charged on factory under construction as they are not yet in use as at the end of the financial year. Factory under construction is stated at cost less any accumulated impairment loss.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in the profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in the profit or loss. When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment property is subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to the profit or loss. The costs of maintenance, repairs and minor improvement are charged to the profit or loss when incurred.

On disposal or retirement of the investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss.

2.6 Impairment of tangible assets

At the end of each financial year, the Group and the Company review the carrying amounts of its tangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Impairment of tangible assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss, 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.

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the Group's and the Company's statements of financial position when the Group and the Company become a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale investments and loans and receivables. The classification depends on the nature and purpose of these financial assets and is determined at the time of initial recognition. The Group and Company do not have any held-to-maturity investments.

<u>Financial assets at fair value through profit or loss ("FVTPL")</u>

Financial assets are classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss ("FVTPL") *(Continued)*

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee contract.

A financial asset which is not classified as held for trading may be designated as FVTPL upon initial recognition if the financial asset is managed as part of a group of financial instruments, with its performance being evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

FVTPL are stated at fair value, with any resultant gain or loss recognised in the profit or loss. The net gain or loss recognised in the profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, where applicable, using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Loans and receivables are classified within trade receivables, other receivables and cash and cash equivalents on the Group's and the Company's statements of financial position.

Available-for-sale investments

Certain financial assets held by the Group and the Company are classified as available-for-sale investments if they are not classified in any of the other categories. Available-for-sale investments whose for value cannot be reliably measured at cost less impairment loss.

Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment losses directly with the exception of trade receivables where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

With the exception of available-for-sale investment, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale investment, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group and the Company recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group and the Company is classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all their liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities only when the Group's and the Company's obligations are discharged, cancelled or they expire.

Derivative receivables and other assets

All derivative receivables and other assets are recognised at fair value on the statement of financial position and classified as derivative receivables when their fair value is favourable and as derivative payables when their fair value is unfavourable.

The Group enters into derivative transactions for trading purposes and the realised and unrealised gains and losses are recognised in the profit or loss.

2.8 Non-current assets classified as held-for-sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Non-current assets classified as held-for-sale *(Continued)*

Non-current assets classified as held-for-sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in the profit or loss.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with banks and other financial institutions, which are subject to insignificant risk of changes in value.

2.11 Leases

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to 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 inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

Operating leases

Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Leases *(Continued)*

Operating leases *(Continued)*

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.12 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.13 Share-based payments

The Group and the Company issue equity-settled share-based payments to certain employees and directors.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's and the Company's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each financial year, the Group and the Company revise the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the equity-settled employee benefits reserve.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of investments held for trading

Revenue from sale of investments held for trading is recognised upon confirmation of the contract.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from the rendering of telecommunication services is recognised when the services are rendered.

2.15 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's and the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plans.

The Group and the Company are required to contribute a specified percentage of payroll costs to the retirement benefit plans, the Central Provident Fund Board and the Employees Provident Fund, operated by the Government of Singapore and Malaysia respectively, to fund the benefits. The only obligation of the Group and the Company with respect to the retirement benefit plan is to make the specified contributions. The Group and Company's obligations end when the employee ceases to be under the employment of the Group and Company.

2.16 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employee. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's and the Company's liabilities for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of financial year.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle their current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of transactions. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities) are taken to the foreign currency translation reserve.

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

2.19 Finance costs

Interest expense and similar charges are expensed in the profit or loss in the financial year in which they are incurred. The interest component of finance lease payments is recognised in the profit or loss at the applicable effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive officers and the chief executive officer who make strategic decisions.

2.21 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

 (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

 (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's and the Company's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

3.1 Critical judgements made in applying the accounting policies

The following are the critical judgements, apart from those involving estimations that management has made in the process of applying the Group's and the Company's accounting policies and that have significant effects on the amounts recognised in the financial statements.

(i) Reclassification of leasehold land to investment property

The Group has a 48.3 acres leasehold land identified as part of lot 10334, within Mukim of Hulu Bernam Timur, district of Batang Padang, Perak Darul Ridzuan, Malaysia.

The leasehold land was reclassified to investment property from property, plant and equipment during the financial year as the Group has decided to hold it for other than the original purpose of developing an automotive hub. The Group is exploring alternative opportunities for this leasehold land.

(ii) Classification of asset as held-for-sale

Asset classified as held-for-sale represents the Company's equity investment in Trackplus Sdn Bhd ("Trackplus"). Although the Company acquired and hold more than 20% ownership in Trackplus, the Group and the Company have resolved to dispose of its interest and have classified the investment as asset held-for-sale. Efforts to dispose the investment have commenced, and the disposal is expected to be completed by 31 December 2012. The Group and Company follows the guidance of FRS 105 Non-current Assets held for Sale and Discontinued Operations to measure the asset classified as held-for-sale at the lower of carrying amount and fair value less costs to sell. It requires significant judgement in determining the fair value of the relevant asset.

(iii) Classification of equity interest as available-for-sale investment

Although the Company holds more than 20% ownership interest in Grand Prosper Group Limited ("Grand Prosper"), the Company's equity investment is classified as available-for-sale investment instead of investment in associate as the Company is a minority shareholder and does not participate in the day-to-day management of the entity. It has no power to exercise significant influence in the financial and operating policy decisions as defined in FRS 28 Investments in Associates. The Company has no representative sitting on the Board of Grand Prosper.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expense within the next financial year, are discussed below.

(i) Impairment of available-for-sale investments

At the end of each financial year, an assessment is made on whether there is objective evidence that available-for-sale investments are impaired. A significant or prolonged decline in the fair value of the investments below cost is considered in determining whether the assets are impaired. Judgement is used in determining what a significant or prolonged decline is. As a Group policy, available-for-sale investments are assessed for impairment when the market value remained below cost for the previous 12 months or longer.

The Group and the Company follow the guidance of FRS 39 Financial Instruments: Recognition and Measurement in determining whether impairment of available-for-sale investment is impaired, which requires significant judgement.

Available-for-sale investments are measured in accordance with the accounting policy as set out in Note 2.7 to the financial statements.

"Available-for-sale investments" represent the Group's and the Company's interests in the net proceeds of 60 finished lots of land situated at Sawyers Falls, Pierce County, Washington State, USA and the Group's equity interest in Grand Prosper.

Net proceeds of 60 finished lots of land situated at Sawyers Falls, Pierce County, Washington State, USA

During the financial year, the Group and the Company have used the "lot/home value ratio method" valuation for the 60 finished lots of land in Sawyer Falls carried out by an independent valuer. The valuation conforms to International Valuation Standards. Based on the said valuation method which compares the average lot values as a percentage of the average home value, the Group and the Company have considered and determined that the estimated fair value exceeded the carrying value of approximately $4,600,000 as at 31 December 2011 (2010: $4,600,000).

Investment in Grand Prosper

The management has considered and determined that the investment is not impaired as at 31 December 2011 based on management's assessment that its fair value less cost to sell is expected to be higher than the carrying amount as the CNG fuel station business of Deshi Oil and Gas Exploration ("Deshi"), Grand Prosper's subsidiary, is expected to be profitable. The carrying amount of $1,400,000 (2010: Nil) approximates the fair value as at 31 December 2011.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

3.2 Key sources of estimation uncertainty *(Continued)*

(ii) Impairment of asset classified as held-for-sale

As disclosed in Note 12 to the financial statements, Trackplus is a special purpose vehicle company which owns a parcel of land. The land with a carrying amount of approximately $1,843,000 (equivalent to RM4,501,000) comprises approximately 99% of Trackplus total assets. The valuation of the land was carried out by an independent registered valuer. The valuation report dated 9 March 2012 issued by the independent valuer confirms that the land's market value as at 31 December 2011 was approximately $6,141,000 (equivalent to RM15,000,000). The open market valuation method is used which is based on the available records on the recent transactions of comparable properties in the locality. The asset is expected to sold by 31 December 2012 and the proceeds of disposal of the asset held-for-sale are expected to exceed the carrying amount of the investment of $1,542,000 (2010: Nil) as at 31 December 2011 and accordingly, no impairment loss has been recognised on the asset held-for-sale.

(iii) Impairment of investment property

The valuation of the land was carried out by an independent registered valuer. The valuation report issued by the independent valuer dated 13 February 2012 confirms that the land's market value as at 31 December 2011 was approximately $9,007,000 (equivalent to RM22,000,000). The Comparison Method of valuation is used which compares the value of a property by comparing it to the prices of like-kind properties sold in similar locations within a recent period of time. The carrying amount of $9,007,000 (2010: $8,651,000) approximates the fair value of the land as at 31 December 2011 (2010: approximates fair value of land).

(iv) Depreciation of property, plant and equipment

The Group and the Company depreciate the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the periods that the Group and the Company intend to derive future economic benefits from the use of the Group's and the Company's property, plant and equipment. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2011 were $2,218,000 (2010: $8,808,000) and $27,000 (2010: $34,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

3.2 Key sources of estimation uncertainty *(Continued)*

(v) Allowance for impairment of trade and other receivables

The policy for impairment of debts of the Group and the Company are based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the assessment of the creditworthiness and the past payment history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2011 were $83,000 (2010: $100,000) and $17,745,000 (2010: $16,884,000) respectively.

(vi) Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's income tax and deferred tax payable as at 31 December 2011 was Nil (2010: $1,225,000) and $2,083,000 (2010: $1,994,000), respectively.

(vii) Inventory valuation method

Inventory is valued at the lower of actual cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price that is lower than its carrying amount. Management then estimates the amount of inventory loss as allowance on inventory. As disclosed in Notes 9 and 13 to the financial statements, during the year, the Group has reclassified $1,811,000 of its broadband over powerline ("BPL") equipment from inventory to property, plant and equipment as the Group intends to keep the BPL equipment as fixed assets and deploy them on subscribers' sites for provision of BPL rather than selling them. Because of this reclassification, the carrying amount of the Group's inventories as at 31 December 2011 was $10,000 (2010: $2,805,000).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

3.2 Key sources of estimation uncertainty *(Continued)*

(viii) Impairment of investments in subsidiaries

The management follows the guidance of FRS 36 Impairment of Assets in determining whether investments in subsidiaries are impaired, which requires the assumption made regarding the duration and extent to which the fair value of an investment is less than its costs and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Management's assessment for impairment of investments in subsidiaries is based on the estimation of value in use of the cash-generating unit by forecasting the expected future cash flows, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries as at 31 December 2011 was $5,403,000 (2010: $5,403,000).

4. FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to a variety of financial risks: market risk (including foreign exchange risk, equity price risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance. The Group and the Company have established risk management policies and guidelines, which set out its overall risk management strategies.

The Group and the Company manage their exposure to financial risks using a variety of techniques and instruments. The Finance Department of the Group identifies, and evaluates financial risks in close co-operation with the Group's and the Company's operating units.

4.1 Market risks

(i) Foreign exchange risk

The Group and the Company operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and Malaysian Ringgit.

The Group's foreign operations are managed primarily through the engagement of services and purchases denominated in the respective functional currencies of the foreign subsidiaries. These risks are managed through natural hedges arising from matching sale, purchase or matching of assets and liabilities of the same currency. Foreign exchange risk arising from currency trading is managed through capping the maximum amount of trading loss at the ceiling of US$250,000 per year. The Group has set up a policy to monitor its trading positions in the forex market on a daily basis. Management reviews the trading results on a continuous basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Market risks *(Continued)*

(i) Foreign exchange risk *(Continued)*

Management has set up a policy to manage their foreign exchange risk against their functional currency. To manage the Group's and the Company's foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Finance Department of the Group would assess the need to hedge the foreign exchange risk, and make the necessary arrangement accordingly. The Finance Department of the Group will arrange for conversion into foreign currency at the time when market rates become favourable to manage foreign exchange risk.

At 31 December 2011, if Singapore dollar had weakened/strengthened by 10% against United States dollar with all other variables held constant, pre-tax profit/loss for the year would have been $8,000 (2010: $6,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of United States dollar denominated monetary assets and liabilities of the Group and the Company. Profit/loss is more sensitive to movement in United States dollar exchange rates in financial year 2011 than in financial year 2010 as United States dollar denominated accrual balance of the Group has decreased in financial year 2011.

At 31 December 2011, if Singapore dollar had weakened/strengthened by 10% against Malaysian Ringgit with all other variable held constant, pre-tax profit/loss for the year would have been $77,000 (2010: $74,000) lower/higher.

Equity would have been $500,000 (2010: $660,000) lower/higher, mainly as a result of foreign exchange losses/gains arising from the translation of the financial statements of the Malaysia subsidiaries to Singapore dollar. Equity is less sensitive to movement in Malaysian Ringgit exchange rates in financial year 2011 than in financial year 2010 because of less net assets carried by subsidiaries whose functional currency is Malaysian Ringgit.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Group				**Company**			
	Assets		**Liabilities**		**Assets**		**Liabilities**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
United States dollar	**30**	51	**111**	115	**–**	–	**108**	107
Malaysian Ringgit	**27**	70	**798**	814	**2,118**	1,798	**49**	50

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to foreign exchange translation risk.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Market risks *(Continued)*

(ii) Marketable securities price risk

The Group is exposed to equity price risk because of its investments in marketable securities. The Group manages its equity price risk through a diverse portfolio. The Group's investment in marketable securities are companies listed in SGX-ST.

If prices for the Group's marketable securities change by 10%, the effects on profit before income tax would be approximately $3.686 million (2010: $3.365 million).

(iii) Cash flow and fair value interest rate risk

The Group's and the Company's interest rate risks relate to interest bearing assets and interest bearing liabilities. The Group's and the Company's income and operating cash flows are not affected by changes in market interest rates. The Group and the Company have no significant exposure to market interest rate risks. As such interest rate sensitivity analysis is not deemed necessary.

4.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group and the Company perform ongoing credit evaluation of its counterparties' financial condition. The Group and the Company do not have any significant credit exposure to any single counterparty.

The Group's and the Company's major classes of financial assets are investments held for trading, other receivables and bank deposits. Investment held for trading are mainly marketable securities held with securities trading companies which are subsidiaries of well established banks. Bank deposits are mainly deposits with banks with high credit ratings assigned by international credit rating agencies. The Group does not expect any losses from non-performance by these counterparties.

The Company has no other significant concentration of credit risk except for the amount due from subsidiaries which management is confident of its recovery.

4.3 Liquidity risk

The Group and the Company ensure availability of funds through an adequate amount of cash and marketable securities and where necessary, fund raising will be considered via rights issues, private placements, or other equity-related exercise.

Prudent liquidity risk management requires maintenance of sufficient cashflow for daily operations. The Group and the Company maintain a liquid marketable portfolio that can be converted to cash readily.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Liquidity risk *(Continued)*

The management monitors its expected cashflow requirement on a weekly basis.

The table below analyses the Group's and the Company's financial liabilities and financial assets into relevant maturity groupings based on the remaining period at the end of financial year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not expected to be significant.

Group – Financial Liabilities

	Effective interest rate	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years
		$'000	$'000	$'000
At 31 December 2011				
Trade payables and other payables	**–**	**2,202**	**–**	**–**
Provision for director fees	**–**	**43**	**–**	**–**
Finance lease liabilities	**3.9%**	**56**	**56**	**134**
Total non-derivatives		**2,301**	**56**	**134**
At 31 December 2010				
Trade payables and other payables	–	2,981	–	–
Provision for director fees	–	45	–	–
Finance lease liabilities	5.6%	19	–	–
Total non-derivatives		3,045	–	–

Group – Financial Assets

	Effective interest rate	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years
At 31 December 2011				
Cash and cash equivalents	**–**	**42**	**–**	**–**
Investments held for trading	**–**	**36,855**	**–**	**–**
Trade receivables	**–**	**6**	**–**	**–**
Other receivables	**–**	**77**	**–**	**–**
Available-for-sale investments	**–**	**6,000**	**–**	**–**
Total non-derivatives		**42,980**	**–**	**–**
Derivative receivables and other assets		**182**	**–**	**–**
		43,162	**–**	**–**
At 31 December 2010				
Cash and cash equivalents	**–**	**156**	**–**	**–**
Investments held for trading	**–**	**33,650**	**–**	**–**
Trade receivables	**–**	**23**	**–**	**–**
Other receivables	**–**	**77**	**–**	**–**
Available-for-sale investments	**–**	**4,600**	**–**	**–**
Total non-derivatives		**38,506**	**–**	**–**

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Liquidity risk *(Continued)*

Company – Financial Liabilities

	Effective interest rate	Less than 1 year $'000
At 31 December 2011		
Other payables	–	6,636
Provision for director fees	–	43
Total non-derivatives		6,679
At 31 December 2010		
Other payables	–	6,197
Provision for director fees	–	45
Total non-derivatives		6,242

Company – Financial Assets

	Effective interest rate	Less than 1 year $'000
At 31 December 2011		
Cash and cash equivalents	–	31
Investments held for trading	–	5,466
Other receivables	–	17,745
Available-for-sale investment	–	6,000
Total non-derivatives		29,242
At 31 December 2010		
Cash and cash equivalents	–	97
Investments held for trading	–	5,162
Trade receivables	–	30
Other receivables	–	16,854
Available-for-sale investment	–	4,600
Total non-derivatives		26,743

The Group's operations are financed mainly through equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.4 Fair value of financial assets and financial liabilities

The carrying amount of cash and cash equivalents, trade and other receivables and payables, approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy);

(ii) in the absence of quoted market prices, the fair values of the other financial assets and financial liabilities (excluding derivative instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability (Level 2 of fair value hierarchy); and

(iii) In the absence of observable inputs, the fair values of the remaining financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (Level 3 of fair value hierarchy).

Management considers that the carrying amounts of financial assets and financial liabilities as recorded in the financial statements approximate their fair values. The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	$'000	**$'000**	**$'000**	**$'000**
2011				
Group				
Assets				
Derivative receivables and other assets (Note 14)	–	182	–	182
Investments held for trading (Note 15)	36,855	–	–	36,855
2010				
Group				
Assets				
Investments held for trading (Note 15)	33,650	–	–	33,650
2011				
Company				
Assets				
Investments held for trading (Note 15)	5,466	–	–	5,466
2010				
Company				
Assets				
Investments held for trading (Note 15)	5,162	–	–	5,162

5. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's abilities to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group and the Company may return capital to shareholders, issue new shares, sell assets to reduce debt, or adjust the amount of dividends paid to shareholders.

The Group's and the Company's overall strategy in capital management remains unchanged from financial year 2010.

Management also monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		**Company**	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Net debt	2,698	3,109	6,919	6,352
Total equity	51,141	43,625	29,229	25,692
Total capital	53,839	46,734	36,148	32,044
Gearing ratio	5.01%	6.65%	19.14%	19.82%

The Group and the Company are not subject to any externally imposed capital requirements for financial years ended 31 December 2011 and 31 December 2010.

6. RELATED PARTIES TRANSACTIONS

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

6. RELATED PARTIES TRANSACTIONS *(Continued)*

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint ventures of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The Company has transactions with related parties and the effect of these transactions is reflected in these financial statements.

6.1 In addition to the information disclosed elsewhere in the financial statements, related party transactions between the Group and Company and its related parties during the financial year were as follows:

	Company	
	2011	2010
	$'000	$'000
With subsidiaries		
Accounting fee income	**–**	3
Sale of equipment	**–**	2
Management fee charged by the Company to a subsidiary	**100**	100
Purchases of investments held for trading by the Company from certain subsidiaries	**1,240**	–

The Company has provided general and administrative services to certain subsidiaries at no charge (2010: no charge). Likewise, the Company and certain subsidiaries are using the same premises leased by a subsidiary at no charge (2010: no charge).

6. RELATED PARTIES TRANSACTIONS *(Continued)*

6.2 Remuneration of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise directors of the Company and a subsidiary and executives of the Company.

6.2.1 The remuneration of directors of the Company during the financial year was as follows:

	Group		**Company**	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Directors' fees	**43**	45	**43**	45
Post-employment benefits	**7**	4	**7**	4
Short-term benefits	**526**	430	**526**	430

6.2.2 The remuneration of director of a subsidiary and key executives during the financial year was as follows:

	Group		**Company**	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Post-employment benefits	**18**	15	**15**	12
Short-term benefits	**283**	295	**260**	268

The remuneration of directors and key executives is determined by the RC having regard to the performance of individuals and market trends.

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

	Company	
	2011	2010
$500,000 and above	**1**	–
$250,000 to $499,999	**–**	1
Below $250,000	**3**	3
	4	4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

6. RELATED PARTIES TRANSACTIONS *(Continued)*

6.4 Number of key management personnel (who are not directors of the Company) of the Group and the Company in remuneration bands is as follows:

	Group		Company	
	2011	2010	**2011**	2010
Below $250,000	**3**	3	**2**	2

7. FINANCIAL INSTRUMENTS

7.1 The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	**Assets at fair value through profit or loss**	**Available-for-sale investments**	**Total**
Group	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2011				
Cash and cash equivalents	**42**	**–**	**–**	**42**
Derivative receivables and other assets	**–**	**182**	**–**	**182**
Investments held for trading	**–**	**36,855**	**–**	**36,855**
Trade receivables	**6**	**–**	**–**	**6**
Other receivables	**77**	**–**	**–**	**77**
Available-for-sale investments	**–**	**–**	**6,000**	**6,000**
Total	**125**	**37,037**	**6,000**	**43,162**
At 31 December 2010				
Cash and cash equivalents	156	–	–	156
Investments held for trading	–	33,650	–	33,650
Trade receivables	23	–	–	23
Other receivables	77	–	–	77
Available-for-sale investments	–	–	4,600	4,600
Total	256	33,650	4,600	38,506

7. FINANCIAL INSTRUMENTS *(Continued)*

7.1 The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale investments	Total
Company	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2011				
Cash and cash equivalents	**31**	**–**	**–**	**31**
Investments held for trading	**–**	**5,466**	**–**	**5,466**
Other receivables	**17,745**	**–**	**–**	**17,745**
Available-for-sale investments	**–**	**–**	**6,000**	**6,000**
Total	**17,776**	**5,466**	**6,000**	**29,242**
At 31 December 2010				
Cash and cash equivalents	97	–	–	97
Investments held for trading	–	5,162	–	5,162
Trade receivables	30	–	–	30
Other receivables	16,854	–	–	16,854
Available-for-sale investments	–	–	4,600	4,600
Total	16,981	5,162	4,600	26,743

7.2 Credit quality of financial assets

The credit quality of financial assets that are either current or past due but not impaired can be assessed by reference to historical information about counterparty default rates:

Trade receivables

Counterparties without external credit rating:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Current (1-30 days)	**2**	13	**–**	–
Past due (31-182 days) but not impaired	**4**	10	**–**	30
Total	**6**	23	**–**	30

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

8. SUBSIDIARIES

	Company	
	2011	2010
	$'000	$'000
Unquoted equity shares	**8,164**	8,164
Allowance for impairment loss	**(2,761)**	(2,761)
	5,403	5,403

The allowance for impairment loss is for the investments in the subsidiaries, namely Shakey's Holdings Pte Ltd, Heritage Investment Corporation and Top-Text Sdn Bhd. Shakey's Holdings Pte Ltd and Top-Text Sdn Bhd have been dormant for the past financial years.

Details of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation and operation	Group's effective equity interest 2011	2010	Principal activities
		%	%	
Held by the Company				
Awana Rentak Sdn Bhd ("ARSB")[(a)]	Malaysia	**100.0**	100.0	Investment holding
Heritage Investment Corporation[(b)]	British Virgin Islands	**100.0**	100.0	Investment holding and investment trading
Ideal Forex Pte Ltd[(e)]	Singapore	**100.0**	100.0	Dormant
Inno-Pacific Realty Sdn Bhd ("IPR")[(c)]	Malaysia	**100.0**	–	Investment holding
Jadensworth Holdings Pte Ltd	Singapore	**100.0**	100.0	Investment holding and investment trading
PG Communications Pte Ltd ("PGCPL")	Singapore	**100.0**	100.0	Telecommunication service provider
Shakey's Holdings Pte Ltd[(e)]	Singapore	**88.9**	88.9	Dormant
Top-Text Sdn Bhd[(a)]	Malaysia	**90.0**	90.0	Dormant

8. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation and operation	Group's effective equity interest 2011	2010	Principal activities
		%	%	
Held by PG Communications Pte Ltd				
Alstra Pacific Pte Ltd ("APPL")[(d)]	Singapore	–	100.0	Telecommunication service provider
PG Communications Sdn Bhd[(a)]	Malaysia	**100.0**	100.0	Telecommunication service provider
Held by Awana Rentak Sdn Bhd				
Mega Highlights Sdn Bhd ("MHSB")[(a)]	Malaysia	**100.0**	100.0	Investment holding and assembly of commercial vehicles

Notes on subsidiaries:

All the companies are audited by BDO LLP except for the subsidiaries that are indicated as below.

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

(b) No audit requirement in the country of incorporation. Audited by BDO LLP for consolidation purposes.

(c) Audited by another firm of auditors, SC Teh & Company, Chartered Accountants, Malaysia.

(d) The sale was completed in January 2011. Accordingly, the takeover and control of APPL by the new shareholder and management also took effect in January 2011.

(e) Both companies were dormant and exempted from audit under Section 205B of the Companies Act. Reviewed by BDO LLP for consolidation purpose.

Incorporation of new wholly-owned subsidiary – IPR

On 14 February 2011, a new wholly-owned subsidiary of the Company, Inno-Pacific Realty Sdn Bhd was incorporated in Malaysia. The initial issued and paid up share capital was RM2.00. IPR's principal activity is investment holding.

Disposal of indirect subsidiary – APPL

On 1 December 2010, a subsidiary, PGCPL entered into a sale and purchase agreement to sell its entire issued share capital in APPL to an unrelated third party for a total consideration of $30,000 in cash. The sale was completed in January 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

8. SUBSIDIARIES *(Continued)*

The effects of the disposal on the cash flows as at the date of disposal were:

	Group Carrying amount
	$'000
Property, plant and equipment, representing identifiable assets	34
Loss on disposal	(4)
Consideration for disposal	30
Net cash inflow on disposal	30

9. PROPERTY, PLANT AND EQUIPMENT

Group	**Leasehold land**	**Factory under construction**	**Plant and equipment**	**Furniture and fittings**	**Other assets**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2011						
Cost or valuation						
At 1 January 2011	**8,983**	**760**	**934**	**266**	**321**	**11,264**
Foreign currency translation differences	**(174)**	**(15)**	**(1)**	**–**	**–**	**(190)**
Additions	**–**	**–**	**–**	**5**	**386**	**391**
Reclassification from inventory (Note 13)	**–**	**–**	**1,811**	**–**	**–**	**1,811**
Offset of accumulated depreciation on leasehold land reclassified to investment property	**(416)**	**–**	**–**	**–**	**–**	**(416)**
Revaluation of leasehold land reclassified to investment property	**614**	**–**	**–**	**–**	**–**	**614**
Reclassification to investment property	**(9,007)**	**–**	**–**	**–**	**–**	**(9,007)**
Disposals	**–**	**–**	**(691)**	**(4)**	**(214)**	**(909)**
Written off	**–**	**–**	**–**	**(1)**	**(10)**	**(11)**
At 31 December 2011	**–**	**745**	**2,053**	**266**	**483**	**3,547**

9. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group	Leasehold land	Factory under construction	Plant and equipment	Furniture and fittings	Other assets	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2011						
Allowance for impairment loss						
At 1 January 2011	**–**	**760**	**–**	**–**	**–**	**760**
Foreign currency translation differences	**–**	**(15)**	**–**	**–**	**–**	**(15)**
At 31 December 2011	**–**	**745**	**–**	**–**	**–**	**745**
Accumulated depreciation						
At 1 January 2011	**332**	**–**	**877**	**195**	**292**	**1,696**
Foreign currency translation differences	**(7)**	**–**	**(*)**	**–**	**–**	**(7)**
Depreciation for the financial year	**91**	**–**	**8**	**20**	**75**	**194**
Offset of accumulated depreciation on leasehold land reclassified to investment property	**(416)**	**–**	**–**	**–**	**–**	**(416)**
Disposals	**–**	**–**	**(657)**	**(1)**	**(214)**	**(872)**
Written off	**–**	**–**	**–**	**(1)**	**(10)**	**(11)**
At 31 December 2011	**–**	**–**	**228**	**213**	**143**	**584**
Carrying amount						
At 31 December 2011	**–**	**–**	**1,825**	**53**	**340**	**2,218**

* *The foreign currency translation differences for the financial year is below $1,000*

2010						
Cost or valuation						
At 1 January 2010	8,815	746	950	236	314	11,061
Foreign currency translation differences	168	14	1	–	2	185
Additions	–	–	1	42	10	53
Disposals	–	–	–	(9)	(4)	(13)
Written off	–	–	(18)	(3)	(1)	(22)
At 31 December 2010	8,983	760	934	266	321	11,264
Comprising:						
Cost	–	760	934	266	321	2,281
Valuation	8,983	–	–	–	–	8,983
	8,983	760	934	266	321	11,264

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

9. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group	Leasehold land	Factory under construction	Plant and equipment	Furniture and fittings	Other assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2010						
Allowance for impairment loss						
At 1 January 2010	–	–	–	–	–	–
Foreign currency translation differences	–	(1)	–	–	–	(1)
Impairment loss for the financial year	–	761	–	–	–	761
At 31 December 2010	–	760	–	–	–	760
Accumulated depreciation						
At 1 January 2010	234	–	819	169	246	1,468
Foreign currency translation differences	5	–	(*)	–	2	7
Depreciation for the financial year	93	–	71	37	49	250
Disposals	–	–	–	(8)	(4)	(12)
Written off	–	–	(13)	(3)	(1)	(17)
At 31 December 2010	332	–	877	195	292	1,696
Carrying amount						
At 31 December 2010	8,651	–	57	71	29	8,808

* *The foreign currency translation differences for the financial year is below $1,000*

Company	Furniture and fittings	Other assets	Total
	$'000	$'000	$'000
2011			
Cost			
At 1 January 2011	**117**	**87**	**204**
Additions	**–**	**1**	**1**
Written off	**–**	**(1)**	**(1)**
At 31 December 2011	**117**	**87**	**204**
Accumulated depreciation			
At 1 January 2011	**87**	**83**	**170**
Depreciation for the financial year	**5**	**3**	**8**
Written off	**–**	**(1)**	**(1)**
At 31 December 2011	**92**	**85**	**177**
Carrying amount			
At 31 December 2011	**25**	**2**	**27**

9. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company	Furniture and fittings	Other assets	Total
	$'000	**$'000**	**$'000**
2010			
Cost			
At 1 January 2010	125	88	213
Additions	–	3	3
Disposals	(8)	(4)	(12)
At 31 December 2010	117	87	204
Accumulated depreciation			
At 1 January 2010	87	87	174
Depreciation for the financial year	7	(*)	7
Disposals	(7)	(4)	(11)
At 31 December 2010	87	83	170
Carrying amount			
At 31 December 2010	30	4	34

* *The foreign currency translation differences for the financial year is below S$1,000*

The leasehold land is a 48.3 acres of industrial development land identified as part of lot 10334, within Mukim of Hulu Bernam Timur, district of Batang Padang, Perak Darul Ridzuan, Malaysia. As disclosed in Note 3.2(iii) and Note 10 to the financial statements, the leasehold land was reclassified to investment property from property, plant and equipment during the financial year following the change in use. Had the leasehold land (which is now stated at valuation) continued to be classified as property, plant and equipment at historical cost less accumulated depreciation and impairment loss, its carrying amount would have been approximately $8,651,000.

Factory under construction was fully impaired as the construction in progress has physically deteriorated over the years.

A motor vehicle included in the Group's "other assets" with carrying amount of $340,000 (2010: $21,000) has been acquired through cash payment of $132,000 and the remaining balance of $253,000 under finance lease arrangement. Leased asset is pledged as security for the related finance lease liability. The motor vehicle is registered in the name of a director and is being held in trust for the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

10. INVESTMENT PROPERTY

As disclosed in Note 3.2 (iii) and Note 9 to the financial statements, the leasehold land of $9.007 million was reclassified from property, plant and equipment to investment property as the Group has decided to hold it other than the original purpose of developing an automotive hub. The Group is exploring alternative opportunities for this investment property.

The fair value of the Group's investment property at 31 December 2011 has been determined by independent professional valuer on 2 February 2012 with recent experience in the location and category of the investment properties (see Note 3.2(iii)). The valuation was arrived at by reference to market evidence of transaction prices for similar properties, and were performed in accordance with International Valuation Standards.

In financial year 2004, MHSB, a wholly-owned subsidiary of ARSB, had entered into a Sale and Purchase Agreement ("SPA") with Perak State Development Corporation/Perbadanan Kemajuan Negeri Perak ("PSDC/PKNP") to acquire a leasehold land. By a novation agreement duly signed by PSDC/PKNP, MHSB and ARSB on 30 December 2009, the leasehold land will be owned and registered in the name of ARSB instead. On 30 December 2009, MHSB and PSDC/PKNP entered into a termination agreement under which MHSB was released and discharged of further obligation as required under the SPA.

In the prior financial year, the registration of the transfer of the said land to ARSB was not completed pending the removal of a private caveat entered into by a third party in relation to the said land. On 13 June 2011, the Malaysia High Court has cancelled the said private caveat. During the financial year, expenses incurred in relation to this land amounted to $35,389 (2010:$56,579). As at 31 December 2011, the registration of transfer of the said land to ARSB has yet to be completed pending the resolution of the appeal for waiver of penalty for late registration of the Memorandum of Transfer from Pejabat Tanah & Galiah Ipoh, Perak. The Group's investment property is held under leasehold interests. The investment property has a lease period of 99 years upon issuance of the title deed to the Group.

The Group is not aware of any restriction on the realisability or the remittance of income and proceeds upon future disposal of the investment property.

11. AVAILABLE-FOR-SALE INVESTMENTS

	Group and Company	
	2011	2010
	$'000	$'000
As at 1 January	**14,910**	14,910
Additions	**1,400**	–
Allowance for impairment loss	**(10,310)**	(10,310)
As at 31 December	**6,000**	4,600

11. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Movement in allowance for impairment loss is as follows:

	Group and Company	
	2011	2010
	$'000	$'000
As at 1 January	**10,310**	7,910
Allowance for impairment loss during the financial year	**–**	2,400
As at 31 December	**10,310**	10,310

Available-for-sale investments comprise the following:

(i) the Group's and the Company's rights to receive the net proceeds of 60 finished lots of land situated at Sawyer Falls, Pierce County, Washington State, USA amounting to $4,600,000; and

(ii) the Group's and the Company's equity investment in Grand Prosper of $1,400,000.

Net proceeds of 60 finished lots of land situated at Sawyer Falls, Pierce County, Washington State, USA

On 23 April 2002, Sawyer Falls Co, LLC ("SFC"), a 50% investee company of the Company, entered into a Vacant Land Sale and Purchase Agreement ("VLSPA") to sell the Falling Water raw land to Capri Investment LLC ("Capri"). The sale consideration for the raw land was US$3,500,000 and net proceeds from 85 finished lots from the property, less the customary costs of sale and closing costs as well as, the traffic, park schools mitigation fees and related utility fees allocable to each of the lots.

On 26 February 2004, the Company, SFC and its members entered into an agreement whereby SFC agreed to distribute net proceeds from the first 35 lots of the 85 lots that SFC is entitled to, under the VLSPA to the Company as settlement of promissory notes issued by SFC to the Company. In addition, it was also agreed that the Company will be entitled to 25 lots based on its 50% equity interest in SFC. Consequently, the Company has a total right to receive the net proceeds from the sale of 60 finished lots.

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

Investment in Grand Prosper

The acquisition by the Company of a 25% interest in the issued and paid-up share capital of Grand Prosper was completed on 8 September 2011. 200,000,000 new ordinary shares in the capital of the Company have been allotted and issued in full satisfaction of the purchase consideration for the Grand Prosper acquisition. The Groups' equity investment in Grand Prosper is recorded at $1.4 million being the market value of the consideration shares as at the date of completion.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

12. ASSET CLASSIFIED AS HELD-FOR-SALE

During the financial year, the Group and the Company acquired a 35% interest in the issued and paid-up share capital of Trackplus whose principal activity is property development in Malaysia. The acquisition was completed on 9 September 2011. 220,282,800 new ordinary shares in the capital of the Company have been allotted and issued in full satisfaction of the purchase consideration for the Trackplus acquisition. The Company's equity investment in Trackplus is valued at approximately $1.5 million which is lower than the fair value less costs to sell as determined by management at the end of the financial year.

Trackplus is a special purpose vehicle company which owns a parcel of land with an area of approximately 7,863 square metres at Section 13, Town of Shah Alam, Selangor, Malaysia. The land is located within Shah Alam, Selangor, fronting onto Persiaran Sukan, and lies approximately 18km to the south west of the Kuala Lumpur City, Malaysia. Prominent landmarks located within the vicinity are Wisma Maritime, Shah Alam Stadium and Shah Alam Giant hypermart. The land is held under a leasehold title for 99 years expiring on 22 January 2102.

13. INVENTORIES

	Group	
	2011	2010
	$'000	$'000
Inventories, net	**10**	2,805

The inventories comprise telecommunication equipment.

As disclosed in Note 9 to the financial statements during the financial year, the Group has reclassified $1,811,000 of its BPL equipment from inventory to property, plant and equipment as the Group intends to keep these BPL equipment as property, plant and equipment and deploy them on subscribers' sites for provision of BPL rather than selling them. During the financial year, the inventories were written down by $931,000 (2010: $12,000) to net realisable value before they were transferred to property, plant and equipment.

14. DERIVATIVE RECEIVABLES AND OTHER ASSETS

The derivative receivables and other assets shown in the following tables are held for trading purposes. The contractual or underlying principal amounts of these derivative receivables and other assets and their corresponding gross positive (derivative receivables) fair values at the end of the financial year are analysed below.

	Group 2011	
	Notional amount $'000	**Derivative receivables $'000**
Equity derivative		
Fair value gain on equity derivative	1,267	32
Foreign exchange		
OTC foreign exchange positions	6,814	150
Total		182

14. DERIVATIVE RECEIVABLES AND OTHER ASSETS *(Continued)*

	Group
	2011
	$'000
Derivative receivables:	
Analysed by counterparty	
Bank	182
Analysed by geography	
Europe	182

The analysis by geography is determined based on where the counter party risk resides.

15. INVESTMENTS HELD FOR TRADING

	Group		**Company**	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Quoted equities: Singapore				
As at 1 January	33,650	20,416	5,162	2,846
Additions	9,469	14,373	2,455	1,513
Transfer from subsidiary	–	–	1,240	–
Disposals	(10,549)	(13,714)	(3,620)	(843)
Add: Fair value gain due to changes in market value	4,285	12,856	229	1,646
Less: Allowance for impairment loss during the financial year	–	(281)	–	–
As at 31 December	36,855	33,650	5,466	5,162

Movement in allowance for impairment loss is as follows:

	Group	
	2011	2010
	$'000	$'000
As at 1 January	**281**	674
Foreign currency translation difference	**–**	(8)
Write off against allowance	**(281)**	(385)
As at 31 December	**–**	281

Investments held for trading as at 31 December 2011 pertains to investments in quoted equity securities which offer the Group and the Company the opportunity for return through dividend income and fair value gains. They have no fixed maturity date or coupon rate. The fair values of these securities are based on closing bid prices on the last market day of the financial year.

15. INVESTMENTS HELD FOR TRADING *(Continued)*

The investments in unquoted equity securities are stated at cost less allowance for impairment loss, if any, as their fair values cannot be determined reliably. Management has determined that the unquoted share which were fully provided in prior years should be written off in the current financial year since management does not expect future economic benefit from these investments.

The Group's and the Company's investments held for trading include investments with carrying amount of $3,311,280 (2010: $5,161,920) and $1,475,530 (2010: $5,161,920) respectively pledged as security for trading accounts with financial institutions.

Investments held for trading are denominated in Singapore dollar.

16. TRADE RECEIVABLES

	Group		**Company**	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Third parties	**54**	192	**33**	154
Subsidiary	**–**	–	**–**	30
Allowance for impairment				
– third parties	**(48)**	(169)	**(33)**	(154)
	6	23	**–**	30

Trade receivables from third parties are non-interest bearing and repayable within the normal trade credit term of 30 days (2010: 30 days).

Trade receivable from a subsidiary is non-interest bearing and repayable upon demand.

Trade receivables that are less than five months past due are not considered as impaired. As at 31 December 2011, no trade receivables (2010: Nil) were over five months past due but not impaired.

Movements in allowance for impairment on trade receivables are as follows:

	Group		**Company**	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
As at 1 January	**169**	232	**154**	154
Write-off against allowance	**–**	(48)	**–**	–
Reversal during the financial year	**(121)**	(15)	**(121)**	–
Balance at 31 December	**48**	169	**33**	154

The Group and the Company do not hold any collateral as security. Allowance for impairment on receivables was made to reflect the deterioration of financial conditions of customers who were not able to settle debts on time.

16. TRADE RECEIVABLES *(Continued)*

Trade receivables are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Singapore dollar	**–**	5	**–**	30
Malaysian Ringgit	**6**	18	**–**	–
	6	23	**–**	30

17. OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Other receivables	**1,397**	1,397	**1,243**	1,242
Allowance for impairment	**(1,396)**	(1,396)	**(1,242)**	(1,242)
	1	1	**1**	–
Amounts due from subsidiaries	**–**	–	**21,769**	20,666
Allowance for amounts due from subsidiaries	**–**	–	**(4,025)**	(3,812)
	–	–	**17,744**	16,854
Deposits	**76**	76	**–**	–
Capital acquisition costs (Note 39(a))	**36**	–	**–**	–
Prepayments	**32**	35	**8**	6
	145	112	**17,753**	16,860

Amounts due from the other receivables and subsidiaries comprise advances which are interest-free, unsecured and repayable on demand. An allowance has been made for estimated irrecoverable amounts from other receivables and subsidiaries and determined by reference to the financial position and repayment capability of the other receivables and subsidiaries.

Other receivables which are less than 1 year are not considered as past due. The other receivables over 1 year relate to deposits which the Group and the Company have placed with a number of independent service providers for which refund will be made upon termination of service contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

17. OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Movements in allowance for impairment on amounts due from subsidiaries are as follows:

	Company	
	2011	2010
	$'000	$'000
As at 1 January	**3,812**	48
Allowance during the financial year	**213**	3,812
Written off against allowance	**–**	(48)
As at 31 December	**4,025**	3,812

Receivables that are impaired

At the end of the respective reporting period, the Company has provided an impairment loss of $213,000 (2010: $3,812,000) for advances due from third parties and a subsidiary. The third party debtors have defaulted on payments whilst the subsidiary has been suffering financial losses for the current and past two financial years.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group and the Company do not hold any collateral as security.

Other receivables and prepayments are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Singapore dollar	**51**	51	**15,637**	15,092
United States dollar	**41**	41	**–**	–
Malaysian Ringgit	**53**	19	**2,116**	1,768
Euro	**–**	1	**–**	–
	145	112	**17,753**	16,860

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**42**	126	**31**	97
Fixed deposits	**–**	30	**–**	–
Cash and cash equivalents per statements of financial position	**42**	156	**31**	97
Fixed deposits pledged to a bank	**–**	(30)		
Cash and cash equivalents per consolidated statement of cash flows	**42**	126		

The previous financial year's fixed deposits of $30,000 were placed with banks, maturing within periods of not more than one year after the end of financial year and bears interest from 0.45% to 0.55% per annum. These fixed deposits were placed with a bank as pledges for banker's guarantee issued for Goods and Services Tax purpose. During the financial year, the fixed deposits were uplifted on cancellation of the banker's guarantee.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Singapore dollar	**31**	140	**29**	94
United States dollar	**4**	10	**–**	–
Malaysian Ringgit	**7**	3	**2**	–
Chinese Renminbi	**–**	3	**–**	3
	42	156	**31**	97

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Trade payables:				
– bank and stock brokerage trading accounts	**967**	1,854	**805**	1,469
– third parties	**2**	18	**–**	–
Amounts due to subsidiaries	**–**	–	**5,419**	4,521
Accrued operating expenses	**893**	924	**72**	67
Accrual of unutilised leave	**314**	263	**314**	252
Amount due to a director	**205**	–	**205**	–
Deferred income	**–**	4	**–**	–
Sundry payables	**135**	185	**135**	140
	2,516	3,248	**6,950**	6,449

Trade payables-bank and stock brokerage trading accounts and third parties are non-interest bearing and are normally settled within 30 days (2010: 30 days) term.

Amounts due to subsidiaries which comprise advances which are interest-free, unsecured and repayable on demand.

Amounts due to a director which comprise advances which are interest free, unsecured and repayable on demand.

Accrued operating expenses principally comprise amounts outstanding for on-going operating costs. In prior financial year, deferred income represents unearned revenue from the Group's telecommunication business. Sundry payables include unsettled invoices for miscellaneous services rendered.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Singapore dollar	**1,605**	2,308	**6,793**	6,292
Malaysian Ringgit	**798**	823	**49**	50
United States dollar	**111**	115	**108**	107
Euro	**2**	2	**–**	–
	2,516	3,248	**6,950**	6,449

20. PROVISION FOR DIRECTOR FEES

Provision for director fees is denominated in Singapore dollar.

21. INCOME TAX PAYABLE

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Provision for taxation	**–**	1,225	**–**	–

Tax payable in financial year 2010 was mainly due to the income tax liability of a wholly owned subsidiary of the Company in relation to its chargeable income for 2010. This tax payable amount is calculated according to the provisions of the prevailing Income Tax Act. During the current financial year, the Group has received from IRAS a revised tax assessment which showed Nil tax payable.

22. FINANCE LEASE LIABILITIES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Amounts payable under finance lease:				
Within one financial year	**56**	19	**51**	17
In the second to fifth financial year	**190**	–	**173**	–
	246	19	**224**	17
Future finance charges	**(22)**	(2)		
Present value of lease obligations	**224**	17		
Due for settlement within 12 months	**(51)**	(17)		
Due for settlement after 12 months	**173**	–		

The carrying amount of finance lease liabilities approximates its fair value.

The remaining term of the finance lease is 5 years (2010: 1 year). For the financial year ended 31 December 2011, the effective borrowing rate was 3.9% (2010: 5.6%) per annum. Interest rate is fixed at the contract date, and thus exposes the Group to fair value interest rate risk. The finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligation under finance lease is secured by the lessor's title to the leased asset as disclosed in Note 9, which will revert to the lessor in the event of default by the Group.

The finance lease payable is denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

23. DEFERRED TAX LIABILITIES

Deferred tax liabilities arose when the Group accounts for the difference between the carrying amount of the revalued leasehold land under property, plant and equipment, which was reclassified as investment property during the financial year and its cost as the Group deems the future recovery of the carrying amount of the revalued asset will result in a taxable flow of economic benefits to the Group and the amount that will be deductible for tax purposes will differ from the amount of the economic benefits. A deferred tax liability is computed in respect of the revaluation surplus at the tax rate of the country in which the subsidiary concerned is domiciled. Any actual tax liability will crystallise upon disposal of the revalued asset.

Movements in deferred tax liabilities are as follows:

	Group	
	2011	2010
	$'000	$'000
As at 1 January	**1,994**	1,977
Revaluation of leasehold land reclassified as investment property	**154**	–
Recognised in the profit or loss (Note 33)	**(23)**	(23)
Foreign currency translation differences	**(42)**	40
As at 31 December	**2,083**	1,994

24. RETIREMENT BENEFIT OBLIGATIONS

The total retirement benefit expense recognised in the profit or loss of $51,000 (2010: $61,000) represents contributions payable to the state-managed retirement benefit plans by the Group at rates specified in the rules of the plans. As at 31 December 2011, contributions of $8,000 (2010: $10,000) due in respect of current financial year had been paid to the plan subsequent to the end of financial year.

25. SHARE CAPITAL

	Group and Company			
	2011	2010	**2011**	2010
	Number of ordinary shares		**$'000**	$'000
Issued and paid-up, no par value				
As at 1 January	**1,186,245,285**	1,086,245,285	**54,898**	53,283
Issue of ordinary shares	**215,000,000**	100,000,000		
Proceeds from issue of placement shares	**–**	–	**1,935**	1,640
Less: share issue expenses	**–**	–	**(15)**	(25)
Issue of ordinary shares relating to:				
– acquisition of available-for-sale investments	**200,000,000**	–	**1,400**	–
– acquisition of asset classified as held-for-sale	**220,282,800**	–	**1,542**	–
As at 31 December	**1,821,528,085**	1,186,245,285	**59,760**	54,898

25. SHARE CAPITAL *(Continued)*

On 5 May 2010, 100,000,000 new ordinary shares were allotted and issued as Placement Shares. The Placement Shares were listed and quoted on the Main Board of the SGX-ST on 10 May 2010.

On 28 January 2011, the Company issued 215,000,000 new ordinary shares for cash at S$0.009 per share pursuant to separate private placement agreements with various subscribers (the "Placement Shares"). Placement Shares were listed and quoted on the Main Board of the SGX-ST on 2 February 2011.

The acquisition of 25% equity interest in the issued and paid-up share capital of Grand Prosper classified as available-for-sale investments (Note 11) was completed on 8 September 2011. The 200,000,000 shares issued as consideration for this acquisition were listed and quoted on the Main Board of the SGX-ST on 9 September 2011.

The acquisition of 35% equity interest in the issued and paid-up share capital of Trackplus classified as asset held-for-sale (Note 13) was completed on 9 September 2011. The 220,282,800 shares issued as consideration for this acquisition were listed and quoted on the Main Board of the SGX-ST on 12 September 2011.

26. ASSET REVALUATION RESERVE

The asset revaluation reserve which is non-distributable arises from the revaluation of leasehold land which was reclassified as investment property (Note10).

27. SHARE-BASED PAYMENT AND SHARE OPTIONS RESERVE

Share options reserve represent the value of share-based payment in the form of equity-settled share options granted to employees and directors. The reserve is made up of cumulative value of share-based payment received from employees and directors recorded on grant of equity-settled share options.

The Inno-Pacific Share Option Scheme (the "IPSO")

The IPSO is operative for ten years from 29 April 2005. Under the IPSO, share options may be granted to group executives, group executive directors and non-executive directors who have been employed by the Company or any member of the Group for at least one year and have attained 21 years of age on or before the date of grant. The exercise price of a granted option shall be at a price ("market price") equal to the average of the last dealt prices of the Company's shares on the SGX-ST over five consecutive trading days immediately preceding the date of grant of that option. Share options may also be granted at a discount to the market price. The maximum discount, which may be given, shall not exceed 20% of the market price.

An option granted under the IPSO may be exercised in whole or in part and in accordance with a vesting schedule and conditions (if any) to be determined by the RC on the date of grant of the respective options. Options with exercise prices, which are equal to or higher than the market price, may be exercised at any time after one year from the date of the grant. Options with exercise prices, which represent a discount to the market price, may be exercised at any time after two years from the date of the grant.

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27. SHARE-BASED PAYMENT AND SHARE OPTIONS RESERVE *(Continued)*

The exercise price is based on the average last done prices for the Shares of the Company on the SGX-ST for the five market days preceding the date of offer. No options were granted at a discount to market price during the financial year. As such, an option may be exercised at any time after one year but no later than the expiry date. The one-year vesting period is intended to encourage employees to take a longer-term view of the Company.

Information in respect of the share options granted under the Company's IPSO is as follows:

	Weighted average exercise price 2011 $	**Number of options 2011 $**	Weighted average exercise price 2010	Number of options 2010
Outstanding as at 1 January	**0.025**	**24,000,000)**	0.025	25,300,000)
Forfeited during the year		**(1,500,000)**		(1,300,000)
Outstanding as at 31 December	**0.025**	**22,500,000**	0.025	24,000,000
Exercisable as at 31 December	**0.025**	**22,500,000**	0.025	24,000,000

There were no share options granted and exercised during financial years 2011 and 2010.

The options outstanding as at 31 December 2011 have an exercise price of $0.025 (2010: $0.025) and the weighted average contractual life of 4.7 years (2010: 6.1 years). The estimated fair values of the share options granted are $546,000 (2010: $546,000).

The fair value of share options as at the date of grant is estimated by using the Black Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. The significant inputs into the model were share prices at date of grant, exercise price, dividend yield, expected volatility, risk-free interest rate and expected option life.

Volatility, measured as the standard deviation of expected share price returns, was based on volatility range during the past year in accordance with convention laid down by Bloomberg. The inputs to the model used are shown below.

Date of grant	**Number of options granted**	**Expected dividend yield (%)**	**Expected volatility (%)**	**Risk-free interest rate (%)**	**Expected life of options (years)**	**Exercise price ($)**	**Share price at date of grant ($)**
23 May 2008	9,000,000	Nil	164.14	2.264	5	0.025	0.025
23 May 2008	20,600,000	Nil	164.14	2.264	10	0.025	0.025

28. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of the foreign operations where the functional currencies are different from that of the Group's presentation currency. This is non-distributable and the movements in this account are set out in the Group's statement of changes in equity.

29. REVENUE

	Group	
	2011	2010
	$'000	$'000
Sale of investments held for trading	**13,415**	13,685
Rendering of services	**43**	431
Sale of products	**3**	4
	13,461	14,120

30. OTHER OPERATING INCOME

	Group	
	2011	2010
	$'000	$'000
Fair value gain on investments held for trading (Note 15)	**4,285**	12,856
Others	**32**	57
	4,317	12,913

31. FINANCE COSTS

	Group	
	2011	2010
	$'000	$'000
Shares margin financing	**83**	47
Finance lease	**5**	6
	88	53

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32. PROFIT BEFORE INCOME TAX

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group's profit before income tax is arrived at after charging the following:

	Group	
	2011	2010
	$'000	$'000
Cost of sales		
Cost of inventories recognised as cost of sales	**2**	5
Cost of marketable securities sold	**13,479**	13,715
Administrative expenses		
Directors' remuneration other than fees:		
– Directors of the Company	**533**	434
– Directors of the subsidiary	**25**	25
Directors' fees	**43**	45
Audit fees		
– Auditors of the Company	**80**	90
– Other auditors	**8**	3
Non–audit fees paid/payable to auditors:		
– Auditors of the Company	**–**	–
– Other auditors	**4**	–
Employee benefit expense (excluding directors' remuneration)	**600**	569
Costs of defined contribution plans included in staff costs	**51**	61
Other expenses		
Impairment loss on property plant and equipment	**–**	761
Impairment loss on available–for–sale investment	**–**	2,400
Inventories write–down	**931**	12
Loss on foreign currency trading	**58**	–
Professional fees	**164**	49
Rental expense	**130**	167
Transportation and travel	**75**	74

33. INCOME TAX (CREDIT)/EXPENSE

	Group	
	2011	2010
	$'000	$'000
Income tax		
Current year	**–**	1,073
(Over)/under provision in prior year	**(1,073)**	193
	(1,073)	1,266
Deferred tax		
Transferred from deferred tax liabilities (Note 23)	**(23)**	(23)
Income tax (credit)/expense	**(1,096)**	1,243

Domestic income tax is calculated at 17% (2010: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expenses varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2010:17%) to profit before income tax as a result of the following differences:

	Group	
	2011	2010
	$'000	$'000
Profit before income tax	**1,227**	7,746
Income tax calculated at Singapore statutory tax rate	**209**	1,317
Utilisation of previously unrecognised deferred tax assets	**–**	(674)
Tax effect of non-deductible expenses	**91**	364
Tax effect of non-taxable unrealised gain of marketable securities	**(693)**	–
Effect of different tax rates of overseas subsidiaries	**(96)**	102
(Over)/under provision for the Company in prior years	**(1,073)**	193
Unrecognised deferred tax assets	**489**	–
Singapore statutory stepped income exemption and tax rebate	**–**	(36)
Others	**(23)**	(23)
	(1,096)	1,243

As at 31 December 2011, the Group has unutilised tax losses amounting to approximately $16,618,000 (2010: $13,743,000) and unabsorbed capital allowances amounting to approximately $19,000 (2010: $19,000) available for offset against future profits subject to the agreement by the relevant tax authorities. The deferred tax benefit relating to these unutilised tax losses and unabsorbed capital allowances of approximately $2,828,000 (2010: $2,339,000) has not been recognised in the financial statements as the Group cannot be certain that there will be taxable profit in the future to utilise this tax benefit. These losses may be carried indefinitely subject to the conditions imposed by law.

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34. OTHER COMPREHENSIVE INCOME

	Group					
	2011			2010		
	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000
Exchange differences on translating foreign operations	(171)	42	(129)	188	(40)	148
Revaluation of property, plant and equipment	614	(154)	460	–	–	–
Other comprehensive income	443	(112)	331	188	(40)	148

35. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

The earnings per share is calculated as follows:

	Group	
	2011	2010
Profit attributable to owners of the Company	**$2,323,000**	$6,503,000
Weighted average number of ordinary shares	**1,517,155,529**	1,152,272,682
Basic and diluted earnings per share	**0.15 cents**	0.56 cents

The basic and diluted earnings per share is the same as options outstanding are considered anti-dilutive as the average market price of ordinary shares during the financial year is less than the exercise price of the options.

36. OPERATING LEASE COMMITMENTS

At the end of financial year, the commitments in respect of non-cancellable operating leases of office premises were as follows:

	Group	
	2011	2010
	$'000	$'000
Future minimum lease payments payable:		
Within one year	**119**	137
In the second to fifth financial year	**91**	200
	210	337

The above operating lease commitments are based on the contracted rental charges as specified in the lease agreements.

The Group has renewed its lease for a three-year term for its office premise in financial year 2010, with an option to renew the lease for another one year, after the expiry of the current lease period, at revised terms to be mutually agreed between a subsidiary of the Company and the landlord. There are no contingent rentals.

37. SEGMENT INFORMATION

37.1 Analysis by business segment

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's operating businesses 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. Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's statement of comprehensive income that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

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37. SEGMENT INFORMATION *(Continued)*

37.1 Analysis by business segment *(Continued)*

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and property, plant and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire property, plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade and other payables.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss. The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

The information of each segment is as follows:

(i) Technology segment: The revenue from this segment was derived from the provision of international telecommunication services and sale of BPL service.

(ii) Investment trading segment: This represents investments in marketable securities, which are classified as financial assets at fair value through profit or loss.

(iii) Investment holding segment: This mainly consists of the principal activities of the Company and some of its subsidiaries, which are investment holding and rendering management services to subsidiaries.

37. SEGMENT INFORMATION *(Continued)*

37.1 Analysis by business segment *(Continued)*

	Technology	Investment trading	Investment holding	Total
	$'000	**$'000**	**$'000**	**$'000**
Group				
2011				
Segment revenue	**46**	**13,415**	**–**	**13,461**
Segment results	**(1,278)**	**4,267**	**(1,674)**	**1,315**
Finance costs				**(88)**
Income tax credit				**1,096**
Profit for the financial year				**2,323**
Segment assets	**1,970**	**37,386**	**16,651**	**56,007**
Segment liabilities	**(31)**	**(396)**	**(2,356)**	**(2,783)**
Deferred tax liabilities				**(2,083)**
Total liabilities				**(4,866)**
Other information				
Capital expenditure	**5**	**386**	**–**	**391**
Depreciation of property, plant and equipment	**29**	**66**	**99**	**194**
Write down of inventories	**931**	**–**	**–**	**931**
2010				
Segment revenue	435	13,685	–	14,120
Segment results	(97)	12,826	(4,930)	7,799
Finance costs				(53)
Income tax expense				(1,243)
Profit for the financial year				6,503
Segment assets	3,087	28,517	18,550	50,154
Segment liabilities	(283)	(1,483)	(1,544)	(3,310)
Income tax payable				(1,225)
Deferred tax liabilities				(1,994)
Total liabilities				(6,529)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

37. SEGMENT INFORMATION *(Continued)*

37.1 Analysis by business segment *(Continued)*

	Technology	Investment trading	Investment holding	Total
	$'000	$'000	$'000	$'000
2010				
Other information				
Capital expenditure	50	–	3	53
Depreciation of property, plant and equipment	108	40	102	250
Impairment regarding				
– land at Sawyers Fall	–	–	2,400	2,400
– factory under construction	–	–	761	761
Write down of inventories	12	–	–	12

Segment revenue is analysed based on the location of customers regardless of where the services are provided. In the case of revenue from investment trading, segment revenue is analysed based on the location where the shares are listed.

Segment assets and capital expenditure are analysed based on the location of those assets. In the case of investment trading, segment assets are analysed based on the location where the shares are listed. Capital expenditure includes the total cost incurred to acquire property, plant and equipment, and intangible assets.

37.2 Analysis by geographical segment

	Group	
	2011	2010
	$'000	$'000
Segment revenue by geographical market:		
Singapore	**13,418**	14,007
Other Asian countries	**43**	113
Total	**13,461**	14,120
Segment assets by geographical location:		
Singapore	**37,385**	34,020
United States of America	**4,600**	4,600
Other Asian countries	**13,860**	11,534
Europe	**162**	–
Total	**56,007**	50,154
Segment capital expenditure by geographical location:		
Singapore	**388**	42
Other Asian countries	**3**	11
Total	**391**	53

38. CONTINGENT LIABILITIES AND COMMITMENTS

Continuing financial support

As at the end of the financial year, Company has given undertakings to provide continued financial support to certain subsidiaries to enable them to operate as going concern and to meet their obligations as and when they fall due for at least 12 months from the financial year end.

At the end of the financial year, these subsidiaries had capital deficiencies totaling $3,572,000 (2010: $3,496,000) including amount due by the subsidiaries to the Company totaling $6,340,000 (2010: $6,056,000).

In the opinion of the Directors, no loss is anticipated from these contingent liabilities.

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Proposed acquisitions

The Company announced the following proposed acquisitions during the financial year:

(i) On 16 February 2011, the Company announced that it had entered into a sale and purchase agreement ("SPA") to acquire the entire issued and paid up share capital of Enigma Venture (M) Sdn Bhd, ("Enigma"), a company incorporated in Malaysia for a total consideration of $2 million which will be satisfied by the allotment and issuance of 200,000,000 new shares in the Company. Enigma's principal activity is investment holding.

(ii) On 16 February 2011, the Company announced that IPR had entered into three SPA to acquire three shophouses located in Kota Kinabalu, Malaysia for a total consideration of RM1,230,030 ($516,169) which will be satisfied by the allotment and issuance of 51,615,610 new shares in the Company.

(iii) On 16 February 2011, the Company announced that IPR had entered into a master SPA to acquire three residential units in a condominium known as "Clear Water Residence" located in Kuala Lumpur, Malaysia for a total consideration of RM6,398,872 ($2,684,878) which will be satisfied by the allotment and issuance of 268,487,800 new shares in the Company.

(iv) On 24 February 2011, the Company announced that IPR had entered into a SPA to acquire the entire issued and paid up share capital of Megan Midas Sdn Bhd ("Megan Midas"), a company incorporated in Malaysia for a total consideration of RM3,600,000 ($1,510,510) which will be satisfied by the allotment and issuance of 151,051,000 new shares in the Company. Megan Midas' principal activity is investment holding and owns a residential unit in the Cendana Condominium located in Kuala Lumpur, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD *(Continued)*

(a) Proposed acquisitions *(Continued)*

The Company announced the extension of the completion dates of the above proposed acquisitions to 30 April 2012.

(b) Incorporation of new wholly-owned subsidiary

The Company announced on 13 March 2012 that it has incorporated a new wholly-owned subsidiary in British Virgin Islands, known as Wang Da Investments Limited ("Wang Da") with initial issued and paid up share capital of US$1,000.

Wang Da's principal activity is in investments and investments holding.

40. COMPARATIVE FIGURES

Certain reclassifications have been made to the comparative information in the consolidated statement of cash flows to conform with current year's presentation in order to better reflect the nature of such balances. The following reclassifications do not have any impact on the Group's financial position or results:

	2010	
	As previously reported	**As reclassified**
	$'000	$'000
Consolidated Statement of Cash Flows		
Cash flows from operating activities		
Provision for unutilised leave	–	263
Provision for directors fee	–	(6)
Operating cash flows before working capital changes	(1,643)	(1,386)
Inventories	81	91
Trade and other payables	(1,226)	(1,489)
Cash used in operations	(1,353)	(1,343)
Net cash used in operating activities	(1,511)	(1,501)
Cash flows from investing activities		
Effect of foreign currency translations	(139)	–
Net cash used in investing activities	(162)	(23)

STATISTICS OF SHAREHOLDINGS

DISTRIBUTION OF SHAREHOLDINGS AS AT 15 MARCH 2012

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares held	Percentage
1 – 999	162	1.11%	43,925	0.00%
1,000 – 10,000	8,329	57.31%	44,626,442	2.45%
10,000 – 1,000,000	5,952	40.95%	513,976,119	28.22%
1,000,001 and above	91	0.63%	1,262,881,599	69.33%
	14,534	100.00%	1,821,528,085	100.00%

Number of shares : 1,821,528,085
Class of shares : Ordinary shares
Voting rights : One vote per share

Based on information available to the Company as at 15 March 2012, approximately 68.03% 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 15 MARCH 2012

No.	Name	No. of Shares	Percentage
1	G1 Investments Pte Ltd	252,282,800	13.85%
2	Dragon Seed Resources Limited	200,000,000	10.98%
3	United Overseas Bank Nominees Pte Ltd	112,062,000	6.15%
4	Tan Boon Kiat	60,000,000	3.29%
5	Koh William	55,000,000	3.02%
6	Ge Lei	50,000,000	2.74%
7	Ng Su Ling	50,000,000	2.74%
8	Lim Siew Hooi	40,000,000	2.20%
9	Friendship Bridge Holding Company Pte Ltd	38,550,000	2.12%
10	Chan Sing En	35,000,000	1.92%
11	Phillip Securities Pte Ltd	34,524,110	1.90%
12	Nu-Haven Incorporated	33,000,000	1.81%
13	Ronald Menon Al R.K.Menon	30,000,000	1.65%
14	Maybank Kim Eng Secs Pte Ltd	29,437,000	1.62%
15	Raffles Nominees (Pte) Ltd	22,500,000	1.24%
16	Tan Huat	14,354,000	0.79%
17	DBS Nominees Pte Ltd	14,333,256	0.79%
18	Loke Yee Woon	13,000,000	0.71%
19	Xia Zheng	10,800,000	0.59%
20	OCBC Nominees Singapore Pte Ltd	8,499,500	0.47%
		1,103,342,666	60.58%

SUBSTANTIAL SHAREHOLDERS AS AT 17 MARCH 2011
(As recorded in the Register of Substantial Shareholders)

No.	Name	Direct Interest	Deemed Interest	Percentage
1	Lim Siew Hooi	126,046,000	–	6.92%
2	Dragon Seed Resources Limited	200,000,000	–	10.98%
3	G1 Investments Pte. Ltd.	252,282,800	–	13.85%
4	Blumont Group Ltd.		252,282,800	13.85%

INNO-PACIFIC HOLDINGS LTD

(Company Registration No: 197301788K)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 38th Annual General Meeting of the Company will be held at the National Library Board, 100 Victoria Street, Level 1 Meeting Room (Opposite Information Counter), Singapore 188064 on Friday, 27 April 2012 at 10.00 a.m. to transact the following businesses:–

AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and Financial Statements for the financial year ended 31 December 2011 together with the Auditors' Report thereon. [Resolution 1]

2. To approve the Directors' Fees of $42,500/- for the financial year ended 31 December 2011 (2010: $45,000/-). [Resolution 2]

3. To re-elect Mr Yoon Wai Nam as Director who retires pursuant to Article 90 of the Articles of Association. [Resolution 3]

   Mr Yoon Wai Nam will, upon re-election as a Director of the Company, continues to serve as a member of the Audit Committee and the Remuneration Committee. Mr Yoon Wai Nam will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To consider, and if thought fit, to pass the following resolution: [Resolution 4]

   "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Dato' Moehamad Izat Bin Achmad Habechi Emir be and is hereby re-appointed as a Director of the Company, to hold office until the date of the next Annual General Meeting."

5. To re-appoint Messrs BDO LLP, Certified Public Accountants, as Auditors and to authorise the Directors to fix their remuneration. [Resolution 5]

6. To transact any other business.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions, with or without modifications:–

7. 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 allot and 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) (a) the aggregate number of shares and convertible securities to be issued on a pro rata basis to shareholders of the Company does not exceed 50 per cent of the total number of issued shares excluding treasury shares in the capital of the Company as calculated in accordance with sub-paragraph (ii) below; and

   (b) 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 of the total number of issued shares excluding treasury shares in the 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 total number of issued shares excluding treasury shares shall be based on the total number of issued shares excluding treasury shares in the 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;

(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." [See Explanatory Note (i)]

8. Authority to issue shares under the Inno-Pacific Share Option Scheme and the Inno-Pacific Performance Share Scheme [Resolution 7]

"That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be and are hereby empowered to allot and issue shares in the capital of the Company to the holders of options and awards granted by the Company under the Inno-Pacific Share Option Scheme and the Inno-Pacific Performance Share Scheme respectively (collectively known as the "Schemes") established by the Company upon the exercise of such options or vesting of such share awards in accordance with the terms and conditions of the Schemes provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Schemes shall not exceed fifteen per centum (15%) of the total number of the issued shares in the capital of the Company from time to time." [See Explanatory Note (ii)]

BY ORDER OF THE BOARD

STANLEY CHU KAM PO
Company Secretary

Singapore, 12 April 2012

EXPLANATORY NOTES ON ORDINARY RESOLUTIONS TO BE PASSED

(i) The proposed Resolution 6, if passed, will empower the Directors of the Company from the date of this Annual General Meeting ("AGM") until the date of the next AGM, to allot and issue new shares not exceeding 50% of the total number of the issued shares in the capital of the Company. For issue of shares, other than on a prorate basis to shareholders of the Company, the aggregate number of shares to be issued shall not exceed 20% of the total number of issued shares in the capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM of the Company.

(ii) The proposed Resolution 7, 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 allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the total number of issued shares in the capital of the Company for the time being pursuant to the exercise of the options or the vesting of the awards under the Schemes.

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/her stead.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her 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 190 Middle Road, #19-07 Fortune Centre, Singapore 188979 not less than 48 hours before the time appointed for holding the meeting.

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INNO-PACIFIC HOLDINGS LTD

(Company Registration No.: 197301788K)

PROXY FORM

* I/We, ____________________ *(Name)* ____________________ *(NRIC/Passport No.)*

of ____ *(Address)*

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

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

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the 38th Annual General Meeting of the Company to be held on Friday, 27 April 2012 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 the Report of the Directors and Audited Accounts for the financial year ended 31 December 2011		
2.	Approval of Directors' Fees		
3.	Re-election of Mr Yoon Wai Nam as Director		
4.	Re-appointment of Dato' Moehamad Izat Bin Achmad Habechi Emir as Director		
5.	Re-appointment of Auditors and fixing their remuneration		
6.	Authority to Directors to issue shares		
7.	Authority to issue shares under the Inno-Pacific Share Option Scheme and Inno-Pacific Performance Share Scheme		

(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 ____________ 2012.

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

____

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

IMPORTANT: PLEASE READ 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 the member specifies the proportion of his/her 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 190 Middle Road, #19-07 Fortune Centre, Singapore 188979 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/her 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/her 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.

INNO-PACIFIC HOLDINGS LTD

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