Section 106F

PART VI, FIFTH SCHEDULE OF
THE COMPANIES ACT, CHAPTER 50

STATEMENT OF MATERIAL FACTS

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INNO-PACIFIC HOLDINGS LTD
(incorporated in the Republic of Singapore)
(RCB No. 197301788K)

Registered Address:-

70 Shenton Way, #03-02, Marina House, Singapore 079118

10 May 2002

Definitions

For the purposes of this Statement of Material Facts, the following terms shall, unless the context otherwise requires, have the following meanings:-

"Directors"	:	The directors of the Company as at the date of this Statement.
"FY"	:	Financial year ended 31 December
"Group"	:	The Company and its subsidiaries.
"Inno-Pacific" or "the Company"	:	Inno-Pacific Holdings Ltd.
"Latest Practicable Date"	:	23 April 2002
"NTA"	:	Net tangible assets.
"Placement"	:	The proposed placement of the Placement Shares in accordance with and subject to the terms and conditions of the Placement Agreement.
"Placement Agent"	:	Kim Eng Ong Asia Securities Pte Ltd.
"Placement Agreement"	:	The placement agreement dated 10 May 2002 entered into between the Company and the Placement Agent pursuant to which the Placement Agent agreed to procure subscription of the Placement Shares on the terms and subject to the conditions set out therein.
"Placement Shares"	:	Up to 62,500,000 Shares which are the subject of the Placement.
"Shares"	:	The ordinary shares of $0.01 each in the capital of the Company.
"Statement"	:	This Statement of Material Facts.
"USA"	:	United States of America.

Reference to "$" and "cents" are to Singapore dollars and cents respectively, unless otherwise stated.

1. *State the business carried on and to be carried on by the issuer and its subsidiary and the general development of the business within the preceding 5 years and indicate any material changes in the affairs of the issuer since the last annual report*

The business carried on and to be carried on by Inno-Pacific Holdings Ltd (the "Company") is that of investment holding and management of companies.

The business carried on and to be carried on by the Group is primarily the operations of restaurants, franchising and investments.

General Development of the Company over the last 5 years

1997

1997 was a challenging year for the Company. Group loss after tax attributable to members reduced by about 36% to $8.2 million despite a drop in turnover. This improvement was achieved through the sale of the loss making operations in the paper division and the closure of the integrated poultry processing business, Tianjin Fuyuan Food Industries Inc., ("TFFI") in Tianjin, China.

Efforts to divest TFFI fell through because of increasing losses and deteriorating asset value. In June 1997, further provisions were made to write off loans to TFFI. The operations shut down in July 1997, after running into a huge cash deficit and none of the existing shareholders were willing to inject further cash into the business.

The Group's restructuring program that began in 1996, resulted in a strong and "liquid" balance sheet with no bank borrowings at the end of 1997. However, the cash invested in the MBF Growth Fund and fixed deposits in 1996, when the economic outlook was very optimistic for Malaysia, were severely impaired by the financial turmoil in the region. The Company provided for unrealised losses on these investments to bring the carrying value in line with year-end market value.

The financial turmoil in the region also affected the Group's plan to raise funds through a proposed rights issue for diversification into property investments. Due to the adverse market conditions, the proposed rights issue was aborted in December 1997 and the Company had to write off the professional fees incurred.

Shakey's opened its quick service concept corporate store in Singapore and second corporate restaurant based on the "casual dining full-serviced theme restaurant", in Los Angeles in June and October 1997 respectively.

1998

1998 was a relatively uneventful year for the Group as it strived to recover from the effect of the financial turmoil and the economic crisis in 1997. The economic crisis continued to take its toll on the Group's operations.

Group turnover declined from $15.1 million in FY 1997 to $9.6 million in FY 1998. However, the Group's loss before tax declined by approximately 28% to $7.6 million in FY 1998.

The economic crisis affecting Asia also affected Shakey's development plans. Shakey's managed to maintain a turnover of $9.5 million in FY 1998 compared to $[9.6] million in FY 1997. Shakey's operating loss before tax increased from $2.3 million in FY 1997 to $4.5 million in FY 1998. This was primarily due to the write off of certain fixed and other capital assets and bad debt provisions in the USA operations, increased promotional and professional costs associated with new products, publicity campaigns and franchise promotions and full year losses incurred on new corporate stores which were only opened in the second half of 1997.

Due to the imposition of capital controls in Malaysia, the Company had to sell the entire balance of approximately 18.2 million units of the MBF Growth Fund. Despite provisions made to the carrying values of the investment in 1997, the Company incurred a loss of $691,000 in 1998 arising from this disposal.

1999

With the slight recovery from the financial turmoil and resultant economic crisis that hit Southeast Asia in 1997, the Group managed to reduce its losses by 77% from $7.6 million in FY 1998 to $1.7 million in FY 1999. This was on the back of an increase in turnover of 45% to $14 million in FY 1999 from $9.6 million in FY 1998. The better performance was mainly due to the sale and assignment of Shakey's marks and systems in the Philippines. Proceeds from the said sale totalled $5 million.

Shakey's has since 1996 adopted franchising to support its worldwide operating system in order to reduce losses and contain costs. Despite its new image, strengthened by new marketing concepts and improvements to operating systems that were introduced during the last two years, the success rate of securing franchisees was slow.

Following two successful cash placements in May and September 1999, the Group's net tangible assets (including Shakey's trademark value) increased by 115% from $17 million in FY 1998 to $39.3 million in FY 1999. Gearing reduced significantly to 3.5% by the end of FY 1999.

The Company acquired 50% equity interest in Sawyer Falls Co L.L.C. ("SFC") a company incorporated in USA when it enforced its rights against a debtor which owed the Company $7.5 million. SFC's sole asset is an approximately 450 acre property known as Fennel Creek in Washington, USA. The property is located in an area which has seen tremendous population growth in the last decade and is surrounded by developed residential housings as well as those presently undergoing development and other infrastructure improvements.

2000

The Group's loss after tax before minority interest increased from $1.7 million in FY 1999 to $13.7 million in FY 2000 mainly due to the unexpected poor performance of Shakey's and provisions made at year end which included unrealised losses from marketable securities.

However, the Group's loss after tax before minority interests was partially offset by the net gain of $4.2 million arising from the collective sale of its apartment at Cairnhill Court.

The Group's turnover was solely from Shakey's operations and the substantial decline from $14 million in FY 1999 to $8 million in FY 2000 was due, *inter-alia*, to the sale and assignment of Shakey's marks and systems in the Philippines (the "Sale") amounting to $5 million, a non-recurring income that was completed in 1999. Proceeds from the Sale were used for Shakey's working capital, expansion and short-term investments.

Shakey's losses in FY 2000 were approximately $5.3 million compared to a profit of $2.2 million in FY 1999. Shakey's also made a provision for impairment of assets of a store in USA of approximately $1.2 million. In addition, a subsidiary of Shakey's Group incurred realised loss and unrealised loss from marketable securities of approximately $1 million and $569,000, respectively.

On 21 February 2000, Inno-Pacific Property Holdings Pte Ltd, a wholly-owned subsidiary of the Company which owned an apartment at Cairnhill Court, entered into a sale and purchase agreement with Glenfield Investments Pte Ltd to sell the said apartment for a consideration of approximately $5 million.

In July 2000, Shakey's International Limited ventured into Canada with the opening of a franchise store in Prince George in British Columbia. At the same time, the franchise store in China was revamped to incorporate a fast food concept and introduced a new product, which is the Shakey's hamburger. Both the stores in Canada and China did well though royalties were not significant. Malaysia continued to expand and opened 4 additional franchise stores in FY 2000.

The Company's 20% investment in IMTV Pte Ltd, an associated dot.com company selling music online, was affected by the general collapse of the dot.com industry. A total of $553,000 was written off when the joint venture partners together with the management team, having reviewed the business model, concluded that it was no longer viable to continue with the development of its portal.

In September 2000, the Company's indirect subsidiary, IPH Technology Sdn Bhd acquired 51% of the issued shares in the capital of Virtual Data Materials Sdn Bhd ("VDM"). VDM is a joint venture company for the development of an information technology business in Malaysia. Its wholly-owned subsidiary, Excel Bytes Sdn Bhd, has MSC (Multi-media Super Corridor) status.

The Company's wholly-owned indirect subsidiary, IPH Telecom Pte Ltd, having been awarded the Service Based Operator Licences by Info-Comm Development Authority of Singapore, entered into various memorandum of understandings with various telecommunication partners in Russia, China and USA to venture into the international traffic exchange business.

Losses incurred for the technology division, mainly due to start up cost, amounted to approximately $374,000.

Progress in the development of Fennel Creek was slow as it required a substantial amount of funding and none of the other members of SFC were willing to provide financial support for the development of this property. For prudence, the Company wrote off $1.8 million from the cost of its investment in SFC. As at 31 December

2000, the Group's loss after tax before minority interests included its share of capital gains tax of approximately $844,000 arising from a partial sale of Fennel Creek by SFC in 1997.

For the first half of 2000, the Group recorded gains from the sale of marketable securities of $1.7 million. However, the positive sentiment reversed in the second half of 2000.

Full year realised loss and unrealised loss from marketable securities amounted to approximately $356,000 and $3.9 million, respectively.

While investment and other income for the financial year were comparable with the previous year, higher overheads were incurred mainly for business development cost, staff and directors' cost. In its appraisal exercise of its book carrying values, the Company wrote off a substantial amount of its cost of investments and loans to its subsidiaries, totalling $16.5 million to reflect a more realistic carrying value of all its investments.

In December 2000, the Company received Notices of Additional Assessment from the Comptroller of Income Tax for Years of Assessment 1988 and 1990 to 1997. The Company was assessed additional tax and penalties of approximately $4.4 million on the basis that it was a passive investment holding company, as a result of which deduction of certain expenses incurred by the Company in the ordinary course of business were disallowed. The Company raised objections to the assessments. Based on professional advice, the Directors were of the opinion that these assessments can be successfully resisted and accordingly, no provision was made in the accounts for FY 2000.

The proceeds from the two cash placements in May and September 1999 were utilised for the Group's working capital and investments.

2001

Unaudited Group turnover for FY 2001, solely contributed by Shakey's was approximately $7.3 million. This was a decrease of 9% or $800,000 from FY 2000. The decline was due to lower royalties income as the average number of franchised stores/restaurants was reduced from about 80 in FY 2000 to approximately 70 in FY 2001.

The Group's unaudited losses before tax and before minority interest decreased by 13% to $11.2 million in FY 2001 as compared to $12.8 million in FY 2000. This was due, *inter alia*, to the following:-

(a) Shakey's losses declined 67% from $5.3 million in FY 2000 to $3.1 million in FY 2001. This was mainly due to lower provision for diminution in value of investments (of approximately $430,000) and loss on disposal of fixed assets (of approximately $404,000) in FY 2001. Approximately $1.2 million provision for impairment of assets in FY 2000 did not recur in FY 2001;

(b) Provision for diminution in value of marketable securities in FY 2001 was lower than that of FY 2000 by approximately $2.8 million;

(c) Provision for diminution in value of the Company's investments in an associated company was also lower in FY 2001 by approximately $1.7 million while the Group's share of capital gains tax of the associated company in FY 2001 was lower by approximately $694,000;

(d) Write-off of the Company's investment in an associated company of approximately $553,000 in FY 2000. There was no such write-off in FY 2001; and

(e) Closure cost in respect of an S-league clubhouse of approximately $429,000 incurred in FY 2000. There was no such cost in FY 2001.

Company's unaudited losses before tax for FY 2001 was lower than that of FY 2000 by approximately 67%. In FY 2000, the Company wrote-off $18.9 million of its investments in subsidiaries and associates as well as loans and advances to subsidiaries and associates. In FY 2001, the provisions for loans and advances to subsidiaries and associates totalled only $2.6 million.

In December 2000, the Company received Notices of Additional Assessment from the Comptroller of Income Tax for Years of Assessment 1988 and 1990 to 1997. The Company was assessed additional tax and penalties of approximately $4.4 million on the basis that it was a passive investment holding company, as a result of which deduction of certain expenses incurred by the Company in the ordinary course of business were disallowed. The Company has since been charged with additional penalties of $0.4 million. The Company raised objections to the assessments. Based on professional advice, the Directors are of the opinion that these assessments can be successfully resisted. However, the Company has a legal liability to settle the tax liability while discussions with the authorities are ongoing and accordingly, the Company provided for this tax liabilities in its FY 2001 accounts.

Between May 2001 and October 2001, the Company was embroiled in a series of shareholders' proxy fights. During this period, the Company was also subjected to injunction orders that virtually immobilised its operations. The incumbent Board of Directors was eventually ousted and replaced by a new Board of Directors. The shareholders' proxy fights and shareholders' meetings cost the Company more than $1 million in professional fees and other related expenses.

<u>2002</u>

At an extraordinary general meeting convened on 28 March 2002, the shareholders of the Company approved the adoption of the new Articles of Association of the Company and a capital reduction to reduce the par value of each ordinary share in the capital of the Company from $0.20 to $0.01 and to reduce the share premium account of the Company from $40,903,456.42 to $22,277,018.91.

On 17 April 2002, the High Court of Singapore confirmed the capital reduction. On 29 April 2002, the Company lodged the Order of Court with the Registrar of Companies and Businesses upon which the capital reduction became effective. The listing and quotation for the new shares of $0.01 each on the Singapore Exchange Securities Trading Limited commenced on 30 April 2002.

There was no change in the number of shares held by the Shareholders of the Company immediately after the capital reduction. The capital reduction did not entail the distribution of any assets to Shareholders. It also did not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company or the payment of any sum standing to the credit of the share premium account of the Company.

2. *Set out the description, designation and number of shares being offered by the issuer.*

The Placement is in respect of up to 62,500,000 new Shares, representing approximately 20% of the existing issued share capital or approximately 16.7% of the enlarged share capital of the Company as at the date of this Statement.

The Placement Shares will be offered by the Company upon the terms and subject to the conditions of the Placement Agreement.

When issued, the Placement Shares will be credited as fully paid-up and will rank *pari passu* in all respects with the then existing ordinary shares in the capital of the Company, except that the Placement Shares will not rank for any dividends, rights, allotments or other distributions, the record date of which falls on or before the date of the allotment of the Placement Shares.

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3. *Set out the offering price, underwriting discounts or commissions and the estimated net proceeds to the issuer on an aggregate basis. If it is not possible to state the offering price or the underwriting discount or commissions, the method by which they are to be determined shall be explained. Give the range of the market price during the previous 90 days.*

Offer Price	:	$0.06
Commission	:	0.5%
Estimated Net Proceeds	:	$3.7 million
Range of market price during the previous 90 days (based on the last traded price from 24 January 2002 to 23 April 2002. (both dates inclusive))	:	$0.090 to $0.140 per ordinary share of $0.20 each(1)
Source: Reuters		

Note:

(1) At an extraordinary general meeting convened on 28 March 2002, the shareholders of the Company approved the adoption of the new Articles of Association of the Company and a capital reduction to reduce the par value of each ordinary share in the capital of the Company from $0.20 to $0.01 and to reduce the share premium account of the Company from $40,903,456.42 to $22,277,018.91.

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4. *State the principal purposes for which the estimated net proceeds to be derived by the issuer from the sale of the shares to be offered are intended to be used and the approximate amount intended to be used for each such purpose. If any material amounts of other funds are to be used in conjunction with the proceeds state the amounts and sources of such other funds.*

The net proceeds of approximately $3.7 million from the Placement (assuming the Placement Shares are fully subscribed and after deducting estimated expenses in relation to the Placement) are intended to be utilised for additional working capital and/or expansion plans.

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5. *State the place where issuer was incorporated and the date of incorporation*

Place of Incorporation	:	Singapore
Date of Incorporation	:	22 September 1973

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6. *Give names and addresses of the directors of the issuer.*

No	Directors	Address	Postal
1	DATO' MOEHAMAD IZAT EMIR	19 JALAN SS19/4 SUBANG JAYA, SELANGOR DARUL EHSAN, MALAYSIA	47500
2	QUEK CHEK LAN	32 KEW HEIGHTS	466085
3	WONG CHIN YONG	5 UPPER BUKIT TIMAH VIEW #02-06	588134
4	PHANG IAN CHER SHEN	550 HAVELOCK ROAD #02-06	169638
5	LEE LEE KING	7 ONTARIO AVENUE #03-06	576196
6	LIM TECK HUI	257 PUNGGOL 17TH AVENUE	829709
7	ONG KAH HOCK	45 RIPLEY CRESCENT	556223
8	PHANG YUL CHER YEOW	26 FERNWOOD TERRACE #11-01	458555

7. *State the share and loan capital of the issuer showing in the case of the share capital the authorised share capital and the issued and the paid up capital and in the case of loan capital state the total amount of the debentures issued and outstanding at the date of the statement together with rate of interest payable thereon.*

As at the date of this Statement:-

Authorised Share Capital	:	$120,000,000
Issued and Paid-Up Share Capital	:	$3,126,007.69
Loan Capital	:	Nil

8. *Outline briefly the manner in which the shares offered are to be distributed, giving particulars of any outstanding or proposed underwriting, including the name and address of each underwriter.*

The Company has appointed Kim Eng Ong Asia Securities Pte Ltd as its placement agent which has agreed to use its best endeavours to procure subscription of the Placement Shares upon the terms and subject to the conditions set out in the Placement Agreement.

The Placement Agent is not obliged to procure subscription for any Placement Shares in the event that the amount of Placement Shares for which the Placement Agent has procured subscriptions fall below 10 million Shares.

The address of the Placement Agent is:-

9 Temasek Boulevard #13-00
Suntec Tower Two
Singapore 038989

9. *Give the profits, prospects and dividends of the issuer and provide the following:-*

(a) a tabulation for each of the last 5 financial years immediately preceding the offer in the following format:-

The Company					
Year Ended	*(Loss) Before Tax ($'000)*[(1)]	*(Loss) After Tax ($'000)* [(2)]	*Exceptional Items ($'000)*	*Gross (Loss) Per Share*[(3)] *(cents)*	*Gross Rate of Dividend (%)*
1997	(2,832)	(25,024)	(22,086)	(1.20)	-
1998	(1,666)	(7,526)	(5,860)	(0.70)	-
1999	(1,485)	(1,485)	-	(0.56)	-
2000	(19,894)	(19,894)	-	(6.36)	-
2001[(4)]	(6,597)	(9,402)	-	(2.11)	-

The Group					
Year Ended	*(Loss) Before Tax ($'000)* [(1)]	*(Loss) After Tax ($'000)* [(2)]	*Exceptional Items ($'000)*	*Gross (Loss) Per Share*[(3)] *(cents)*	*Gross Rate of Dividend (%)*
1997	(10,565)	(29,176)	(21,000)	(4.46)	-
1998	(7,560)	(8,869)	(1,260)	(3.19)	-
1999	(1,742)	(1,719)	-	(0.65)	-
2000	(12,829)	(13,545)	-	(4.10)	-
2001[(4)]	(11,217)	(14,235)	-	(3.59)	-

Notes:-

(1) (Loss) before tax, minority interest and extraordinary items
(2) (Loss) after tax, minority interest and extraordinary items
(3) Gross (loss) per Share is computed based on (loss) before taxation, minority interest and extraordinary items and the weighted average number of shares in issue at the end of the year (1997: 236,819,769; 1998: 236,819,769, 1999: 266,444,259, 2000: 312,600,769; 2001: 312,600,769)
(4) The FY 2001 figures are unaudited and subject to the adoption by the shareholders of the Company at the forthcoming Annual General Meeting of the Company.

9(b) a statement as to the financial and trading prospects of the corporation or group, together with any material information which will be relevant thereto, including all special trade factors or risks (if any) which are unlikely to be known or anticipated by the general public and which could materially affect the profits; and

The Group's businesses are primarily the ownership of the Shakey's trademark and systems and restaurant franchise in the USA. The Group also has an equity investment in a company which owns a 450 acres development land in Washington, USA; and investments in quoted and unquoted securities.

The uncertain global economic outlook and political developments in the world will influence and affect the Group's businesses and investments in 2002. The Directors of the Company expect 2002 to continue to be difficult but is cautiously optimistic, barring unforeseen circumstances, that losses will be reduced in 2002, arising from the cost-cutting measures taken in the last 6 months.

SHAKEY'S SPECIAL TRADE FACTORS AND RISKS

The Group's main business, the Shakey's pizza and restaurant franchise in the USA is unlikely to contribute to the Group's current year bottom line unless further capital is injected for expansion of its operations. Currently, Shakey's main source of revenue is royalty income from franchising of the Shakey's trademark and systems. The number of Shakey's franchisees has been declining over the last five years and the end and reversal of this trend is indeterminable. Shakey's efforts to find and license new franchisees have not been successful and opening and operating Company-owned restaurants may be the solution. New capital is required to open and operate Company-owned restaurants and there is no guarantee that Shakey's can raise the funds and capital needed.

Shakey's franchisees operate as independent businesses using the Shakey's trademark and systems. In the course of the franchise relationship, occasional disputes arise between Shakey's and its franchisees relating to a broad range of issues, without limitation, quality, service, cleanliness issues, delinquent payments and territorial disputes which may lead to various claims and lawsuits.

Shakey's is in the food service industry in the USA which is an intensively competitive industry in respect of food quality, price, service, convenience, restaurant and concept. The restaurant business is often affected by changes in consumer tastes, national, regional or local economic conditions, currency fluctuations; demographic trends; traffic patterns; the type, number and location of competing restaurants; and disposable purchasing power. Shakey's also competes with national and regional chains as well as locally-owned restaurants, not only for customers, but also for management and hourly personnel, suitable real estate sites and qualified franchisees.

Shakey's operates in the USA and is subject to various federal, state and local laws in the USA. Each of the restaurants must comply with licensing and regulation by a number of governmental authorities, which include health, sanitation, safety and fire agencies in the state or municipality in which the restaurant is located. Shakey's is also subject to federal and state laws governing such matters as employment and pay practices, overtime, and working conditions.

FENNEL CREEK PROPERTY SPECIAL TRADE FACTORS OR RISK

The Fennel Creek property is encumbered with a liability of about US$2 million with US$500,000 coming due in July 2002. Failure to meet this obligation may result in the loss of ownership of this property.

To develop the Fennel Creek property requires additional funds or capital. SFC does not have the funds or capital to develop its property and there is not guarantee that it can raise the funds or capital needed.

The marketability and price achievable, in the event that the property is developed, is subject to a myriad of factors such as economic outlook of the US economy and particularly that of Washington state; supply and demand, and demographic changes.

OTHER RISKS

1. The Company was a subject of shareholders' fights in 2001 that immobilised and affected the Company's operations for more than 6 months. There is no assurance that such incidents will not be repeated.

2. The Company is legally liable to pay the Additional Tax Assessments for Years of Assessment 1988 and 1990 to 1997 plus penalties of $4.8 million, notwithstanding, its objections to the assessments. The Company currently does not have the funds to meet this legal liability, and there is no assurance that the Inland Revenue Authority will defer or not enforce collection of this liability.

3. The Company may in the future, raise further capital by additional Share issues. In such event, investors' shareholdings in the Company will be diluted.

Save as disclosed above and in paragraph 11 of this Statement, the Directors are not aware of any material information including any special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the Company or its subsidiaries.

9(c) a statement by the directors that in their opinion the working capital available is sufficient, or, if not, how it is proposed to provide the additional working capital thought by the directors to be necessary.

Assuming that the minimum 10 million Placement Shares are subscribed, the Directors are of the opinion that, after taking into consideration the net proceeds of the issue of the Placement Shares, the Company will have sufficient funds to meet its current working capital requirements.

In addition to funds earned from operations, the Group may consider raising funds through bank borrowings or equity offerings to meet its working capital requirements.

10. Give the number of shares of the issuer owned by each substantial shareholder as defined in section 81 of the Act.

The substantial Shareholders of the Company and their interests as at the Latest Practicable Date, as recorded in the Register of Substantial Shareholders of the Company kept by the Company under Section 88 of the Companies Act are as follows:-

Name of Substantial Shareholder	**Direct Interest**		**Deemed Interest**	
	No. of Shares(1)	*%*	*No. of Shares(1)*	*%*
Bintang Piramid (M) Sdn Bhd(2)	43,379,000	13.88	-	-
Lt Jen (K) Tan Sri Mohamed bin Ngah Said(2)	-	-	43,379,000	13.88
Dato' Soh Chee Wen(2)	-	-	43,379,000	13.88

Notes:-

(1) This refers to the pre-capital reduction ordinary shares of $0.20 each in the capital of the Company.

At an extraordinary general meeting convened on 28 March 2002, the shareholders of the Company approved the adoption of the new Articles of Association of the Company and a capital reduction to reduce the par value of each ordinary share in the capital of the Company from $0.20 to $0.01 and to reduce the share premium account of the Company from $40,903,456.42 to $22,277,018.91.

On 17 April 2002, the High Court of Singapore confirmed the capital reduction. On 29 April 2002, the Company lodged the Order of Court with the Registrar of Companies and Businesses upon which the capital reduction became effective. The listing and quotation for the new shares of $0.01 each on the Singapore Exchange Securities Trading Limited commenced on 30 April 2002.

There was no change in the number of shares held by the Shareholders of the Company immediately after the capital reduction. The capital reduction did not entail the distribution of any assets to Shareholders. It also did not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company or the payment of any sum standing to the credit of the share premium account of the Company.

(2) Based on the notifications given to the Company on 10 November 1994 and 10 April 1995 (collectively referred to as "the Bintang Notifications"), 43,379,000 shares were held by various nominees in trust for Bintang Piramid (M) Sdn Bhd ("Bintang"), a Malaysian corporation. According to the CDP register, as at 31 December 2001, the said nominees stated in the Bintang Notifications no longer appear as Depositors. However, Bintang has not notified the Company of any changes in its shareholdings since the Bintang Notifications. The Company has written to Bintang to obtain confirmation of its interest in shares of the Company and in relation to Bintang's obligations to notify the Company of any change of its interest as a substantial shareholder but as of the Latest Practicable Date, the Company had not received any response from Bintang. Therefore, the Company is unable to ascertain whether Bintang continues to be a substantial shareholder of the Company. Dato' Soh Chee Wen's and Lt Jen (K) Tan Sri Mohamed bin Ngah Said's deemed interests in 43,379,000 shares were by virtue of their being substantial shareholders of Bintang (based on notifications dated 28 October 1994). A companies' information search on Bintang conducted on 21 December 2001 showed that based on information extracted from Bintang's documents lodged up to 29 September 1999, Dato' Soh Chee Wen and Lt Jen (K) Tan Sri Mohamed bin Ngah Said were still substantial shareholders of Bintang.

11. *Give a brief statement of any material legal proceedings to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Make a similar statement as to any such proceedings known to be contemplated.*

(1) In 1996, a former employee of the Company, Koh Kay Yew ("Koh") commenced an action in the State of California, against the Company for alleged breach of his contract of employment. In this action, Koh claimed that he was entitled to compensation in the amount of $240,000, provided under his contract of employment with the Company.

The action was heard in California in March 1998. At the end of the hearing, the Court held that Koh was entitled to the sum claimed. The Company appealed against the decision. However, the Court of Appeal affirmed the lower court's decision.

The Company provided $500,000 (inclusive of interest costs and legal fees) in FY 1997 in respect of this litigation.

Koh enforced his judgement obtained against the Company in August 2000 and sought to execute the judgement against the Company's assets in Sawyer Falls Co LLC by a charging order. M/s Davis Wright Tremaine represented the Company in this matter and challenged the charging order. The charging order was dismissed in December 2000.

Koh appealed against the dismissal. The matter is still ongoing.

(2) LSG Hotels Pte Ltd ("LSG"), a franchisee of Shakey's International Limited ("SIL"), an indirect subsidiary of the Company, has alleged that SIL had caused LSG to incur losses by, *inter alia*, not disclosing the fact that SIL was involved in litigation over the right of SIL to use the "Shakey's" trademark in India prior to the execution of the franchise agreement on 1 December 1998 between SIL and LSG. SIL has disputed LSG's allegations. Although LSG has instructed solicitors, to date, no litigation or arbitration proceedings have been commenced against SIL.

(3) In March 2001, Shakey's Incorporated ("Shakey's Inc."), an indirect subsidiary of the Company incorporated in Delaware, USA, was served with two separate claims from two of Shakey's franchisees, namely Sterling Foods, Inc., and Mr John J McNulty Jr (collectively the "Plaintiffs") in the USA claiming breach of the franchise agreements entered into with each of the Plaintiffs. In addition to special and punitive damages and attorney fees, the Plaintiffs are also collectively claiming for compensatory damages in excess of US$7 million. These two claims are still on going.

(4) In 2001, Shakey's Inc. initiated arbitration proceedings against Lombard Investments LLC ("Lombard"), for breach of contract, breach of fiduciary duties, gross negligence and wilful misconduct under a Consultancy Agreement between Shakey's Inc. and Lombard pursuant to which Shakey's Inc appointed Lombard as its business consultants. Lombard filed a counter-claim against Shakey's Inc. for an unspecified amount "in excess of US$20,000" allegedly due under the parties' Consultancy Agreement. This matter is on going.

(5) In late December 2000, the Comptroller of Income Tax ("CIT") assessed the Company to be liable for income tax for the years of assessment 1988 to 1997 amounting to $4,406,484 (being $4,331,324 additional tax and penalty of $75,160). The liability for tax for those years of assessment arose from CIT assessing the Company on the basis that it was a passive investment holdings company, as a result of which deduction of certain expenses incurred by the Company in the ordinary course of business were disallowed. The Company has raised an objection against CIT's assessments. Based on professional advice received, the Directors are of the opinion that these assessments can be successfully resisted. However, the Company has a legal liability to settle the tax liability while discussions with the authorities are ongoing and accordingly, the Company provided for this tax liability in its FY 2001 accounts.

(6) On 27 August 2001, Spicers Paper Limited ("Spicers") commenced an action against the Company for damages claiming breach of warranty under a sale and purchase agreement dated 17 April 1996 between Spicers, the Company and Inno Pacific Property Holdings Pte Ltd ("IPPH"), a wholly-owned subsidiary of the Company, in relation to the sale of shares by IPPH to Spicers in Intercontinental Forest Products Pte Ltd. The total amount claimed by Spicers was $923,660.50. The Parties have since reached a court settlement set out in an Order of Court dated 18 March 2002, pursuant to which the Court ordered that the settlement amount, when determined, shall be paid in the following instalments:-

(i) 20% by 30 September 2002;
(ii) 10% by 31 October 2002; and
(iii) the remaining 70% by 10 December 2002.

The Parties are currently negotiating the settlement amount. In the event that the Parties are unable to agree on the settlement amount, it will be determined by the Courts.

Save as disclosed above, the Directors have no knowledge of any proceedings, pending or threatened, against the Company and its subsidiaries or any fact likely to give rise to any proceedings which might materially affect the position or business of the Company and its subsidiaries.

12. State the prices at which shares of the issuer have been issued for cash or traded within the 12 months immediately preceding the date of this statement. For shares which have been traded, give price ranges and volume traded for each of those months and for shares which have been issued during those months, state the number of shares issued at each price. If any shares have been issued for services, state the nature and value of the services and give the name and address of the person who received the shares.

The price range and volumes of the shares of $0.20 each traded over the last 12 months preceding the date of this Statement are as follows:-

	Price Range		
Month	High ($)	Low ($)	Volume (million)
May 2001	0.245	0.165	73.297
Jun 2001	0.210	0.180	68.708
Jul 2001	0.250	0.180	60.560
Aug 2001	0.215	0.165	25.897
Sep 2001	0.210	0.135	29.111
Oct 2001	0.200	0.140	25.032
Nov 2001	0.145	0.125	11.290
Dec 2001	0.150	0.125	17.657
Jan 2002	0.155	0.120	27.716
Feb 2002	0.140	0.120	36.544
March 2002	0.130	0.115	13.738
April 2002	0.110	0.085	8.364

Source: Reuters

13. Give the dates and parties to and the general nature of every material contract entered into by the issuer not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the issuer or a contract entered into more than two years before the date of the issue of this statement.

The dates of, parties to and general nature of all material contracts entered into by the Company or any of its subsidiaries, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, within the two preceding years are as follows:-

1. A Memorandum of Understanding entered into on 22 August 2000 between the Company's wholly-owned subsidiary, Inno-Pacific Technologies Pte Ltd and Tecnet Inc. in respect of the formation and management of "IP Tec Telecom Pte Ltd" to provide goods and services to the info-communication industry in Singapore as well as other countries.

2. A Memorandum of Understanding entered into on 29 August 2000 between the Company and Russian Communications Network Ltd ("Ruscomnet") in respect of a proposed strategic partnership for the development of global telecommunications businesses in Russia, CIS, China, USA, Malaysia and Singapore.

3. A Co-operation Agreement dated 23 September 2000 between IPH Telecom Pte Ltd, a subsidiary of the Company and Ruscomnet to provide goods and services to the telecommunications industry in the Asia Pacific region as well as on a global basis (the "Business"). An Addendum to the Co-operation Agreement was entered into on 21 March 2001 to operate the said Business as one entity under the terms and conditions set out therein.

4. A Sale and Purchase cum Shareholders' Agreement entered into on 21 September 2000 by Virtual Avenue Sdn Bhd (now known as IPH Technology Sdn Bhd ("IPHT"), an indirect subsidiary of the Company with Premier Dotcom Sdn Bhd and Datuk Megat Fairouz Junaidi as varied by a Supplemental Agreement of the same date pursuant to which IPHT agreed to acquire an aggregate of 510,000 ordinary shares of RM1.00 each, representing approximately 51% of the issued and paid-up share capital of Virtual Data Materials Sdn Bhd, an incorporated joint venture vehicle, for the development of an information technology business providing, *inter alia*, call center services and systems integration and such other services, for a total consideration of RM2.2 million.

5. A Memorandum of Understanding entered into on 13 June 2001 between IPH Telecom Pte Ltd, a subsidiary of the Company with China Unicom Corporation Limited, in relation to the proposed co-operation for the international voice and data traffic exchange services between Asia Pacific, Europe and the USA.

6. A Sale and Purchase Agreement entered into on 18 June 2001 by the Company with Oneworld Investments Pte Ltd and Healthcare Group Inc. for the acquisition of 320,000 shares of $1.00 each in the capital of Health One Pte Ltd ("H1"), representing 20% of the total issued and paid-up share capital of H1.

7. A Sale and Purchase Agreement dated 18 July 2001 between the Company and Messrs Lim Sin Khong and Lim Keng Peng @ Lim Kian Peng (collectively the "Vendors") pursuant to which the Company will acquire from the Vendors an additional 16.7% of the issued and paid up common units of US$1.00 each in Sawyer Falls Co LLC, a Washington limited liability company which owns a property known as Fennel Creek located in Pierce County, Washington, USA, comprising land area of approximately 450 acres, for a total consideration of US$1.2 million (approximately $2.1 million).

8. A Sale & Purchase Agreement dated 7 September 2001 between the Company and Newton Centre Development Ltd (the "Vendor") pursuant to which the Company acquired the entire interest of the Vendor, representing 33.3% of the issued and paid up common units of US$1.00 each in Sawyer Falls Co LLC, for a purchase consideration of US$1.75 million (approximately $3.06 million).

9. A Sale and Purchase Agreement dated 24 January 2002 between Shakey's Holdings Pte Ltd ("Shakey's"), a wholly owned subsidiary of the Company and Lighten Point Investment Limited (the "Purchaser") pursuant to which Shakey's agreed to sell and the Purchaser agreed to purchase all of the entire issued share capital of Shakey's wholly owned subsidiary, Shakey's International Limited for a cash consideration of $1,250,000.

10. A Termination Agreement dated 25 February 2002 between the Company and Newton Centre Development Ltd pursuant to which the parties agreed to terminate the Sale and Purchase Agreement dated 7 September 2001 referred to in paragraph 8 above.

14. Give particulars of any other material facts relating to the shares or debentures proposed to be offered and not disclosed pursuant to items 1 to 13.

Save as disclosed in this Statement, the Directors are not aware of any other material facts relating to the Placement Shares.

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15. Give the last audited balance-sheet of the issuer.

Please refer to Appendix 1.

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16. Give a table or statement indicating –

*(a) *the net asset backing per share of the issuer as at the date of the last audited accounts; and*

(b) the effect of the issue on the net asset backing per share.

** net asset = shareholders' funds*

(a) The net asset backing per Share of the Company as at 31 December 2000, being the date of the last audited accounts of the Company is 8.13 cents.

The net asset backing per Share of the Group as at 31 December 2000, being the date of the last audited accounts of the Group is 8.28 cents.

(b) The net asset backing per Share of the Company based on the audited accounts of the Company as at 31 December 2000, after adjusting for the issue of the Placement Shares is 7.77 cents.

The net asset backing per Share of the Group based on the audited accounts of the Group as at 31 December 2000, after adjusting for the issue of the Placement Shares is 7.90 cents.

Appendix 1

Last Audited Balance Sheet of the Company as at 31 December 2000

	$'000
Fixed assets	922
Subsidiary companies	13,488
Associated companies	8,747
Other investments	16
Current assets	
Other debtors	2,963
Cash and cash equivalent	1,170
	4,133
Less: Current liabilities	
Trade creditors	-
Other creditors	1,267
Interest-bearing loans and borrowings	157
Tax payable	17
	1,441
Net current assets	2,692
Non-current liabilities	
Interest-bearing loans and borrowings	(462)
	25,403
Capital and reserves	
Share capital	62,520
Share premiums	40,903
Revenue reserve	(78,020)
	25,403
Minority interests	-
	25,403

The foregoing constitutes full and true disclosure of all material facts relating to the Placement Shares offered by this Statement of Material Facts.

Lee Koh Sing
Company Secretary
INNO-PACIFIC HOLDINGS LTD

For and on behalf of the Board of Directors of
INNO-PACIFIC HOLDINGS LTD

Wong Chin Yong Managing Director INNO-PACIFIC HOLDINGS LTD	Phang Ian Cher Shen Executive Director INNO-PACIFIC HOLDINGS LTD