

**TWELFTH SCHEDULE OF THE
SECURITIES AND FUTURES (OFFERS OF INVESTMENTS)
(SHARES AND DEBENTURES)
REGULATIONS 2002**

STATEMENT OF MATERIAL FACTS

A copy of this Statement of Material Facts has been lodged with the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of the Statement of Material Facts. Lodgement of the Statement of Material Facts with the Authority does not imply that the Securities and Futures Act 2001 (Chapter 289), or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the shares or debentures, or units of shares or debentures, as the case may be, being offered, or in respect of which an invitation is made, for investment.

INNO-PACIFIC HOLDINGS LTD

(Incorporated in the Republic of Singapore on 22 September 1973)

Registered Address:-

70 Shenton Way #03-02
Marina House
Singapore 079118

Date of Lodgement : 30 May 2003

Definitions

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

"Capri"	:	Capri Investments LLC
"CIT"	:	Comptroller of Income Tax
"CDP"	:	The Central Depository (Pte) Limited
"Directors"	:	The directors of the Company as at the date of this Statement
"FY"	:	Financial year ended or ending 31 December
"Group"	:	The Company and its subsidiaries
"Inno-Pacific" or the "Company"	:	Inno-Pacific Holdings Ltd
"Links Island"	:	Links Island Holdings Ltd
"Newton"	:	Newton Centre Development Ltd
"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 30 May 2003 entered into between the Company and the Placement Agent pursuant to which the Placement Agent agreed to subscribe or procure subscriptions of the Placement Shares on the terms and subject to the conditions set out therein
"Placement Shares"	:	69,450,000 Shares which are the subject of the Placement
"RM"		Malaysian Ringgit
"SFC"		Sawyer Falls Co LLC
"SGX Sesdaq"	:	The SGX-ST Dealing and Automated Quotation System
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shares"	:	The ordinary shares of \$0.01 each in the capital of the Company

"Statement"	:	This Statement of Material Facts
"US" or "USA"	:	United States of America
"%" or "per cent."	:	Per centum or Percentage
"\$"	:	Singapore dollars
"US\$"	:	United States dollars

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

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

Any reference to time of the day in this Statement shall be a reference to Singapore time.

1. State the address of the registered office of the issuer.

70 Shenton Way #03-02
Marina House
Singapore 079118

2. State the business carried on and to be carried on by the issuer and its subsidiary/subsidiaries and the general development of the business within the last 3 years, indicating any material change in the affairs of the issuer or its subsidiary since the last annual report.

The principal activities of the Company are those of investment holding and management of companies.

The business carried on and to be carried on by the subsidiaries are primarily the operations of restaurants, franchising and investment; and telecommunication services provider.

The current subsidiaries of the Company and their principal activities are as follows:-

Name of subsidiary	Country of Incorporation	Principal Activities
Inno-Pacific Property Holdings Pte Ltd	Singapore	Investment holding
Inno-Pacific Intertrade Pte Ltd	Singapore	Dormant
Poon Guan Private Limited	Singapore	Dormant
Jadensworth Holdings Pte Ltd	Singapore	Investment dealing
Inno-Pacific Recreation Pte Ltd	Singapore	Dormant
Inno-Pacific Technologies Pte Ltd	Singapore	Management, operations and provision of information technology and other related services
IPH Technology Pte Ltd	Singapore	Dormant
IP Tec Telecom Pte Ltd	Singapore	Dormant
Zenith Member Singapore Pte Ltd (formerly known as IPH Telecom Pte Ltd)	Singapore	Telecommunication services provider
Top-Text Sdn Bhd	Malaysia	Dormant
Ocean Hope Investments Limited	Hong Kong	Dormant
Shakey's Holdings Pte Ltd	Singapore	Investment holding
Shakey's Asia Pacific Pte Ltd	Singapore	Dormant
Shakey's China Limited	Hong Kong	Dormant
Heritage Investment Corporation	British Virgin Islands	Investment dealing

Shakey's Middle East Ltd	British Virgin Islands	Dormant
Foods International Ltd	British Virgin Islands	Dormant
Innopac Acquisition Incorporated	USA	Investment holding
Shakey's Incorporated	USA	Franchise owner and rendering services and assistance to franchisees of Shakey's® Pizza Restaurant System in USA
Shakey's of California, Inc	USA	Operator and management of Shakey's restaurants
Shakey's Putt N' Hoops Inc	USA	Dormant
Shakey's Pizza Parlor Co. Inc	USA	Dormant
Shakey's National Advertising Fund, Inc	USA	Co-ordinates marketing activities of the Shakey's Systems in USA
Wyoming Shakey's Pizza Parlor No. 4, Inc	USA	Dormant
Monarch Foods, Inc	USA	Investment holding
G&D Foods, Inc	USA	Dormant
Shakey's Middle East Ltd	Middle East	Dormant
Foods International Ltd	Jamaica	Dormant

General Development of the Company and its subsidiaries over the last 3 years

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 FY2000.

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 the property known as Falling Water in 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 the property known as Falling Water in 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 CIT 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 FY2000.

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

2001

Group turnover for FY2001, solely contributed by Shakey's was approximately \$7.3 million. This was a decrease of 9% or \$751,000 from FY2000. The decline was due to lower royalties income as the average number of franchised stores/restaurants was reduced from about 80 in FY2000 to approximately 70 in FY2001.

The Group's losses before tax and before minority interest decreased by 9% to \$11.7 million in FY2001 as compared to \$12.8 million in FY2000. This was due, *inter alia*, to:-

- (a) Shakey's losses reduced from \$5.3 million in FY 2000 to \$3.2 million in FY2001, a 40% improvement, due mainly to lower provision for diminution in value of investments and lower loss on disposal of fixed assets in FY2001;
- (b) Provision for diminution in value of marketable securities in FY2001 was lower than that of FY2000 by approximately \$3.5 million;
- (c) Offset by gain on sale of a freehold property of \$4.3 million in FY2000 which did not recur in FY2001.

Company's losses before tax for FY2001 was lower than that of FY2000 by approximately 63%. In FY2000, 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 FY2001, 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 CIT 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 FY2001 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.

2002

Group turnover of \$5.7 million for the financial year ended 31st December 2002 contributed mainly by its Shakey's restaurants and franchising business, was 23% or \$1.7 million lower than the previous corresponding period. The decline was attributed to lower royalties' income and company-owned restaurant sales because of the reduced number of operating franchised and company-owned restaurants. The number of operating franchised restaurants fell from 70 to 64 and the company-owned restaurants from 2 to 1 as at 31st

December 2001 and 31st December 2002 respectively. A total of 9 franchised restaurants closed or were terminated from the Shakey's system, however, 2 new franchised restaurants opened during the year. Total system (food and beverage) sales were about US\$52 million and average (food and beverage) sales per restaurant increased by about 1.5% from the previous year.

Other Revenue of \$6.2 million comprised mainly write-back of provision for doubtful debts of \$2.5 million, gain on sale of subsidiary companies of about \$605,000 and write-back of provision for diminution in value of marketable securities of about \$2.9 million.

Group losses before tax, however, decreased by 48% to \$6.1 million as compared to the previous corresponding period of \$11.7 million due, inter-alia, to the following:

- (i) Directors and staff cost were lower than the previous corresponding period by about \$2.7 million, through a relentless cost cutting exercise which included a reduction in head counts and rationalisation of operations;
- (ii) Professional and legal fees were reduced by about \$2.3 million. During 2001, the Company was embroiled in a series of shareholders' disputes which resulted in several prolonged shareholders' meetings. Consequently the Company incurred substantial professional and legal fees in 2001;
- (iii) Reduced loss on sales of marketable securities by about \$1.7 million as a result of reduced trading activities in view of the bleak economic outlook;
- (iv) Increased foreign exchange losses of about \$1 million. These were mainly unrealised translation losses which occurred when balances were translated at year-end exchange rates.

On 24 January 2002, the Company's subsidiary, Shakey's Holdings Pte Ltd ("SHPL") disposed off its entire investment in its wholly-owned subsidiary Shakey's International Limited ("SIL") for a cash consideration of \$1,250,000. SIL had lost about \$27 million and expected to incur a further operating loss of about \$600,000 per annum. SIL had also been unable to develop the Shakey's franchise system internationally due to lack of capital. The Company and SHPL were of the view that the continued ownership of SIL was not in the best interest of the Group. It had decided to focus on Shakey's Inc., which is the franchisor of the Shakey's® trademark and systems in the USA.

Following the 11 September 2001 terrorist attacks in the USA, the outlook of the development property market in the USA was affected and the Company decided not to pursue with its plan to own 100% of SFC, an associated company. Accordingly, on 25 February 2002, the Company and Newton entered into an agreement to terminate the agreement of 7 September 2001. Following the aforesaid termination, the Company owns 66.7% of the common equity of SFC. Newton has also undertaken to use its best efforts to procure the termination of the 18 July 2001 agreement entered into by the Company in relation to the acquisition by the Company of 16.7% interest in SFC. The Company relinquished all management and board control in SFC as provided in the termination agreement with Newton.

The Company's rationale for the termination of the agreement to acquire additional shares in SFC was to limit further financial obligations to the property.

On 23 April 2002, SFC entered into a Vacant Land Sale and Purchase Agreement (the "Agreement") with Capri. The purchase price for the land was US\$3,500,000. Pursuant to the Agreement, part of the purchase price of US\$3,500,000 was to be applied towards paying the outstanding liability to Trustee and the Federal tax liability of SFC. There is also additional consideration of 85 finished lots of which Newton has agreed to deliver 65 finished lots to the Company within 6 years. The value of each finished lot of the property is

estimated to be approximately US\$70,000. The cost of investment of SFC in the Company's books is \$5.8 million while loans and advances amounted to \$9 million resulting in a total investment of about \$15 million. As at 31 December 2002, the Company has made a provision for diminution in value of this investment of approximately \$8 million

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 SGX-ST 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.

On 15 May 2002, in its report for FY 2001, the auditors of the Company stated that in relation to the Company's tax liabilities of \$4.8 million raised in the Notices of Assessments by the CIT for the years of assessments 1988 and 1990 to 1997, the amount of the tax liability had not been charged to the profit and loss account as the Company has raised an objection against the tax assessments and the Directors of the Company are of the opinion that the assessments can be resisted. However, the auditors were not able to satisfy themselves as to the final settlement of these assessments. Accordingly, the auditors highlighted in its report that in the event the Company is unable to obtain the consent of the CIT in discharging the tax liabilities, the amount will be charged to the profit and loss accounts. Had the amount been charged to the profits and loss accounts, the loss of the Group and the Company for FY 2001 will be increased from \$12.81 million to \$17.57 million and \$10.15 million to \$14.91 million respectively. Accordingly, the net current liabilities of the Group and the Company will be increased from \$2.73 million to \$7.49 million and \$1.07 million to \$5.83 million respectively. The auditors further highlighted that the Group and the Company incurred a net loss of \$12.81 million and \$10.15 million respectively for FY 2001 and that the current liabilities exceeded current assets by \$2.73 million and \$1.07 million respectively as at 31 December 2001. The auditors therefore stated that the validity of the going concern assumption on which the financial statements for FY 2001 were prepared depended on the successful completion of the proposed placement of 62,450,000 new ordinary shares of \$0.01 each at \$0.06 per share.

On 30 May 2002, the Company successfully placed out 34,850,000 ordinary shares of \$0.01 each at the price of \$0.06 per share.

On 12 June 2002, the Company announced that the claims against Shakey's Inc. by 2 franchisees, namely Sterling Foods, Inc and Mr John J. McNulty Jr (trading as Montel Corporation), have been settled. The parties agreed to settle on confidential terms and conditions that are mutually beneficial to the parties and the Shakey's system. However, on 30 December 2002, another group of franchisees sued Shakey's alleging, inter-alia, breach of contract, breach of the covenant of good faith and fair dealing, fraud and negligent misrepresentation. The allegations are similar to those claimed in the complaints by the two franchisees that were settled in July 2002. Shakey's has filed a Demurrer and Motion to Strike off the Complaint with the Superior Court of the State of California which was heard on 16 April 2003. The Court has admitted the Demurrer and Motion to Strike but also granted the plaintiffs leave to amend and re-file their complaints within 10 days. The

plaintiffs have amended and re-filed their complaints. Shakey's and its attorney believe that the suit has no merits and that Shakey's will prevail in this litigation.

On 26 July 2002, the Company announced that its wholly-owned indirect subsidiary, IPH Technology Sdn Bhd ("IPT") had entered into a sale and purchase agreement with Datuk Megat Fairouz Junaidi bin Megat Junid to sell its entire 51% interest in Virtual Data Materials Sdn Bhd for RM1.00. The sale was completed on 30 July 2002.

In September 2002, its wholly-owned subsidiary, Inno-Pacific Technologies Pte Ltd., (the "Subsidiary" or "IPT") signed an agreement with Zenith Management Inc., ("Zenith"), to implement and test Zenith's telecommunication network and connectivity platform, and if successful, would lead to the formation of a joint venture company between the two parties. A prepaid international calling card was introduced in November 2002 using Zenith's telecommunication network, connectivity solutions and billing platform. A limited subscriber-based value-added telecommunication services was also implemented. After 2 months of commercial testing, the parties were satisfied with the results and agreed to proceed with the joint-venture.

Material Changes in the Affairs of the Issuer since the last Annual Report.

On 31 January 2003, IPT formalized and signed a shareholders' agreement with Zenith to form a joint venture company to provide value-added telecommunication services in Singapore.

IPH Telecom Pte Ltd a wholly-owned subsidiary of IPT, which was re-named Zenith Member Singapore Pte. Ltd. (the "JV company") was used as the joint-venture company. The JV company is equally owned by the parties and have an issued and paid-up capital of \$500,000.

The JV company has also signed a License and Service Agreement with Zenith, which allows the JV company to use Zenith's marks and connection/terminations network to more than 700 destinations world-wide. Zenith will also provide the JV company with 24/7 system monitoring and technical support and billing solutions.

The JV company will market, distribute and sell prepaid international calling cards, subscriber-based IDD services, and customised private network and connectivity solutions.

On 22 April 2003, in its report for FY2002, the auditors of the Company stated that in relation to the Company's tax liabilities of \$4.8 million raised in the Notices of Assessments by the CIT for the years of assessments 1988 and 1990 to 2000, the amount of the tax liability had not been charged to the profit and loss account as the Company has raised an objection against the tax assessments and the Directors of the Company are of the opinion that the assessments can be resisted. However, the auditors were not able to satisfy themselves as to the final settlement of these assessments. Accordingly, the auditors highlighted in its report that in the event the Company is unable to obtain the consent of the CIT in discharging the tax liabilities, the amount will be charged to the profit and loss accounts. Had the amount been charged to the profits and loss accounts, the loss of the Group and the Company for FY2002 will be increased from \$6.07 million to \$11 million and \$8.61 million to \$13.54 million respectively. Accordingly, the net current assets of the Group will decrease from \$1.4 million to net current liabilities of \$3.53 million and the net current liabilities of the Company will increase from \$0.79 million to \$5.72 million. The auditors further highlighted that the Group and the Company incurred a net loss of \$6.07 million and \$8.61 million respectively for FY2002 and the validity of the going concern assumption on which the financial statements are prepared depends on the ability of the Group and the Company to have access to funds, including the sum of \$1.58million currently deposited in trust accounts with securities firms designated by the Commercial Affairs Department ("CAD") pending conclusion of their investigation in Links Island. In

August 2001, the CAD commenced its investigation in the trading of the shares of Links Island and had seized the shares bought and owned by the Group.

3. Set out the description, and number of shares being offered by the issuer.

The Placement is in respect of up to 69,450,000 new Shares, representing approximately 19.99% of the existing issued share capital or approximately 16.66% 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.

4. Set out the offer price, any discount or commission given to the underwriter, and the estimated net proceeds on an aggregate basis to be derived by the issuer from the sale of the shares being offered. If it is not possible to state the offer price or the discount or commission, the method by which it is to be determined must be explained. Give the range of the closing market price during the previous 90 days.

Offer Price	:	\$0.033
Commission	:	0.5%
Estimated Net Proceeds (after deducting estimated expenses)	:	\$2, 261,850
Range of closing market price during the previous 90 days based on the last traded price from 17 January 2003 to 29 May 2003 (both dates inclusive)	:	\$0.015 to \$0.04

Source : Reuters

5. State the principal purposes for which the estimated net proceeds to be derived by the issuer from the sale of the shares being 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 for such purposes, state the amounts and sources of such other funds.

The net proceeds of approximately \$2,261,850 from the Placement (assuming the Placement Shares are fully placed out at \$0.033 each and after deducting estimated expenses in relation to the Placement) are intended to be utilised as follows:

- (i) approximately \$1.2 million for working capital (\$900,000 for overheads and \$300,000 to repay creditors);

- (ii) approximately \$0.1million for development of the Group's telecommunication business;
- (iii) approximately \$0.5 million as working capital for Shakey's business; and
- (iv) approximately \$0.4 million for new businesses to be identified.

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

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

7. Give the names and addresses of the directors of the issuer.

<u>Name</u>	<u>Address</u>
Dato' Moehamad Izat Emir	19 Jalan SS19/4 Subang Jaya 47500 Selangor Darul Ehsan Malaysia
Wong Chin Yong	5 Upper Bukit Timah View #02-06 Singapore 588134
Ong Kah Hock	45 Ripley Crescent Singapore 556223
Phang Ian Cher Shen	550 Havelock Road #02-06 Singapore 169638
Quek Chek Lan	32 Kew Heights Singapore 466085
Lim Kok Hui	68A Carisbrooke Grove Singapore 558845
Tay Yong Hua	5000B Marine Parade Road #21-07 Singapore 449285

8. State the share and loan capital of the issuer, as of the date of lodgement of this Statement showing:-

- (i) ***in the case of the share capital, the authorised share capital and the issued and paid-up capital; or***
- (ii) ***in the case of the loan capital, the total amount of the debentures issued and outstanding, together with the rate of interest payable thereon.***

As at the date of this Statement, the share and loan capital of the Company comprise:-

Authorised Share Capital : \$120,000,000 comprising 12 billion Shares of \$0.01 each

Issued and Paid-Up Share Capital : \$3,474,507.69 comprising 347,450,769 Shares of \$0.01 each

Loan Capital : Nil

9. Outline briefly the manner in which the shares being 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 who has agreed to subscribe or procure subscriptions of the Placement Shares upon the terms and subject to the conditions set out in the Placement Agreement.

The address of the Placement Agent is:-

9 Temasek Boulevard #39-00
 Suntec Tower Two
 Singapore 038989

10. Give the profits, prospects and dividends of the issuer, together with:-

(a) the following information in respect of the issuer or, if it is the holding company of a group, the group, for each of the 3 most recent completed financial years in the following format:-

<i>The Company</i>				
<i>Year Ended</i>	<i>Profit/(Loss) Before Tax (\$'000)</i>	<i>Profit/(Loss) After Tax (\$'000)</i>	<i>Extraordinary Items⁽¹⁾ (\$'000)</i>	<i>Gross Rate of Dividend (%)</i>
2000	(19,894)	(19,894)	-	-
2001	(7,342)	(10,147)	-	-
2002	(8,155)	(8,610)	-	-

<i>The Group</i>				
<i>Year Ended</i>	<i>Profit/(Loss) Before Tax (\$'000)</i>	<i>Profit/(Loss) After Tax (\$'000)</i>	<i>Extraordinary Items⁽¹⁾ (\$'000)</i>	<i>Gross Rate of Dividend (%)</i>
2000	(12,829)	(13,545)	-	-
2001	(11,709)	(12,813)	-	-
2002	(6,071)	(6,072)	-	-

10(b) a statement as to the financial and business prospects of the issuer and its subsidiaries, together with any material information which will be relevant thereto, including all special business 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

Shakey's Special Trade Factors And Risks

The uncertain global economic outlook and political developments in the world will influence and affect the Group's businesses and investments in 2003. The Group's main business is primarily the ownership of the Shakey's® (Pizza) trademark and systems and restaurant franchise in the USA.

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.

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 settled the suits by two franchisees in July 2002 after more than one year of litigation. However, another group of franchisees have sued Shakey's in December 2002. Their allegations are similar to those in the suits by two franchisees that were settled in July 2002. Shakey's has filed a Demurrer and Motion to Strike off the suit with the Superior Court of the State of California which was heard on 16 April 2003. The Court has admitted the Demurrer and Motion to Strike save for one complaint, and have given the plaintiffs to re-file their pleadings within 10 days. Shakey's and its attorney believe that the suit has no merits and that Shakey's will prevail in this litigation. However, this continual litigation and the (mis)use of the courts will drain and distract Shakey's efforts to re-establish its brand and build its business.

Sawyer Falls Co Llc Investment Special Trade Factors Or Risk

The Company has no control of the board or management of SFC and SFC has sold the property known as Falling Water in Fennel Creek (the "property") to Capri for US\$3,500,000 and a further consideration of 85 finished lots in the property, of which 65 finished lots is due to the Company.

The Company's investment in SFC is valued on the basis of the 65 finished lots due to the Company and is dependent on Capri's ability to develop the property. Capri may not have the funds or capital to develop its property and there is no guarantee that it can raise the

funds or capital needed, and accordingly Capri may not be able to deliver the 85 finished lots to SFC.

The marketability and price achievable, in the event that the property is developed and the Company's receives its 65 finished lots interest, 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 liable to pay the Additional Tax Assessments for Years of Assessment 1988 and 1990 to 2000 plus penalties of \$3.4 million, notwithstanding, its objections to the assessments. The Company currently does not have the funds to meet this liability, and there is no assurance that the Inland Revenue Authority will defer or not enforce collection of this liability.
3. Two of the Company's subsidiaries have deposited \$1.58 million with various broking firms pending the conclusion of the Commercial Affairs Department (CAD) investigation of the Links Island matter. These funds cannot be utilised without the clearance from the CAD. There is no indication or assurance of the time frame when the CAD will complete and conclude its investigation on the Links Island matter or the release of these deposits to the Company's subsidiaries. These deposits are significant Current Assets of the Company and are critical for the Company's operations.
4. The Company has received notices pursuant to Section 254(2)(a) of the Companies Act, Cap 50 to wind up the Company unless the debts owing by the Company to certain creditors are paid. These debts arose from a litigation between the Company and Koh Kay Yew and a litigation between the Company and Spicers Paper Limited, details of which are more particularly set out under Section 12 of this Statement of Material Facts.
5. The Company may in the future, raise further capital by issuing additional Shares. In such event, investors' shareholdings in the Company will be diluted.

Save as disclosed above and in paragraph 11 of this Statement, the Directors of the Company 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.

10(c) a statement by the directors of the issuer whether, in their reasonable opinion, the working capital available to the issuer or, if the issuer is the holding company of a group, the group, is sufficient for present requirements and, if insufficient, how the additional working capital thought by the directors to be necessary, is proposed to be provided.

Assuming that the 69,450,000 Placement Shares are fully subscribed, the Directors of the Company 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 further equity offerings to meet its working capital requirements.

11. Give the number of shares of the issuer owned by each substantial shareholder.

The substantial shareholders of the Company and the number of Shares held by them as recorded in the Register of Substantial Shareholders maintained by the Company under Section 81 of the Companies Act as at 29 May 2003 are as follows:-

Name	Direct Interest		Deemed Interest	
	Number of Shares	Percentage of Issued Share Capital	Number of Shares	Percentage of Issued Share Capital
Bintang Pyramid (M) Sdn Bhd ⁽¹⁾	43,379,000	12.48%	-	-
Lt Jen (K) Tan Sri Mohamed bin Ngah Said ⁽¹⁾	-	-	43,379,000	12.48%
Dato' Soh Chee Wen ⁽¹⁾	-	-	43,379,000	12.48%

Notes:-

- (1) 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 Pyramid (M) Sdn Bhd ("Bintang"), a Malaysian corporation. According to the CDP register, as at 30 April 2003, the said nominees stated in the Bintang Notifications no longer appear as Depositors. However, Bintang has not notified the Company of any changes in its shareholdings since the Bintang Notifications. The Company has written to Bintang to obtain confirmation of its interest in shares of the Company and in relation to Bintang's obligations to notify the Company of any change of its interest as a substantial shareholder but the Company had not received any response from Bintang. Therefore, the Company is unable to ascertain whether Bintang continues to be a substantial shareholder of the Company. Dato' Soh Chee Wen's and Lt Jen (K) Tan Sri Mohamed bin Ngah Said's deemed interests in 43,379,000 shares were by virtue of their being substantial shareholders of Bintang (based on notifications dated 28 October 1994). A companies' information search on Bintang conducted on 21 December 2001 showed that based on information extracted from Bintang's documents lodged up to 29 September 1999, Dato' Soh Chee Wen and Lt Jen (K) Tan Sri Mohamed bin Ngah Said were still substantial shareholders of Bintang.

12. Give information on any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had in the last 12 months before the date of lodgement of this Statement, a material effect on the issuer's financial position or profitability.

- (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.

Koh enforced his judgment obtained against the Company in August 2000 and sought to execute the judgment against the Company's assets in SFC 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 and in October 2002, the Court of Appeal of the State of Washington ruled in favour of Koh.

In May 2002, Koh also sought to enforce his judgment in Singapore and at the hearing for the application of Summary Judgment on 27 September 2002, the Assistant Registrar ordered that judgment be entered in favour of Koh for the sum of \$415,167.12, costs of US\$8,892.04, interest at \$65.75 per day with effect from 31 July 2002 until payment with costs of the action fixed at \$4,000. The Company offered to settle with Koh but he refused the settlement offer. The Company then appealed, and on 25 October 2002, the court dismissed the appeal and fixed costs of the appeal at \$2,500 to be paid to Koh. As such, the Summary Judgment given on 27 September 2002 stands.

On 4 October 2002 Koh, through his lawyers Messrs G Raman & Partners served on the Company a notice under Section 254(2)(a) of the Companies Act to wind up the Company unless payment of the judgment debt is made within 21 days from the date of the said letter. No further action to wind up the Company has been taken since the service of the said notice.

On 25 October 2002, the Company received three (3) notices for Garnishee Orders to Show Cause in the High Court of the Republic of Singapore (the "Garnishee Orders") that were taken out by Koh. The Garnishee Orders for the sum of \$447,000, that includes the judgement sum of \$240,000 plus interest at 10% per annum and cost, were taken out to garnish the Company's bank accounts maintained with Development Bank of Singapore Limited, Standard Chartered Bank and HL Bank. The Company has provided \$500,000 in 1997 in respect of the litigation.

- (2) In late December 2000, the 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 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 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 has provided for this tax liability in its FY2001 accounts.

The Company's tax liabilities raised in the Notices of Assessments by the CIT for the years of assessments 1988 and 1990 to 2000 amounted to \$4,873,240.93. The CIT has accepted a payment plan of \$1,000 per month pending the outcome of the Company's appeal against the said assessments. On 29 April 2003, the CIT discharged \$1,475,828.14 total tax for the years of assessment 1990 to 1994 and \$24,771.81 penalty. Accordingly, the Company's tax liability for the years of assessments 1988 and 1990 to 2000 is approximately \$3.4million.

- (3) 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 reached a settlement amount of \$610,000 and the Company had on 22 November 2002 paid the settlement sum in full. The settlement sum was paid out of the sale of a piece of land registered in the name of Spicers but beneficially owned by IPPH. Following the sale of land, the Malaysian Inland Revenue Board had issue a Notice of Additional Assessment for Real Property Gains Tax of RM104,500 which Spicers is now claiming indemnity from the Company.

On 28 March 2003, Spicers through their lawyers Messrs Allen & Gledhill served on the Company a notice under Section 254(2)(a) of the Companies Act to wind up the Company unless payment of the said sum of RM104,500 is made within 21 days from the date of the said letter.

- (4) On 30 December 2002, a group of franchisees sued Shakey's alleging, inter-alia, breach of contract, fraud and misrepresentation. The allegations are similar to those claimed by the suits by two franchisees that were settled in July 2002. Shakey's has filed a Demurrer and Motion to Strike off the suit with the Superior Court of the State of California which was heard on 16 April 2003. The Court has admitted the Demurrer and Motion to Strike save for one complaint, and have given the plaintiffs leave to amend and re-file their pleadings within 10 days. The plaintiffs have amended and re-filed their complaints. Shakey's and its attorney believe that the suit has no merits and that Shakey's will prevail in this litigation.

Save as disclosed above, the Directors of the Company 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.

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- 13. *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 range 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.***

On 30 May 2002, the Company issued 34,850,000 ordinary shares of \$0.01 each for cash at \$0.06 per share by way of a private placement. Save as disclosed, no shares have been issued for cash within the 12 months immediately preceding the date of this Statement.

The price range and volumes of the Shares traded on the SGX-ST over the last 12 months preceding the date of this Statement are as follows:-

Month	Price Range		Volume ('000 Shares)
	High (\$)	Low (\$)	
29 May 2002	0.065	0.060	2,085
Jun 2002	0.065	0.055	12,350
Jul 2002	0.060	0.045	10,202
Aug 2002	0.065	0.040	22,624
Sep 2002	0.055	0.035	14,622
Oct 2002	0.045	0.030	18,937
Nov 2002	0.040	0.030	7,553
Dec 2002	0.040	0.030	1,541
Jan 2003	0.040	0.025	10,437
Feb 2003	0.030	0.025	2,363
Mar 2003	0.030	0.025	14,332
Apr 2003	0.030	0.015	24,916
29 May 2003	0.040	0.015	48,094

Source : Reuters

14. Give a summary of each material contract, other than a contract entered into in the ordinary course of business, to which the issuer or a subsidiary of a issuer is a party, for the period of 2 years before the date of lodgement of this Statement, including the date of, parties to and general nature of the contract, and the amount of any consideration passing to or from the issuer or the subsidiary.

The date of, parties to and general nature of all material contracts entered into by the Group within the 2 preceding years are as follows:-

1. 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.
2. 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.
3. 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 Falling Water in 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).

4. 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).
5. A Sale and Purchase Agreement dated 24 January 2002 between Shakey's Holdings Pte Ltd ("Shakey's"), a 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.
6. A Termination Agreement dated 25 February 2002 between the Company and Newton Centre Development Ltd ("Newton") pursuant to which the parties agreed to terminate the Sale and Purchase Agreement dated 7 September 2001 referred to in paragraph 8 above.
7. A Vacant Land Sale and Purchase Agreement dated 23 April 2002 between Sawyer Falls Co LLC and Capri Investments, LLC ("Capri") for the sale of the property known as Falling Water in Fennel Creek at a purchase consideration of US\$3,500,000 and also additional consideration of 85 finished lots of which Newton has agreed to deliver 65 finished lots to the Company within 6 years.
8. A Placement Agreement dated 10 May 2002 between the Company and Kim Eng Ong Asia Securities Pte Ltd ("Kim Eng") pursuant to which Kim Eng agreed to use its best endeavours to procure subscription of up to 62,500,000 new ordinary shares of \$0.01 each in the capital of the Company at \$0.06 per share.
9. A Sale and Purchase Agreement dated 31 July 2002 between IPH Technology Sdn Bhd, a wholly-owned subsidiary of the Company and Dato Megat Fairouz Junaidi Bin Megat Junid (the "Purchaser") pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the 51% issued share capital owned by the seller for a cash consideration of RM1.
10. A shareholders agreement dated 31 January 2003 between, Inno-Pacific Technologies Pte. Ltd ("IPT"), a wholly-owned subsidiary of the Company and Zenith Management Inc ("Zenith"), pursuant to which the parties agreed to form a joint venture company, IPH Telecom Pte. Ltd. a wholly-owned subsidiary of IPT, that was re-named Zenith Member Singapore Pte. Ltd ("ZMS"), to provide value-added telecommunication services in Singapore.
11. License and Service Agreement dated 31 January 2003 between ZMS and Zenith, which allows ZMS to use Zenith's marks and connection/terminations network to more than 700 destinations world-wide. Zenith will also provide the ZMS with 24/7 system monitoring and technical support and billing solutions.
12. A Placement Agreement dated 30 May 2003 between the Company and Kim Eng Ong Asia Securities Pte Ltd ("Kim Eng") pursuant to which Kim Eng agreed to use its best endeavours to procure subscription of up to 69,450,000 new ordinary shares of \$0.01 each in the capital of the Company at \$0.033 per share.

15. Give particulars of any other material facts relating to the shares being offered and not disclosed pursuant to items 1 to 14.

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

16. Give the last audited consolidated balance-sheet of the issuer.

Please refer to Appendix 1.

17. Give a table or statement indicating:-

- (i) the consolidated net tangible asset per share of the issuer as at the date on which the last audited balance sheet was made up; and**
(ii) the effect of the issue on the net tangible asset per share.

The NTA per Share of the Company is as follows:-

	As at 31 December 2002⁽¹⁾	As adjusted for the
	Cents	Placement⁽²⁾
		Cents
NTA per Share	2.5	2.6

The consolidated NTA per Share of the Group is as follows:-

	As at 31 December 2002⁽¹⁾	As adjusted for the
	Cents	Placement⁽²⁾
		Cents
NTA per Share	2.5	2.6

Notes:-

- (1) Calculated based on the audited balance sheet as at 31 December 2002, based on the Company's issued share capital of 347,450,769 ordinary shares as at 31 December 2002.
- (2) Calculated based on the audited balance sheet as at 31 December 2002, based on the enlarged issued share capital of the Company of 416,900,769 ordinary shares immediately after the Placement.

APPENDIX 1
Last Audited Balance Sheet of the Company
(on a consolidated basis) as at 31 December 2002

	<u>\$'000</u>
Non-current assets	
Fixed assets	1,050
Intangible assets, net	542
Other receivables	30
Other investments	7,000
Current assets	
Cash and cash equivalent	1,113
Trade debtors	650
Other debtors	7,119
Marketable securities	186
Inventories	<u>27</u>
	<u>9,095</u>
Deduct: Current liabilities	
Trade creditors	899
Other creditors	1,884
Finance leases	19
Provision for taxation	<u>4,895</u>
	<u>7,697</u>
Net current assets	1,398
Non-current liabilities	
Long-term creditors	(607)
Finance leases	<u>(104)</u>
	<u>9,309</u>
Equity	
Share capital	3,475
Share premiums	23,938
Foreign currency translation	2,069
(Accumulated losses)	<u>(20,252)</u>
	9,230
Minority interest	<u>79</u>
	<u>9,309</u>

The foregoing constitutes full and true disclosure of all material facts relating to the shares being offered by this Statement.

For and on behalf of **INNO-PACIFIC HOLDINGS LTD**

Dato' Moehamad Izat Emir

Lim Kok Hui

Ong Kah Hock

Phang Ian Cher Shen

Quek Chek Lan

Tay Yong Hua

Wong Chin Yong