INNOTEK

STRATEGIZING FOR GROWTH

ANNUAL REPORT 2015

INNOTEK

MISSION STATEMENT

Our mission is to provide innovative products, technologies and business solutions for our customers to help them achieve their operating and business goals. We will continuously invest in technology and develop an operational structure that allows our customers to meet their cost targets while simultaneously assuring a good return to our shareholders. We always respect the value of our employees and invest in them, our most important asset, as they are the fuel for our growth as an organization.

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CORE VALUES

ACHIEVEMENT

- Drive towards excellence in all that we do
- Growth in profitability and shareholder value are our measures of success
- Respect is earned, not granted, regardless of position

COMMUNICATION

- Don't be defensive – assume good intentions from others
- Reveal your issues – no hidden agendas and don't keep problems internally
- Be a good listener – attack the problem, not the person

TEAMWORK

- Zero tolerance for political behaviour
- Be vested in the success of our subordinates, peers and superiors
- Build consensus as much as possible without hindering decision making
- Respect for the individual, as all team members provide something of value

BALANCE

- If it's not fun, change it – we are probably not doing it right
- Respect for the family as well as the business
- Realise the equal value of all functions within the organization
- Balance the organizational success with the caring of people

COMMITMENT

- Do what you say you will do, in all relationships
- Continuous customer satisfaction – embrace the customers and suppliers as our partners
- Take the time to develop our employees

CREATIVITY

- Encourage "out-of-the box" thinking among employees
- Challenge existing paradigms in all that we do
- Create an environment that encourages new ideas from employees, while fostering teamwork

CORPORATE INFORMATION

REGISTERED OFFICE
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Facsimile: (65) 6533 2680
Website: www.innotek.com.sg

PLACE OF INCORPORATION
Singapore

COMPANY REGISTRATION NUMBER
199508431Z

DATE OF INCORPORATION
28 November 1995

BOARD OF DIRECTORS
Mr. Robert Sebastiaan Lette, Chairman
Mr. Lou Yiliang (Appointed on 2 November 2015)
Mr. Peter Tan Boon Heng
Mr. Steven Chong Teck Sin
Mr. Sunny Wong Fook Choy
Mr. Neal M. Chandaria (Appointed on 2 November 2015)
Mr. Teruo Kiriyama (Appointed on 2 November 2015)

COMPANY SECRETARIES
Ms. Linda Sim Hwee Ai
Ms. Joanna Lim Lan Sim (Appointed on 2 November 15)

AUDIT COMMITTEE
Mr. Steven Chong Teck Sin, Chairman
Mr. Robert Sebastiaan Lette
Mr. Teruo Kiriyama

NOMINATING COMMITTEE
Mr. Teruo Kiriyama, Chairman
Mr. Neal M. Chandaria
Mr. Sunny Wong Fook Choy

REMUNERATION COMMITTEE
Mr. Sunny Wong Fook Choy, Chairman
Mr. Robert Sebastiaan Lette
Mr. Steven Chong Teck Sin

AUDITORS
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Audit Partner-in-charge:
Mr. Christopher Wong (since 2012)

PRINCIPAL BANKER
The Hong Kong and Shanghai Banking Corporation Limited

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

CHAIRMAN'S LETTER TO SHAREHOLDERS

Mr. Robert Sebastiaan Lette
Chairman and Non-Executive Director

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board"), I am pleased to present to you the annual report of InnoTek Limited ("InnoTek" or the "Group") for the financial year ended 31 December 2015 ("FY'15").

FY'15 was a challenging year. We navigated through a tough operating environment impacted by China's manufacturing growth slowdown – affected by rising labour and operational costs that continue to increase margin pressure. We forged ahead with our restructuring efforts – first introduced in the second half of FY'14 – which have allowed us to refine our core competency, better positioning the Group to tap on the increasing demand for higher-end TV bezels and the growing automotive market.

We are pleased to have appointed Mr. Lou Yiliang ("Mr. Lou") on 2 November 2015, as Executive Director of the Group and Chief Executive Office ("CEO") for Mansfield Manufacturing Company Limited ("Mansfield"). Although he only came on board in the last two months of the year under review, we have already seen positive changes from newly implemented initiatives that enhance business focus while driving cost efficiencies.

While much more remains to be done, FY'15 sets the stage for corporate recovery under a new leadership, with the initial restructuring already under way.

FINANCIAL PERFORMANCE

Revenue for FY'15 increased 3.4% to S$233.1 million from S$225.6 million in FY'14. Our top line benefited from the strengthening of the HK dollar against the Singapore dollar, which is our reporting currency. Excluding this unrealised foreign exchange impact, revenue would have declined S$11.3 million as a result of lower contribution from the Precision Component segment as some Japanese customers relocated production from China to South East Asian countries. This was offset by higher revenue from the Assembly segment as new products for a major customer went into mass production.

Net loss after tax narrowed 48.2% in FY'15 to S$16.3 million from S$28.3 million in FY'14. The lower net loss was mainly due to lower impairment loss of S$5.0 million in FY'15 compared to the S$16.3 million impairment loss recorded in FY'14.

Sun Mansfield Plant

InnoTek's net cash position as at 31 December 2015 remained healthy at S$19.9 million (up from S$14.2 million a year earlier), comprising S$25.2 million total cash balance less total borrowings of S$5.3 million.

Loss per share for FY'15 narrowed to 2.33 Singapore cents compared to 7.93 Singapore cents in FY'14. Net asset backing per share as at 31 December 2015 came to 51.9 Singapore cents compared to 58.6 Singapore cents a year ago.

BUSINESS REVIEW

Although China's office automation manufacturing sector, is facing rising competition and labour costs, impacted by the relocation of leading Japanese brands to lower cost centres such as Vietnam, it continues to remain strong. In fact, automotive manufacturing in China is expected to grow further spurred by the emergence of electric vehicles and the Group intends to leverage on this trend.

The automotive business, with its longer product lifecycle and overall growth trend, will continue to remain an important and stable market for us.

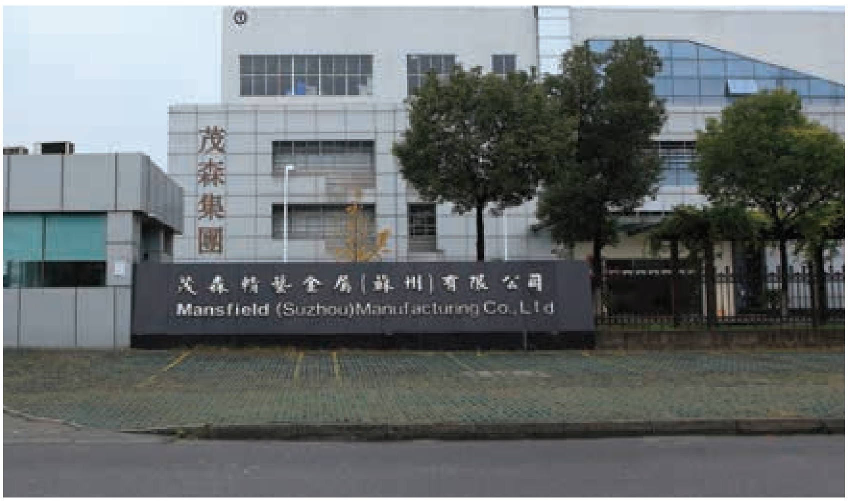
The global TV market growth, while exhibiting potential amidst demand for larger screens, faces aggressive price competition for smaller and mid-range screens from emerging Chinese brands. Rising consumer affluence and introduction of 4K content is driving demand for bigger flat-screen TV panels which can support higher resolutions. At this premium sector, the preference is for metal TV bezels that are sturdier than plastic ones. Under the leadership of the new management, we will seek to penetrate this sub-sector more aggressively, especially among Japanese manufacturers who remain in China.

BOARD AND MANAGEMENT CHANGES

Changes to The Board of Directors

Mr. Lou has assumed the role of Executive Director and CEO of Mansfield Group. He has deep experience in the consumer electronics and home appliances businesses in Asia, and will be an invaluable asset to the Group. We look forward to his contributions in the coming year.

Apart from Mr. Lou's appointment, there have been several other changes to our Board of Directors and management.



Mansfield Suzhou Plant

CHAIRMAN'S LETTER TO SHAREHOLDERS

- Mr. Peter Tan Boon Heng completed his one-year tenure as an Executive Director of the Company on 30 April 2015. Thereafter, he was appointed Chairman of the Executive Committee for six months. Mr. Tan remains a Non-Executive Director of the Company.
- Mr. Teruo Kiriyama was appointed Independent Director of the Company on 2 November 2015.
- Mr. Neal Manilal Chandaria was appointed Non-Executive Non-Independent Director on 2 November 2015.

Magix Dongguan Plant 4

Following the appointment of Mr. Lou as an Executive Director and CEO of the Mansfield Group, we announced on 9 November 2015 the dissolution of the Executive Committee which was formed on 4 May 2015.

Management Changes

- Mr. Okura Ippei was appointed Sales Director of Mansfield in December 2015.
- Mr. Kuang Yubin was appointed Chief Operating Officer and Director of Mansfield in December 2015.
- Mr. Lim Boon Phuang was appointed General Manager of Sun Mansfield Manufacturing (Dongguan) Co. Ltd. and Feng Chuan Tooling (Dongguan) Company Limited in July 2015.
- Mr. Yi Yuan Wah resigned as General Manager, South China, of Mansfield in July 2015.
- Mr. Christopher Chew Chee Khiong resigned as Group Managing Director of Mansfield, as announced on 18 December 2015.

APPRECIATION

We extend a warm welcome to the new directors and managers. Their experience and guidance will add fresh perspectives to the Group as we enter a new chapter. To those who have left us, we thank them for their invaluable contributions and wish them well for future endeavours.

On behalf of the Board, I would like to thank all our customers, business partners, management and staff for your dedication and hard work in the past year. I would also like to take this opportunity to extend our gratitude to all our loyal shareholders for your unwavering support.

Mr. Robert Sebastiaan Lette
Chairman and
Non-Executive Director

EXECUTIVE DIRECTOR/ MANSFIELD CEO MESSAGE

Lou Yiliang
Executive Director

DEAR VALUED SHAREHOLDERS,

I am honoured to present you the annual report for InnoTek Limited ("InnoTek" or the "Group") for the financial year ended 31 December 2015 ("FY2015"). This is the first time that I am presenting this report to you, following my appointments on 2 November 2015 as the Executive Director of InnoTek and as Chief Executive Officer of Mansfield Manufacturing Company Limited ("Mansfield"), the Group's main operating subsidiary.

When I first agreed to take up these appointments two months before the end of FY2015, I was well aware of the challenges ahead. The problems that InnoTek have been facing were shared with shareholders previously, and include the increasing costs of manufacturing in China and increasing competition from local competitors, etc.

For InnoTek to return to profitability, significant changes will be needed to transform our operations, improve our value proposition to existing customers and to win over new customers. Over the last five months I have been spending considerable time at our facilities, and talking to both management and key customers.

I have identified the main problems and opportunities. My focus in the coming months will be to apply the changes needed to accelerate corporate recovery. These include:

(1) Further reduction in operating costs. While there were attempts by previous management to lower costs, I believe that more can be done. We have started reducing our indirect labour and will accelerate efforts to reduce expenses.

(2) Improving skill sets and use of technology. My initial assessment since taking over is that our overall skill sets (especially in mould-making, machining and management

EXECUTIVE DIRECTOR/ MANSFIELD CEO MESSAGE

of line operations) have fallen behind. Our focus in this regard is to improve the skills which will mean providing technical training at various points of our own production. We will also seek to increase automation of more and more functions.

(3) Customer engagement. I am personally driving efforts to improve how we engage existing customers to ensure a high level of service and accountability, and also meeting prospects, including Japanese manufacturers.

While we are involved in the automotive, office automation and the TV sector, we are particularly excited by the growth potential in the third segment. The TV panel segment continues to grow at an accelerated pace with rising demand for bigger screens – supported by the emergence of 4K and ultra-high-definition. We intend to capitalise on these developments and target the high-end TV market (focusing on Japanese customers) by manufacturing larger-sized bezels which require higher specifications.

The office automation and automotive segments have gained traction and are relatively stable. It is important to preserve market share and we will continue building upon the relationships with our customers to ensure high levels of service excellence.

Our strategies cannot be executed successfully without the right leadership and talent. We have strengthened our management team at our factories in the last few months with the appointment of industry veterans with deep domain expertise. They will play a key role in enhancing business focus and accountability as we move forward.

I want to thank the Board of Directors for their faith in me. I am also grateful for the support from shareholders, management and staff as well as our customers and suppliers.

Lou Yiliang
Executive Director

Auto parts for safety airbag

Automotive parts

Dies Assembly

BOARD OF DIRECTORS

MR. ROBERT SEBASTIAAN LETTE Non-Executive and Non-Independent Director

Mr. Robert S. Lette joined the Board on 16 May 2002. Mr. Lette was appointed Chairman of the Board on 12 November 2004. Mr. Lette is a member of the Audit Committee and Remuneration Committee of InnoTek Limited.

A senior banker with over 40 years of extensive international experience in Commercial, Corporate, Treasury and Private Banking, Mr. Lette is an influential and motivational leader with a deep understanding of General and Regional Management and Business Development across Latin America, Europe, the Middle East and Asia. Mr. Lette was the Executive Vice President of Clariden Bank in Zurich, Switzerland, Founding & Managing Director, Private Banking Advice to UBS Private Clients in Columba Pte. Ltd. in Singapore, Regional Head, Asia-Pacific Private Banking of Dresdner Bank, Singapore as well as the Executive Chairman of MeesPierson Asia Ltd. Mr. Lette was Branch Manager and First Vice President, Country Head of Credit Suisse in Singapore between 1985 and 1995. Other financial institutions where Mr. Lette had his banking experiences included AMRO Bank, Bankers Trust Company, and Algemene Bank Nederland.

Mr. Lette was a non-executive director of Exerion Precision Technology Holding NV, Mansfield Manufacturing Co. Ltd., Asia Pacific Breweries Ltd, Ciba-Geigy SEA, South East Asia Venture Investments (Seavi II), Electrowatt Pte. Ltd. and Ibico Pte. Ltd. He was a Commissioner at PT Multi Bintang Indonesia Tbk, Jakarta, Indonesia and was appointed Governor and Chairman of the Management Committee of United World College of South East Asia.

Mr. Lette holds a Commercial Diploma from Institut Montana, Zugerberg, Switzerland and has attended banking and finance programmes with INSEAD, Fontainebleau and INSEAD, Euro Asia Centre in Singapore. Mr. Lette also attended "The Job of the Chief Executive" course conducted by IMD, Singapore Institute of Management.

Mr. Lette is a non-executive director of Heineken Beverages Switzerland, A.G. since 2004. He was re-elected as a Director of the Company at the 2014 AGM.

MR. LOU YILIANG Executive and Non-Independent Director

Mr. Lou Yiliang was appointed Executive Director of InnoTek and Chief Executive Officer of InnoTek's Mansfield Group on 2 November 2015.

Born in Shanghai, Mr. Lou has vast experience in the consumer electronics and home appliances businesses in Asia. He started his career as an entrepreneur in the 1980s by helping to procure Toshiba consumer electronic products from Japan to China. The business helped pave the way for the transfer of technology from Toshiba in Japan to major Chinese manufacturers of TV sets and other consumer electronics. These included Chang Hong, Haier, Hisense and Konka.

In 2000, Mr. Lou set up Toyo Communication Technology (Shenzhen) Co., Ltd., which makes and assembles printed circuit boards and provides electronic manufacturing services. He remains Chairman and CEO of the company, which is preparing for a listing on the Shenzhen Stock Exchange.

In 2006, Mr. Lou formed a joint venture with major TV manufacturer Konka to develop precision moulds for TV and office automation components as well as automotive products. The joint venture boasts revenues of about RMB500 million.

Mr. Lou is Chairman of Konka Precision Mould Plastic Co. Ltd., which has a 51:49 joint venture company, Anhui KM Technology Co., Ltd., with Mansfield Manufacturing Co. Ltd., a wholly owned subsidiary of InnoTek.

Besides Chinese, Mr. Lou is also proficient in Japanese.

BOARD OF DIRECTORS

MR. PETER TAN BOON HENG Non-Executive and Non-Independent Director

Mr. Peter Tan joined the Board on 17 September 2008 as a Non-Executive and Independent Director. On 1 May 2014 Mr. Peter Tan was tasked to take on the role of Executive Director of InnoTek and Executive Director of the Mansfield group of companies for a one-year tenure. At the end of the one-year tenure, Mr Tan was appointed Chairman of the Executive Committee from 4 May 2015 to 4 November 2015 to assist the Board in guiding the Company's new management team in its China operations and oversee matters in the Singapore office, in the absence of an executive director.

Peter has experience in the public and private sectors, having worked in several multinational companies and held directorships and advisory positions in companies engaged in the investment, technology, semiconductor, education and IT industries. Amongst his previous appointments, Peter was Group Executive Director of JIT Holdings Limited, and President and Managing Director of Flextronics International Inc.- Asia. He was also a board member of Vacuumschmelze (VAC) Luxembourg S.a.r.l., Dialog Semiconductor PLC (UK), VariOptic SA (France) and Exploit Technologies Pte. Ltd.

He is presently Director and Managing Partner of JP Asia Capital Partners Pte. Ltd, Director of JP Asia Prime Capital (Pte.) Ltd. Mr. Tan also sits on the board of SMRT Corporation Ltd. He is also Co-Chairman of the Advanced Remanufacturing Technology Center, a new initiative of the Agency for Science, Technology & Research (A*STAR), in collaboration with Nanyang Technological University (NTU). Besides his board role, Peter has an advisory function at the National University of Singapore BTech Program, and was also a member of the International Evaluation Panel, Competitive Research Program for the Singapore National Research Foundation. He is also an advisor to SolarEdge Technologies, Inc. in Israel.

Mr. Tan holds a Graduate Diploma in Management Studies (Distinction) from the University of Chicago and an MBA Degree from Golden Gate University, San Francisco, USA. In accordance with the Articles of Association of the Company, Mr. Peter Tan was re-elected as a Director of the Company at the 2015 AGM.

MR. STEVEN CHONG TECK SIN Non-Executive and Independent Director

Mr. Steven Chong joined InnoTek as a Director on 17 September 2012 and is the Chairman of the Audit Committee and member of the Remuneration Committee.

Mr. Chong has extensive experience as director of public listed companies in Singapore, particularly in the technology sector. Between 1999 and 2004 he served as Executive Director & Group Managing Director (Commercial) of Seksun Corporation Ltd, which was then listed on the Main Board of the Singapore Exchange ("SGX"). He later held non-executive directorships in several other SGX Main Board listed companies.

Mr. Chong was also a board member of the Accounting and Corporate Regulatory Authority (ACRA), a statutory board of Singapore's Ministry of Finance from April 2004 to March 2010, as well as a board member of Singapore's largest charity called the National Kidney Foundation (NKF) from October 2008 to July 2010. Mr. Chong currently sits on the board of public companies listed on the SGX and the Hong Kong Stock Exchange.

Mr. Chong graduated with a Bachelor of Engineering from the University of Tokyo in 1981 on a government scholarship and subsequently obtained a Masters of Business Administration from the National University of Singapore in 1987 through part-time study. Mr. Chong was re-elected as a Director of the Company at the 2013 AGM and is due for re-election at this year's AGM.

BOARD OF DIRECTORS

SUNNY WONG FOOK CHOY Non-Executive and Independent Director

Mr. Sunny Wong Fook Choy joined InnoTek as a Non-Executive Independent Director on 17 November 2014 and is the Chairman of the Remuneration Committee and member of the Nominating Committee. Mr. Wong also sat on the Audit Committee from December 2014 to February 2016.

Mr. Wong has extensive experience as director of pubic listed companies in Singapore. He sits on the board of Albedo Limited, Civmec Limited, Excelpoint Technology Ltd., KTL Global Limited and Mencast Holdings Limited.

A practicing advocate and solicitor of the Supreme Court of Singapore, Mr. Wong is Director of the law firm, Wong Tan & Molly Lim LLC. He has extensive experience in legal practice and is the Managing Director and Head of Corporate, Banking and Finance Department of Wong Tan & Molly Lim LLC. He is also Director of WTML Management Services Pte. Ltd.

Mr. Wong holds a Bachelor of Law (Honours) from the National University of Singapore. He was re-elected as a Director of the Company at the 2015 AGM.

TERUO KIRIYAMA Non-Executive and Independent Director

Mr. Teruo Kiriyama was appointed to the board of InnoTek as an Independent Director on 2 November 2015. He brings to InnoTek a wealth of experience, having held various senior management positions in Japanese conglomerate Toshiba Corp for almost two decades.

Mr. Kiriyama is currently advisor to Toshiba Corporation. Before this, he was Toshiba's Corporate Vice-President from 2011 to 2014, during which time he was also the Chairman and CEO of Toshiba China. Under his watch, Toshiba China generated annual sales of some US$6 billion, boasting a 35,000-strong workforce amid a period of political sensitivity for Japanese businesses in China.

Besides China, Mr. Kiriyama was also involved in Toshiba's operations in Europe, the United States, Canada and several emerging markets. He graduated from Japan's Doshisha University in Kyoto with a degree in economics.

NEAL MANILAL CHANDARIA Non-Executive and Non-Independent Director

Mr. Neal Chandaria joined InnoTek as a Non-Executive and Non-Independent Director on 2 November 2015. He is a senior executive at Comcraft Group, a global conglomerate with businesses in various industries including steel, aluminum, plastics, packaging and information technology. Based in Singapore, he has been helping Comcraft develop its businesses in Asia for more than 20 years. He was previously involved in Comcraft's businesses in Africa and Europe.

Mr. Chandaria graduated from Stanford University with a degree in economics. He is the Honorary Consul of the Republic of Kenya in Singapore.

SENIOR MANAGEMENT

MR. KUANG YUBIN
Chief Operating Officer, Mansfield Group

Mr. Kuang Yubin joined Mansfield Manufacturing Company Limited in December 2015 as Chief Operating Officer and Director. Prior to joining Mansfield, Mr. Kuang held various senior positions at many organisations. Mr. Kuang was with the Konka Group Co., Ltd ("Konka") for more than 14 years and assumed various key roles. He led the Enterprise Management team and was promoted to become the General Manager of the Enterprise Management and Human Resource Divisions. He also previously served as the General Manager of the Multimedia Division in Konka. Mr. Kuang played a critical part in growing Konka's colour TV business, which dominated China's domestic market for several years. After Konka, Mr. Kuang joined Skyworth Overseas Development Ltd. and served as the General Manager for four years, where he played an instrumental role in transforming the business to achieve a new peak.

With over 23 years' experience in the electronics industry, Mr. Kuang – who reports directly to Mr. Lou Yiliang, the Chief Executive Officer – will be an asset to the Group.

Mr. Kuang graduated from Zhong Shan University, PRC, with a Bachelor of Economics degree.

MR. LIM BOON PHUANG
General Manager for SMW and FCT

Mr. Lim Boon Phuang joined Mansfield Manufacturing Company Limited as the General Manager for Sun Mansfield Manufacturing (Dongguan) Co. Ltd. ("SMW") and Feng Chuan Tooling (Dongguan) Co. Ltd. ("FCT"), in July 2015. Mr. Lim has over 30 years of industry experience. He started his career in NMB Singapore Ltd. in 1978 heading its QC Department and was subsequently QC Manager for Jade Technologies Singapore Pte. Ltd. He was General Manager of Polymicro Precision Engineering Pte. Ltd, Advance Systems Automation Ltd., C&W Technology Ltd., BW Highsonic Industrial Ltd. and Inovan (Tianjin) Contact Technology Ltd. 1997 was his first foray into China as GM of C&W Technology Ltd. Before joining Mansfield, he was with Worldmark Label (Suzhou) as their Plant Manager.

A Singaporean and an Engineer by training, Mr. Lim has a Diploma in Industrial Management and a Diploma in Mechanical Engineering from Singapore Polytechnic.

MS. QUEK SIEW HOON

Corporate Controller, InnoTek Group

Ms. Quek Siew Hoon joined InnoTek in 2000 and has been with the Group for more than 15 years. Ms. Quek has over 25 years of experience in finance and accounting. She is responsible for the finance functions of the Group and frequently travels to the Group's subsidiaries in Hong Kong and the PRC.

In her early career, Ms. Quek joined KPMG for two years and was responsible for auditing assignments, mainly for manufacturing companies. Thereafter she spent more than three years with Texas Instruments Singapore (Pte) Limited in the position of Financial Accountant and later as Cost Accountant at its Singapore manufacturing plant which was later taken over by Micron Semiconductor.

Prior to joining InnoTek Limited, Ms. Quek was a Finance Director of Seagate Technology Electronic Assembly Operations (EAO) division which had manufacturing operations in Singapore, Batam and Senai. Ms. Quek spent 11 years at Seagate, starting as a Costing and Financial Planning Manager and was subsequently promoted to Finance Director. She handled complex inventory systems, budgeting, scrap and product cost controls, financial reporting and other accounting functions of the EAO division; besides providing financial information to the EAO president for his strategic planning. Her other responsibilities included ensuring adherence to financial policies and compliance, amongst others.

Ms. Quek holds a Bachelor of Accountancy Degree from the National University of Singapore and is a member of the Institute of Certified Public Accountants of Singapore and a member of the Institute of Singapore Chartered Accountants.

MS. IVY NEO

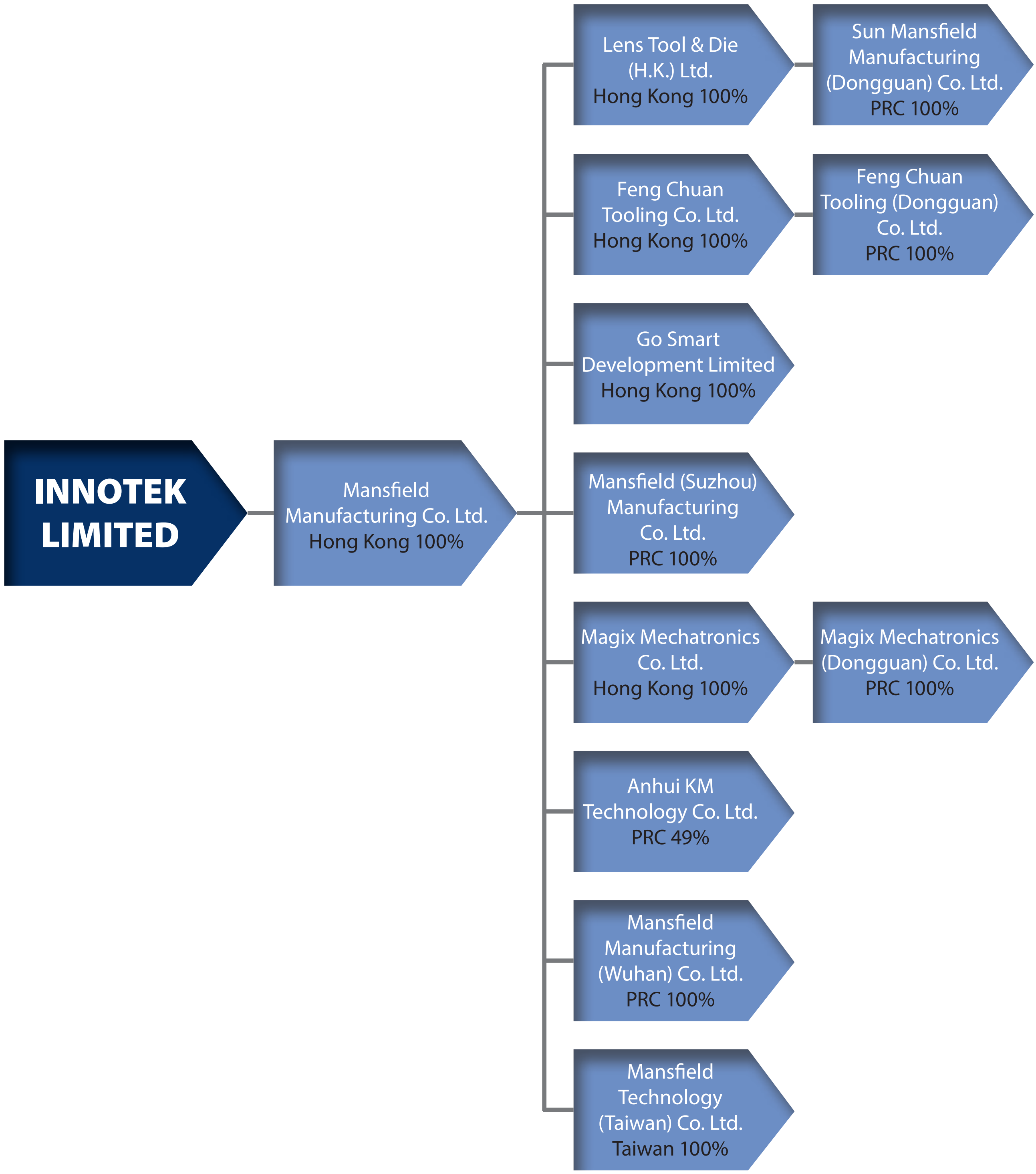
Finance Director, Mansfield Group

Ms. Ivy Neo Meow Khim joined Mansfield (Suzhou) Manufacturing Company Limited as Financial Controller in May 2014. After a year and a half, she was re-designated as Finance Director of Mansfield Group where she oversees the Group's financial affairs and corporate functions and works closely with the core leadership team.

Ms. Neo has over 30 years of financial exposure with more than 10 years working experience in the manufacturing environment in the PRC. Prior to joining Mansfield, Ms. Neo was with various companies including Sino-American Joint Venture, Yaguang Nypro Precision Molding (Tianjin) Co. Ltd, Celestica Holdings (HK) Ltd, Thomson Multimedia Co Ltd, Keppel Shipyard and Singapore Press Holdings.

Ms. Neo graduated from Victoria University of Australia with a Master of Business Administration (Accounting) and is an associate member of the Australian CPA.

GROUP STRUCTURE AS AT 24 MARCH 2016



INNOTEK LOCATIONS

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Anhui KM Technology Company Limited
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PC : 239000
Tel : (86) 550-3919088

FINANCIAL HIGHLIGHTS

FOR THE YEAR (S$ in thousands)	2012	2013	2014	2015
Turnover	258,860	246,948	225,580	233,137
Operating Profit/(loss)	(14,946)	7	(17,959)	(16,299)
Profit/(loss) Before Tax and minority interest	(18,048)	548	(28,647)	(15,260)
Profit/(loss) After Tax & Minority Interests Attributable To Members of the Co.	(18,446)	926	(28,228)	(16,293)
AT YEAR END (S$ in thousands)				
Shareholders Equity	156,712	162,433	131,217	116,226
PPE, Investment Property and Prepaid Land Lease payment	99,864	96,037	72,304	64,133
Cash and Bank Balances	35,773	27,787	24,336	25,180
Less: Total Debts	(16,119)	(10,060)	(10,095)	(5,288)
Net Cash	19,654	17,727	14,241	19,892
Weighted Average Number of Shares (in thousands)	224,150	223,881	223,835	223,835
Number of Shares at end of period (in thousands)	223,952	223,835	223,835	223,835
PER SHARE (Singapore cents)				
Profit/(loss) After Tax & Minority Interests	(8.23)	0.41	(12.61)	(7.28)
Net Tangible Assets	69.6	72.0	58.6	51.9
RATIOS				
Operating (Loss)/Profit (%)	(5.8%)	0.0%	(8.0%)	(7.0%)
Profit/(Loss) Before Tax (%)	(7.0%)	0.2%	(12.7%)	(6.5%)
Profit/(Loss) After Tax (%)	(7.1%)	0.4%	(12.5%)	(7.0%)
Net Cash	12.5%	10.9%	10.9%	17.1%
Current Ratio	1.36	1.52	1.56	1.58

CORPORATE GOVERNANCE REPORT

The Board and management of InnoTek Limited ("InnoTek" or the "Company") are committed to setting and maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group").

On 2 May 2012, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("Code"), which took effect with respect to Annual Reports of listed entities relating to financial years commencing 1 November 2012. This report ("Report") outlines the corporate governance framework and practices adopted by the Company with specific reference given to the Code. In so far as the Company has not complied with any guideline, we have provided the reason.

BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Effective Board to lead and control the company

The Board is collectively responsible for overall corporate governance, strategic direction and formulation of policies to oversee the business, performance and affairs of the Group. The Board supervises the Management which has the role of ensuring that the day-to-day operation and administration of the Group are carried out in accordance with the policies and strategies determined by the Board, and in that respect, Management is fully accountable to the Board.

The principal functions of the Board are to:

- Act as ultimate decision-making body of the Company, except with respect to those matters reserved to shareholders. All directors take decisions objectively in the interests of the Company;
- Represent shareholders' interest in developing the Company's businesses successfully including optimizing long-term financial returns;
- Review and evaluate management performance and ensure that management is capable of executing its responsibilities;
- Act as an advisor to senior management;
- Recognise its legal, social and moral obligations towards its stakeholders;

In addition to its statutory duties, the Board is also responsible for:

- Providing entrepreneurial leadership within a framework of prudent and effective controls which enable risks to be adequately assessed and managed.
- Ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and overseeing the management of the Company and the Group;
- Approving of investment and divestment proposals;

CORPORATE GOVERNANCE REPORT

– Overseeing the processes for evaluating the adequacy of internal controls and risk management, financial reporting and compliance;

– Approving the nominations of board directors and oversees succession planning. Assuming responsibility for compliance with the Companies Act and other regulatory bodies; and

– Setting the Company's values and standards and ensuring that its obligations to its shareholders and others are understood and met.

Financial and other matters that require the Board's approval are set out in the Group's Financial Procedures Manual ("FPM") which is reviewed and updated periodically. All policies and procedures on financial matters including approval limits and authorities are clearly defined in the FPM. Other matters specifically reserved to the Board for decision include strategic planning, corporate or financial restructuring, material acquisitions and disposals of assets, annual budget, capital expenditure, share issuances, share buy-backs and dividends.

To ensure that specific issues are subject to in-depth and timely review, certain functions have been delegated to various Board Committees, which would submit their recommendations or decisions to the Board. The Board Committees constituted by the Board are the Audit Committee, the Nominating Committee and the Remuneration Committee. Each of these Board Committees has its own terms of reference.

Board meetings are scheduled quarterly for the purpose of, *inter alia*, approving the release of the Group's financial results. Ad hoc Board meetings are also held whenever the Board's guidance or approval is required. Important and critical matters concerning the Company are also tabled for the Board's decision by way of written resolutions, faxes and electronic mails. The Company's Articles of Association allow a Board meeting to be conducted by way of videoconference, teleconference and other forms of electronic communication.

A total of four Board meetings were held in 2015. The number of Board committee meetings as well as Board members' attendance thereat is set out below:

	Board	**Audit Committee**	**Remuneration Committee**	**Nominating Committee**
No. of Meetings Held	**4**	**4**	**2**	**3**
	Attended	**Attended**	**Attended**	**Attended**
Mr. Robert S. Lette	4/4	4/4	2/2	3/3
Mr. Peter Tan Boon Heng	4/4	4/4	N/A	N/A
Mr. Steven Chong Teck Sin	4/4	4/4	2/2	3/3
Mr. Sunny Wong Fook Choy	4/4	4/4	2/2	2/2
Mr. Lou Yiliang*	1/1	N/A	N/A	N/A
Mr. Teruo Kiriyama*	1/1	N/A	N/A	N/A
Mr. Neal M. Chandaria*	1/1	N/A	N/A	N/A

* Messrs. Lou Yiliang, Teruo Kiriyama and Neal M. Chandaria were appointed directors of the Company on 2 November 2015.

CORPORATE GOVERNANCE REPORT

Training for Directors

Newly appointed Directors are briefed on the Group's business activities, strategic direction, corporate governance practices as well as their statutory and other duties and responsibilities. In addition, new Directors are given a memorandum outlining their obligations, duties and responsibilities to the Company. As and when new regulations and changes to regulations and accounting standards which have an important bearing on the Company's or Directors' disclosure obligations, Directors will be briefed either during the Board meetings or through memorandum and emails. Where appropriate, Directors are encouraged to attend courses, conferences and seminars in relevant fields. All new Directors will have an opportunity to visit Group's offices and plants overseas to familiarize themselves with the InnoTek Group's businesses.

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent Board

The Board comprises seven directors, three of whom are independent non-executive directors. During the year, Mr. Peter Tan Boon Heng, the Executive Director ("ED") of the Company stepped down from his executive role end April 2015. In May 2015, an Executive Committee ("ExCo") comprising Mr. Peter Tan Boon Heng as Chairman of the ExCo with members from the Group's management in our China operations was formed to oversee matters previously undertaken by the ED.

Despite the Board having four non-independent directors, it is able to exercise objective judgment on corporate affairs independently, in particular from Management, as there is a strong and independent element on the Board with independent Directors making up more than one-third of the Board.

The Board comprises the following members:–

1)	Mr. Robert S. Lette (Chairman)	Non-Executive and Non-Independent
2)	Mr. Peter Tan Boon Heng	Non-Executive and Non-Independent
3)	Mr. Steven Chong Teck Sin	Non-Executive and Independent
4)	Mr. Sunny Wong Fook Choy	Non-Executive and Independent
5)	Mr. Lou Yiliang	Executive and Non-Independent
6)	Mr. Teruo Kiriyama	Non-Executive and Independent
7)	Mr. Neal M. Chandaria	Non-Executive and Non-Independent

Profiles of the current directors are set out in the Board of Directors' section of this Annual Report.

The Nominating Committee is responsible for reviewing the independence of each Director based on the guidelines set out in the Code. For the financial year ended 31 December 2015, Messrs. Steven Chong Teck Sin, Sunny Wong Fook Choy and Teruo Kiriyama were considered by the Nominating Committee to be independent as they do not have any material business relationship with the InnoTek Group and neither are they related to any of the other Directors or substantial shareholders of the InnoTek Group. Annually, each independent director is required to submit a confirmation of independence based on the guidelines provided in the Code.

CORPORATE GOVERNANCE REPORT

The Articles of Association of the Company provide that at least one third of the Directors for the time being, share retire as Directors at each annual general meeting of the Company ("AGM"). All new Directors appointed by the Board shall hold office until the next AGM, and are eligible for re-election at the said AGM.

In accordance with the Articles of Association of the Company, Mr. Steven Chong Teck Sin is due to retire by rotation at the 2016 AGM and have offered himself for re-election at the 2016 AGM. Messrs. Lou Yiliang, Teruo Kiriyama and Neal M. Chandaria being directors appointed by the Board in 2015, will also retire and have offered themselves for re-election at the 2016 AGM.

The Code states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In this regard, the Nominating Committee noted that Mr. Robert S. Lette, had served the Board for more than 14 years and would be deemed non-independent under the Code. Mr. Tan having been an Executive Director within the last three years and Mr. Chandaria is a representative of the major shareholder, Advantec Holding S.A. are also deemed to be Non-Independent.

Taking the recommendation of the Code on refreshing the Board, in November 2015, the Board appointed Messrs. Lou Yiliang, Teruo Kiriyama and Neal M. Chandaria as directors of the Company. With the new additions to the Board, the Board considers its current Board structure, size and composition appropriate for the Group's present operations. Non-Executive directors constructively challenge and help develop proposals on strategy and review the performance of Management. With the core competencies of members of the Board in various fields of finance, business, industry and strategic planning, their stature, and wealth of international business experience, the Company is well positioned to chart new frontiers for the InnoTek Group. The Directors actively participate and engage Management in setting goals and objectives for the Company and the Group and monitor the reporting of performance.

Composition of Board and Board Committees

Director	**Board membership**	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Mr. Robert S. Lette	Non-Executive Chairman	Member	–	Member
Mr. Peter Tan Boon Heng	Non-Independent Director	–	–	–
Mr. Steven Chong Teck Sin	Independent Director	Chairman	–	Member
Mr. Sunny Wong Fook Choy	Independent Director	–	Member	Chairman
Mr. Lou Yiliang	Executive Director	–	–	–
Mr. Teruo Kiriyama	Independent Director	Member	Chairman	–
Mr. Neal M. Chandaria	Non-Independent Director	–	Member	–

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: Clear division of responsibilities between Chairman and Chief Executive Officer to ensure a balance of power and authority

The position of Chairman and Chief Executive Officer ("CEO") are separate and had always been held by two separate persons to ensure an appropriate balance of power and authority, and a clear division of responsibilities and accountability.

The Chairman, Mr. Robert S. Lette is a non-executive director. He leads the Board to ensure its effectiveness in all aspects of its role. He ensures Directors receive accurate, timely and clear information, fosters effective communication with shareholders, encourages constructive relations between the Board and Management, and among Directors, and promotes high standards of corporate governance.

The Company does not have a CEO. Mr. Lou Yiliang, the Executive Director of the Company was appointed in November 2015 to replace Mr. Peter Tan Boon Heng who relinquished the executive responsibility after completing his one year tenure by end April 2015. The Executive Director has full executive responsibilities and oversees the daily running of the Group's operations and is responsible to execute strategies and policies adopted by the Board.

The Company did not appoint a lead independent director as the Board is of the view that shareholders can access to the independent directors directly without the need of a lead independent director.

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for appointment of new directors to the Board

The Nominating Committee ("NC"), through a formal and transparent process, makes recommendations to the Board on all board appointments. The NC met three times in 2015.

As of the date of this report, the NC comprises entirely Non-Executive Directors, majority of whom, including the Chairman, are independent:

Mr. Teruo Kiriyama	Chairman
Mr. Neal M. Chandaria	Member
Mr. Sunny Wong Fook Choy	Member

The Chairman is not associated with a substantial shareholder. Members of the NC comprise persons of stature, integrity and accountability, who would be able to exercise independent judgment in the performance of their duties.

CORPORATE GOVERNANCE REPORT

The NC is guided by its Terms of Reference, which sets out its responsibilities. Its duties with regard to nomination functions are to review and make recommendations to the Board on all board appointments, to review all nominations for the appointment and re-appointment of directors, to evaluate the effectiveness and performance of the Board as a whole and each individual director and to review the independence of each director annually. In determining the independence of directors, the NC determines whether or not a director is independent bearing in mind the Code's definition of an "independent director" and guidance as to relationships which would deem a director not to be independent. The NC has endorsed the independence status of Messrs. Steven Chong Teck Sin, Sunny Wong Fook Choy and Mr. Teruo Kiriyama.

The process for the selection and appointment of new directors to the Board is carried out when necessary by the Nominating Committee. The NC initiates and executes a process to search and identify suitable candidates for nomination to the Board for appointment.

The NC works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole as well as its individual members. Upon the review and recommendation of the NC for the appointment of directors, new directors will be appointed by way of a board resolution. Such new directors must submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company immediately following his appointment.

Apart from sitting on this Board, Mr. Robert S. Lette, Mr. Lou Yiliang, Mr. Teruo Kiriyama and Mr. Neal M. Chandaria do not sit on the board of other listed company. Mr. Steven Chong Teck Sin sits on the Board of four listed companies while Mr. Sunny Wong Fook Choy sits on the Board of five other listed companies, apart from InnoTek Limited.

The Nominating Committee determines annually whether a Director has been adequately carrying out his duties as a Director of the Company, taking into consideration the number of that Director's other listed company board representations and other principal commitments. The Nominating Committee is of the view that each Director has been able to effectively discharge his duties as a Director of the Company.

The Board does not appoint alternate directors as recommended by Guideline 4.5 of the 2012 Code.

BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the Board and contribution of each director

Annually, the NC evaluates the effectiveness of the Board as a whole as well as the individual director by establishing a process for conducting reviews of all Board members.

All Directors are required to assess the performance of the Board, the Board Committees and the individual director by way of a questionnaire. The assessment covers areas such as contribution of each individual director to the effectiveness of the Board and Board Committees, information management, Board processes, Shareholder management, managing the Company's performance. The NC takes into consideration their respective preparedness, commitment, participation, attendance at Board and Board committee meetings. The evaluation

CORPORATE GOVERNANCE REPORT

would also take into account their respective ability to make informed decisions and level of comprehension of legal, accounting and regulatory requirements and whether they have the essential skills to competently discharge the Board's duties.

The NC is satisfied that each Director is able to and has been adequately performing his duties as a Director of the Company, devoting sufficient time and attention to the affairs of the Company.

ACCESS TO INFORMATION

Principle 6: Provision of complete, adequate and timely information prior to board meetings and on an on-going basis

The Company recognized the importance of providing the Board with timely and complete information prior to its meetings and as and when the need arises.

In order to ensure that the Board is able to fulfill its responsibilities, the Management provides the Board with monthly financial reports, forecasts/budgets and other relevant information of the Group. In addition, the Management provides adequate and timely information to the Board on affairs and issues that require the Board's attention and decision.

Board members have full co-operation from Management and separate and independent access to the senior management including the Company Secretary, who attends all Board and Board committee meetings.

The role of the Company Secretary is clearly defined and includes responsibility for ensuring that board procedures are followed and that the Company complies with the requirements of the Companies Act and all other applicable rules and regulations. The Company Secretary ensures that Board members are fully briefed and aware of their duties and responsibilities when making decisions. The Company Secretary's responsibilities also include ensuring good information flows within the Board and its committees, and between senior management and non-executive directors.

Board members are aware that they, whether as a group or individually, can have independent professional advice as and when necessary to enable them to discharge their responsibilities effectively. The cost of such professional advice is borne by the Company.

REMUNERATION MATTERS

Principle 7 – Formal and transparent procedure for fixing remuneration packages of directors

The Remuneration Committee which is also the Employees' Share Option Plan Committee ("RC") comprises entirely Non-Executive Directors, majority of whom, including the Chairman, are independent:

Mr. Sunny Wong Fook Choy	Chairman
Mr. Robert S. Lette	Member
Mr. Steven Chong Teck Sin	Member

CORPORATE GOVERNANCE REPORT

There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual top management executives including directors.

The RC is guided by its Terms of Reference, which sets out its responsibilities. The primary function of the RC is to advise the Board on compensation issues generally, and in particular, in relation to Directors and key management executives, bearing in mind that a meaningful portion of Management's compensation should be contingent upon financial performance in order to foster the creation of long-term shareholder value.

The principal responsibilities of the RC include the following:

– advise the Board of Directors on compensation matters, as well as best practice with regard to non-cash compensation and trends;

– review Management's appraisal on current market situation as it relates to compensation and Management's recommendation of the overall aggregate adjustments to be made at the annual review of compensation for all staff, Management and Directors, including stock options and other equity incentive schemes;

– recommend to the Board compensation packages for senior management, non-executive directors and Managing Director;

– responsible for the grant of options and other equity incentives, if any, to Directors, Management and staff based on the recommendations by the Management;

– oversee the implementation of remuneration policies within the InnoTek Group and ensure that no director participates in decisions on his own remuneration matter; and

– ensure that appropriate structures for management succession and career development are adopted.

LEVEL AND MIX OF REMUNERATION

Principle 8: Appropriate remuneration to attract, retain and motivate directors

In setting remuneration packages, the RC considers the level of remuneration to attract, retain and motivate Executive Directors and Key Management and to align their interests with those of shareholders. A proportion of Executive Directors' remuneration is structured to link rewards to the performance of the InnoTek Group as a whole, as well as individual performance.

On an annual basis, the RC reviews the level and mix of remuneration and benefits policies and practices of the Company. When conducting such reviews, the RC takes into account the performance of the Company and that of individual employees. It also reviews and approves the framework for salary reviews, performance bonus and incentives for key management employees.

CORPORATE GOVERNANCE REPORT

The total remuneration mix comprises three key components; that is, annual fixed cash, annual performance incentive, and the InnoTek Share Option Schemes. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances which the Company benchmarks with the relevant industry market median. The annual performance incentive is tied to the Company's business unit's and individual employee's performance. The InnoTek Share Option Scheme is a long-term incentive plan. The equity component is intended to achieve the objective of aligning the interests of the Executive Directors and Key Management with those of the shareholders of the Company. Performance targets are set and performances are evaluated annually.

Executive directors do not receive directors' fees but are remunerated as a member of Management. Non-Executive Directors are paid Directors' fees, which comprise a basic fee and additional fees for appointments on Board Committees.

In reviewing the fees for Non-Executive Directors, the RC has adopted a framework based on guidelines recommended by the Singapore Institute of Directors, which comprises a base fee, fees for membership in Board Committees as well as fees for chairing Board Committees, taking into consideration the amount of time and effort that each Board member may be required to devote to the role and the fees paid by comparable companies.

The first InnoTek Employees' Share Option Plan ("Plan") approved at the Extraordinary General Meeting ("EGM") of the Company on 18 September 2000 ran its full duration of five years from the first date of grant and had expired on 7 February 2006. The expiration of the Plan however did not affect options which had been granted and accepted by the participants of the Plan whether such options have been exercised or not. After the expiry of the Plan, a subsequent plan known as InnoTek Employees' Share Option Scheme II ("Scheme II") was approved by shareholders at the EGM on 30 April 2008. Scheme II expired on 10 March 2014. At the EGM in 2014, the Company adopted a new InnoTek Employees' Share Option Scheme 2014 with the approval of its shareholders.

The RC is assigned the responsibility of administering all share option plans in accordance with the rules of the respective plan, to determine and approve the list of grantees of the share options, the date of grant and the price thereof. During the year, no option was granted under the InnoTek Employees' Share Option Scheme 2014. 2,000,000 options were granted to the Executive Director as part of his remuneration package in January 2016.

DISCLOSURE ON REMUNERATION

Principle 9: Clear disclosure on remuneration policy, level and mix

The remuneration policy of the Company is based on an annual appraisal system using the criteria of core values, competencies, key result areas, performance rating and potential. Rewards are linked with corporate and individual performance. The Board is of the view that it is not necessary to present its remuneration policy before shareholders for approval at the AGM.

CORPORATE GOVERNANCE REPORT

A breakdown, showing the level and mix of each individual Director's remuneration payable for the financial year ended 31 December 2015 is as follows:

Directors' Remuneration	Remuneration	Fee	Salary	Bonus	Allowance/ Benefits	Others	Total
	S$	(%)	(%)	(%)	(%)	(%)	(%)
Mr. Robert S. Lette	71,027	100	0	0	0	0	100
Mr. Peter Tan Boon Heng[1]	154,608	45	44	0	11	0	100
Mr. Steven Chong Teck Sin	69,371	100	0	0	0	0	100
Mr. Sunny Wong Fook Choy	62,518	100	0	0	0	0	100
Mr. Lou Yiliang[2]	80,000	0	100	0	0	0	100
Mr. Teruo Kiriyama[2]	10,355	100	0	0	0	0	100
Mr. Neal M. Chandaria[2]	7,397	100	0	0	0	0	100

Note: (1) Mr. Peter Tan Boon Heng was Chairman of Executive Committee from 1 May 2015 to 3 November 2015
(2) Messrs. Lou Yiliang, Teruo Kiriyama and Neal Chandaria were appointed Directors on 2 November 2015

Details of the share option plan are set out in the Report of the Directors whilst disclosure of the Directors' remunerations also made in the notes to the financial statements.

Key Management Executive Remuneration	Salary	AWS	Allowance & Benefits	Others	Total
	(%)	(%)	(%)	(%)	(%)
$250,000 to below $500,000					
Mr. Chew Chee Khiong	98	0	2	0	100
Below $250,000					
Mr. Kuang Yubin[1]	99	0	1	0	100
Mr. Yi Yuan Wah[2]	95	0	5	0	100
Mr. Chan Ming Ue	90	0	10	0	100
Mr. Lim Boon Phuang[3]	95	0	5	0	100

Notes: (1) Mr. Kuang Yubin joined Mansfield as its Chief Operating Officer in December 2015
(2) Mr. Yi Yuan Wah left Mansfield in July 2015
(3) Mr. Lim Boon Phuang joined Mansfield as its General Manager for SMW and FCT in July 2015

The aggregate remuneration paid to the key management personnel is $819,244.

No key officer or employee of the Company and its subsidiaries during the financial year was an immediate family member of a director or the Managing Director whose remuneration exceeded S$50,000 during the year.

The Company does not have any long-term incentive scheme apart from the InnoTek Employees' Share Option Scheme 2014 which was approved and adopted at the 2014 AGM. Details of the share option plans are set out in the Directors' Statement.

CORPORATE GOVERNANCE REPORT

The annual remuneration of the Directors, the Executive Director and the top five key management executives (who are not directors or the Executive Director) above included the termination, retirement and post-employment benefits that were granted to them for FY 2015.

ACCOUNTABILITY & AUDIT

Principle 10 – Board to present balanced and understandable assessment of the company's performance

Shareholders are presented with the quarterly and full-year financial results within 45 days of the end of the quarter and 60 days of the end of the financial year. Through the release of its financial results, the Board aims to present shareholders with a balanced and comprehensible assessment of the Group's performance, position and prospects which extends to interim and other price sensitive public reports, and reports to regulators (if required).

Management currently provides the Board with monthly management reports of the Group's performance and Directors have separate and independent access to the Management of the Group.

In addition, the Directors have separate and independent access to the Corporate Controller of the Company. From time to time information on major transactions are discussed and circulated to Directors as and when they arise.

Principle 12 – Establishment of an Audit Committee with written terms of reference

The Audit Committee ("AC") currently has three members. The AC comprises entirely non-executive directors, majority of whom (including the Chairman) of the AC are independent. The Board is satisfied that members of the AC are appropriately qualified to discharge their responsibilities. As of the date of this report, the Chairman and members of the AC are:

Mr. Steven Chong Teck Sin	Chairman
Mr. Robert S. Lette	Member
Mr. Teruo Kiriyama	Member

The AC met four times during the year under review. The Corporate Controller, representatives of the Internal Audit firm, Mazars LLP, Company Secretary and the External Auditors are usually invited to these meetings. The AC meets with the external auditors, without the presence of the Company's management, at least once a year to obtain feedback on the competency and adequacy of the finance function and to ascertain if there are any material weaknesses or control deficiencies in the Group's financial reporting and operational systems. This meeting enables the auditors to raise issues encountered in the course of their work directly to the AC. In addition, the AC is periodically updated on changes in accounting standards, risk management, corporate governance and regulatory related topics which have a direct impact on financial statements during the year.

The Audit Committee, guided by its Terms of Reference, reviews the scope and results of the internal and external audit and the cost effectiveness, significant financial reporting issues, and adequacy of the Company's internal controls, as well as the effectiveness of the Company's internal audit function.

CORPORATE GOVERNANCE REPORT

The responsibilities of the AC include the following:

– review and recommend to the Board the release of the quarterly and full year financial statements;

– review the independence and objectivity of the external auditors, their appointment, re-appointment and audit fee;

– review and approve both the internal audit and the external auditor's scope and plan to assure completeness of coverage and effective use of audit resources and where the auditors also supply a substantial volume of non-audit services to the Company, review the nature and extent of non-audit services performed by them to ensure that the independence of the auditors would not be affected;

– review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance;

– review and report to the Board the internal audit plan, oversees and reviews the adequacy and effectiveness of the internal control functions and evaluate the level of risks and assess the system of ensuring integrity of financial reporting, steps taken by Management to minimize or control Company's exposure to such risks and assessing financial risk management;

– review major findings on internal audit during the year and Management's responses thereto, difficulties encountered during the course of the audit and compliance with relevant professional internal audit standards with the Director of Internal Audit and Management; and

– review interested person transactions as required under the Listing Manual of the Singapore Exchange Securities Trading Limited Listing Manual ("SGX-ST").

The AC makes recommendations to the Board for approval by Shareholders, the appointment, re-appointment and removal of the Company's external auditors. It also reviews and approves the remuneration and terms of engagement of the internal audit firm and the external auditors.

The AC reviews the Group's risk assessment and, based on the auditors' reports and management controls in place throughout the Group, is satisfied that there are adequate internal controls, including financial, operational, compliance and information technology controls, and risk management systems in the Group.

The AC has full access to the external and internal auditors and has full authority to invite any Director or executive officer to its meetings. The AC is authorized to have full and unrestricted access and co-operation of the Company's Management, personnel, records and other information as required to discharge its responsibilities.

The AC has reviewed all non-audit services provided by the external auditors to the Company and is satisfied that the extent of such services provided will not prejudice the independence and objectivity of the external auditors. The amount paid and payable to external auditors for audit and non-audit services fees were $408,447 and $72,805, respectively, for the financial period under review. The re-appointment of the external auditors will be subject to approval by way of an ordinary resolution of shareholders at the Company's Annual General Meeting, to be held on 27 April 2016.

CORPORATE GOVERNANCE REPORT

In appointing the audit firms for the Company, the Audit Committee is satisfied that the Company has complied with the requirements of Rule 712 and 715 of the Listing Manual of the SGX-ST.

Principle 11 – Sound system of internal controls to safeguard the shareholders' investments and the company's assets

Principle 13 – Establishment of an internal audit function that is independent of the functions it audits

The Board considers that the Group has in place, a system of internal controls of its procedures and processes maintained by the Company's Management to safeguard shareholders' investments and assets of the Company. The system of internal controls addressing financial, operational, compliance and information technology controls and risk management, is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Group manage rather than to eliminate the risk of failure to achieve business objectives.

Following the departure of the in-house Internal Audit Director, the Company has out-sourced the internal audit function to an independent assurance service provider, Mazars LLP ("internal auditor" or "IA"), to perform the internal audit works of the Group. The AC is of the view that the IA has adequate resources to perform the functions and maintained their independence from the activities that IA audits. The IA subscribes to, and is guided by the standard established by internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors and has incorporated these standards into its audit practices.

The focus of the Internal Audit function is to strengthen the internal control structure and risk management of the Group through the conduct of independent and objective reviews. The IA also conducts tests to verify the Group's assets and liabilities and to check on compliance with the Group's system of internal controls including financial, operational and compliance controls.

In addition to the annual internal audit plan, the IA is also involved in conducting system or process reviews that may be requested by Management on specific areas of concern during the course of the year. By allowing such flexibility in the audit work plan, the IA is able to help Management understand risks and internal control issues associated with the changes taking place in their businesses by providing them with timely input on new or emerging issues during the year.

The Audit Committee has reviewed the effectiveness, adequacy and robustness of the Company's risk management policies, procedures and internal controls, including financial, operational, compliance and information technology controls. Material non-compliance and internal control weakness noted during the audit, and the auditors' recommendations to address such non-compliance and weakness will be reported to the Audit Committee. Management follows up and implements the internal and external auditors' recommendations.

Apart from the internal audits, the external auditors, Ernst & Young, also contribute an independent perspective on relevant internal controls arising from their financial audit and report their findings to the AC.

CORPORATE GOVERNANCE REPORT

The Board of Directors and the AC have reviewed the adequacy of the Group's internal controls that address the Group's financial, operational, compliance and information technology controls and risks management. Based on the work performed by the internal auditors during the financial year as well as the statutory audit by the external auditors, and reviews performed by Management, the Board with the concurrence of the AC, is of the opinion that the Group's system of internal controls including financial, operational, compliance and information technology controls and risk management systems were adequate as at 31 December 2015 in providing reasonable assurance of the effectiveness of the Group under the current business environment.

The Board has received assurance from the Executive Director and the General Managers of the Business Units and the Corporate Controller of the Company that as at 31 December 2015:

(a) the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2015 give a true and fair view of the Group's operations and finances; and

(b) the system of risk management and internal controls in place for the respective business divisions were adequate and effective as at 31 December 2015 to address the Group's financial, operational, compliance and information technology risks which the business divisions consider relevant and material to their operations.

WHISTLE BLOWING POLICY

To reinforce a culture of good business ethics and governance, the Group has in place a whistle-blowing policy and procedures as prescribed under the Guidebook for Audit Committee in Singapore. The aim of this policy is to encourage the reporting in good faith of any suspected improper conduct whilst protecting the whistleblowers from reprisal within the limits of the law.

The whistle blowing policy provides employees an avenue for reporting in good faith of suspected fraud, corruption, dishonest practices or other similar matters. All reports are channeled to the AC Chairman directly via a dedicated and secured e-mail channel who will treat the matter with utmost confidentiality.

All cases reported are treated confidentially and objectively investigated. Identities of whistle blower will be kept confidential to the extent possible. Results of the investigation would not be disclosed or discussed with anyone other than those who have a legitimate right to know. The AC Chairman, will review the information disclosed, interview the whistle blower when required and determine whether the circumstances warrants a report to the AC and trigger an investigation process to be employed and corrective actions (if any) to be taken.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14 – Shareholders to be treated fairly and equitably

Principle 15 – Regular, effective and fair communication with Shareholders

Principle 16 – Greater shareholder participation at Annual General Meetings (“AGMs”)

The Company discloses to its shareholders pertinent information in a clear, forthcoming and timely manner on a regular basis. The quarterly financial results are published through the SGXNET, news releases and the Company’s corporate website. The Company also retained an investor relations firm to assist in its dissemination of material information and organize press and analyst briefings. The Company has been holding analyst briefings after its results announcement. The Company monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis.

The Company does not practice selective disclosure. Price-sensitive information is first publicly released through SGXNET, either before the Company meets with any investors or analysts or simultaneously with such meetings. The results are published through the SGXNET, news releases and the Company’s website and Share Investor. All shareholders of the Company receive the annual report, and notice of AGM, which is held within four months after the close of the financial year. The notice is also advertised in the newspapers. The annual report is also available on the Company’s corporate website, www.innotek.com.sg.

Whilst shareholders have a right to appoint up to two proxies to attend and vote at General Meetings on their behalf, the Articles currently do not provide for shareholders to vote at General Meetings in absentia such as by mail, email or fax. Such voting methods will need to be carefully reviewed for feasibility to ensure there is no compromise to either the integrity of the information or the proper authentication of the identity of the shareholders.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as “relevant intermediary” to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

At General Meetings, shareholders are given the opportunity to communicate their views on matters relating to the Group, with the Board members, Board Committees, the Company Secretary as well as the external auditors in attendance at the AGMs.

The minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request.

To promote greater transparency and effective participation, the Company has conducted the voting of all its resolutions by poll at its general meetings. The detailed voting results, including the total number of votes cast for or against each resolution tabled, were announced immediately at the general meetings and via SGXNET.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

In considering the level of dividend payments, the Board takes into account various factors, including the level of cash available, the return on equity and retained earnings and set aside a certain percentage of the Group net operating profits attributable to shareholders for payment of dividend.

DEALINGS IN SECURITIES

In line with the rules of the Listing Manual of the SGX-ST, the Company has in place a policy and guidelines on dealings in the securities of the Company. This policy and guidelines restrict Directors and employees from trading in the Company's securities during the period falling two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements.

Additionally, Directors and employees of the Company are also reminded to be mindful of the insider trading prohibitions and ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act, and the Companies Act. The policy and guidelines also remind employees and Directors of the Group that they should not deal in the Company's securities on short term considerations.

Directors are required to report to the Company Secretary whenever they deal in the Company's shares and the Company Secretary will make the necessary announcements.

INTERESTED PERSON TRANSACTION POLICY

In general, the Company has established procedures to ensure that all Interested Person Transactions will be undertaken on an arms' length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties and will thus not be prejudicial to the interests of the Company and the shareholders.

The Company has adopted an internal policy in respect of any transactions with interested persons and has procedures established for the review and approval of the Company's interested person transactions.

CORPORATE GOVERNANCE REPORT

The aggregate value of Interested Person Transactions entered into during the financial year under review are as follows:–

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Anhui KM Technology Co. Ltd.	$800,857	NIL
Konka Precision Mould Plastic Co. Ltd.	$463,521	NIL

The Company does not have any shareholders' mandate for interested person transactions.

MATERIAL CONTRACTS

During the financial year, there were no material contracts entered into by the Company or any of its subsidiary companies involving the interests of any director or the controlling shareholder of the Company except those announced via SGXNET from time to time in compliance with the SGX-ST Listing Manual.

RISK MANAGEMENT

InnoTek acknowledges that appropriate management of the risks accompanying its business is vital to prevent losses and damages in the fast-changing business environment. The Board has put in place processes and procedures which help to identify and manage areas of significant strategic, business and financial risks. The Group manages risk under an overall risk management framework determined by the Board and supported by the Audit Committee and Internal Audit. Management periodically reviews the past performance of, and profiles the current and future risks facing the Group. This system by its nature can only provide reasonable, but not absolute, assurance to investors regarding:

- the safeguarding and protection of the Group's assets against unauthorized or improper use or disposal;
- protection against material misstatements or losses;
- the maintenance of proper accounting records;
- the reliability of financial information used within the business and for publication;
- the compliance with appropriate legislations, regulations and best practices; and
- the identification and containment of business risks.

CORPORATE GOVERNANCE REPORT

Among the various risks that affect the Group include, but are not limited to:

1. **Industry and customer risk**

   The market demands and customers specific requirements constantly remind the Company not to be complacent and to keep up and be able to cater to the needs in the market and of its customers. In the event the Company is unable to meet customer and industry requirements, there may be a possibility that its products and/or process will become obsolete, and its customers may take their business to those who are able to meet such requirements. As such, the Company works closely with its customers and industry sources to ensure that its technology and product roadmaps are in line with customer requirements.

2. **Under utilization of production capacity**

   The Company's business is characterized by high fixed costs including plant facilities, manufacturing equipment and machineries. In the event when it's capacity utilization decreases due to poor demand or cancellation or delay of customer orders, the Company could encounter significantly higher unit production costs, lower margins and potentially significant losses. Under utilization of production capacity could also result in equipment write-offs, restructuring charges and employee layoffs.

3. **Dependence on a small customer base**

   In the highly competitive industry with low margin and customers could easily bring their orders elsewhere, the loss of one or more of its major customers or a substantial reduction in orders by any major customer, for any reason, could have a material adverse effect on the Group's revenue. To mitigate the risk of losing customer the Company works closely with its customers, so as to be able to build long term working relationships and, hence, build long term customers' trust and loyalty.

4. **Primary materials prices and timely supply of materials**

   The Group relies on a limited number of qualified suppliers for some of the materials used in its precision metal component division manufacturing processes. Any increase in the price of primary materials would affect the cost of manufacturing. The Group mitigates the risk by not committing to large orders of fixed price materials thus enabling the Group to adjust prices when appropriate and feasible. The timely supply of sufficient quantity of raw materials by its supplier is also crucial in meeting the commitments to its customers. To mitigate the risk the Group employs supply chain management and builds long term relationships with qualified suppliers.

CORPORATE GOVERNANCE REPORT

5. **Exposure to credit risks**

   The Group is exposed to credit risks of its customers. From time to time, in the ordinary course of business, certain customers may default on their payment. Such events may arise due to the inherent risk from its customers' business, risk pertaining to the political, economic, social and legal environment of its customers' jurisdiction and foreign exchange risk. However, the Group regularly reviews its exposure by way of monthly management reports, market feedbacks, performing checks on customers' financial status and executes necessary payment recovery measures to minimize its credit risks.

6. **Foreign exchange exposure**

   The Group's core assets and raw materials are primarily in U.S dollar denominated currency whereas manufacturing and related expenses are in the currency of the country of operation. The Group has a policy of monitoring the foreign currency exchange rates changes closely so as to minimize any potential material adverse impact on its financial performance. The Group enters into short-term, forward contracts as and when it deems appropriate.

7. **Liquidity risk**

   To ensure that it has adequate funding to achieve these requirements and its long term goals, the Group regularly monitors its capital expenditure to ensure an appropriate rate of returns, monitors the efficiency of the investment and pursues new financing opportunities to supplement its current capital resources.

8. **Changes in the political, social and economic conditions**

   The Group's manufacturing facilities are located mainly in China. Any unfavorable changes in the political, social, legal, regulatory and economic conditions in the PRC may disrupt our operations and affect our financial performance.

   Regulatory changes could result in increased costs to the Group. The Group continues to evaluate and monitor developments with respect to new and proposed rules and regulations by the local authorities in the different provinces in the PRC which can or may affect the Group in any way, and cannot predict or estimate the amount of additional costs the Group may incur or the timing of such costs.

CORPORATE SOCIAL RESPONSIBILITY

As part of our corporate social responsibility, the Company continue to play its part in ensuring energy conservation in our plants and offices by cutting down on our energy usage. This helps mitigate climate change and save costs for the Group. Posters are put up at prominent places in the plants to remind workers to conserve energy and reduction in water consumption. We adopt good human resource policies and practices that promote fairness, safe working conditions and encourage teamwork, which is one of the Company's Core Value.

Our ongoing focus on safety and security, encompassing the reduction of accidents, sick leave and environmental damage, is keeping us on a steady course towards a more sustainable business.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of InnoTek Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2015.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Robert Sebastiaan Lette	(Chairman)
Peter Tan Boon Heng	
Steven Chong Teck Sin	
Sunny Wong Fook Choy	
Teruo Kiriyama	(Appointed on 2 November 2015)
Neal Manilal Chandaria	(Appointed on 2 November 2015)
Lou Yiliang	(Appointed on 2 November 2015)

Arrangements to enable directors to acquire shares and debentures

Except as described in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares, share options and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest			Deemed interest		
Name of director	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At 21 January 2016**	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At 21 January 2016**
Ordinary shares of the Company						
Robert Sebastiaan Lette	–	–	–	40,000	40,000	40,000
Lou Yiliang	–	–	–	10,924,600	10,924,600	10,924,600
Share options of the Company						
Lou Yiliang	–	–	2,000,000	–	–	–

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Share Options

(1) InnoTek Limited – Employees' Share Option Plan

(a) InnoTek Employees' Share Option Plan ("the Plan") was approved by the shareholders at an Extraordinary General Meeting on 18 September 2000. The Plan expired on 8 February 2006. Options granted under the Plan remain exercisable until the end of the relevant Option Period. The Plan expired in 2006 and was succeeded by the InnoTek Employees' Share Option Scheme II.

(b) InnoTek Employees' Share Option Scheme II ("Scheme II") was approved by shareholders at the Extraordinary General Meeting on 30 April 2008. Scheme II expired on 9 March 2014 and options granted under the Scheme II remain exercisable until the end of the relevant Option Period.

(c) InnoTek Employees' Share Option Scheme 2014 ("Scheme 2014") was approved by shareholders at the Extraordinary General Meeting on 28 April 2014. Scheme 2014 succeeded Scheme II which expired in 2014.

DIRECTORS' STATEMENT

Share Options (Continued)

(2) All employees' share option plans are administered by the Remuneration Committee whose members are:

Sunny Wong Fook Choy (Appointed Chairman on 17 November 2014)
Robert Sebastiaan Lette
Steven Chong Teck Sin

(3) As at the end of the financial year, there was no option to subscribe for ordinary shares of the Company granted to directors of the Company under any of the InnoTek Employees' Share Option Plan.

(4) The unissued ordinary shares of the Company under Scheme II and Scheme 2014 as at 31 December 2015 comprises:

Date of Grant	No. of Options Granted	No. of Options Exercised	No. of Options Cancelled	No. of Options Outstanding	Subscription Price Per Share	Exercise Period
23 May 2013	7,730,000	–	6,220,000	1,510,000	S$0.28	23/5/2014 to 23/5/2018
1 Dec 2014	1,000,000	–	1,000,000	–	S$0.27	1/12/2015 to 1/12/2019

(5) The options under Scheme II and Scheme 2014 may be exercised only after the first anniversary of the Date of Grant of options.

(6) During the financial year, no options were granted under Scheme 2014.

No options have been granted to directors of the Company and controlling shareholders of the Company or their associates.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any right to participate in any share issue of any other company.

Audit Committee

The members of the Audit Committee as at the date of this report are:

Steven Chong Teck Sin (Chairman)
Robert Sebastiaan Lette
Teruo Kiriyama (Appointed on 1 March 2016)

The Audit Committee has held four meetings during the financial year and discharged its responsibilities in accordance with its Terms of Reference.

DIRECTORS' STATEMENT

Audit Committee (Continued)

The functions of the Audit Committee are as laid down in Section 201B(5) of the Singapore Companies Act, Cap. 50. The Audit Committee reviewed the audit scope and strategies of both the internal and external auditors and met with the auditors and executive management to review and discuss the results of their audit examinations including their evaluation of the system of internal controls.

The Audit Committee also reviewed the first quarter results, the half-year interim results, the third quarter results, the final consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2015 as well as the auditors' report thereon, and the impact of the various new accounting standards on the operating results and financial position of the Company and of the Group.

In addition, the Audit Committee reviewed the Interested Person Transaction for the financial year ended 31 December 2015 and reviewed all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence of the auditors and to obtain confirmation of independence of the auditors.

The Audit Committee recommended to the Board of Directors the nomination of Ernst & Young LLP as auditors of the Company to be approved at the forthcoming Annual General Meeting of the Company.

Further details regarding the Audit Committee are disclosed in the Corporate Governance Report.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board,

Robert Sebastiaan Lette
Director

Lou Yiliang
Executive Director

Singapore
24 March 2016

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Independent Auditor's Report to the Members of InnoTek Limited

Report on the Financial Statements

We have audited the accompanying financial statements of InnoTek Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 42 to 125, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

24 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group	
		2015	**2014**
		$'000	**$'000**
Revenue	5	**233,137**	225,580
Cost of sales		**(217,896)**	(207,778)
Gross profit		**15,241**	17,802
Other items of income			
Interest income	6	**278**	384
Other income	7	**9,237**	7,169
Other items of expense			
Selling and distribution		**(4,642)**	(4,336)
Administrative expense		**(28,654)**	(32,357)
Finance cost	8	**(186)**	(257)
Other expenses	9	**(6,366)**	(17,052)
Share of results of joint venture	17	**(168)**	–
Loss before taxation	10	**(15,260)**	(28,647)
Income tax (expense)/credit	11	**(1,033)**	381
Loss for the year		**(16,293)**	(28,266)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Net loss on fair value changes of available-for-sale financial assets		**(239)**	(1,309)
Realisation of fair value gain on disposal of available-for-sale financial assets and reclassified to profit or loss		**(167)**	(1,360)
Foreign currency translation		**1,679**	1,931
Other comprehensive loss, net of tax		**1,273**	(738)
Total comprehensive loss for the year		**(15,020)**	(29,004)
Loss for the year attributable to:			
Owners of the Company		**(16,293)**	(28,228)
Non-controlling interests		**–**	(38)
		(16,293)	(28,266)
Total comprehensive expense attributable to:			
Owners of the Company		**(15,020)**	(28,948)
Non-controlling interests		**–**	(56)
		(15,020)	(29,004)
Loss per share attributable to owners of the Company (cents)			
Basic	12	**(7.28)**	(12.61)
Diluted	12	**(7.28)**	(12.61)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	13	**42,259**	52,399	**20**	–
Investment property	14	**18,243**	16,260	**–**	–
Prepaid land lease payment	15	**3,631**	3,645	**–**	–
Intangible assets	16	**370**	880	**25**	–
Investment in subsidiary	4	**–**	–	**47,061**	47,061
Investment in joint venture	17	**1,092**	–	**–**	–
Other investments	18	**–**	5,873	**–**	5,873
Deferred tax assets	19	**3,559**	3,306	**–**	–
Deposit paid for purchase of property, plant and equipment		**154**	1,057	**–**	–
Other receivables	21	**1,684**	1,677	**–**	–
		70,992	85,097	**47,106**	52,934
Current assets					
Inventories	20	**21,564**	24,497	**–**	–
Trade and other receivables	21	**68,213**	66,363	**2,390**	1,857
Tax recoverables		**43**	40	**–**	–
Prepayments	22	**790**	702	**56**	43
Loan to subsidiary	23	**–**	–	**24,141**	19,390
Other investments	18	**15,106**	19,412	**15,106**	19,412
Derivatives	24	**19**	40	**19**	40
Cash and bank balances	25	**25,180**	24,336	**6,242**	2,023
		130,915	135,390	**47,954**	42,765
Total assets		**201,907**	220,487	**95,060**	95,699
Current liabilities					
Provisions	26	**318**	229	**–**	–
Tax payable		**2,042**	1,890	**10**	51
Loans and borrowings	27	**5,288**	10,095	**–**	–
Derivatives	24	**26**	76	**26**	76
Trade and other payables	28	**75,058**	74,661	**753**	554
		82,732	86,951	**789**	681
Net current assets		**48,183**	48,439	**47,165**	42,084
Non-current liabilities					
Provisions	26	**690**	609	**–**	–
Deferred tax liabilities	19	**2,259**	1,710	**241**	137
Total liabilities		**85,681**	89,270	**1,030**	818
Net assets		**116,226**	131,217	**94,030**	94,881
Share capital	29(a)	**98,021**	98,021	**98,021**	98,021
Treasury shares	29(b)	**(13,164)**	(13,164)	**(13,164)**	(13,164)
Retained earnings		**28,655**	44,911	**9,098**	9,535
Other reserves		**2,714**	1,449	**75**	489
		116,226	131,217	**94,030**	94,881
Non-controlling interests		**–**	–	**–**	–
Total Equity		**116,226**	131,217	**94,030**	94,881

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Attributable to owners of the Company								
2015 Group	**Equity, total $'000**	**Equity attributable to owners of the Company, total $'000**	**Share capital $'000**	**Treasury shares $'000**	**Retained earnings $'000**	**Other reserves, total $'000**	**Fair value adjustment reserve $'000**	**Foreign currency translation reserve $'000**	**Employee share option reserve $'000**	**Non-controlling interests $'000**
Opening balance at 1 January 2015	**131,217**	**131,217**	**98,021**	**(13,164)**	**44,911**	**1,449**	**406**	**960**	**83**	**–**
Loss for the year	(16,293)	(16,293)	–	–	(16,293)	–	–	–	–	–
Other comprehensive income										
Foreign currency translation	1,679	1,679	–	–	–	1,679	–	1,679	–	–
Realisation of fair value gain on disposal of available-for-sale financial assets	(167)	(167)	–	–	–	(167)	(167)	–	–	–
Net loss on fair value changes of available-for-sale financial assets	(239)	(239)	–	–	–	(239)	(239)	–	–	–
Other comprehensive income for the year, net of tax	1,273	1,273	–	–	–	1,273	(406)	1,679	–	–
Total comprehensive loss for the year	(15,020)	(15,020)	–	–	(16,293)	1,273	(406)	1,679	–	–
Contributions by and distributions to owners										
Share option expense accrued	29	29	–	–	–	29	–	–	29	–
Expiry of employee share options	–	–	–	–	37	(37)	–	–	(37)	–
Total transactions with owners in their capacity as owners	29	29	–	–	37	(8)	–	–	(8)	–
Closing balance at 31 December 2015	**116,226**	**116,226**	**98,021**	**(13,164)**	**28,655**	**2,714**	**–**	**2,639**	**75**	**–**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2014 Group	Note	Equity, total $'000	Equity attributable to owners of the Company, total $'000	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserves, total $'000	Fair value adjustment reserve $'000	Foreign currency translation reserve $'000	Employee share option reserve $'000	Non-controlling interests $'000
			Attributable to owners of the Company								
Opening balance at 1 January 2014		**162,900**	**162,433**	**98,021**	**(13,164)**	**75,281**	**2,295**	**3,075**	**(984)**	**204**	**467**
Loss for the year		(28,266)	(28,228)	–	–	(28,228)	–	–	–	–	(38)
Other comprehensive loss											
Foreign currency translation		1,931	1,949	–	–	–	1,949	–	1,949	–	(18)
Realisation of fair value gain on disposal of available-for-sale financial assets		(1,360)	(1,360)	–	–	–	(1,360)	(1,360)	–	–	–
Net loss on fair value changes of available-for-sale financial assets		(1,309)	(1,309)	–	–	–	(1,309)	(1,309)	–	–	–
Other comprehensive loss for the year, net of tax		(738)	(720)	–	–	–	(720)	(2,669)	1,949	–	(18)
Total comprehensive loss for the year		(29,004)	(28,948)	–	–	(28,228)	(720)	(2,669)	1,949	–	(56)
Contributions by and distributions to owners											
Share option expense accrued		43	43	–	–	–	43	–	–	43	–
Expiry of employee share options		–	–	–	–	164	(164)	–	–	(164)	–
Dividends on ordinary shares	38	(2,239)	(2,239)	–	–	(2,239)	–	–	–	–	–
Total transactions with owners in their capacity as owners		(2,196)	(2,196)	–	–	(2,075)	(121)	–	–	(121)	–
Changes in ownership interests in subsidiaries											
Acquisition of non-controlling interests without a change in control		(483)	(72)	–	–	(67)	(5)	–	(5)	–	(411)
Total changes in ownership interest in subsidiaries		(483)	(72)	–	–	(67)	(5)	–	(5)	–	(411)
Closing balance at 31 December 2014		**131,217**	**131,217**	**98,021**	**(13,164)**	**44,911**	**1,449**	**406**	**960**	**83**	**–**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2015 Company	Equity, total $'000	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserves, total $'000	Employee share option reserve $'000	Fair value adjustment reserve $'000
Opening balance at 1 January 2015	**94,881**	**98,021**	**(13,164)**	**9,535**	**489**	**83**	**406**
Loss for the year	(474)	–	–	(474)	–	–	–
Other comprehensive loss for the year, net of tax							
Realisation of fair value gain upon disposal of available-for-sale financial assets	(167)	–	–	–	(167)	–	(167)
Net loss on fair value changes of available-for-sale financial assets	(239)	–	–	–	(239)	–	(239)
Total comprehensive loss for the year	**(880)**	**–**	**–**	**(474)**	**(406)**	**–**	**(406)**
Contributions by and distributions to owners							
Share option expense accrued	29	–	–	–	29	29	–
Expiry of employee share options	–	–	–	37	(37)	(37)	–
Total transactions with owners in their capacity as owners	**29**	**–**	**–**	**37**	**(8)**	**(8)**	**–**
Closing balance at 31 December 2015	**94,030**	**98,021**	**(13,164)**	**9,098**	**75**	**75**	**–**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2014 Company	Note	Equity, total $'000	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserves, total $'000	Employee share option reserve $'000	Fair value adjustment reserve $'000
Opening balance at 1 January 2014		**98,788**	**98,021**	**(13,164)**	**10,652**	**3,279**	**204**	**3,075**
Profit for the year		958	–	–	958	–	–	–
Other comprehensive loss for the year, net of tax								
Realisation of fair value gain upon disposal of available-for-sale financial assets		(1,360)	–	–	–	(1,360)	–	(1,360)
Net loss on fair value changes of available-for-sale financial assets		(1,309)	–	–	–	(1,309)	–	(1,309)
Total comprehensive loss for the year		(1,711)	–	–	958	(2,669)	–	(2,669)
Contributions by and distributions to owners								
Share option expense accrued		43	–	–	–	43	43	–
Expiry of employee share options		–	–	–	164	(164)	(164)	–
Dividends on ordinary shares	38	(2,239)	–	–	(2,239)	–	–	–
Total transactions with owners in their capacity as owners		**(2,196)**	**–**	**–**	**(2,075)**	**(121)**	**(121)**	**–**
Closing balance at 31 December 2014		**94,881**	**98,021**	**(13,164)**	**9,535**	**489**	**83**	**406**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Loss before tax		**(15,260)**	(28,647)
Adjustments for:			
Depreciation of property, plant and equipment		**8,925**	11,894
Amortisation of intangible assets		**459**	486
Amortisation of prepaid land lease payments		**93**	87
Gain on disposal of property, plant and equipment and intangible assets		**(1,515)**	(388)
Net (gain)/loss on derivatives		**(29)**	5
Share option expense		**29**	43
Fair value gain on other investments		**(452)**	(288)
Gain on disposal of other investments		**(232)**	(1,500)
Gain on disposal of assets of disposal group classified as held for sale		**–**	(107)
Fair value gain on investment property		**(1,651)**	(863)
Impairment loss on property, plant and equipment		**4,956**	16,729
Allowance for doubtful debts		**1,410**	306
Share of results of joint venture		**168**	–
Provision for long service payment, indemnity and restructuring		**185**	796
Interest expense		**186**	257
Interest income		**(278)**	(384)
Dividend income from other investments		**(373)**	(1,126)
Allowance for slow-moving inventories		**1,572**	339
Effect of exchange rate changes		**1,273**	1,523
Operating cash flows before changes in working capital		**(534)**	(838)
Increase in trade and other receivables		**(3,290)**	(2,359)
Decrease in inventories		**1,335**	3,460
(Increase)/decrease in prepayment		**(88)**	811
Increase/(decrease) in trade and other payables		**398**	(2,668)
Decrease in provision		**(37)**	(1,577)
Decrease in trust receipts		**(3,939)**	(1,209)
Cash flows used in operations		**(6,155)**	(4,380)
Interest paid		**(186)**	(257)
Interest received		**284**	367
Taxes paid		**(441)**	(510)
Net cash flows used in operating activities		**(6,498)**	(4,780)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 $'000	2014 $'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,321)**	(3,134)
Proceeds from sale of property, plant and equipment		**3,750**	599
Purchase of other investments		**(10,405)**	(16,640)
Proceeds from sale of assets of disposal group classified as held for sale		**–**	3,766
Deposit refund/(paid) for property, plant and equipment		**902**	(506)
Additions to intangible assets		**(52)**	(37)
Proceeds from sales of intangible assets		**141**	–
Proceeds from sales of other investments		**20,857**	17,770
Dividend from other investments		**373**	1,126
Investment in joint venture		**(1,589)**	–
Receipt from loan to associates		**–**	958
Acquisition of non-controlling interest		**–**	(483)
(Increase)/decrease in bank balance under portfolio investment management		**(227)**	777
Decrease in pledged time deposits		**976**	166
Decrease/(increase) in restricted cash		**915**	(44)
Effect of exchange rate changes		**(2,774)**	(1,265)
Net cash generated from investing activities		**9,546**	3,053
Cash flows from financing activities			
Dividends paid on ordinary shares by the Company		**–**	(2,239)
Repayment of loans and borrowings		**–**	(1,631)
(Decrease)/increase in short term financing		**(120)**	3,050
Effect of exchange rate changes		**(36)**	129
Net cash used in financing activities		**(156)**	(691)
Net increase/(decrease) in cash and cash equivalents		**2,892**	(2,418)
Effect of exchange rate changes on cash and cash equivalents		**329**	170
Cash and cash equivalents at beginning of year		**19,562**	21,810
Cash and cash equivalents at end of year	25	**22,783**	19,562

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

1. CORPORATE INFORMATION

InnoTek Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 390 Orchard Road, #14-01 Palais Renaissance, Singapore 238871.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are those of manufacturing and sale of precision metal stamping components, tooling and die-making, sub-assembly of stamped components, frame components and investment holding. There has been no significant change in the nature of these activities during the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except for investment properties, financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets that have been measured at their fair values.

The financial statements are presented in Singapore Dollars ($) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The Group and the Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 16 and FRS 41 *Agriculture – Bearer Plants*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 111 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
(d) Amendments to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017

Except for FRS 115 and FRS 109, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(b) *Business combinations*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The Group has not recorded any goodwill from the business combination. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into Singapore Dollars at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measure at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.20. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold buildings	–	10 to 25 years
Machinery and equipment	–	5 to 10 years
Tools and dies	–	1 to 5 years
Furniture, fittings and office equipment	–	3 to 10 years
Motor vehicles	–	5 years
Leasehold improvements	–	5 to 20 years

Assets under construction-in-progress are not depreciated as these assets are not yet available for use.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arises on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties

Investment properties are properties that are either owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.9 Prepaid land lease payment

Prepaid land lease payments under operating leases are initially stated at cost and subsequently measured at cost less accumulated amortisation. The prepaid land lease payments are amortised on the straight-line basis over the lease terms of 43 to 45 years.

2.10 Intangible assets

(a) Computer software

Computer software acquired separately is an intangible asset and is measured on initial recognition at cost. Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 years. Computer software with finite lives is assessed for impairment whenever there is an indication that the computer software may be impaired. The amortisation period and the amortisation method for computer software with a finite useful life are reviewed at least at each financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (Continued)

(b) *Club memberships*

Club membership is stated at cost and less impairment losses. The club membership has indefinite useful life and assessment for impairment is performed annually or more frequently if the events and circumstances indicate the carrying value may be impaired either individually or at the cash-generating unit level.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.13 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The joint arrangement is identified as joint venture. The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.14.

2.14 Associates and joint ventures

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Associates and joint ventures (Continued)

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from associates or joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

There is no financial asset designated as held to maturity investment.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences. Interest income and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

(a) *Financial assets* (Continued)

Subsequent measurement (Continued)

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

(a) *Financial assets* (Continued)

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

(b) Financial liabilities (Continued)

Subsequent measurement (Continued)

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.16 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets (Continued)

(a) *Financial assets carried at amortised cost* (Continued)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets (Continued)

(b) Available-for-sale financial assets (Continued)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials: purchase costs on a first-in first-out basis.

– Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

(a) *General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(b) *Restructuring provision*

Restructuring provisions are only recognised when general recognition criteria for provisions are fulfilled. Additionally, the Group needs to follow a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate time-line. The people affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. The Group has not identified any qualifying asset during the year. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (Continued)

(a) *Defined contribution plans* (Continued)

The Group's subsidiaries participate in a defined contribution Mandatory Provident Fund retirement benefits scheme ("the "MPF Scheme") in Hong Kong, a defined contribution pension scheme, under the Mandatory Provident Fund Schemes Ordinance for those employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become liable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China ("PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become liable in accordance with the rules of the central pension scheme.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

(c) *Termination benefit*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefits is recognised at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefits, short-term employee benefits, or other long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (Continued)

(d) Employee share option plans

Employees (including senior executives) of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in the profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share options.

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (Continued)

(a) *As lessee*

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue (Continued)

(b) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

2.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(b) *Deferred tax* (Continued)

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax are recognised in the profit or loss except that deferred tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(c) Sales tax

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.27 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Contingencies

A contingent liability is:

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

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

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

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

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.29 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as in income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Related parties

A related party is defined as follows:

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

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

(ii) has significant influence over the Company; or

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

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

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

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

(iii) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Key sources of estimates uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below.

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a loan or receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 21 to the financial statements.

(b) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment. These estimates are based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. They could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where residual values or useful lives are less than previously estimated, or it will write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could results in a change in depreciable lives and therefore depreciation in the future periods. The carrying amount of the Group's and the Company's property, plant and equipment as at 31 December 2015 is stated in Note 13 to the financial statements. A 1% difference in the expected useful life of property, plant and equipment from management's estimates would result in approximately $89,000 (2014: $119,000) variance in the Group's loss before tax.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Key sources of estimates uncertainty (Continued)

(c) *Employee share options*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 30.

(d) *Fair value of investment property*

Investment property is carried in the consolidated statement of financial position at its fair value. The fair value was based on a valuation on the property conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment property, and the corresponding adjustments to the gain or loss recognised in the profit or loss. The carrying amount of the investment property as at 31 December 2015 was $18,243,000 (2014: $16,260,000).

Further details including the key assumptions used for fair value measurement and a sensitivity analysis are given in Note 34 to the financial statements.

(e) *Impairment of property, plant and equipment*

The carrying amounts of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in Note 2.11 to the financial statements. The recoverable amount of an item of property, plant and equipment is the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

The carrying amount of the property, plant and equipment as at 31 December 2015 is $42,259,000 (2014: $52,399,000).

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Judgment made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property. The carrying amount of the Group's investment property as at 31 December 2015 is stated in Note 14 to the financial statements.

(b) *Impairment of available-for-sale financial assets*

The Group records impairment loss on available-for-sale investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of "significant" or "prolonged" requires judgment. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. No impairment loss was recognised for available-for-sale financial assets for the year ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Judgment made in applying accounting policies (Continued)

(c) *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on expected revenues from existing orders and contracts for the next 5 years.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses. The carrying value of recognised tax losses at 31 December 2015 was $1,764,000 (2014: $1,647,000) and the unrecognised tax losses and capital allowances at 31 December 2015 was $44,720,000 (2014: $36,579,000). If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $10,921,000 (2014: $8,945,000).

(d) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's tax payable, deferred tax assets and deferred tax liabilities as at 31 December 2015 were $2,042,000 (2014: $1,890,000), $3,559,000 (2014: $3,306,000) and $2,259,000 (2014: $1,710,000) respectively. The carrying amounts of the Company's tax payable and deferred tax liabilities as at 31 December 2015 were $10,000 (2014: $51,000) and $241,000 (2014: $137,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

4. GROUP COMPANIES

The subsidiary companies and joint venture as at 31 December 2015 are:

Name of company	Country of incorporation	Principal activities	Cost of investments by the Company 2015 $'000	Cost of investments by the Company 2014 $'000	Effective interest held by the Group 2015 %	Effective interest held by the Group 2014 %
(a) Subsidiary companies						
Directly held by the Company						
Mansfield Manufacturing Company Limited ("Mansfield") (1)	Hong Kong	Metal stamping and sub-assembly of stamped components, tooling and die making	**47,061**	47,061	**100.00**	100.00
			47,061	47,061		
Indirectly held through subsidiary companies						
Mansfield						
Go Smart Development Limited (1)	Hong Kong	Trading of electrical appliances	**#**	#	**100.00**	100.00
Lens Tool & Die (H.K.) Limited (1)	Hong Kong	Investment holding	**#**	#	**100.00**	100.00
Magix Mechatronics Company Limited (1)	Hong Kong	Sale of assembly components	**#**	#	**100.00**	100.00 (i)
Feng Chuan Tooling Company Limited (1)	Hong Kong	Sale of precision tools and dies	**#**	#	**100.00**	100.00
Feng Chuan Tooling (Dongguan) Company Limited (2)	People's Republic of China	Manufacturing of precision tools and dies	**#**	#	**100.00**	100.00
Mansfield (Suzhou) Manufacturing Company Limited (2)	People's Republic of China	Metal stamping, tooling and die making	**#**	#	**100.00**	100.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. GROUP COMPANIES (CONTINUED)

Name of company	Country of incorporation	Principal activities	Cost of investments by the Company 2015 $'000	Cost of investments by the Company 2014 $'000	Effective interest held by the Group 2015 %	Effective interest held by the Group 2014 %
(a) Subsidiary companies (Continued)						
Indirectly held through subsidiary companies (Continued)						
Magix Mechatronics (Dongguan) Company Limited [(2)]	People's Republic of China	Assembly of components	**#**	#	**100.00**	100.00 (i)
Magix Industrial Company Limited [(1)]	Hong Kong	Dormant	**#**	#	**100.00**	100.00 (i)
Sun Mansfield Manufacturing (Dongguan) Company Limited [(2)]	People's Republic of China	Metal stamping, tooling and die making	**#**	#	**100.00**	100.00
Mansfield Manufacturing (Wuhan) Company Limited [(2)]	People's Republic of China	Metal stamping	**#**	#	**100.00**	100.00
Mansfield Technology (Taiwan) Company Limited [(3)]	Taiwan	Sale of stamped components, precision tools and dies	**#**	#	**100.00**	100.00 (ii)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. GROUP COMPANIES (CONTINUED)

Name of company	Country of incorporation	Principal activities	Cost of investments by the Company 2015 $'000	Cost of investments by the Company 2014 $'000	Effective interest held by the Group 2015 %	Effective interest held by the Group 2014 %
(b) Joint venture						
Indirectly held through subsidiary companies						
Anhui KM Technology Co. Ltd (3)	People's Republic of China	Research and development, manufacturing and sale of precision metal parts, hardware fittings and metal assembly	**#**	#	**49.00**	49.00 (iii)

1 Audited by member firms of Ernst & Young Global in the respective countries
2 Audited by member firms of Ernst & Young Global (for Group reporting purpose)
3 Not required to be audited by the law of its country of incorporation
\# Cost of investment in the sub-subsidiaries of the Group are reflected in the financial statements of their respective holding companies

(i) In September 2014, the minority shareholder of Magix Mechatronics Company Limited ("MGX") disposed its 3 million shares at a consideration of $483,000 (HK$3 million) to the Group. As a result, the Group's effective interest in MGX further increased by 1.76% to 100%, making MGX a wholly-owned subsidiary of the Group. On the date of acquisition, the book value of the additional interest acquired was $411,000. The difference between the consideration and the book value of the interest acquired of $72,000 was reflected in the equity as loss on acquisition of non-controlling interests.

(ii) In October 2014, Mansfield Technology (Taiwan) Company Limited ("Mansfield Taiwan") was incorporated and became a wholly-owned subsidiary of Mansfield. Mansfield Taiwan is a limited company with shareholder's capital contribution of NTD1,500,000. The new subsidiary was set up in Taiwan to provide sales, technical support and services to major Taiwanese customers of Mansfield.

(iii) In December 2014, Anhui KM Technology Co. Ltd was incorporated and the Group has a 49% interest in the ownership and voting rights in the joint venture, held through a subsidiary. The Group jointly controls the venture with the other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities. As at 31 December 2015, the Group has injected capital of RMB7,350,000 into the joint venture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

5. REVENUE

Revenue of the Group represents the aggregate of net invoiced value of goods sold, after allowances for goods returned and trade discounts, and excludes intra-group transactions.

6. INTEREST INCOME

	Group	
	2015	**2014**
	$'000	**$'000**
Interest income from bonds and banks	**278**	384

7. OTHER INCOME

	Group	
	2015	**2014**
	$'000	**$'000**
Rental income	**1,311**	1,424
Sample recharge	**724**	445
Dividend income from other investments	**373**	1,126
Gain on disposal of property, plant and equipment and intangible assets	**1,515**	388
Fair value gain on other investments	**452**	288
Fair value gain on investment property	**1,651**	863
Net foreign exchange gain	**2,162**	306
Government grants*	**261**	104
Miscellaneous recharged to customer	**179**	445
Gain on disposal of other investments	**232**	1,500
Gain on disposal of assets of disposal group classified as held for sale	**–**	107
Others	**377**	173
	9,237	7,169

* Government grants represent the incentive subsidies received from the People's Republic of China ("PRC") local district authorities for the business activities carried out by the Group in the district. There are no specific conditions attached to the grant.

8. FINANCE COSTS

	Group	
	2015	**2014**
	$'000	**$'000**
Interest expense		
– Bank loans and borrowings	**186**	257

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

9. OTHER EXPENSES

The following items have been included in arriving at other expenses:

	Group	
	2015	**2014**
	$'000	**$'000**
Impairment loss on property, plant and equipment	**4,956**	16,729
Net loss on derivatives	**–**	5
Allowance for doubtful debts	**1,410**	306
Others	**–**	12
	6,366	17,052

10. LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

	Group	
	2015	**2014**
	$'000	**$'000**
Audit fees:		
– Auditors of the Company	**85**	75
– Other auditors	**323**	317
Non-audit fees:		
– Auditors of the Company	**16**	47
– Other auditors	**57**	71
Inventories recognised as an expense in cost of sales	**102,102**	107,050
Depreciation of property, plant and equipment	**8,925**	11,894
Amortisation of intangible assets	**459**	486
Amortisation of prepaid land lease payments	**93**	87
Employee benefit expense:		
(excluding directors' remuneration – Note 31(b))		
Wages and salaries	**62,453**	56,130
Pension scheme contributions	**4,976**	6,459
Provision/(write-back) for long service payment	**167**	(71)
Restructuring expenses	**33**	833
Share option expense	**29**	43
Allowance for inventory obsolescence	**1,572**	339

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December are:

	Group	
	2015	**2014**
	$'000	**$'000**
Current		
Singapore	**50**	51
Foreign	**502**	1,911
Under provision for current income tax in respect of previous years	**2**	28
	554	1,990
Deferred		
Origination and reversal of temporary differences	**479**	(2,371)
Income tax expense/(credit) recognised in the profit or loss	**1,033**	(381)

Relationship between tax expense and accounting profit

A reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate for the years ended 31 December 2015 and 31 December 2014 are as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Accounting loss before tax	**(15,260)**	(28,647)
Tax recoverables at the domestic rates applicable to profits in the countries where the Group operates	**(2,917)**	(7,548)
Adjustments:		
Income not subject to taxation	**(308)**	(297)
Non-deductible expenses	**3,207**	5,405
Tax losses not recognised	**1,078**	2,631
Under provision of tax in prior years	**2**	28
Others	**(29)**	(600)
Tax expense/(credit) recognised in the profit or loss	**1,033**	(381)

The above reconciliation is prepared by aggregating separate reconciliations of each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

11. INCOME TAX EXPENSE (CONTINUED)

Relationship between tax expense and accounting profit (Continued)

The corporate income tax rate applicable to the Company was 17% for the years of assessment 2016 and 2015.

For the companies operating in PRC, corporate taxes have been calculated on the estimated assessable profits for the year at the rate of 25% (2014: 25%).

12. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing net loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the profit and loss data used in the computation of the basic and diluted earnings per share for the years ended 31 December:

	Group	
	2015	**2014**
	$'000	**$'000**
Loss attributable to owners of the Company	**16,293**	28,228
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share ('000) *	**223,835**	223,835

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

Since the end of the year, no employees have exercised the option to acquire any ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

As at 31 December 2015, 1,510,000 (2014: 3,590,000) of share options outstanding under the existing employee share option schemes have not been included in the calculation of diluted loss/earnings per share because they are anti-dilutive for the financial year presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings $'000	Machinery and equipment $'000	Furniture fittings, and office equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Construction in-progress $'000	Total $'000
Cost							
At 1 January 2014	29,539	115,620	9,406	824	34,662	938	190,989
Additions	–	2,128	63	–	868	75	3,134
Reclassification	(14)	729	(269)	–	4	(777)	(327)*
Disposals and write-off	–	(1,267)	(1,813)	(205)	(240)	–	(3,525)
Exchange differences	595	3,599	269	21	742	13	5,239
At 31 December 2014 and 1 January 2015	30,120	120,809	7,656	640	36,036	249	195,510
Additions	–	855	123	–	747	1,596	3,321
Reclassification	–	1,203	–	–	–	(1,203)	–
Disposals and write-off	–	(14,012)	(1,676)	(6)	(5,370)	–	(21,064)
Exchange differences	650	7,093	423	35	1,903	(12)	10,092
At 31 December 2015	30,770	115,948	6,526	669	33,316	630	187,859
Accumulated depreciation and impairment loss							
At 1 January 2014	3,582	74,411	8,469	486	27,187	–	114,135
Charge for the year	1,120	8,767	317	105	1,585	–	11,894
Impairment loss	2,849	12,195	155	–	1,306	224	16,729
Reclassification	–	–	(251)	–	–	–	(251)*
Disposals and write-off	–	(1,144)	(1,808)	(138)	(210)	–	(3,300)
Exchange differences	19	2,909	260	14	705	(3)	3,904
At 31 December 2014 and 1 January 2015	7,570	97,138	7,142	467	30,573	221	143,111
Charge for the year	1,081	6,256	252	91	1,245	–	8,925
Impairment loss	–	2,481	–	–	2,475	–	4,956
Disposals and write-off	–	(12,041)	(1,605)	(6)	(5,167)	–	(18,819)
Exchange differences	156	5,306	367	28	1,564	6	7,427
At 31 December 2015	8,807	99,140	6,156	580	30,690	227	145,600
Carrying amount							
At 31 December 2015	21,963	16,808	370	89	2,626	403	42,259
At 31 December 2014	22,550	23,671	514	173	5,463	28	52,399

* Cost and accumulated depreciation of $327,000 and $251,000 were reclassified to intangible assets (Note 16).

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold improvements S$'000	Computer $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Cost					
At 1 January 2014	70	56	57	205	388
Additions	–	1	–	–	1
Disposals and write off	(70)	(57)	(57)	(205)	(389)
At 31 December 2014 and 1 January 2015	–	–	–	–	–
Additions	20	–	9	–	29
At 31 December 2015	20	–	9	–	29
Accumulated depreciation					
At 1 January 2014	70	56	57	130	313
Charge for the year	–	1	–	11	12
Disposals and write off	(70)	(57)	(57)	(141)	(325)
At 31 December 2014 and 1 January 2015	–	–	–	–	–
Charge for the year	(6)	–	(3)	–	(9)
At 31 December 2015	(6)	–	(3)	–	(9)
Net book value					
At 31 December 2015	14	–	6	–	20
At 31 December 2014	–	–	–	–	–

Impairment of assets

During the year, the Group recorded impairment losses of $4,956,000 (2014: $16,729,000) to write-down underutilised plant and machineries and leasehold improvements (2014: plant and machineries and leasehold buildings) to the recoverable amount. The impairment loss was recognised in 'Other expenses' (Note 9) line item of the statement of comprehensive income for the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of assets (Continued)

The recoverable amount of the CGUs has been determined based on the higher of its fair value less costs of disposal and its value in use. The value in use calculation uses cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are as follows:

	Precision Components and Tooling segment		Precision Sub-assembly segment	
	2015	**2014**	**2015**	**2014**
Long-term growth rates	**3%**	3%	**3%**	3%
Pre-tax discount rates	**14.5%**	14%	**14.5%**	14%

Key assumptions used in the value in use calculation

The calculations of value in use for both the CGUs are most sensitive to the following assumptions:

Revenue – Revenue is based on historical sales performance and management's expectation of future sales for the CGUs.

Budgeted gross margins – Gross margins are based on current cost structure and these are adjusted over the budget period for anticipated efficiency improvements.

Long-term growth rates – The forecasted growth rates are based on historical performance and future plan for the CGUs.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

Sensitivity to changes in assumptions

With regards to the assessment of value in use, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumptions for the recoverable amount is discussed below:

Long-term growth rates – Management recognises that the speed of technological change and the possibility of new entrance can have a significant impact on growth rate assumptions. The effect of new entrance is not expected to have an adverse impact on the forecasts, but could yield a reasonably possible alternative to the estimated long-term growth rate of 3%. A reduction of 1% in the long-term growth rate would result in a further impairment of $1,181,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of assets (Continued)

Sensitivity to changes in assumptions (Continued)

Pre-tax discount rates – If the pre-tax discount rate increases by 0.5% from management's estimate, the Group's impairment loss will increase by $1,716,000.

14. INVESTMENT PROPERTY

	Group	
	2015	**2014**
	$'000	**$'000**
Balance sheet:		
At 1 January	**16,260**	15,319
Gain from fair value adjustments recognised in profit or loss	**1,651**	863
Exchange differences	**332**	78
At 31 December	**18,243**	16,260
Profit or loss:		
Rental income from investment property	**1,147**	1,041
Direct operating expenses (including repairs and maintenance) arising from rental generating property	**395**	372

The Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment property

The investment property is situated in the PRC and is held under a medium term lease.

The Group's investment property was revalued on 31 December 2015 by BMI Appraisals, independent professional qualified valuers, at $18.2 million (2014: $16.3 million) on an open market value basis using the depreciated replacement cost approach. Each year, directors of the Group appoint an external valuer to fair value the Group's investment property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date. The investment property is leased to third parties under operating leases.

As at the end of the reporting period, the Group has obtained the land use right certificate for the piece of land located in the PRC from the relevant government authorities.

Description and location	Existing Use	Tenure	Remaining lease term
Industrial complex located in Hedong Industrial Zone, Xiang Xin East Road, Yiantian Village, Fenggang Town, Dongguan City, Guangdong Province, The PRC	Factory	Leasehold	43 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2015	2014
	$'000	$'000
Cost		
At 1 January	**4,181**	4,314
Write-off	**–**	(222)
Exchange differences	**89**	89
At 31 December	**4,270**	4,181
Accumulated amortisation and impairment loss		
At 1 January	**444**	361
Amortisation for the year	**93**	87
Write-off	**–**	(14)
Exchange differences	**9**	10
At 31 December	**546**	444
Carrying amount at 31 December	**3,724**	3,737
Current portion included in prepayments (Note 22)	**(93)**	(92)
	3,631	3,645
Amount to be amortised:		
– Not later than one year	**93**	92
– Later than one year but not later than five years	**370**	363
– Later than five years	**3,261**	3,282
	3,724	3,737

The Group has 3 (2014: 3) separate plots of leasehold land in People's Republic of China (PRC). The leasehold land is transferable and has remaining tenures ranging from 41 to 43 (2014: 42 to 44) years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. INTANGIBLE ASSETS

Group	Club memberships $'000	Computer Software $'000	Total $'000
Cost			
Balance 1 January 2014	163	2,098	2,261
Addition	–	37	37
Disposal	(39)	–	(39)
Reclassified from property, plant and equipment (Note 13)	–	327	327
Exchange differences	5	75	80
At 31 December 2014 and 1 January 2015	129	2,537	2,666
Addition	–	52	52
Disposal	(129)	–	(129)
Exchange differences	–	104	104
At 31 December 2015	–	2,693	2,693
Accumulated amortisation and impairment loss			
Balance 1 January 2014	39	990	1,029
Charge for the year	–	486	486
Disposal	(39)	–	(39)
Reclassified from property, plant and equipment (Note 13)	–	251	251
Exchange differences	–	59	59
At 31 December 2014 and 1 January 2015	–	1,786	1,786
Charge for the year	–	459	459
Exchange differences	–	78	78
At 31 December 2015	–	2,323	2,323
Net book value			
At 31 December 2015	–	370	370
At 31 December 2014	129	751	880

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. INTANGIBLE ASSETS (CONTINUED)

Company	Club memberships $'000	Computer Software $'000	Total $'000
Cost			
At 1 January 2014	39	–	39
Disposal	(39)	–	(39)
At 31 December 2014 and 1 January 2015	–	–	–
Addition	–	27	27
At 31 December 2015	–	27	27
Accumulated amortisation and impairment loss			
At 1 January 2014	39	–	39
Disposal	(39)	–	(39)
At 31 December 2014 and 1 January 2015	–	–	–
Charge for the year	–	2	2
At 31 December 2015	–	2	2
Net book value			
At 31 December 2015	–	25	25
At 31 December 2014	–	–	–

17. INVESTMENT IN JOINT VENTURE

	Group 2015 $'000	Group 2014 $'000
Investment in joint venture	**1,092**	–

Please see Note 4 for details of the joint venture.

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with FRSs. Comparative figures are not material as this joint venture was incorporated in December 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

17. INVESTMENT IN JOINT VENTURE (CONTINUED)

	Group 2015 $'000
Anhui KM Technology Co. Ltd	
Current assets	**3,406**
Non-current assets	**1,088**
Current liabilities	**(1,566)**
Revenue	**142**
Loss for the year, representing total comprehensive income for the year	**343**

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint venture recognised in the consolidated financial statements:

	Group 2015 $'000
Net assets of the joint venture	**2,928**
Proportion of the Group's ownership interest in the joint venture	**49%**
	1,435
Other adjustments	**(343)**
Carrying amount of the Group's interest in the joint venture	**1,092**

18. OTHER INVESTMENTS

	Group and Company 2015 $'000	Group and Company 2014 $'000
Non-current		
Available-for-sale financial assets:		
Quoted shares at fair value:	**–**	5,873
Current		
Held for trading financial assets:		
Equity securities (quoted)	**8,037**	12,940
Bonds and fixed income (quoted)	**7,069**	6,472
	15,106	19,412

NOTES TO THE FINANCIAL STATEMENTS

18. OTHER INVESTMENTS (CONTINUED)

Held for trading financial assets

The above investments are quoted equity securities and bonds and their fair values are determined using the last transacted bid prices on the stock exchange or in active markets of the financial year. Held for trading investments denominated in foreign currency as 31 December are as follows:

	2015 $'000	2014 $'000
United States Dollar	**5,527**	7,150
Euro	**1,188**	2,378
Japanese Yen	**698**	749

No impairment loss was recognised during the year ended 31 December 2015 and 2014. The Group has recognised gain on disposal of available-for-sale financial assets of $107,000 (2014: $1,252,000) and gain on disposal of held for trading financial assets of $125,000 (2014: $248,000) during the year.

19. DEFERRED TAX

Net deferred tax assets recognised in the consolidated statement of financial position are as follows:

Group

	2015 $'000	2014 $'000
Deferred tax assets	**3,559**	3,306
Deferred tax liabilities	**(2,259)**	(1,710)
	1,300	1,596

NOTES TO THE FINANCIAL STATEMENTS

19. DEFERRED TAX (CONTINUED)

The movements in deferred tax assets and liabilities during the year are as follows:

	Deferred tax assets			
	Loss available for offsetting against future taxable profits $'000	Provisions for various expenses $'000	Depreciation in excess of related depreciation allowance $'000	Total $'000
At 1 January 2014	388	198	329	915
Deferred tax credited to the income statement during the year (Note 11)	1,376	987	240	2,603
Exchange realignment	(117)	(87)	(8)	(212)
At 31 December 2014 and 1 January 2015	1,647	1,098	561	3,306
Deferred tax credited to the income statement during the year (Note 11)	–	22	19	41
Exchange realignment	117	62	33	212
At 31 December 2015	1,764	1,182	613	3,559

	Deferred tax liabilities			
	Foreign income not remitted $'000	Depreciation allowance in excess of related depreciation $'000	Fair value adjustment arising from the investment property $'000	Total $'000
At 1 January 2014	(50)	(185)	(1,196)	(1,431)
Deferred tax credited/(charged) to the income statement during the year (Note 11)	(87)	95	(240)	(232)
Exchange realignment	–	(17)	(30)	(47)
At 31 December 2014 and 1 January 2015	(137)	(107)	(1,466)	(1,710)
Deferred tax credited/(charged) to the income statement during the year (Note 11)	(104)	–	(416)	(520)
Exchange realignment	–	(7)	(22)	(29)
At 31 December 2015	(241)	(114)	(1,904)	(2,259)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

19. DEFERRED TAX (CONTINUED)

Company

Deferred tax liabilities	Foreign income not remitted	
	2015	**2014**
	$'000	**$'000**
At 31 December	**241**	137

Unrecognised temporary differences relating to investment in subsidiaries

At 31 December 2015 and 31 December 2014, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the subsidiary of the Group.

Unrecognised tax losses

As at 31 December 2015, the Group had unutilised tax losses and unutilised capital allowances of approximately $3,046,000 and $41,674,000 (2014: $2,347,000 and $34,232,000) arising from the Hong Kong subsidiaries and PRC subsidiaries respectively, which are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement with the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the Group operates. Tax loss arising from the PRC subsidiaries will expire in one to five years for offsetting against future taxable profits.

20. INVENTORIES

	Group	
	2015	**2014**
	$'000	**$'000**
Finished goods	**11,302**	12,068
Work-in-progress	**6,474**	6,350
Raw materials	**3,788**	6,079
Total inventories at lower of cost and net realisable value	**21,564**	24,497

During the year, the Group made an allowance for slow-moving inventories of $1,572,000 (2014: $339,000).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Trade and other receivables (current):				
Trade receivables	**65,514**	63,427	**–**	–
Amount due from subsidiary	**–**	–	**2,352**	1,780
Other debtors	**1,240**	1,659	**12**	10
Deposits	**1,459**	1,277	**26**	67
	68,213	66,363	**2,390**	1,857
Loan to subsidiary (Note 23)	**–**	–	**24,141**	19,390
	68,213	66,363	**26,531**	21,247
Other receivables (non-current):				
Deposits	**1,684**	1,677	**–**	–
Total trade and other receivables (current and non-current)	**69,897**	68,040	**26,531**	21,247
Add: Cash and bank balances (Note 25)	**25,180**	24,336	**6,242**	2,023
Less: Statutory tax recoverables	**–**	(564)	**–**	–
Total loans and receivables	**95,077**	91,812	**32,773**	23,270

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days' terms. They are recognised at their original invoice amounts which represents their fair values on initial recognition.

Trade receivables denominated in foreign currency as at 31 December 2015 and 31 December 2014 are as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
United States Dollar	**23,770**	25,736
Renminbi	**38,168**	33,354

The Group does not hold any collateral or other credit enhancements over these balances.

As at 31 December 2014 and 2015, outstanding trade receivables endorsed to banks as factoring loans with recourse obligation were $6,827,000 and $6,618,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Amount due from subsidiary

The above balances are unsecured, non-interest bearing, and are repayable on demand. The amounts will be settled in cash.

Allowance for doubtful trade receivables

For the year ended 31 December 2015, an allowance of doubtful debts of $1,410,000 (2014: $306,000) was recognised in the profit or loss subsequent to a debt recovery assessment performed on trade receivables as at year end.

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts are as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Movement in allowance accounts:		
At 1 January	**(507)**	(358)
Charge for the year	**(1,410)**	(306)
Bad debt written off against provision	**336**	163
Exchange differences	**(22)**	(6)
At 31 December	**(1,603)**	(507)

The above represents a provision for individually impaired trade receivables whose carrying values aggregate $1,603,000 (2014: $507,000) as at year end. The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are not expected to be recovered.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $6,249,000 (2014: $11,049,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Trade receivables past due:		
Less than 30 days	**2,930**	4,346
30 to 60 days	**1,221**	2,405
61 to 90 days	**439**	940
91 to 120 days	**97**	1,080
More than 120 days	**1,562**	2,278
	6,249	11,049

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

22. PREPAYMENTS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Current:				
Prepaid land lease payments (Note 15)	**93**	92	**–**	–
Other prepayments	**697**	610	**56**	43
	790	702	**56**	43

23. LOANS TO SUBSIDIARY

Loans to subsidiary disbursed by the Company are unsecured, repayable on demand and are to be settled in cash. Interest bearing loans bear interest ranging from 2.23% to 2.94% (2014: 2.00% to 2.52%) per annum.

24. DERIVATIVES

	Group and Company 2015 $'000		
	Contract/ Notional Amount	Assets	Liabilities
Forward currency contracts	5,030	19	(26)
Total derivatives		19	(26)
Add: Held for trading investments (Note 18)		15,106	–
Total financial assets/(liabilities) at fair value through profit or loss		15,125	(26)

	Group and Company 2014 $'000		
	Contract/ Notional Amount	Assets	Liabilities
Forward currency contracts	10,407	40	(76)
Total derivatives		40	(76)
Add: Held for trading investments (Note 18)		19,412	–
Total financial assets/(liabilities) at fair value through profit or loss		19,452	(76)

Forward currency contracts are used to hedge foreign currency risk arising from the Group's investment in equity securities and denominated in USD, Euro and Japanese Yen.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

25. CASH AND BANK BALANCES

Cash and bank balances as at 31 December were as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**19,084**	20,275	**1,454**	1,162
Bank balance under portfolio investment management	**1,089**	861	**1,089**	861
Short term deposits	**5,007**	3,200	**3,699**	–
	25,180	24,336	**6,242**	2,023
Bank balance under portfolio investment management	**(1,089)**	(861)	**(1,089)**	(861)
Pledged fixed deposit and restricted cash	**(1,308)**	(3,200)	**–**	–
Net cash and bank balance	**22,783**	20,275	**5,153**	1,162
Bank overdrafts (Note 27)	**–**	(713)	**–**	–
Cash and cash equivalents	**22,783**	19,562	**5,153**	1,162

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate of short term deposits is 2.4% (2014: 5.2%) per annum.

Bank balance under investment portfolio account is used for investment activities.

Cash and short-term deposits denominated in foreign currency at 31 December are as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
United States dollar	**12,356**	9,755	**3,730**	42

Bank overdrafts are included in the determination of cash and cash equivalents because they form an integral part of the Group's cash management.

As at 31 December 2014, bank overdrafts are repayable on demand and have a weighted average effective interest rate of 11.1% per annum.

NOTES TO THE FINANCIAL STATEMENTS

26. PROVISIONS

	Group			
	Provision for long service payment $'000	**Provision for indemnity $'000**	**Provision for restructuring $'000**	**Total S$'000**
At 1 January 2014	884	75	690	1,649
(Reversed)/arose during the year	(70)	38	828	796
Utilised during the year	(100)	–	(1,477)	(1,577)
Exchange differences	(30)	4	(4)	(30)
At 31 December 2014 and 1 January 2015	684	117	37	838
Arose during the year	66	–	119	185
Utilised during the year	(37)	–	–	(37)
Exchange differences	13	9	–	22
At 31 December 2015	726	126	156	1,008
At 31 December 2014				
Current	75	117	37	229
Non-current	609	–	–	609
	684	117	37	838
At 31 December 2015				
Current	36	126	156	318
Non-current	690	–	–	690
	726	126	156	1,008

In December 2009, the Group introduced a long service payment plan ("LSP") in certain of its subsidiaries. The amount of the provisions for LSP is estimated based on the resignation rates of staff in different grades. The estimation basis is reviewed on an ongoing basis and revised where appropriate. The Group has ceased the scheme for new employee joining from 1 October 2011 onwards. The provision for LSP is for existing employees who joined prior to 1 October 2011.

The Group has made a provision of indemnity for exposure of certain inventories and receivable of major customer under Option Agreement upon disposal of Exerion group on 20 February 2013. As at 31 December 2014, the Group re-assessed the exposure related to the provision of indemnity and made an additional provision of $38,000 accordingly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

27. LOANS AND BORROWINGS

	Group					
	Weighted average effective interest rate (p.a.)	Maturity	2015 $'000	Weighted average effective interest rate (p.a.)	Maturity	2014 $'000
Current:						
Factoring loans	2.67% -2.73%	2016	**5,288**	2.63% – 3.13%	2015	5,444
Trust receipts			**–**	HIBOR + 1.75%/ LIBOR + 1.75%	2015	3,938
Bank overdrafts (Note 25)			**–**	HK prime rate + 0.5	On demand	713
Total loans and borrowings			**5,288**			10,095

Bank overdrafts and trust receipts

As at 31 December 2014, the bank overdrafts and trust receipts utilised were secured by corporate guarantees of approximately $8,515,000 from the Company and its subsidiaries (Note 33(b)).

As at 31 December 2014, the Group breached a covenant of a bank's facilities. The Group did not fulfil the requirement to maintain a "Consolidated Tangible Net Worth" of HK$598.0 million at all times. The bank is entitled to suspend, withdraw or make demand for payment of the whole or part of the bank facilities. In August 2015, the Group made full settlement of the bank overdrafts and trust receipts with the bank. The bank facilities had been cancelled following this settlement. The Group has sufficient cash to support the Group's operation in the absence of this banking facilities.

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade and other payables:				
Trade payables	**51,615**	49,364	**–**	–
Other payables	**5,435**	8,885	**–**	–
Accrued operating expenses	**16,544**	15,111	**753**	554
Advance payment from customers	**1,464**	1,301	**–**	–
Total trade and other payables	**75,058**	74,661	**753**	554
Add: Loans and borrowings (Note 27)	**5,288**	10,095	**–**	–
Less: Advance payment from customers	**(1,464)**	(1,301)	**–**	–
Less: Accrued employee benefits and statutory tax payables	**(12,388)**	(12,174)	**(432)**	(221)
Total financial liabilities carried at amortised cost	**66,494**	71,281	**321**	333

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. TRADE AND OTHER PAYABLES (CONTINUED)

Trade payables and other payables

These amounts are non-interest bearing and are normally settled on 30 to 120 day terms.

Trade payables and other payables denominated in foreign currency as at 31 December 2015 and 31 December 2014 is as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
United States Dollar	**10,425**	12,265
Renminbi	**42,770**	40,218

29. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2015		**2014**	
	No. of shares '000	**$'000**	**No. of shares '000**	**$'000**
Issued and fully paid:				
At 1 January and 31 December	**246,656**	**98,021**	246,656	98,021

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

The Group has an employee share option plan (Note 30) under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

(b) Treasury shares

	Group and Company			
	2015		**2014**	
	No. of shares '000	**$'000**	**No. of shares '000**	**$'000**
Issued and fully paid:				
At 1 January and 31 December	**22,821**	**13,164**	22,821	13,164

Treasury shares relate to ordinary shares of the Company that is held by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. EMPLOYEE SHARE OPTION PLAN

(a) InnoTek Employees' Share Option Plan

The InnoTek Employees' Share Option Plan (the "Plan") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 18 September 2000. The principal terms of the Plan were set out in the Circular to Shareholders dated 2 September 2000. The plan expired in 2006 and was succeeded by InnoTek Employees' Share Option Scheme II.

(b) InnoTek Employees' Share Option Scheme II (the "Scheme II") was approved by shareholders at the Annual General Meeting on 30 April 2008. Scheme II expired on 9 March 2014 and options granted under the Scheme II remain exercisable until the end of the relevant Option Period.

(c) InnoTek Employees' Share Option Scheme 2014 ("Scheme 2014") was approved by shareholders at the Extraordinary General Meeting on 28 April 2014. Scheme 2014 succeeded Scheme II which expired in 2014.

All employees' share option plans are administered by the Remuneration Committee which approves the dates of grant after the announcement of the half year and full year results of the Group. The bulk of the options allocated for grant each year are given out after announcement of the full year results. The second grant in the year is mainly given to eligible employees who join the Group during the year and who were left out in the earlier grant.

The unissued ordinary shares of the Company under the plans as at 31 December 2015 can be found under the Section "Options" of the Directors' Statement.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2015		**2014**	
	No.	**WAEP($)**	**No.**	**WAEP($)**
Outstanding at beginning of year	**3,590,000**	**0.28**	6,171,000	0.29
– Granted	**–**	**–**	1,000,000	0.27
– Forfeited	**(2,080,000)**	**0.28**	(3,410,000)	0.28
– Expired	**–**	**–**	(171,000)	0.69
Outstanding at end of year [(1)]	**1,510,000**	**0.28**	3,590,000	0.28
Exercisable at end of year	**–**	**–**	–	–

(1) The exercise price for options outstanding at the end of the year was $0.28 (2014: range of $0.27 and $0.28). The weighted average remaining contractual life for the options is 2.5 years (2014: 4.5 years).

NOTES TO THE FINANCIAL STATEMENTS

30. EMPLOYEE SHARE OPTION PLAN (CONTINUED)

Fair value of share options granted

The fair value of the share options granted under the Scheme II and Scheme 2014 is estimated at the grant date using the Trinomial Option Pricing Model, taking into account the terms and conditions upon which the share options were granted.

The following tables list the inputs to the option pricing models for Scheme II and Scheme 2014.

Scheme 2014	
Dividend yield ($/year)	0.01
Expected volatility (%)	55
Risk-free rate (% p.a)	0.39
Expected life of option (years)	1.08
Share price ($)	0.27
Fair value of grant ($)	0.0551

Scheme II	
Dividend yield ($/year)	0.01
Expected volatility (%)	40
Risk-free rate (% p.a)	0.32
Expected life of option (years)	2.25
Share price ($)	0.28
Fair value of grant ($)	0.0576

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

31. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties:

(a) Sales and purchases of goods, services and property

	Group	
	2015	**2014**
	$'000	**$'000**
Sales of goods to joint venture and related party	**466**	–
Sales of plant and equipment to joint venture	**789**	–
Purchase of goods from related party	**(9)**	–
Provision of services	**–**	(42)

(b) Compensation of key management personnel

	Group	
	2015	**2014**
	$'000	**$'000**
Directors' fees	**375**	202
Short-term employee benefits	**2,195**	2,315
Central provident fund contributions	**60**	81
Total compensation paid to key management personnel	**2,630**	2,598
Comprise amounts paid to:		
– Directors of the Company	**644**	1,021
– Other key management personnel	**1,986**	1,577
	2,630	2,598

The remuneration of key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends.

Interest of key management personnel in employee share option plan

In 2014, 1,000,000 share options were granted to the key management personnel under the InnoTek Employees' Share Option Scheme 2014 (the "Scheme 2014") at a price of $0.27 each, exercisable between 1 December 2015 and 1 December 2019.

At the end of the reporting period, the total number of outstanding share options granted by the Company to key management personnel amount to 780,000 (2014: 2,280,000).

NOTES TO THE FINANCIAL STATEMENTS

32. DIRECTORS' REMUNERATION

Number of directors in remuneration bands:

	2015	2014
$250,000 to $499,999	**1**	2
Below $250,000	**6**	3
	7	5

33. COMMITMENTS AND CONTINGENCIES

(a) Capital expenditure not provided for in the financial statements:

	Group	
	2015	2014
	$'000	$'000
Commitments in respect of purchase of property, plant and equipment	**375**	3,289

(b) The Company and its subsidiaries have issued corporate guarantees amounting to approximately $8.5 million (2014: $8.5 million) in favour of certain financial institutions for banking facilities extended to the subsidiaries in the Group, of which Nil (2014: $4.7 million) was utilised as at 31 December 2015.

(c) Operating lease commitments – As lessee

The Group leases certain properties and motor vehicles under lease agreements that are non-cancellable within a year. Leases for properties are negotiated for various terms ranging from one to five years (2014: ranging from one to five years) with no renewal option or escalation clauses included in the contracts. There are no restrictions placed upon the Group or the Company by entering into these leases. Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Within one year	**7,492**	7,314	**102**	118
After one year but not more than five years	**17,872**	22,378	**25**	230
	25,364	29,692	**127**	348

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(d) Operating lease commitments – As lessor

The Group leases its investment property (Note 14 to the financial statements) under operating lease arrangements, with lease negotiated for term of six years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. There is 1 year (2014: 2 years) remaining on the lease term.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants failing due as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Within one year	**352**	1,056
After one year but not more than five years	**–**	352
	352	1,408

34. FAIR VALUE MEASUREMENTS

(a) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Level 1 fair value measurements

Quoted equity instruments and bonds (Note 18): Fair value is determined directly by reference to their published market bid price at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Level 2 fair value measurements

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot, forward rates and forward rate curves.

(d) Level 3 fair value measurements

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

Investment property

Investment property is valued using an income approach valuation technique.

Description	Fair value at 31 December 2015 $'000	Valuation techniques	Unobservable inputs	Range (weighted average)
Investment property				
Industrial property	18,243	Income approach	Market rental (per s.q.m and per month)	Renminbi ("RMB") 12
			Passing rental (per s.q.m and per month	RMB10 – 12
			Capitalisation rate	8%

Under the income approach, more specifically a term and reversion analysis, fair value is estimated by considering the capitalised rental incomes derived from the existing tenancies with due provision for any reversionary income potential of the property at appropriate reversionary yield and where appropriate cross checking to comparable sales evidences as available in the relevant market subject to suitable adjustments between the property and the comparable properties.

A significant increase (decrease) in the market rental and passing rent would result in a significant increase (decrease) in the fair value of the investment property. A significant increase (decrease) in the capitalisation rate would result in a significant decrease (increase) in the fair value of the investment property.

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Level 3 fair value measurements (Continued)

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements* (Continued)

Investment property (Continued)

The following table shows the impact on the Level 3 fair value measurement of assets and liabilities that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions.

	31 December 2015		
		Effect of reasonably possible alternative assumptions	
	Carrying amount $'000	**Profit or loss $'000**	**Other comprehensive income $'000**
Investment property:			
Leasehold land and buildings	**18,243**	**1,651**	**332**

	31 December 2014		
		Effect of reasonably possible alternative assumptions	
	Carrying amount $'000	**Profit or loss $'000**	**Other comprehensive income $'000**
Investment property:			
Leasehold land and buildings	16,260	863	78

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other receivables and payables (Note 21 and 28), cash and bank balances (Note 25), loan to subsidiary (Note 23) and loans and borrowings (Note 27)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

34. FAIR VALUE MEASUREMENTS (CONTINUED)

(f) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Total carrying amount		Aggregate fair value	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Non-current other receivables	**1,684**	1,677	**1,428**	1,425

Determination of fair value

Non-current other receivables

The fair value as disclosed in the table above are based on significant unobservable inputs (Level 3) and have been calculated by discounting the expected future cash flows using rates currently available for instruments on with similar terms, credit risk and remaining maturities.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's principal financial instruments, other than investment securities, comprise bank loans and overdraft, and cash and fixed deposits. The main purpose of these financial instruments is to finance the Group's and the Company's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, principally forward currency contracts. The purpose is to hedge the foreign currency risks arising from the Group's operations and investments and its sources of financing.

The main risks arising from the Group's and the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and market risk. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks, excepts as disclosed in Note 35(e) Market risk section. The board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, cash and cash equivalents and investment securities. The Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 3 months from the balance sheet date. The Group's policy is to obtain the most favourable interest rates available without increasing its exposure to foreign currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate loans and borrowings, cash and cash equivalents and investment securities denominated in their respective source currencies):

	Group		Company	
	Strengthened/ (weakened) %	Increase/ (decrease) in profit before tax $'000	Strengthened/ (weakened) %	Increase/ (decrease) in profit before tax $'000
2015				
Hong Kong dollar	1	124	–	–
Singapore dollar	1	77	1	246
United States dollar	1	(29)	1	38
Hong Kong dollar	(1)	(124)	–	–
Singapore dollar	(1)	(77)	(1)	(246)
United States dollar	(1)	29	(1)	(38)
2014				
Hong Kong dollar	1	31	–	–
Singapore dollar	1	208	1	208
United States dollar	1	(29)	1	36
Hong Kong dollar	(1)	(31)	–	–
Singapore dollar	(1)	(208)	(1)	(208)
United States dollar	(1)	29	(1)	(36)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies to which it relates which are in United States dollar, Renminbi and Euro. The Group manages its transactional currency exposures by matching as far as possible, its receipt and payment in each individual currency. The Group monitors the foreign currency exchange rates closely so as to minimise potential material adverse effects from these exposure in a timely manner.

The Group primarily utilises forward exchange contracts with maturities of less than twelve months to hedge foreign currency denominated financial assets, liabilities and firm commitments. Foreign exchange differences arising from translation of financial statements of foreign subsidiaries are taken to translation reserve, a component of equity.

The Group and the Company also hold quoted equity securities and cash and cash equivalents denominated in foreign currencies for investment and working capital purposes. At the balance sheet date, such foreign currency balances (mainly in USD) for equity securities and cash and cash equivalents amount to $5,527,000 and $12,356,000 respectively (2014: $7,150,000 and $9,755,000) for the Group, and amount to $5,527,000 and $3,730,000 respectively (2014: $7,150,000 and $42,000) for the Company.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the exchange rate of United States dollar, Euro and Sterling Pound with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities):

Group	2015 Strengthened/ (weakened) %	2015 Increase/ (decrease) in profit before tax $'000	2014 Strengthened/ (weakened) %	2014 Increase/ (decrease) in profit before tax $'000
United States dollar	**5.0**	**504**	5.0	139
	(5.0)	**(504)**	(5.0)	(139)
Euro	**5.0**	**53**	5.0	86
	(5.0)	**(53)**	(5.0)	(86)
Singapore Dollar	**5.0**	**(1,090)**	5.0	(840)
	(5.0)	**1,090**	(5.0)	840
Sterling Pound	**5.0**	**14**	5.0	11
	(5.0)	**(14)**	(5.0)	(11)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (Continued)

Company	2015 Strengthened/ (weakened) %	2015 Increase/ (decrease) in profit before tax $'000	2014 Strengthened/ (weakened) %	2014 Increase/ (decrease) in profit before tax $'000
United States dollar	**5.0**	**504**	5.0	259
	(5.0)	**(504)**	(5.0)	(259)
Euro	**5.0**	**13**	5.0	5
	(5.0)	**(13)**	(5.0)	(5)
Sterling Pound	**5.0**	**14**	5.0	11
	(5.0)	**(14)**	(5.0)	(11)

(c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise bank balances, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Credit risk concentration profile

The Group's trading activities are carried out largely in Hong Kong and the PRC, and in the precision components and sub-assembly sector.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short term deposits are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 21 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds to meet the Group's and the Company's obligation as they become due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturity of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The maturity profile of the Group's and the Company's financial assets and financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group	1 year or less $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
2015				
Financial assets:				
Trade and other receivables, excluding statutory tax recoverables	68,213	1,684	–	69,897
Cash and short-term deposits	25,269	–	–	25,269
Derivatives	19	–	–	19
Total undiscounted financial assets	93,501	1,684	–	95,185
Financial liabilities:				
Loans and borrowings	5,431	–	–	5,431
Trade payables	51,615	–	–	51,615
Other payables and accrual, excluding employee benefits and statutory tax payables	9,591	–	–	9,591
Derivatives	26	–	–	26
Total undiscounted financial liabilities	66,663	–	–	66,663
Total net undiscounted financial assets	26,838	1,684	–	28,522

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

Group	1 year or less $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
2014				
Financial assets:				
Trade and other receivables, excluding statutory tax recoverables	65,799	1,677	–	67,476
Cash and short-term deposits	24,502	–	–	24,502
Derivatives	40	–	–	40
Total undiscounted financial assets	90,341	1,677	–	92,018
Financial liabilities:				
Loans and borrowings	10,095	–	–	10,095
Trade payables	49,364	–	–	49,364
Other payables and accrual, excluding employee benefits and statutory tax payables	11,822	–	–	11,822
Derivatives	76	–	–	76
Total undiscounted financial liabilities	71,357	–	–	71,357
Total net undiscounted financial assets	18,984	1,677	–	20,661

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

Company	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2015				
Financial assets:				
Other receivables, excluding goods and services tax	2,390	–	–	2,390
Loan to subsidiary, including interest receivable	24,721	–	–	24,721
Cash and short-term deposits	6,242	–	–	6,242
Derivatives	19	–	–	19
Total undiscounted financial assets	33,372	–	–	33,372
Financial liabilities:				
Other payables and accruals, excluding accrued employee benefits	321	–	–	321
Derivatives	26	–	–	26
Total undiscounted financial liabilities	347	–	–	347
Total net undiscounted financial assets	33,025	–	–	33,025
2014				
Financial assets:				
Other receivables, excluding goods and services tax	1,857	–	–	1,857
Loan to subsidiary, including interest receivable	19,837	–	–	19,837
Cash and short-term deposits	2,023	–	–	2,023
Derivatives	40	–	–	40
Total undiscounted financial assets	23,757	–	–	23,757
Financial liabilities:				
Other payables and accruals, excluding accrued employee benefits	333	–	–	333
Derivatives	76	–	–	76
Total undiscounted financial liabilities	409	–	–	409
Total net undiscounted financial assets	23,348	–	–	23,348

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

The contractual expiry by maturity of the Group's and the Company's corporate guarantees amounting to approximately $8.5 million (Note 33(b)) is one year or less. The maximum amount of the corporate guarantees is allocated to the earliest period in which the guarantee could be called.

(e) Market risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in the market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity securities and quoted bonds. These securities are quoted on the stock exchanges of New York, NASDAQ, Tokyo, Hong Kong and Deutsche Börse Xetra. The quoted bonds are issued from their respective companies and subsequently traded between participants directly over-the-counter ("OTC"). Due to the diversity of qualities, maturities and yields, bond prices are determined by the willingness of participants to transact at a given price and are usually not quoted by a market maker such as an exchange.

The Group's objective is to manage investment returns to achieve real-term capital preservation and long-term capital growth.

Held for trading investments

At the end of the reporting period, if the market price of the investments had been 2% higher/lower with all other variables held constant, the Group's profit before tax would have been S$302,000 (2014: S$388,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt, is defined as total loans and borrowings less cash and bank balances. Capital is defined as equity attributable to the equity holders of the Company. The Group's policy is to keep the gearing ratio below 1.

	Group	
	2015	**2014**
	$'000	**$'000**
Loans and borrowings (Note 27)	**5,288**	10,095
Less: Cash and bank balances (Note 25), excluding cash deposited under investment portfolio account, pledged fixed deposits and restricted cash	**(22,783)**	(20,275)
Net debt/(cash)	**(17,495)**	(10,180)
Equity attributable to the equity holders of the Parent	**116,226**	131,217
Gearing ratio	*	*

* Not applicable as the Group is in net cash position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

37. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

I. The precision components and tooling assembly segment specialise in sales of stamping components, tooling design and fabrication to wide range of industries such as automotive components, office automation and consumer electronics products. It also provide die making services to manufacturers of such products.

II. The precision subassemblies segment specialise in the subassembly products mainly from the TV and office automation industries. However in line with the demand of products made of aluminium alloy and other light metals, this segment also has speciality in metal-related components for customers in the TV, Tablets and Mobile-phone industries through advance technologies like cold-forging, CNC machining and surface decoration.

III. The corporate segment is involved in Company-level corporate services, treasury functions.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Company financing (including finance costs) and income taxes are managed on a company basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The Group generally accounts for inter-segment sales and transfers as of the sales or transfers were to third parties at current market prices.

37. SEGMENT INFORMATION (CONTINUED)

The following table presents revenue and results information regarding the Group's reportable operating segments for the years ended 31 December 2015 and 2014:

	Mansfield													
	Precision Components and Tooling		Precision Sub-assembly		Adjustments and eliminations		Total		Corporate and Others		Eliminations		Per consolidated Financial statements	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue:														
External customers	**194,723**	209,930	**38,414**	15,650	**–**	–	**233,137**	225,580	**–**	–	**–**	–	**233,137**	225,580
Inter-segment	**68,028**	69,691	**44**	52	**(68,072)**	(69,743)	**–**	–	**–**	–	**–**	–	**–**	–
Total revenue	**262,751**	279,621	**38,458**	15,702	**(68,072)**	(69,743)	**233,137**	225,580	**–**	–	**–**	–	**233,137**	225,580
Results:														
Management fees	**–**	–	**–**	–	**–**	–	**–**	–	**89**	212	**(89)**	(212)	**–**	–
Inter-segment interest income	**639**	322	**–**	–	**(639)**	(322)	**–**	–	**518**	354	**(518)**	(354)	**–**	–
External interest income	**102**	165	**4**	2	**–**	–	**106**	167	**172**	217	**–**	–	**278**	384
Dividend Income from other investments	**–**	–	**–**	–	**–**	–	**–**	–	**373**	1,126	**–**	–	**373**	1,126
Gain on disposal of property, plant and equipment and intangible assets	**1,421**	215	**93**	173	**–**	–	**1,514**	388	**1**	–	**–**	–	**1,515**	388
Gain on disposal of other investments	**–**	–	**–**	–	**–**	–	**–**	–	**232**	1,500	**–**	–	**232**	1,500
Gain on disposal of assets of disposal group classified as held for sale	**–**	107	**–**	–	**–**	–	**–**	107	**–**	–	**–**	–	**–**	107
Foreign currency (loss)/gain	**2,672**	412	**(510)**	(185)	**–**	–	**2,162**	227	**–**	79	**–**	–	**2,162**	306
Fair value change on other investments	**–**	–	**–**	–	**–**	–	**–**	–	**452**	288	**–**	–	**452**	288
Fair value gain on investment property	**–**	–	**1,651**	863	**–**	–	**1,651**	863	**–**	–	**–**	–	**1,651**	863
Net gain on derivatives	**–**	–	**–**	–	**–**	–	**–**	–	**29**	–	**–**	–	**29**	–
Other income	**969**	1,074	**1,850**	1,517	**–**	–	**2,819**	2,591	**4**	–	**–**	–	**2,823**	2,591
Total other income and interest income	**5,803**	2,295	**3,088**	2,370	**(639)**	(322)	**8,252**	4,343	**1,870**	3,776	**(607)**	(566)	**9,515**	7,553

37. SEGMENT INFORMATION (CONTINUED)

The following table presents revenue and results information regarding the Group's reportable operating segments for the years ended 31 December 2015 and 2014 (Continued):

	Mansfield													
	Precision Components and Tooling		Precision Sub-assembly		Adjustments and eliminations		Total		Corporate and Others		Eliminations		Per consolidated Financial statements	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Finance cost	**(694)**	(582)	**(639)**	(352)	**630**	322	**(703)**	(612)	**–**	–	**518**	355	**(186)**	(257)
Depreciation and amortisation	**(7,700)**	(9,484)	**(1,766)**	(2,957)	**–**	–	**(9,466)**	(12,441)	**(10)**	(12)	**–**	–	**(9,476)**	(12,453)
Impairment loss on property, plant and equipment	**(1,997)**	(16,729)	**(2,959)**	–	**–**	–	**(4,956)**	(16,729)	**–**	–	**–**	–	**(4,956)**	(16,729)
Segment profit/(loss) before tax	**(11,300)**	(26,583)	**(3,642)**	(3,170)	**–**	–	**(14,942)**	(29,753)	**(318)**	1,106	**–**	–	**(15,260)**	(28,647)
Segment assets	**114,485**	132,792	**64,823**	60,205	**–**	–	**179,308**	192,997	**21,507**	27,490	**–**	–	**200,815**	220,487
Investment in joint venture	**1,092**	–	**–**	–	**–**	–	**1,092**	–	**–**	–	**–**	–	**1,092**	–
Total assets	**115,577**	132,792	**64,823**	60,205	**–**	–	**180,400**	192,997	**21,507**	27,490	**–**	–	**201,907**	220,487
Segment liabilities	**39,783**	51,804	**44,868**	36,648	**–**	–	**84,651**	88,452	**1,030**	818	**–**	–	**85,681**	89,270

37. SEGMENT INFORMATION (CONTINUED)

The following table presents revenue and information regarding the Group's geographical segments for the years ended 31 December 2015 and 2014:

	Hong Kong/PRC		Singapore		Elimination		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:								
Sales to external customers	**233,137**	225,580	**–**	–	**–**	–	**233,137**	225,580
Inter-segment sales	**68,072**	69,743	**–**	–	**(68,072)**	(69,743)	**–**	–
Total sales	**301,209**	295,323	**–**	–	**(68,072)**	(69,743)	**233,137**	225,580
Management fees	**–**	–	**89**	212	**(89)**	(212)	**–**	–
Intercompany interest income	**–**	–	**518**	354	**(518)**	(354)	**–**	–
External interest income	**106**	167	**172**	217	**–**	–	**278**	384
Fair value gain on investment property	**1,651**	863	**–**	–	**–**	–	**1,651**	863
Gain on disposal of assets of disposal group classified as held for sale	**–**	107	**–**	–	**–**	–	**–**	107
Gain on disposal of other investments	**–**	–	**232**	1,500	**–**	–	**232**	1,500
Fair value change in other investments	**–**	–	**452**	288	**–**	–	**452**	288
Gain on disposal of property, plant and equipment and intangible assets	**1,514**	388	**1**	–	**–**	–	**1,515**	388
Foreign currency gain	**2,162**	227	**–**	79	**–**	–	**2,162**	306
Dividend income from other investments	**–**	–	**373**	1,126	**–**	–	**373**	1,126
Net gain on derivatives	**–**	–	**29**	–	**–**	–	**29**	–
Other income	**2,819**	2,591	**4**	–	**–**	–	**2,823**	2,591
Total other income and interest income	**8,252**	4,343	**1,870**	3,776	**(607)**	(566)	**9,515**	7,553
Other segment information:								
Segment assets	**179,308**	192,997	**21,507**	27,490	**–**	–	**200,815**	220,487
Investment in joint venture	**1,092**	–	**–**	–	**–**	–	**1,092**	–
Total Assets	**180,400**	192,997	**21,507**	27,490	**–**	–	**201,907**	220,487

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. DIVIDENDS ON ORDINARY SHARES

	Group and Company 2015 $'000	2014 $'000
Declared and paid during the year:		
Dividends on ordinary shares		
Final tax exempt (one-tier) dividend for 2015: Nil (2014: 1.0 cents per share)	–	2,239

39. COMPARATIVES

The Group revisited classification of its warehouse staff costs, resulting in certain reclassifications being made to financial year 2014 financial statements to conform to financial year 2015 presentation. The reclassifications had no impact on loss for the year or equity.

A summary of the reclassifications described above is as follows:

	As previously reported 2014 $'000	Reclassification of warehouse staff costs 2014 $'000	As restated 2014 $'000
Statement of comprehensive income			
Cost of sales	(205,380)	(2,398)	(207,778)
Administrative expense	(34,755)	2,398	(32,357)

40. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 24 March 2016.

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2016

No. of issued shares	–	246,656,428
No. of issued shares (excluding treasury shares)	–	223,835,428
No./Percentage of Treasury Shares	–	22,821,000 (9.25%)
Class of Shares	–	Ordinary Shares
Voting Rights (excluding treasury shares)	–	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	7	0.31	82	0.00
100 – 1,000	194	8.49	190,290	0.08
1,001 – 10,000	1,050	45.97	6,480,339	2.90
10,001 – 1,000,000	1,016	44.48	59,191,261	26.44
1,000,001 AND ABOVE	17	0.75	157,973,456	70.58
TOTAL	**2,284**	**100.00**	**223,835,428**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	41,441,200	18.51
2	ADVANTEC HOLDING SA	22,571,000	10.08
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	20,312,000	9.07
4	PHILLIP SECURITIES PTE LTD	12,125,000	5.42
5	CITIBANK NOMINEES SINGAPORE PTE. LTD.	11,984,600	5.35
6	DBS NOMINEES (PRIVATE) LIMITED	11,891,000	5.31
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	8,051,890	3.60
8	UOB KAY HIAN PRIVATE LIMITED	5,534,200	2.47
9	COMCRAFT INTERNATIONAL SA	4,421,000	1.98
10	HONG LEONG FINANCE NOMINEES PTE. LTD.	4,203,100	1.88
11	CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,373,056	1.51
12	DBSN SERVICES PTE. LTD.	3,185,700	1.42
13	OCBC SECURITIES PRIVATE LIMITED	3,132,510	1.40
14	SING INVESTMENTS & FINANCE NOMINEES (PTE) LTD.	2,352,000	1.05
15	TAN KAH BOH ROBERT@ TAN KAH BOO	1,235,000	0.55
16	LIM HO KEE	1,153,000	0.52
17	LEW WING KIT	1,007,200	0.45
18	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	901,000	0.40
19	AW YONG WEE	800,000	0.36
20	DBS VICKERS SECURITIES (SINGAPORE) PTE. LTD.	746,000	0.33
	TOTAL	**160,420,456**	**71.66**

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2016

PERCENTAGE OF SHAREHOLDING IN THE HANDS OF PUBLIC (PUBLIC FLOAT)

Based on information available to the Company as of 24 March 2016, approximately 51.64% of the issued ordinary shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the SGX-ST Listing Manual requirement.

SUBSTANTIAL SHAREHOLDERS

The interests of the substantial shareholders in the Shares as recorded in the Register of Substantial Shareholders are set out below:

	Direct Interest		Deemed Interest	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Advantec Holding SA[1]	22,751,000	10.08	60,811,300	27.17
Trustee of Chandaria Trust I[2]	–	–	83,832,300	37.45
Gazelle Capital Pte Ltd[3]	62,600	0.03	13,808,900	6.17
Lim Teck-Ean[4]	–	–	13,871,500	6.20
Lim Su-Lynn[5]	–	–	13,871,500	6.20

Notes:

(1) Advantec Holding SA is deemed to be interested in the 60,811,300 Shares held through the following:
Raffles Nominees (Pte) Limited in respect of 40,811,300 shares
UOB Bank Nominees Pte Ltd in respect of 20,000,000 shares

(2) Trustee of Chandaria Trust I is deemed to be interested in the 83,382,300 Shares held by Advantec Holding SA as well as a further 450,000 Shares held by Metchem Engineering SA, both of which are wholly-owned by the Chandaria Trust I.

(3) Gazelle Capital Pte. Ltd. is deemed to be interested in 13,808,900 Shares held through the following:
OCBC Securities Private Ltd in respect of 866,900 shares
Hong Leong Finance Limited in respect of 4,000,000 shares
Maybank Kim Eng Securities Pte. Ltd in respect of 5,000,000 shares
UOB Kay Hian Pte Ltd – 1,600,000 shares
Sing Investments & Finance Nominees (Pte) Ltd – 2,342,000 shares

(4) Mr. Lim Teck-Ean is deemed to be interested in the 13,871,500 shares held by Gazelle Capital Pte. Ltd.

(5) Ms Lim Su-Lynn is deemed to be interested in the 13,871,500 shares held by Gazelle Capital Pte. Ltd.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 20th Annual General Meeting of **INNOTEK LIMITED** (the "Company") will be held at the Courtyard 1-2, Basement 1, Oasia Hotel Novena, 8 Sinaran Drive, Singapore 307470 on Wednesday, 27 April 2016 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2015 together with the Auditors' Report thereon.

(Resolution 1)

2. To re-elect Mr. Steven Chong Teck Sin (Non-Executive and Independent Director), who will retire by rotation in accordance with Article 103 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director of the Company.

(Resolution 2)

Subject to his re-appointment, Mr. Steven Chong Teck Sin who is considered an Independent Director, will be re-appointed as Chairman of the Audit Committee, and member of the Remuneration Committee.

3. To re-elect Mr. Lou Yiliang (Executive and Non-Independent Director), who will retire in accordance with Article 107 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director of the Company.

(Resolution 3)

4. To re-elect Mr. Neal M. Chandaria (Non-Executive and Non-Independent Director), who will retire in accordance with Article 107 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director of the Company.

(Resolution 4)

Subject to his re-appointment, Mr. Neal M. Chandaria who is considered a Non-Independent Director, will be re-appointed as member of the Nominating Committee.

5. To re-elect Mr. Teruo Kiriyama (Non-Executive and Independent Director), who will retire in accordance with Article 107 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director of the Company.

(Resolution 5)

Subject to his re-appointment, Mr. Teruo Kiriyama who is considered an Independent Director, will be re-appointed as Chairman of the Nominating Committee, and member of the Audit Committee.

6. To approve the payment of Directors' fees of S$375,276 for the year ended 31 December 2015 (2014: S$201,830).

[See Explanatory Note (i) below] **(Resolution 6)**

7. To re-appoint Ernst & Young LLP as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions, with or without modifications:

8. That pursuant to Section 161 of the Companies Act, Chapter 50 ("**Companies Act**") and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**"), the directors of the Company ("**Directors**") be authorised and empowered to:

(a) (i) allot and issue shares in the capital of the Company ("**shares**") whether by way of rights or bonus; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force;

Provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below) of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued ordinary shares (excluding treasury shares) shall be based on the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

NOTICE OF ANNUAL GENERAL MEETING

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

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

[See Explanatory Note (ii) below] **(Resolution 8)**

9. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the InnoTek Employees' Share Option Scheme II and/or the InnoTek Employees' Share Option Scheme 2014 ("**Share Plans**") and to allot and issue such number of ordinary shares in the capital of the Company as may be issued pursuant to the exercise of the options under the Share Plans, provided always that the aggregate number of shares to be issued pursuant to the Share Plans shall not exceed 15% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company from time to time.

[See Explanatory Note (iii) below] **(Resolution 9)**

10. To transact any other business which may arise and can be transacted at an Annual General Meeting.

By Order of the Board

Linda Sim Hwee Ai
Company Secretary
Singapore, 11 April 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Ordinary Resolution 6 proposed in item 6 above includes a fee of $120,000 payable to Mr. Peter Tan Boon Heng, who was appointed Chairman of the Executive Committee, in the absence of an Executive Director, to provide guidance to the new management team of the China operations and to oversee matters in the Singapore Office.

(ii) Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors from the date of the above Annual General Meeting until the date of the next Annual General Meeting, to issue, or agree to issue shares and/or grant Instruments that might require shares to be issued on a pro rata basis to shareholders of the Company, up to an aggregate limit of 50% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company (calculated as described).

(iii) Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors, from the date of the above Annual General Meeting until the next Annual General Meeting, to offer and grant options in accordance with the provisions of the Share Plans and to allot and issue shares as may be issued pursuant to the exercise of options under the Share Plans up to an aggregate limit of 15% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company from time to time ("**15% Limit**"). The 15% Limit is calculated by including the shares which have already been allotted and issued pursuant to the exercise of options under the Share Plans.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member.

3. If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the Share Registrar's office at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not later than 48 hours before the time appointed for the holding of the Annual General Meeting.

4. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorized.

5. A Depositor's name must appear on the Depositor Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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INNOTEK LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 199508431Z)

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____ (Name)

Of ____ (Address)

Being a member/members of InnoTek Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

And/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, demand for a poll at the 20th Annual General Meeting ("**AGM**") of the Company to be held at the Courtyard 1-2, Basement 1, Oasia Hotel Novena, 8 Sinaran Drive, Singapore 307470 on 27 April 2016 at 9.30 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the AGM.

No.	Ordinary Resolutions relating to:	For	Against
1	Directors' Statement and the Audited Financial Statements for the year ended 31 December 2015		
2	Re-election of Mr. Steven Chong Teck Sin		
3	Re-election of Mr. Lou Yiliang		
4	Re-election of Mr. Neal M. Chandaria		
5	Re-election of Mr. Teruo Kiriyama		
6	Approval of Directors' fees amounting to S$375,276		
7	Re-appointment of Ernst & Young LLP as Auditors		
8	Authority to allot and issue new shares		
9	Authority to offer and grant options and to allot and issue new shares in accordance with the provisions of the Share Plans		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of AGM)

Dated this ____________ day of ____________________ 2016.

Total Number of Shares in:	No. of Shares
(a) CDP register	
(b) Register of Members	

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:–

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.

2. A member (other than a Relevant Intermediary) entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named

3. A member of the Company who is a Relevant Intermediary entitled to attend and vote at the AGM of the Company is entitled to appoint more than two (2) proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

   "**Relevant Intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. The instrument appointing a proxy or proxies must be deposited at the Share Registrar's office at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than 48 hours before the time set for the meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation, which is a member, may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointer, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

9. An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

INNOTEK Limited
Co. Reg. No.199508431Z

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