INNOTEK

DRIVE TOWARDS EXCELLENCE

ANNUAL REPORT 2018

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 organisation.

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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 organisation
- Balance the organisational 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

Sun Mansfield Plant

REGISTERED OFFICE
160 Robinson Road
#24-12 SBF Center
Singapore 068914
Telephone : (65) 6535 0689
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. Neal Manilal Chandaria, Chairman
Mr. Lou Yiliang
Mr. Steven Chong Teck Sin
Mr. Sunny Wong Fook Choy
Mr. Teruo Kiriyama

COMPANY SECRETARIES
Ms. Linda Sim Hwee Ai
Ms. Goh Siew Geok (Appointed on 14 August 2018)

AUDIT & RISK MANAGEMENT COMMITTEE
Mr. Steven Chong Teck Sin, Chairman
Mr. Neal Manilal Chandaria
Mr. Teruo Kiriyama

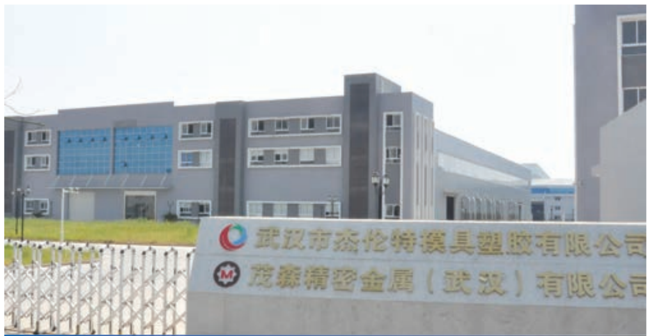
NOMINATING COMMITTEE
Mr. Teruo Kiriyama, Chairman
Mr. Neal Manilal Chandaria
Mr. Sunny Wong Fook Choy

REMUNERATION COMMITTEE
Mr. Sunny Wong Fook Choy, Chairman
Mr. Teruo Kiriyama
Mr. Steven Chong Teck Sin

AUDITOR
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Audit Partner-in-charge:
Ms. Wong Lai Mun
(Date of appointment: Since financial year ended 31 December 2017)

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

CHAIRMAN'S LETTER
TO SHAREHOLDERS



Mansfield Wuhan Plant

Feng Chuan Tooling (Dongguan) Plant

MR. NEAL MANILAL CHANDARIA
Chairman, Non-Executive and
Non-Independent Director

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to share with you the annual report of InnoTek Limited ("InnoTek" or the "Group") for the financial year ended 31 December 2018 ("FY'18").

Against the backdrop of China's slowing economy, intense competition, rising costs of production and concerns of a Sino-US trade war, we have recorded a third consecutive year of profitability, and the best performance in over a decade.

Our FY'18 net profit after tax doubled to S$20.2 million from S$9.9 million a year ago. It included a one-off gain of S$2.4 million due to a write-back of impairment loss on property, plant and equipment and a reversal of tax provision made in FY'17 for obtaining a three-year tax concession from FY'17. Excluding one-off items, on a like-for-like basis, FY'18 profit was S$17.8 million compared to S$8.6 million a year earlier, which, nonetheless, means our profit has doubled.

The net profit was achieved on a 2.5% increase in revenue to a three-year high of S$218.3 million (FY'17: S$212.9 million). The significant outpacing of the bottom-line relative to the top-line reflected the following: i) while price competition across our three business segments remains intense, InnoTek did not chase higher revenue for its own sake; and ii) the combined efforts of our restructuring, which yielded first fruits in the past two years, has gathered momentum in FY'18.

Having been appointed as Chairman in April 2017, FY'18 marked the first full year that I had the chance to observe InnoTek's operations more closely. I have come away heartened by the capability and commitment of our management team led by Group Chief Executive Officer ("CEO"), Mr. Lou Yiliang.

The shareholders who have met him know he is a man of few words. He prefers to let his actions speak – and the message from this set of results is clear. Restructuring is hard work that is at times painful. It requires judgement to take on projects that can yield meaningful margins, hard decisions and constant improvements to fine-tune work processes, cut out wastage and to instil a culture that rewards success.

Beyond the FY'18 results, let me cite some numbers to set into context the turnaround. Between FY'08 (at the onset of the Global Financial Crisis) and FY'15, InnoTek incurred a combined net loss of S$43.2 million with a choppy record of four profitable years and four loss-making years. Under the helm of Mr. Lou, who was appointed as Executive Director in November 2015, InnoTek recorded combined profits totalling S$41.7 million over three years (FY'16 to FY'18).

CHAIRMAN'S LETTER
TO SHAREHOLDERS

Mansfield Thailand Plant

Mansfield Suzhou Plant

That said, we are not resting on our laurels. The operating landscape remains highly challenging with many imponderables. In the Office Automation ("OA") sector, Japanese brands continue to shift operations out of China to Southeast Asia. As shareholders are aware, we have set up operations in Thailand, with mass production expected to commence in 2Q'19.

We had to make a hard decision to withdraw from Weihai so as to minimise losses. The exit has given us greater capacity to focus on growth in other areas, keeping the Group competitive in the ever-changing OA environment.

Revenue for the TV and display sector decreased due to a lower demand for TV back panels and a market transition to plastic frames for TV bezels under 55-inches. The automotive business has also seen stable growth, as we ramp up production for our newly secured automotive projects.

Our balance sheet remains healthy, with S$47.5 million in cash and bank deposits as at 31 December 2018, of which about S$18.5 million was net cash generated from operations in FY'18. We put temporary excess cash of S$12.9 million as at 31 December 2018 into structured deposits to earn higher interest.

DIVIDEND

We are pleased to announce a final full-year dividend of 1.0 Singapore cents and a special dividend of 0.5 Singapore cents, subject to approval at the upcoming Annual General Meeting. This is comparable with 1.0 Singapore cents paid out in FY'17 and 0.5 Singapore cents in FY'16, reflecting our commitment to reward shareholders in line with improvements in financial performance.

Magix Dongguan Plant

APPRECIATION

On behalf of the Board, I would like to extend my gratitude to our customers, business partners, management as well as employees for all your contributions over the past year. InnoTek depends on its people to make a difference. In particular, I would like to express my appreciation to Mr. Lou, whose efforts have been pivotal for InnoTek's turnaround and significant improvement in financial performance. I must also commend my fellow directors – their wise counsel and experience have certainly helped the team and myself.

I would also like to thank Mr. Kuang Yubin, former Director and Chief Operating Officer of our subsidiary, Mansfield Manufacturing Company Limited ("Mansfield"), who resigned on 30 June 2018 after two and a half years of service.

I would like to thank our customers, suppliers and business partners. And last but not least my gratitude to our loyal shareholders for standing by us all these years.

Together we have recorded three consecutive years of success after a painful restructuring.

I look forward to building upon what we have, and to continue enhancing value to all our shareholders.

MR. NEAL MANILAL CHANDARIA
Chairman, Non-Executive and
Non-Independent Director

CHIEF EXECUTIVE OFFICER MESSAGE

Seat belt Bracket Component

Brake Component

MR. LOU YILIANG
CEO, Executive and
Non-Independent Director

Dear Valued Shareholders,

It has been just over three years since I accepted the invitation to become Executive Director and later, the Chief Executive Officer of InnoTek. As I present my report for the financial year ended 31 December 2018 ("FY'18") I am filled with emotion as well as gratitude.

As shareholders are aware, financial performance since FY'08 had been choppy. We lost more money in loss-making years than the combined profit in the profitable years. However, over the last three years we have turned the tide. This year, we recorded the best performance in over a decade.

Behind the numbers lies a tale of hard work, sacrifice and relentless improvements. We all know the challenges of the manufacturing sector in China. Wages and operational costs continue to rise; with a slowing domestic economy, the competition is fierce. Uncertainty is further heightened by concerns of a Sino-US trade war. Regular "cost-downs" are part and parcel of the trade.

Some of you have been asking questions about what we are doing and what the outlook would be like in this challenging climate. I would say that there is no "secret sauce" but a strict adherence to the following principles: strong leadership of managers to constantly improve efficiency and cut wastage; and instilling a culture that rewards its workers who achieve a better output. This means that as a company, we share the fruits of our success not just with shareholders but also down the production line. Over time, with discipline and consistency, the results will start to show. This is the basis of a good foundation I believe we have built for InnoTek.

Behind the financial performance is one notable statistic. Our production workforce has declined from 4,000 in FY'15 to 2,120 in FY'18. Over this comparative, revenue has held relatively stable, ranging from S$212.9 million to S$233.1 million. This means that revenue per employee over the last three years has increased to S$103,000 from S$58,000.

FINANCIAL PERFORMANCE

The Group's net profit in FY'18 increased 105% to S$20.2 million from S$9.9 million a year ago. Excluding one-off items, the trend is about the same. Our revenue grew marginally to S$218.3 million from S$212.9 million from FY'17, with higher contributions from the Precision Machining segment. Instead of just chasing for more orders, we focused instead on the operational and financial efficiencies.

This year, many of the earlier efforts bore bigger fruits than before, reflecting my conviction that restructuring takes time. I am pleased to report that gross profit margins have improved to 21.4% in FY'18 from 18.3% in FY'17. This is due to increased sales from the Precision Machining segment, a reduction in outsourcing and scrap rate, and the introduction of automation for the stamping business,

CHIEF EXECUTIVE OFFICER MESSAGE

which led to better production efficiency on a reduced headcount.

For FY'18 we recorded one-off gains of S$2.4 million, due to write-back of impairment loss on property, plant and equipment, as well as the reversal of the tax provisions made in FY'17, following a three-year tax concession from FY'17. This had offset the exit expense of Mansfield Weihai.

In spite of the Hong Kong dollar ("HK$") weakening against the Chinese Renminbi ("RMB"), the Group narrowed its foreign currency losses to S$242,000 compared to S$1.7 million losses a year ago. This was achieved by reducing the HK$ intercompany receivable and the RMB intercompany payable by our Hong Kong subsidiaries.

These factors offset an investment portfolio loss of S$22,000, compared to a gain of S$408,000 in FY'17, as well as start-up costs arising from the new subsidiaries in Weihai and Thailand. Labour costs were also higher due to an increase in the minimum wage and the need to employ additional higher-skilled workers as we prepare to introduce more robotic functions so as to raise our overall level of automation.

InnoTek's earnings per ordinary share for FY'18 rose to 8.98 Singapore cents from 4.41 Singapore cents in FY'17, while the Group's net asset value per share increased to 66.1 Singapore cents as at 31 December 2018 from 59.8 Singapore cents.

BUSINESS REVIEW

Despite lower automotive sales in Q4 '18 due to the softer domestic market, the Group's automotive segment is growing steadily. Newly secured automotive projects are replacing older ones entering the end-of-life phase of their cycle. New tooling orders from Office Automation ("OA") and Automotive customers contributed to a rise in Tooling sales, while the Precision Machining segment saw a greater number of heatsinks and car display panels sold, along with a one-time order for a commercial display product.

Conversely, revenue for the Precision Components and Tooling segment declined mainly due to lower sales of TV back panels.

China's manufacturing sector has been hit by rising labour costs, while demands for quality and delivery schedules have become more stringent. With several Japanese customers in the OA segment shifting operations from China to other Southeast Asian countries, there is a need to spread our capabilities beyond China, to better facilitate collaborations with our clients.

In response to that need, we have completed the construction of our newly incorporated subsidiary in Thailand, Mansfield (Thailand) Co. Ltd. ("Mansfield Thailand"), with production expected to commence in Q2'19. Our Dongguan facilities will continue to support the operations in Thailand.

In Q3'18, we announced the withdrawal of our subsidiary from Weihai, due to fierce price competition and adjustments in the supply management of certain key customers. The exit was completed in Q4'18 in a swift and orderly manner, with negligible impact to our business relationships. As we adapt to the changing OA environment, these changes will stabilise our OA sales.

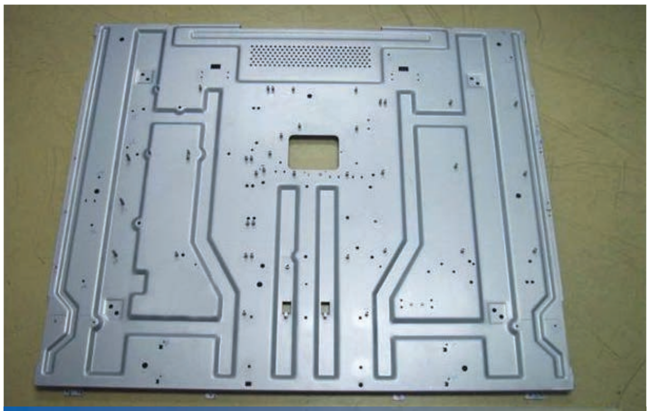
OUTLOOK

While FY'18 has been a rewarding year for us at InnoTek, we head into FY'19 with cautious optimism, keeping a watchful eye for any changes in industry trends. As we tie up our turnaround strategy and plan for expansion, it is important to stay focused and not lose sight of our goals.

APPRECIATION

I would like to express my thanks to our business partners, customers, suppliers, management and employees, for their loyalty and diligence this past year. Most importantly, I would like to extend my gratitude to our shareholders, for their continued support all these years. I look forward to another year of growth together.

MR. LOU YILIANG
CEO, Executive and
Non-Independent Director



57" LCD TV Back Panel

Car Seat Component

BOARD OF DIRECTORS

MR. NEAL MANILAL CHANDARIA
Chairman, Non-Executive and
Non-Independent Director

Mr. Neal Manilal Chandaria joined InnoTek as a Non-Executive and Non-Independent Director on 2 November 2015 and is a member of the Nominating Committee. Mr. Chandaria was appointed Chairman of the Board and member of the Audit & Risk Management Committee on 27 April 2017. He is a senior executive at Comcraft Group, which is globally active in various sectors 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. Mr. Chandaria was re-elected as a Director of the Company at the 2016 Annual General Meeting ("AGM") and is due for re-election at this year's AGM.

MR. LOU YILIANG
CEO, 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. In 2017, Mr. Lou was appointed Chief Executive Officer of InnoTek Limited.

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.

In 2006, Mr. Lou formed a joint venture Konka Precision Mould Plastic Co. Ltd. with major TV manufacturer Konka to develop precision moulds for TV and office automation components as well as automotive products.

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

Besides Chinese, Mr. Lou is also proficient in Japanese. He was re-elected as a Director of the Company at the 2018 AGM.

BOARD OF DIRECTORS

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 & Risk Management 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 and Australia Stock Exchange ("ASX") 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, ASX and the Hong Kong Stock Exchange.

Mr. Chong graduated with a Bachelor of Engineering degree 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 2018 AGM.

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

A practising advocate and solicitor of the Supreme Court of Singapore, he has extensive experience in legal practice and is a shareholder and Managing Director of Wong Tan & Molly Lim LLC. He is also a shareholder and Director of WTML Management Services Pte. Ltd.

Mr. Wong holds a Bachelor of Law (Honours) degree from the National University of Singapore. Mr. Wong was re-elected as a Director of the Company at the 2017 AGM.

BOARD OF DIRECTORS

MR. 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 and is the Chairman of the Nominating Committee and member of the Audit & Risk Management Committee and Remuneration Committee. He brings to InnoTek a wealth of experience, having held various senior management positions in Japanese conglomerate Toshiba Corporation for almost two decades.

Mr. Kiriyama was advisor to Toshiba Corporation from 2014 to 2015. 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 and boasted 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.

He was re-elected as a Director of the Company at the 2016 AGM and is due for re-election at this year's AGM.

Robotic Arms in Sun Mansfield Plant

SENIOR MANAGEMENT

Mr. Okura Ippei
Director, Mansfield Group

Mr. Okura Ippei was appointed as Director of Mansfield responsible for group sales of Mansfield Manufacturing Company Limited in December 2015. He has extensive industry experience in research, manufacturing and corporate management.

Prior to joining Mansfield, Mr. Okura worked in research at the National Laboratory for High Energy Physics (KEK) of Japan from 1989 to 1993. He joined Toyoichi Tsusho Co., Ltd. in 1993, where he was involved in technical cooperation and trade between China and Japan. He became the Director at Shenzhen Konka Precision Mould Plastic Co., Ltd. in 2006. In 2014, he joined Anhui KM Technology Company Limited as Managing Director.

Mr. Okura holds a master's degree in science from Tokyo Gakugei University.

Mr. Ukawa Masatsugu
GM, Internal Audit Department,
Chief Administration Officer,
Director, Mansfield Group

Mr. Ukawa Masatsugu joined Mansfield Group as General Manager, Internal Audit Department in December 2015. Since April 2018, he is the Chief Administration Officer for Mansfield Group Administration.

Prior to joining Mansfield, Mr. Ukawa was in investment banking at Nomura Securities Co., Ltd. from 1986 to 2010. Between 1993 and 2008, he was the resident CEO of NOMURA-CITIC International Investment Consulting Co., Ltd, an investment consultancy in Beijing, China founded by Nomura. Over the course of his work at NOMURA-CITIC Co., Mr. Ukawa successfully established multiple Sino-Japanese joint ventures in various fields.

From 2010 to 2015, Mr. Ukawa was a director of KITO Co., a professional crane equipment manufacturer. He was responsible for managing the company's business in China, and served as the General Manager of Jiangyin KITO Crane Co., Ltd, a subsidiary of KITO Co. located in Jiangyin, China.

Mr. Ukawa brings to Mansfield Group more than 30 years of experience in investment banking, finance and corporate management in both China and Japan. With his extensive knowledge of Chinese and Japanese corporate culture and business models, Mr. Ukawa is well positioned to lead the Mansfield Group management.

Mr. Ukawa graduated from Japan's Waseda University with a degree in economics.

SENIOR MANAGEMENT

Ms. Quek Siew Hoon
Corporate Controller

Ms. Quek Siew Hoon joined InnoTek in 2000 and has been with the Group for more than 18 years. Ms. Quek has over 26 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, Thailand and the People's Republic of China ("PRC").

In her early career, Ms. Quek joined KPMG for two years and was responsible for auditing assignments mainly 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 Singapore Chartered Accountants.

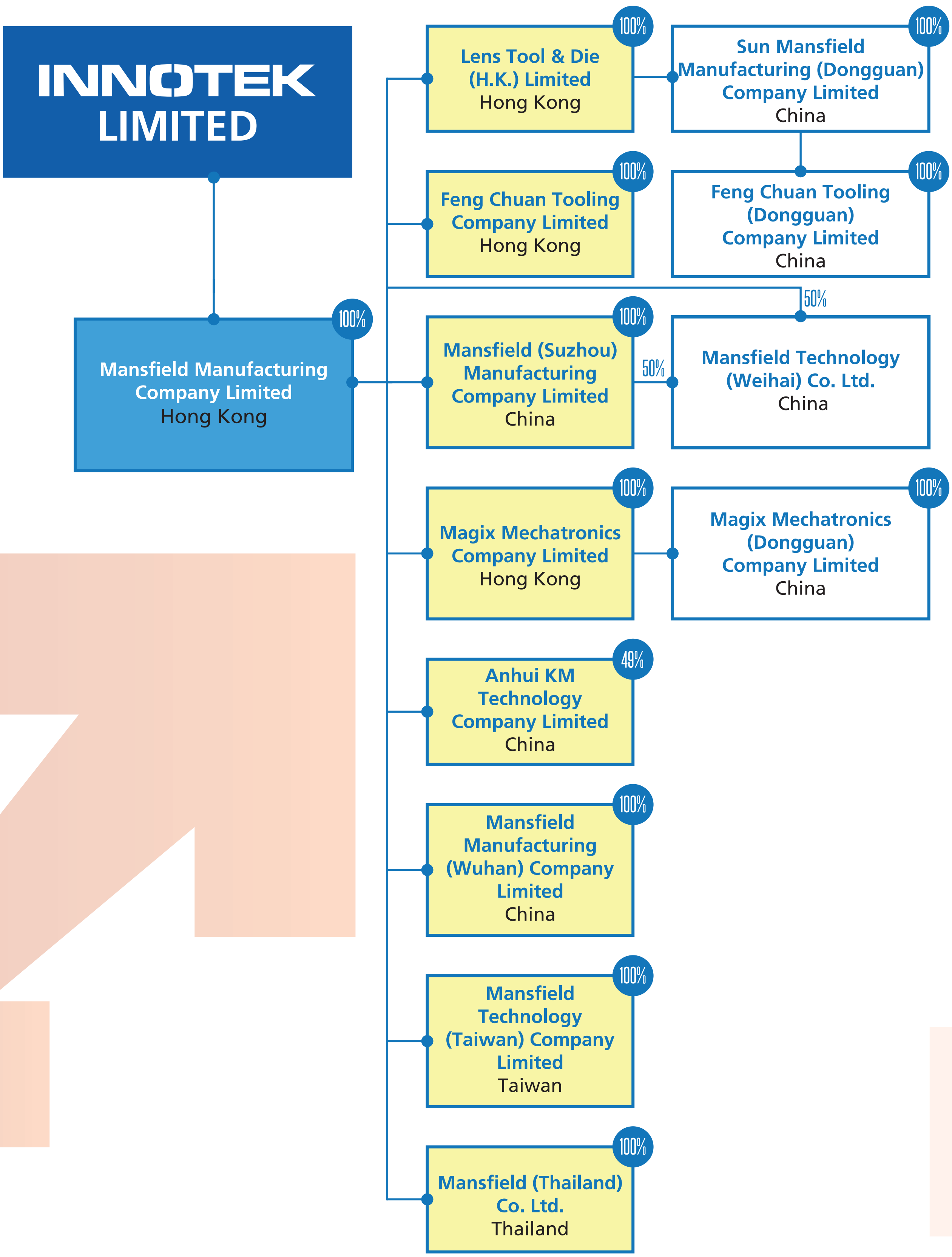
Ms. Ivy Neo Meow Khim
Finance Director,
Mansfield Group

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 28 March 2019



INNOTEK LOCATIONS

InnoTek Limited
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www.mansfield.com.hk

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Dongguan City, Guangdong Province, China
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Fax : (86) 769 87928993

Mansfield (Suzhou) Manufacturing Company Limited
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Jiangsu Province, China
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Fax : (86) 512 66617760

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Fax : (86) 027 84893788

Mansfield (Thailand) Co. Ltd.
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Thailand
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Fax : (66) 033 017442

Feng Chuan Tooling Company Limited
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Fax : (852) 24810946

Feng Chuan Tooling (Dongguan) Company Limited
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Lincun, Tangxia, Dongguan City,
Guangdong Province, China
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Tel : (86) 769 87929299
Fax : (86) 769 87928993

Magix Mechatronics Company Limited
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Kowloon, Hong Kong
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Fax : (852) 24810946

Magix Mechatronics (Dongguan) Company Limited
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He Dong Industrial Zone, Yantian,
Fenggang Town, Dongguan City,
Guangdong Province, China
PC : 523740
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Fax : (86) 769 82039100

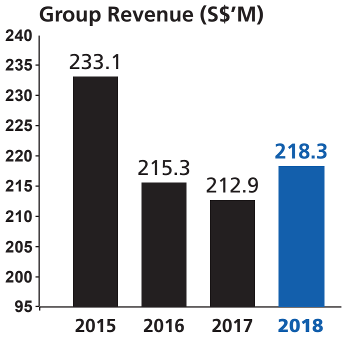
Mansfield Technology (Taiwan) Company Limited
Room No.6, 12/F., No. 75 Section 1, Xintai 5th Road,
XiZhi District, New Taipei City, Taiwan.

Anhui KM Technology Company Limited
No.618, Huaihexi Road, Chuzhou, Anhui Province,
China.
PC : 239000
Tel : (86) 550 3919088

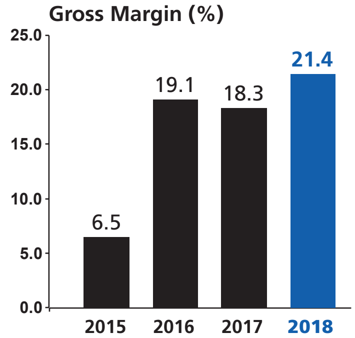
FINANCIAL HIGHLIGHTS

FOR THE YEAR (S$'000)	2015	2016	2017	2018
Revenue	233,137	215,325	212,946	**218,299**
Operating (loss)/profit	(16,299)	10,903	9,929	**15,128**
(Loss)/profit before tax	(15,260)	13,861	15,835	**23,345**
(Loss)/profit for the year attributable to owners of the Company	(16,293)	11,631	9,873	**20,239**
AT YEAR END (S$'000)				
Shareholder equity	116,226	124,882	134,035	**149,596**
Property, plant and equipment, investment properties and prepaid land lease payment	64,133	56,769	56,647	**61,393**
Total debts	5,288	73	50	**60**
Less : Cash and bank deposits	(25,180)	(30,090)	(35,784)	**(47,545)**
Net cash	19,892	30,017	35,734	**47,485**
Weighted average number of shares (in thousands)	223,835	223,835	224,006	**225,303**
Number of shares at end of period (in thousands)	223,835	223,835	224,125	**226,305**
PER SHARE (Singapore cents)				
(Loss)/profit attributable to owners of the company	(7.28)	5.20	4.41	**8.98**
Net assets	51.9	55.8	59.8	**66.1**
RATIOS				
Operating (loss)/profit	(7.0%)	5.1%	4.7%	**6.9%**
(Loss)/profit before tax	(6.5%)	6.4%	7.4%	**10.7%**
(Loss)/profit after tax	(7.0%)	5.4%	4.6%	**9.3%**
Net cash	17.1%	24.0%	26.7%	**31.7%**
Current ratio (times)	1.58	1.92	2.03	**2.23**

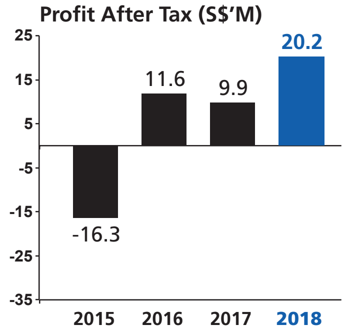
Group Revenue (S$'M)



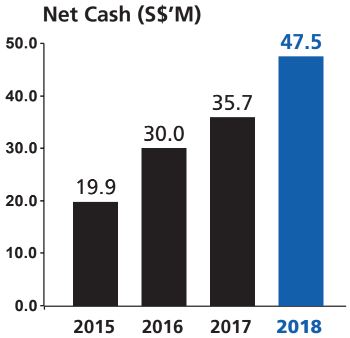
Gross Margin (%)



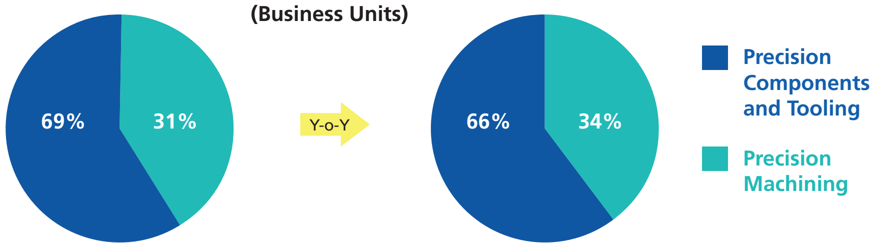
Profit After Tax (S$'M)



Net Cash (S$'M)



MSF FY'18 VS FY'17 Revenue (Business Units)



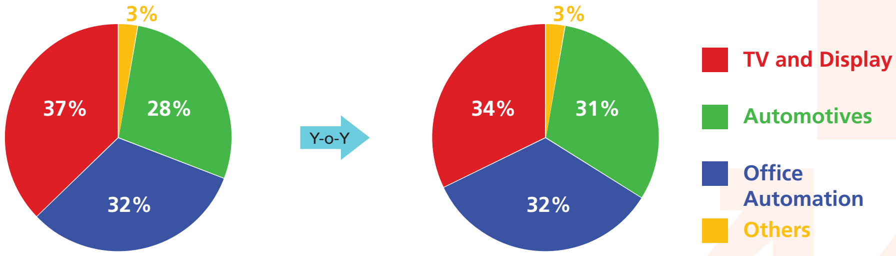
FY'17
Revenue of S$212.9m

FY'18
Revenue of S$218.3m

MSF FY'18 VS FY'17
(End Products Analysis)

FY'17
Revenue of S$212.9m

FY'18
Revenue of S$218.3m



FY'17

FY'18

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CORPORATE GOVERNANCE

The Board and management of InnoTek Limited ("InnoTek" or the "Company") is fully aware that good corporate governance is fundamental to the creation, protection and enhancement of the long-term value of the Company. We are committed to upholding and observing a high standard of corporate governance within the Company and its subsidiaries (the "Group").

This report ("Report") outlines the corporate governance framework and practices adopted by the Company with specific reference made to the principles of the Code of Corporate Governance 2012 ("Code"). The Company has complied in all material aspects with the principles laid down by the Code and 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 optimising 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; and
- 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;
- 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"). 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.

CORPORATE GOVERNANCE

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 & Risk Management Committee, the Nominating Committee and the Remuneration Committee. Each Board Committee 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 Constitution 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 2018. The number of Board committee meetings as well as Board members' attendance thereat is set out below:

	Board	Audit & Risk Management Committee	Remuneration Committee	Nominating Committee
No. of Meetings Held	**4**	**4**	**1**	**1**
Name of Director	**Attended**	**Attended**	**Attended**	**Attended**
Mr. Neal Manilal Chandaria	4/4	4/4	1/1	1/1
Mr. Lou Yiliang	4/4	4/4	1/1	1/1
Mr. Steven Chong Teck Sin	4/4	4/4	1/1	1/1
Mr. Sunny Wong Fook Choy	4/4	4/4	1/1	1/1
Mr. Teruo Kiriyama	4/4	4/4	1/1	1/1

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 are offered courses conducted by external organisations on corporate governance, leadership and industry-related subjects. The registration process is facilitated by the Company with course fees borne by the Company. All new Directors will have an opportunity to visit Group's offices and plants overseas to familiarise themselves with the InnoTek Group's businesses. During the year, the Company did not appoint any new director.

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent Board

The current Board comprises five directors, three of whom are independent and non-executive.

With independent directors making up 60% of the Board, the Board is able to exercise objective judgement on corporate affairs independently, in particular from Management, as there is a strong and independent element on the Board.

The Board comprises the following members:–

1	Mr. Neal Manilal Chandaria	Non-Executive and Non-Independent
2	Mr. Lou Yiliang	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. Teruo Kiriyama	Non-Executive and 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 2018, Mr. Steven Chong Teck Sin, Mr. Sunny Wong Fook Choy and Mr. Teruo Kiriyama were considered by the Nominating Committee to be independent as they do not have any significant 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.

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

In accordance with the Constitution of the Company, Mr. Neal Manilal Chandaria and Mr. Teruo Kiriyama are due to retire by rotation at the 2019 AGM and being eligible, both Mr. Neal Manilal Chandaria and Mr. Teruo Kiriyama have offered themselves for re-election at the 2019 AGM.

The Code also 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. The current Board do not have directors who have served the Board for nine years or more.

The Board has five directors. Taking into account the scope and nature of the operations of the Company, the requirement of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committees, the Board believes that the structure, size and composition of the Board are currently appropriate given the size and geographic spread of its 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, legal, business, management, 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 & Risk Management Committee	Nominating Committee	Remuneration Committee
Mr. Neal Manilal Chandaria	Chairman & Non-Independent Director	Member	Member	–
Mr. Lou Yiliang	Executive Director	–	–	–
Mr. Steven Chong Teck Sin	Independent Director	Chairman	–	Member
Mr. Sunny Wong Fook Choy	Independent Director	–	Member	Chairman
Mr. Teruo Kiriyama	Independent Director	Member	Chairman	Member

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. Neal Manilal Chandaria is a non-executive director. The Chairman heads the Board and acts independently of Management to ensure its effectiveness in all aspects of its role. His primary role is to provide leadership to the Board and its Committees. 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.

Although the Code recommends the appointment of a lead independent director where the Chairman is not an independent director, NC was of the view that there is no necessity for the Company to appoint a lead independent director as shareholders could access to any one of the Company's Directors or the Corporate Controller directly, if necessary.

CORPORATE GOVERNANCE

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, reviews the diversity of skills, experience, gender, knowledge, size and composition of the Board. The NC has a set of principles to guide it in carrying out its responsibilities of reviewing and determining an appropriate Board size and composition and makes its recommendations to the Board on all board appointments. The NC met once in 2018.

The NC comprises three Directors, majority of whom, including the NC Chairman, are independent:

Mr. Teruo Kiriyama	Chairman
Mr. Neal Manilal 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 judgement in the performance of their duties.

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 Mr. Steven Chong Teck Sin, Mr. 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 AGM of the Company immediately following his appointment.

Apart from sitting on this Board, Mr. Lou Yiliang, Mr. Teruo Kiriyama and Mr. Neal Manilal Chandaria do not sit on the board of other listed company in Singapore. Mr. Steven Chong Teck Sin sits on the Board of two other listed companies; one manager of a business trust and one manager of an industrial REIT and Mr. Sunny Wong Fook Choy sits on the Board of four other listed companies, apart from InnoTek Limited.

The NC 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 Company does not set a limit on the number of directorship held by its Directors but engage with its Director from time to time to check on their effectiveness as a Director of the Company. 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 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 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 results of the evaluation of the Board as a whole as well as the individual director would be presented to the NC and brought up by the NC Chairman for discussion and follow-up action where necessary. As and when the need arises, NC Chairman will, in consultation with the NC, propose new members to be appointed to the Board or seek the resignation of Directors.

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 recognised 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 as well as revised budgets with explanation for any material variance between the projection and the actual results of budgets. 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 also facilitates orientation and training of new Directors as well as updates Directors on new developments in corporate governance, legal and regulatory matters. From time to time, the Company Secretary would inform the Board members of relevant seminars or courses conducted by the Singapore Institute of Directors and/or the Singapore Exchange Securities Trading Co. Ltd for their information and participation. Costs for these courses to be borne by the Company. Apart from the above, 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. In accordance with the Company's Constitution, the appointment and removal of the Company Secretary is subject to the approval of the Board.

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 three Directors, all of whom, including the RC Chairman, are independent:

Mr. Sunny Wong Fook Choy	Chairman
Mr. Steven Chong Teck Sin	Member
Mr. Teruo Kiriyama	Member

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 CEO;

- 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, performance bonus and incentives for key management employees.

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' fees take into account a Director's contributions, additional responsibilities on Board Committees, experience, qualifications and time committed and require shareholders' approval at the Company's AGM. The RC is mindful not to over-compensate the Non-Executive Directors to the extent that their independence may be compromised.

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 8 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 9 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.

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.

A breakdown, showing the level and mix of each individual Director's remuneration payable for the financial year ended 31 December 2018 is as follows:

Directors' Remuneration	Remuneration	Fee	Salary	Bonus	Allowance/ Benefits	Others	Total
	$	(%)	(%)	(%)	(%)	(%)	(%)
Mr. Lou Yiliang	621,816	–	77	13	–	10	100
Mr. Teruo Kiriyama	91,000	100	–	–	–	–	100
Mr. Neal Manilal Chandaria	83,000	100	–	–	–	–	100
Mr. Steven Chong	80,000	100	–	–	–	–	100
Mr. Sunny Wong	73,000	100	–	–	–	–	100

The total Directors' Fees of $327,000 will be tabled at this AGM for shareholders' approval.

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

Key Management Executive Remuneration	Salary	Bonus	Allowance/ Benefits	Others	Total
	(%)	(%)	(%)	(%)	(%)
<u>$250,000 to below $500,000</u>					
Mr. Okura Ippei	67	33	–	–	100
Mr. Ukawa Masatsugu	67	33	–	–	100
Mr. Li Wei Ta	32	64	1	3	100
<u>Below $250,000</u>					
Mr. Song Lei	87	–	13	–	100
Mr. Fujimura Kazuhiko	99	–	–	1	100

The aggregate remuneration paid to the key management personnel is $1,227,253.

Mr. Okura Ippei, the brother of Mr. Lou Yiliang, is the Sales Director and Director of Mansfield Manufacturing Co., Ltd. Hong Kong, the wholly-owned subsidiary of the Company. His remuneration for 2018 was within the band of $250,000 to below $500,000.

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.

There are no termination, retirement and post-employment benefits granted to Directors, the CEO or the key Management personnel.

ACCOUNTABILITY, RISK MANAGEMENT, INTERNAL CONTROLS & 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.

CORPORATE GOVERNANCE

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

The Audit & Risk Management Committee ("ARMC") has three members. The ARMC comprises entirely non-executive directors, majority of whom (including the Chairman) are independent. The Board is satisfied that members of the ARMC are appropriately qualified to discharge their responsibilities. The Chairman and members of the ARMC are:

Mr. Steven Chong Teck Sin	Chairman
Mr. Neal Manilal Chandaria	Member
Mr. Teruo Kiriyama	Member

The ARMC met four times during the year under review. Other directors, the Corporate Controller, representatives of the Internal Audit firm, Mazars LLP, Company Secretary and the External Auditor are invited to these meetings. The ARMC meets with the internal and 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 ARMC. In addition, the ARMC 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 ARMC 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, risk management as well as the effectiveness of the Company's internal audit function at least annually.

The responsibilities of the ARMC 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 internal and 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 judgements 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 minimise 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;

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

– review the internal and external business risks in the context of the Company's and its subsidiaries' business strategies as identified, analysed and assessed by the Management;

– oversee the risk management function and the Enterprise Risk Management framework as established by the Management;

– review the risk management policy and guidelines including risk levels and risk appetite submitted to it by the Management;

– monitor risk management activities and processes and procedures pertaining to risk-related activities; and

– monitor the integrity and effectiveness of internal controls and reporting systems.

The ARMC 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 ARMC reviews the Group's risk assessment according to the guidelines in its Terms of Reference 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 ARMC has full access to the external and internal auditors and has full authority to invite any Director or executive officer to its meetings. The ARMC is authorised 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 ARMC has reviewed all non-audit services provided by the external auditors to the Company and is of the opinion 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 $304,000 and $116,000, 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 30 April 2019.

In appointing the audit firm for the Company, the ARMC 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 addresses financial, operational, compliance and information technology controls and risk management. The Board, however, notes that the system of internal controls provides reasonable, but not absolute assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

The Group has set up an Internal Audit Department ("IAD") in Mansfield headed by Mr. Ukawa Masatsugu, a Director of Mansfield Manufacturing Company Limited in addition to the appointment of Mazars LLP, an independent assurance service provider ("internal auditor" or "IA"), to perform the internal audit works of the Group. The IAD has a team who work closely with the IA to discharge its function properly. The IA's primary line of reporting is to the ARMC Chairman and the IA have unfettered access to all the Company's documents, records, properties and personnel, including access to the ARMC. The ARMC is of the view that the IA has adequate resources to perform the functions and maintained their independence from the activities that IA audits.

Mazars LLP works closely with the IAD to provide independent and objective assessments and consulting services which are designed to evaluate the adequacy and effectiveness of the Mansfield Group's system of internal controls. A risk-based approach is used to develop the annual audit plan to ensure that all high risk areas are monitored for proper coverage and audit frequency.

The IA subscribes to, and is guided by the standard established by internationally recognised 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, both the IA and the IAD are 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 and IAD are 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 ARMC 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 ARMC. Management follows up and implements the internal and external auditors' recommendations.

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

The Board has together with the ARMC reviewed the adequacy and effectiveness of the Group's risk assessment programmes and internal control processes. The Board has received assurance on the adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls and risk management system. 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 ARMC, is of the opinion that the Group's system of internal controls including financial, operational, compliance and information technology risk controls and risk management systems were adequate as at 31 December 2018 in providing reasonable assurance of the effectiveness of the Group under the current business environment.

The Board has received assurance from the Chief Executive Officer, Chief Administration Officer (Mansfield), Chief Financial Officer (Mansfield) and the General Managers and Deputy General Managers of the Business Units, Head of Internal Audit Department and the Corporate Controller of the Company that as at 31 December 2018:

(a) the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2018 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 2018 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 ARMC 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. Investigation of such reports will be handled by the whistle blow committee headed by Mr. Ukawa Masatsugu and involve persons who need to be involved in order to properly carry out the investigation. The committee will review the information disclosed and will, on a best efforts basis, carry out the investigation in a timely manner. The committee will interview the whistle blower, if known, and if it was an anonymous submission, to determine whether the circumstances warrants a report to the ARMC for further investigation and corrective actions (if any) to be taken.

Anonymous complaints may be considered, taking into account factors such as the seriousness of the issues raised, the credibility of the report and the likelihood of confirming the allegation.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14, 15 & 16 – Communication with Shareholders

The Company is committed to promoting effective communication with all shareholders, ensuring all shareholders are provided with equal and timely access to material information concerning the Company. Prompt and relevant information with regard to the Company's corporate developments and financial performance is disseminated in compliance with its continuous disclosure obligations in line with the Code and the Listing Manual of the SGX-ST.

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. The

Company had been holding analyst briefings after its results announcement in previous years. 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 there is no limit imposed on the number of proxy votes for nominee companies, the Constitution allow each shareholder to appoint up to two proxies to attend and vote at general meetings on their behalf. The Constitution 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.

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 auditor 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. Independent scrutineers are appointed to conduct the voting process. Independent scrutineers brief the shareholders on the rules and the voting process and verify and tabulate votes after each resolution. The detailed voting results at the general meetings showing the number of votes cast for and against each resolution and the respective percentages tabled, were announced immediately at the general meetings and via SGXNET immediately after each general meeting.

During the year, the Company held a briefing session with the financial and investment community after the release of its First Quarter financial results in April 2018. The Board was present and key management of the Group presided over the briefing session and offered comprehensive review of the Company's performance. An information package comprising the financial statements, media release are shared with all participants at the briefing.

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.

The Board is proposing to shareholders to pay a one-tier tax-exempt First and Final Dividend of 1.0 Singapore cents per share and a one-tier tax-exempt Special Dividend of 0.5 Singapore cents per share at the AGM on 30 April 2019.

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.

CORPORATE GOVERNANCE

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.

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)
Dongguan Grand Mould Plastic Co. Ltd.	**$1,185,320**	None
All Brilliant Limited	**$144,324**	None
Wuhan Grand Mould Plastic Co. Ltd.	**$788,654**	None

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 and Risk Management 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 unauthorised 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.

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 utilisation of production capacity

The Company's business is characterised by high fixed costs including plant facilities, manufacturing equipment and machineries. In the event when it's capacity utilisation 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 utilisation 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.

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 minimise 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 minimise 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.

SUSTAINABILITY REPORTING

The Board recognises that to ensure business is sustainable, the Group has to strike a balance between its business needs and the need of the society and the environment in which the Group operates. The Board believes that to grow sustainably, we need to engage with our stakeholders to identify material aspects that guide our decision making. We focus on initiatives that will improve quality, our people, the environment and the community. The Group's efforts to employ eco-friendly and sustainable value chain processes, training programmes for its employees, interaction and cooperation with the communities, its anti-corruption procedures and the relevant policy to ensure health, safety and welfare of its employees and other sustainability issues will be released in a stand-alone report to its shareholders by 31 May 2019.

InnoTek sustainability report adopts Reporting Principles and Standard Disclosures in accordance with Global Reporting Initiatives (GRI) G4 Reporting Guidelines.

CORPORATE SOCIAL RESPONSIBILITY

The Company continues 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. Appropriate measures have been put in place to conserve energy and reduce water usage in all our facilities. 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. At the same time, the Company encourages social conscious behaviour in its employees to actively contribute to the communities and seek to engage in worthy social activities.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr. Neal Manilal Chandaria and Mr. Teruo Kiriyama are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 30 April 2019 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below.

Details	**Name of Director**	
	Mr. Neal Manilal Chandaria	**Mr. Teruo Kiriyama**
Date of Appointment	2 November 2015	2 November 2015
Date of last re-appointment	27 April 2016	27 April 2016
Age	57	65
Country of principal residence	Singapore	Japan
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experience and suitability of Mr. Neal Manilal Chandaria for re-appointment as Chairman of the Board and Non-Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr. Neal Manilal Chandaria possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experience and suitability of Mr. Teruo Kiriyama for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr. Teruo Kiriyama possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, ARMC Chairman, ARMC Member, etc.)	Chairman of the Board and member of the Audit and Risk Management Committee and Nominating Committee	Chairman of the Nominating Committee and member of the Audit and Risk Management Committee and Remuneration Committee
Working experience and occupation(s) during past 10 years	Finance Director of Metchem Engineering Services Pte Ltd	2014 – 2016 Advisor to the Board of Toshiba Corporation, Japan 2011 – 2014 Corporate Vice President, Corporate Representative – China, Chairman & CEO – Toshiba China Co. Ltd. 2007 – 2011 General Manager, Corporate Communications Division
Shareholding interest in the listed issuer and its subsidiaries	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes, with Trustee of the Chandaria Trust 1 which has a deemed interest in Advantec Holding SA, a substantial shareholder of the Company	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Honorary Consul of the Consulate of The Republic of Kenya in Singapore	No
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Neal Manilal Chandaria	Mr. Teruo Kiriyama
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether any any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of thnat entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or government body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- (i) Any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) Any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) Any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere, or (iv) Any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Neal Manilal Chandaria	Mr. Teruo Kiriyama
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

DIRECTORS' STATEMENT

The directors are pleased to 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 2018.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are 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 2018 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:

Neal Manilal Chandaria (Chairman)
Lou Yiliang
Steven Chong Teck Sin
Sunny Wong Fook Choy
Teruo Kiriyama

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' interests in shares and debentures

The following director, 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**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Lou Yiliang [1]	–	14,082,700	11,902,800	11,902,800
Share options of the Company				
Lou Yiliang	5,000,000	5,000,000	–	–

[1] Lou Yiliang is deemed to be interested in the 11,902,800 ordinary shares held through Phillip Securities Pte Ltd.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, 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 at the end of the financial year.

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.

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

Sunny Wong Fook Choy (Chairman)
Teruo Kiriyama
Steven Chong Teck Sin

(3) During the financial year, no share options to subscribe for ordinary shares of the Company was granted to a director of the Company under Scheme 2014.

(4) Details of all the options to subscribe for ordinary shares of the Company under Scheme 2014 as at 31 December 2018 are as follows:

Expiry date	Exercise price ($)	Number of options
19 January 2021	0.185	2,000,000
9 March 2022	0.350	3,000,000
Total		5,000,000

(5) Details of the options to subscribe for ordinary shares of the Company granted to a director of the Company pursuant to the Scheme 2014 are as follows:

Name of director	Options granted during financial year	Aggregate options granted since commencement of plan to end of financial year	Aggregate options exercised since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year
Lou Yiliang	–	5,000,000	–	5,000,000
Total	–	5,000,000	–	5,000,000

Options (cont'd)

(6) Since the commencement of the employee share option plans till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates
- No participant other than those mentioned in point (5) above, has received 5% or more of the total options available under the plans
- No options other than those mentioned above have been granted to directors and employees of the Company and its subsidiaries
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted
- No options have been granted at a discount

Audit & Risk Management Committee

The Audit & Risk Management Committee ("ARMC") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group's and the Company's management to the external and internal auditors
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group's and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ARMC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the ARMC to the board of directors with such recommendations as the ARMC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

Audit & Risk Management Committee (cont'd)

The ARMC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The ARMC has also conducted a review of interested person transactions.

The ARMC convened four meetings during the year with full attendance from all members. The ARMC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the ARMC are disclosed in the Corporate Governance Report.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Neal Manilal Chandaria
Director

Lou Yiliang
Director

Singapore
28 March 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

Independent Auditor's Report to the Members of InnoTek Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of InnoTek Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of trade receivables and contract assets

The gross balance of the Group's trade receivables and contract assets as of 31 December 2018 is $66.6 million, against which allowance for expected credit losses of $0.5 million was made. The collectability of trade receivables and contract assets is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group determines expected credit losses of trade receivables and contract assets by making debtor-specific assessment of expected impairment loss for long overdue trade receivables, and using a provision matrix for remaining trade receivables and contract assets that is based on its historical credit loss experience, and adjusted for forward-looking information specific to the debtors and economic environment. This assessment involved significant judgement and accordingly, we determine that this is a key audit matter.

As part of our audit, we obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables and contract assets and considered ageing of trade receivables to identify collection risks. Our audit procedures included, amongst others, requesting confirmation of selected trade receivable balances, obtaining evidence of receipts subsequent to the year-end, and discussing the identified collection issues with the relevant business managers. We evaluated management's assumptions and inputs used in determining the provision matrix through ageing analyses, review of historical credit loss experiences, and consideration of the data and information that management has used to make forward-looking adjustments. We checked the arithmetic accuracy of the computation of expected credit losses. We also assessed the adequacy of the Group's disclosures related to the impairment of trade receivables and contract assets and the related risks such as credit risk included in Note 21 *Trade and other receivables* and Note 33 *Financial risk management objectives and policies.*

Independent Auditor's Report to the Members of InnoTek Limited (cont'd)

Key Audit Matters (cont'd)

Allowance for inventory obsolescence

The gross balance of the Group's inventories as of 31 December 2018 is $18.0 million, against which allowance for inventory obsolescence of $0.4 million was made. The determination of allowance for inventory obsolescence requires management to exercise significant judgement in identifying slow-moving or obsolete inventories and making estimates of their net realisable values. This process is particularly complicated for inventories that are components of customers' products that are reaching or have reached their end-of-life.

As part of our audit, we attended and observed physical inventory counts at all material inventory locations where we observed procedures to identify slow-moving and obsolete inventories. We tested management's ageing analyses for samples of inventories by re-performing the ageing calculation and discussed with management on how slow-moving inventories for selected samples were dealt with. We obtained an understanding of the analyses and assessments made by management with respect to slow-moving and obsolete inventories and end-of-life products, including the specific identification of these inventories, and tested the adequacy of the allowance made by management by comparing the net carrying amount of inventories to their net realisable values. We also assessed the adequacy of the disclosures related to the allowance for inventory obsolescence included in Note 20 *Inventories.*

Reversal of impairment of property, plant and equipment

As at 31 December 2018, the Group identified indicators of a reversal of impairment loss previously recognised on certain items of property, plant and equipment. Pursuant to the assessment of the recoverable amount of the property, plant and equipment based on value in use, the Group had recognised reversal of impairment losses of $1.2 million during the financial year ended 31 December 2018. The estimation of value in use required forecasting and discounting of future cash flows of the relevant cash generating unit ("CGU") and the process of making the underlying assumptions involved significant management judgement.

Our audit procedures included, amongst others, obtaining an understanding of management's assessment for indicators of reversal of impairment and their process and basis of determining recoverable amount of the CGU. We evaluated the methodology used by management in estimating value in use and assessed the assumptions used, such as revenue and growth projections, budgeted gross margins and the discount rate applied. We compared past years' results with management budgets, corroborated the key assumptions used with our understanding of the outlook of the industry and performed sensitivity analysis on key assumptions. We involved our internal specialist to assist us in the review of the valuation methodology used by management and the benchmarking of inputs used to develop the discount rate to market data. We identified the changes in estimates used to determine recoverable amount and checked the computation of the consequential reversal of impairment loss to be recognised. We also assessed the adequacy of the disclosures on the reversal of impairment and related sensitivity analysis in Note 13 *Property, plant and equipment.*

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Members of InnoTek Limited (cont'd)

Responsibilities of Management and Directors 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 Act and SFRS(I), 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report to the Members of InnoTek Limited (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Wong Lai Mun.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
28 March 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Revenue	5	218,299	212,946
Cost of sales		(171,573)	(173,963)
Gross profit		46,726	38,983
Other items of income			
Interest income	6	944	567
Other income	7	7,275	5,079
Other items of expense			
Selling and distribution		(3,867)	(3,896)
Administrative expenses		(25,828)	(23,042)
Finance cost	8	(1)	(1)
(Impairment losses)/reversal of impairment losses on financial assets	10	(319)	273
Other expenses	9	(1,584)	(2,246)
Share of results of joint venture	17	(1)	118
Profit before tax	10	23,345	15,835
Income tax expense	11	(3,106)	(5,962)
Profit for the year attributable to owners of the Company		20,239	9,873
Earnings per share attributable to owners of the Company (cents per share)			
Basic	12	8.98	4.41
Diluted	12	8.92	4.37

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Group	
	2018	**2017**
	$'000	$'000
Profit for the year	20,239	9,873
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net surplus on revaluation of leasehold buildings	–	1,252
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(2,901)	(1,281)
Other comprehensive income for the year, net of tax	(2,901)	(29)
Total comprehensive income for the year attributable to owners of the Company	17,338	9,844

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

BALANCE SHEETS
As at 31 December 2018

		Group			Company		
	Note	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
		$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Non-current assets							
Property, plant and equipment	13	33,332	27,805	36,467	26	1	10
Investment properties	14	26,308	26,978	16,919	–	–	–
Prepaid land lease payments	15	1,753	1,864	3,383	–	–	–
Intangible assets	16	359	120	144	–	12	26
Investment in subsidiary	4	–	–	–	74,500	47,061	47,061
Investment in joint venture	17	1,562	1,631	1,521	–	–	–
Deferred tax assets	19	801	861	3,265	–	–	–
Deposit paid for purchase of property, plant and equipment		267	2,562	572	–	–	–
Other receivables	21	1,111	1,433	1,431	–	23,552	25,702
		65,493	63,254	63,702	74,526	70,626	72,799
Current assets							
Inventories	20	25,159	24,226	23,236	–	–	–
Trade and other receivables	21	70,344	69,283	63,559	2,950	4,270	3,310
Contract assets	5	1,807	848	585	–	–	–
Tax recoverable		–	–	58	–	–	–
Prepayments	22	618	545	821	46	55	66
Other investments	18	25,494	14,796	15,332	12,598	14,796	15,332
Derivatives	23	–	112	20	–	112	20
Cash and short-term deposits	24	34,649	35,784	30,090	1,268	2,458	4,576
		158,071	145,594	133,701	16,862	21,691	23,304
Total assets		223,564	208,848	197,403	91,388	92,317	96,103
EQUITY AND LIABILITIES							
Current liabilities							
Provisions	25	8	180	135	–	–	–
Income tax payable		4,978	5,552	2,944	15	42	1
Derivatives	23	–	–	190	–	–	190
Trade and other payables	26	62,642	63,966	65,398	672	660	683
Contract liabilities	5	3,112	2,170	874	–	–	–
Finance lease liabilities	31(e)	34	23	23	–	–	–
		70,774	71,891	69,564	687	702	874
Net current assets		87,297	73,703	64,137	16,175	20,989	22,430

BALANCE SHEETS
As at 31 December 2018

		Group			Company		
	Note	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
		$'000	$'000	$'000	$'000	$'000	$'000
Non-current liabilities							
Provisions	25	515	561	693	–	–	–
Deferred tax liabilities	19	2,653	2,334	2,214	545	430	318
Finance lease liabilities	31(e)	26	27	50	–	–	–
		3,194	2,922	2,957	545	430	318
Total liabilities		73,968	74,813	72,521	1,232	1,132	1,192
Net assets		149,596	134,035	124,882	90,156	91,185	94,911
Equity attributable to owners of the Company							
Share capital	27(a)	98,021	98,021	98,021	98,021	98,021	98,021
Treasury shares	27(b)	(11,739)	(12,997)	(13,164)	(11,739)	(12,997)	(13,164)
Retained earnings		62,921	47,432	39,756	4,117	5,631	9,785
Other reserves	28	393	1,579	269	(243)	530	269
Total equity		149,596	134,035	124,882	90,156	91,185	94,911
Total equity and liabilities		223,564	208,848	197,403	91,388	92,317	96,103

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

2018 Group	Note	Equity, total	Attributable to owners of the Company: Share capital	Treasury shares	Retained earnings	Other reserves
		$'000	$'000	$'000	$'000	$'000
At 1 January 2018 (FRS framework)		133,932	98,021	(12,997)	47,886	1,022
Cumulative effects of adopting SFRS(I)		103	–	–	(454)	557
At 1 January 2018 (SFRS(I) framework)		134,035	98,021	(12,997)	47,432	1,579
Profit for the year		20,239	–	–	20,239	–
Other comprehensive income for the year, net of tax						
Foreign currency translation		(2,901)	–	–	–	(2,901)
Total comprehensive income for the year		17,338	–	–	20,239	(2,901)
Contributions by and distributions to owners						
Grant of equity-settled share options to employees	10	61	–	–	–	61
Treasury shares reissued pursuant to employee share options plan	27(b)	424	–	1,258	–	(834)
Dividends on ordinary shares	36	(2,262)	–	–	(2,262)	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		(1,777)	–	1,258	(2,262)	(773)
Others						
Transfer to statutory reserve fund		–	–	–	(2,488)	2,488
At 31 December 2018		149,596	98,021	(11,739)	62,921	393

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

2017 Group	Note	Equity, total $'000	Attributable to owners of the Company Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserves $'000
At 1 January 2017 (FRS framework)		124,820	98,021	(13,164)	40,251	(288)
Cumulative effects of adopting SFRS(I)		62	–	–	(495)	557
At 1 January 2017 (SFRS(I) framework)		124,882	98,021	(13,164)	39,756	269
Profit for the year		9,873	–	–	9,873	–
Other comprehensive income for the year						
Net surplus on revaluation of leasehold buildings		1,252	–	–	–	1,252
Foreign currency translation		(1,281)	–	–	–	(1,281)
Other comprehensive income for the year, net of tax		(29)	–	–	–	(29)
Total comprehensive income for the year		9,844	–	–	9,873	(29)
Contributions by and distributions to owners						
Grant of equity-settled share options to employees	10	347	–	–	–	347
Treasury shares reissued pursuant to employee share options plan	27(b)	81	–	167	–	(86)
Dividends on ordinary shares	36	(1,119)	–	–	(1,119)	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		(691)	–	167	(1,119)	261
Others						
Transfer to statutory reserve fund		–	–	–	(1,078)	1,078
At 31 December 2017		134,035	98,021	(12,997)	47,432	1,579

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Company	Note	Equity, total $'000	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserves $'000
At 1 January 2017		94,911	98,021	(13,164)	9,785	269
Loss for the year, representing total comprehensive income for the year		(3,035)	–	–	(3,035)	–
Contributions by and distributions to owners						
Grant of equity-settled share options to employees	10	347	–	–	–	347
Treasury shares reissued pursuant to employee share options plan	27(b)	81	–	167	–	(86)
Dividends on ordinary shares	36	(1,119)	–	–	(1,119)	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		(691)	–	167	(1,119)	261
At 31 December 2017 and 1 January 2018		91,185	98,021	(12,997)	5,631	530
Profit for the year, representing total comprehensive income for the year		748	–	–	748	–
Contributions by and distributions to owners						
Grant of equity-settled share options to employees	10	61	–	–	–	61
Treasury shares reissued pursuant to employee share option plans	27(b)	424	–	1,258	–	(834)
Dividends on ordinary shares	36	(2,262)	–	–	(2,262)	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		(1,777)	–	1,258	(2,262)	(773)
At 31 December 2018		90,156	98,021	(11,739)	4,117	(243)

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 2018

	Note	Group 2018 $'000	Group 2017 $'000
Operating activities			
Profit before tax		23,345	15,835
Adjustments for:			
Depreciation of property, plant and equipment	13	4,955	4,840
Amortisation of intangible assets	16	101	89
Amortisation of prepaid land lease payments	15	53	69
Net (gain)/loss on disposal of property, plant and equipment	7, 9	(1,273)	130
Net loss/(gain) on derivatives	9, 7	112	(282)
Grant of equity-settled share options to employees	10	61	347
Net fair value loss on investment securities	9	251	416
Reversal of impairment loss on property, plant and equipment	13	(1,163)	(1,253)
Net loss on disposal of other investments	10	155	37
Net fair value gain on investment properties	14	(197)	(346)
Net impairment loss/(reversal of impairment loss) on trade receivables	21	319	(273)
Share of results of joint venture		1	(118)
Net reversal of provisions	25	(194)	(51)
Interest expense	8	1	1
Interest income	6	(944)	(567)
Dividend income from other investments	7	(166)	(172)
Net allowance for inventory obsolescence	20	498	330
Net impairment loss/(reversal of impairment loss) on capitalised contract costs	20	152	(46)
Exchange differences		(1,357)	1,199
Operating cash flows before changes in working capital		24,710	20,185
Changes in working capital:			
Increase in trade and other receivables and contract assets		(2,026)	(5,047)
Increase in inventories		(1,556)	(1,255)
(Increase)/decrease in prepayments		(73)	276
Decrease in trade and other payables and contract liabilities		(382)	(136)
Decrease in provisions		(10)	–
Cash flows from operations		20,663	14,023
Interest paid		(1)	–
Interest received		1,018	587
Income taxes paid		(3,180)	(915)
Net cash flows generated from operating activities		18,500	13,695

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Investing activities			
Purchase of property, plant and equipment	13	(9,986)	(2,979)
Proceeds from disposal of property, plant and equipment		1,763	145
Purchase of other investments		(24,854)	(6,849)
Deposit refunded/(paid) for property, plant and equipment		2,295	(1,990)
Additions to intangible assets	16	(370)	(67)
Proceeds from disposal of other investments		13,678	6,908
Dividend from other investments	7	166	172
(Increase)/decrease in bank balance under portfolio investment management		(39)	400
Loan to a joint venture		–	(603)
Net cash flows used in investing activities		(17,347)	(4,863)
Financing activities			
Proceeds from reissuance of treasury shares	27(b)	424	81
Repayment of obligations under finance lease	31(e)	(26)	(23)
Dividend paid on ordinary shares	36	(2,262)	(1,119)
Net cash flows used in financing activities		(1,864)	(1,061)
Net (decrease)/increase in cash and cash equivalents		(711)	7,771
Effect of exchange rate changes on cash and cash equivalents		(463)	(1,677)
Cash and cash equivalents at 1 January		35,154	29,060
Cash and cash equivalents at 31 December	24	33,980	35,154

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

1. Corporate information

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

The registered office and principal place of business of the Company is located at 160 Robinson Road, #24-12 SBF Center, Singapore 068914.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and joint venture are disclosed in Notes 4 and 17. 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 (International) ("SFRS(I)").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

2.2 First-time adoption of SFRS(I)

These financial statements for the year ended 31 December 2018 are the first the Group have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group's and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of $557,000 was adjusted against the opening retained earnings as at 1 January 2017.

- The comparative information does not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I), which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

<u>Classification and measurement</u>

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at FVPL, unless an entity chooses on initial recognition, to present FVOCI. For equity securities, the Group continues to measure its currently held for trading equity securities at FVPL.

<u>Impairment</u>

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

The initial application of SFRS(I) 9 does not have significant impact arising from impairment.

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018. The Group applied SFRS(I) 15 retrospectively.

The Group is in a business of manufacture and sale of tooling and precision metal stamping and precision machining components. The key impact of adopting SFRS(I) 15 is detailed as follows:

(a) Manufacture and sale of tooling

The Group had certain contracts for which the sale of tooling and precision metal stamping components were included in a single contract. The Group previously recognised revenue from sale of tooling from such contracts over the quantity of metal stamping components delivered when significant risks and rewards of the metal stamping components were transferred to the customer, which coincided with delivery of metal stamping components to the customer. Under SFRS(I) 15, the manufacture and sale of tooling is considered a separate performance obligation and hence, the transaction price will be allocated between the sale of tooling and metal stamping components on a relative stand-alone selling price basis and recognised separately. The Group has determined that it does not have an enforceable right to payment for performance completed to-date, therefore, revenue is recognised at a point in time, when the customer obtains control of the tooling.

As a result, the Group recognised an adjustment to increase contract assets by $585,000, derecognised inventories of $523,000 with a corresponding adjustment to retained earnings of $62,000 on 1 January 2017.

The Group's balance sheet as at 31 December 2017 was restated, resulting in the recognition of contract assets of $848,000, decrease in inventories of $745,000 and a corresponding adjustment to retained earnings of $103,000. The Group's consolidated income statement for the financial year ended 31 December 2017 was also restated, resulting in increase in revenue and cost of sales of $264,000 and $223,000 respectively.

(b) Advances received from customers

The Group previously included advances received from customers in trade and other payables. Upon adoption of SFRS(I) 15, the Group reclassified trade and other payables of $874,000 related to advances received from customers to contract liabilities as at 1 January 2017. The Group's trade and other payables of $2,170,000 related to advances received from customers as at 31 December 2017 was reclassified to contract liabilities.

(c) Tax and other adjustments

There is no significant tax impact arising from the adoption of SFRS(I) 15.

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

	Group			
	1.1.2017 (FRS)	SFRS(I) 1 adjustments	SFRS(I) 15 adjustments	1.1.2017 (SFRS(I))
	$'000	$'000	$'000	$'000
ASSETS				
Non-current assets				
Property, plant and equipment	36,467	–	–	36,467
Investment properties	16,919	–	–	16,919
Prepaid land lease payments	3,383	–	–	3,383
Intangible assets	144	–	–	144
Investment in joint venture	1,521	–	–	1,521
Deferred tax assets	3,265	–	–	3,265
Deposit paid for purchase of property, plant and equipment	572	–	–	572
Other receivables	1,431	–	–	1,431
	63,702	–	–	63,702
Current assets				
Inventories	23,759	–	(523)	23,236
Trade and other receivables	63,559	–	–	63,559
Contract assets	–	–	585	585
Tax recoverable	58	–	–	58
Prepayments	821	–	–	821
Other investments	15,332	–	–	15,332
Derivatives	20	–	–	20
Cash and short-term deposits	30,090	–	–	30,090
	133,639	–	62	133,701
Total assets	197,341	–	62	197,403

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

	Group			
	1.1.2017 (FRS)	SFRS(I) 1 adjustments	SFRS(I) 15 adjustments	1.1.2017 (SFRS(I))
	$'000	$'000	$'000	$'000
EQUITY AND LIABILITIES				
Current liabilities				
Provisions	135	–	–	135
Income tax payable	2,944	–	–	2,944
Derivatives	190	–	–	190
Trade and other payables	66,272	–	(874)	65,398
Contract liabilities	–	–	874	874
Finance lease liabilities	23	–	–	23
	69,564	–	–	69,564
Net current assets	64,075	–	62	64,137
Non-current liabilities				
Provisions	693	–	–	693
Deferred tax liabilities	2,214	–	–	2,214
Finance lease liabilities	50	–	–	50
	2,957	–	–	2,957
Total liabilities	72,521	–	–	72,521
Net assets	124,820	–	62	124,882
Equity attributable to owners of the Company				
Share capital	98,021	–	–	98,021
Treasury shares	(13,164)	–	–	(13,164)
Retained earnings	40,251	(557)	62	39,756
Other reserves	(288)	557	–	269
Total equity	124,820	–	62	124,882
Total equity and liabilities	197,341	–	62	197,403

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 to the balance sheet of the Group.

	Group			
	31.12.2017 (FRS)	SFRS(I) 1 adjustments	SFRS(I) 15 adjustments	31.12.2017 (SFRS(I))
	$'000	$'000	$'000	$'000
ASSETS				
Non-current assets				
Property, plant and equipment	27,805	–	–	27,805
Investment properties	26,978	–	–	26,978
Prepaid land lease payments	1,864	–	–	1,864
Intangible assets	120	–	–	120
Investment in joint venture	1,631	–	–	1,631
Deferred tax assets	861	–	–	861
Deposit paid for purchase of property, plant and equipment	2,562	–	–	2,562
Other receivables	1,433	–	–	1,433
	63,254	–	–	63,254
Current assets				
Inventories	24,971	–	(745)	24,226
Trade and other receivables	69,283	–	–	69,283
Contract assets	–	–	848	848
Prepayments	545	–	–	545
Other investments	14,796	–	–	14,796
Derivatives	112	–	–	112
Cash and short-term deposits	35,784	–	–	35,784
	145,491	–	103	145,594
Total assets	208,745	–	103	208,848

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

	Group			
	31.12.2017 (FRS)	SFRS(I) 1 adjustments	SFRS(I) 15 adjustments	31.12.2017 (SFRS(I))
	$'000	$'000	$'000	$'000
EQUITY AND LIABILITIES				
Current liabilities				
Provisions	180	–	–	180
Income tax payable	5,552	–	–	5,552
Trade and other payables	66,136	–	(2,170)	63,966
Contract liabilities	–	–	2,170	2,170
Finance lease liabilities	23	–	–	23
	71,891	–	–	71,891
Net current assets	73,600	–	103	73,703
Non-current liabilities				
Provisions	561	–	–	561
Deferred tax liabilities	2,334	–	–	2,334
Finance lease liabilities	27	–	–	27
	2,922	–	–	2,922
Total liabilities	74,813	–	–	74,813
Net assets	133,932	–	103	134,035
Equity attributable to owners of the Company				
Share capital	98,021	–	–	98,021
Treasury shares	(12,997)	–	–	(12,997)
Retained earnings	47,886	(557)	103	47,432
Other reserves	1,022	557	–	1,579
Total equity	133,932	–	103	134,035
Total equity and liabilities	208,745	–	103	208,848

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) and application of the new accounting standards to the comprehensive income of the Group for the financial year ended 31 December 2017.

	Group		
	2017 (FRS)	SFRS(I) 15 adjustments	2017 (SFRS(I))
	$'000	$'000	$'000
Revenue	212,682	264	212,946
Cost of sales	(173,740)	(223)	(173,963)
Gross profit	38,942	41	38,983
Other items of income			
Interest income	567	–	567
Other income	5,079	–	5,079
Other items of expense			
Selling and distribution	(3,896)	–	(3,896)
Administrative expense	(23,042)	–	(23,042)
Finance cost	(1)	–	(1)
Reversal of impairment loses on financial assets	273	–	273
Other expenses	(2,246)	–	(2,246)
Share of results of joint venture	118	–	118
Profit before tax	15,794	41	15,835
Income tax expense	(5,962)	–	(5,962)
Profit for the year	9,832	41	9,873
Other comprehensive income			
Items that will not be reclassified to profit or loss	1,252	–	1,252
Items that may be reclassified subsequently to profit or loss	(1,281)	–	(1,281)
Other comprehensive income for the year, net of tax	(29)	–	(29)
Total comprehensive income for the year attributable to owners of the Company	9,803	41	9,844
Earnings per share attributable to owners of the Company (cents per share)			
Basic	4.39	0.02	4.41
Diluted	4.35	0.02	4.37

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interest in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 is described below.

<u>SFRS(I) 16 *Leases*</u>

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

SFRS(I) 16 *Leases* (cont'd)

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases as of 1 January 2019. In addition, the Group will present prepaid land lease payments as right-of-use assets as of 1 January 2019.

2.4 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.

2.5 Foreign currency

The financial statements are presented in SGD, 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 SGD 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.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

2. Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

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

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

2.7 Investment properties

Investment properties are properties 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.

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.

2.8 Prepaid land lease payments

Prepaid land lease payments under operating leases are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation. The prepaid land lease payments are amortised on a straight-line basis over the lease terms of 47 to 49 years.

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Computer software

Computer software was acquired separately and is amortised on a straight-line basis over its finite useful lives of 5 years.

2. Summary of significant accounting policies (cont'd)

2.10 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.

Impairment losses are recognised in profit or loss.

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.

2.11 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 balance sheet, investments in its subsidiary is accounted for at cost less impairment losses.

2.12 Joint arrangement

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 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 2.13.

2.13 Joint venture

The Group account for its investment in joint venture using the equity method from the date on which it becomes a joint venture.

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 represents 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 joint venture's profit or loss in the period in which the investment is acquired.

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

2. Summary of significant accounting policies (cont'd)

2.13 Joint venture (cont'd)

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the 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 joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the 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 joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint venture 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.

2.14 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 instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

<u>Investments in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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.

(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.

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

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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a "lifetime ECL").

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.16 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.

2.17 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.

2.18 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.

2. Summary of significant accounting policies (cont'd)

2.18 Provisions (cont'd)

(b) Restructuring provision

Restructuring provisions are only recognised when the Group has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and the number of employee affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset.

2.20 Borrowing costs

All 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.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

(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 are 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.

(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 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 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.

The employee share option reserve is transferred to retained earnings upon expiry of the share options.

2. Summary of significant accounting policies (cont'd)

2.22 Leases

(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 does not transfer 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(c). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of precision metal stamping and precision machining components

The Group supplies precision metal stamping and precision machining components for manufacturers.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. Certain goods are sold with a right of return.

The amount of revenue recognised is based on the estimated transaction price which comprises the contractual price and adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group recognises refunds due to expected returns from customers as refund liabilities. Separately, the Group recognises a related asset for the right to recover the returned goods, based on the former carrying amount of the goods less expected costs to recover the goods, and adjusted them against cost of sales correspondingly.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes. The Group also updates its measurement of the asset for the right to recover returned goods for changes in its expectations about returned goods.

2. Summary of significant accounting policies (cont'd)

2.23 Revenue

(b) Manufacture and sale of tooling

The Group manufactures and supplies tooling for manufacturers.

The Group does not have an enforceable right to payment for performance completed to-date, revenue is recognised when the customer obtains control of the tooling.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified manufacturing milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently recognised in profit or loss as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expense.

(c) 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, in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint venture, 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.

2. Summary of significant accounting policies (cont'd)

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

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, in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint venture, 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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

(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.

2.25 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.

2.26 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.

2.27 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

2. Summary of significant accounting policies (cont'd)

2.27 Contingencies (cont'd)

(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.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, 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 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements 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 judgement. 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. Judgement 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 properties at the end of the reporting period is disclosed in Note 14.

(b) 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 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 three years.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised for unused tax losses. The carrying amounts of the Group's recognised tax losses and unrecognised tax losses as at 31 December 2018 were $Nil (31.12.2017: $Nil, 1.1.2017: $13,305,000) and $42,050,000 (31.12.2017: $37,526,000, 1.1.2017: $37,045,000) respectively. If the Group was able to recognise all unrecognised tax losses, profit would increase by $9,591,000 (2017: $8,617,000).

3. Significant accounting judgements and estimates (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(c) 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 income tax payable, deferred tax assets and deferred tax liabilities as at 31 December 2018 were $4,978,000 (31.12.2017: $5,552,000, 1.1.2017: $2,944,000), $801,000 (31.12.2017: $861,000, 1.1.2017: $3,265,000) and $2,653,000 (31.12.2017: $2,334,000, 1.1.2017: $2,214,000) respectively. The carrying amounts of the Company's income tax payable and deferred tax liabilities as at 31 December 2018 were $15,000 (31.12.2017: $42,000, 1.1.2017: $1,000) and $545,000 (31.12.2017: $430,000, 1.1.2017: $318,000) respectively.

3.2 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) Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 33(c).

The carrying amounts of the Group's trade receivables and contract assets at the end of the reporting period is disclosed in Note 5(b).

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

The Group 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 result in a change in depreciable lives and therefore depreciation in the future periods. The carrying amounts of the Group's and the Company's property, plant and equipment at the end of the reporting period is disclosed in Note 13.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimates uncertainty (cont'd)

(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 29.

(d) Fair value of investment properties

Investment properties are measured at their fair values. 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 properties, and the corresponding adjustments to the gain or loss recognised in profit or loss. The carrying amount of the investment properties at the end of the reporting period is disclosed in Note 14.

Further details including the key assumptions used for fair value measurement are disclosed in Note 32.

(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. The recoverable amount of an item of property, plant and equipment is the higher of its fair value less costs of disposal 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 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 at the end of the reporting period is disclosed in Note 13.

(f) Allowance for inventory obsolescence

Management reviews the condition of inventories and makes allowance against obsolete and slow-moving inventory items and end-of-life products which are identified as no longer suitable for sale or use. This review involves comparison of the carrying value of the inventory items with the respective net realisable value. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The carrying amount of the Group's allowance for inventory obsolescence as at 31 December 2018 was $422,000 (31.12.2017: $309,000, 1.1.2017: $421,000).

4. Investment in subsidiary

	Company		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Equity shares, at cost	47,061	47,061	47,061
Loans to a subsidiary	27,439	–	–
	74,500	47,061	47,061

The Group has the following significant investments in subsidiaries.

Name	Principal place of business	Principal activities	Proportion of ownership interest		
			31.12.2018	31.12.2017	1.1.2017
			%	%	%
Held by the Company					
Mansfield Manufacturing Company Limited ("Mansfield") [1]	Hong Kong	Metal stamping and sub-assembly of stamped components, tooling and die making	100	100	100
Held through subsidiaries					
Go Smart Development Limited	Hong Kong	Dormant	– [6]	100	100
Lens Tool & Die (H.K.) Limited [1]	Hong Kong	Investment holding	100	100	100
Magix Mechatronics Company Limited [1]	Hong Kong	Sale of assembly components	100	100	100
Feng Chuan Tooling Company Limited [1]	Hong Kong	Sale of precision tools and dies	100	100	100
Feng Chuan Tooling (Dongguan) Company Limited [2][5]	People's Republic of China	Manufacturing of precision tools and dies	100	100	100
Mansfield (Suzhou) Manufacturing Company Limited [2]	People's Republic of China	Metal stamping, tooling and die making	100	100	100
Magix Mechatronics (Dongguan) Company Limited [2]	People's Republic of China	Assembly of components	100	100	100
Sun Mansfield Manufacturing (Dongguan) Company Limited [2]	People's Republic of China	Metal stamping, tooling and die making	100	100	100
Mansfield Manufacturing (Wuhan) Company Limited [2]	People's Republic of China	Metal stamping	100	100	100

4. Investment in subsidiary (cont'd)

Name	Principal place of business	Principal activities	Proportion of ownership interest		
			31.12.2018	31.12.2017	1.1.2017
			%	%	%
Held through subsidiaries (cont'd)					
Mansfield Technology (Taiwan) Company Limited [4]	Taiwan	Sale of stamped components, precision tools and dies	100	100	100
Mansfield (Thailand) Co. Ltd. [3]	Thailand	Metal stamping, tooling, and plastic injection	100	100	100
Mansfield Technology (Weihai) Co. Ltd. [3][8]	People's Republic of China	Research and development, metal stamping, tooling, assembly	100*	100*	– [7]

* 50% of equity interests are held by Mansfield Manufacturing Company Limited and the remaining 50% of equity interests are held by Mansfield (Suzhou) Manufacturing Company Limited.

(1) Audited by member firms of Ernst & Young Global in the respective countries.
(2) Audited by member firms of Ernst & Young Global in the respective countries for group reporting purpose.
(3) Audited by Ernst & Young LLP for the purpose of group audit.
(4) Not required to be audited by the law in the country of incorporation.
(5) Transferred from Feng Chuan Tooling Company Limited to Sun Mansfield Manufacturing (Dongguan) Company Limited in 2017.
(6) Deregistered on 20 April 2018.
(7) Incorporated on 22 September 2017.
(8) In the process of deregistration.

5. Revenue

(a) Disaggregation of revenue

Segments	Precision Components and Tooling		Precision Machining		Total revenue	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets						
Hong Kong/The People's Republic of China	143,153	146,157	73,287	66,789	216,440	212,946
Thailand	1,859	–	–	–	1,859	–
	145,012	146,157	73,287	66,789	218,299	212,946
Major product lines						
Precision metal stamping components for manufacturers	131,042	135,866	–	–	131,042	135,866
Tooling for manufacturers	13,970	10,291	774	887	14,744	11,178
Precision machining components for manufacturers	–	–	72,513	65,902	72,513	65,902
	145,012	146,157	73,287	66,789	218,299	212,946
Timing of transfer of goods						
At a point in time	145,012	146,157	73,287	66,789	218,299	212,946

5. Revenue (cont'd)

(b) Contract assets and contract liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

		Group		
	Note	31.12.2018	31.12.2017	1.1.2017
		$'000	$'000	$'000
Receivables from contracts with customers	21	64,287	62,862	60,557
Contract assets		1,807	848	585
Capitalised contract costs	20	7,588	9,085	7,026
Contract liabilities		3,112	2,170	874

The Group has recognised net impairment losses on receivables arising from contracts with customers amounting to $319,000 (2017: Reversal of impairment losses of $273,000) during the financial year ended 31 December 2018.

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for sale of tooling. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods to customers for which the Group has received advances from customers for sale of tooling. Contract liabilities are recognised as revenue as the Group performs under the contract.

(i) Significant changes in contract assets are explained as follows:

	Group	
	2018	2017
	$'000	$'000
Contract assets reclassified to receivables	275	381

(ii) Significant changes in contract liabilities are explained as follows:

	Group	
	2018	2017
	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,722	798

6. Interest income

	Group 2018 $'000	Group 2017 $'000
Interest income from:		
- Debt instruments at amortised cost	212	–
- Debt instruments at FVPL	732	–
- Loans and receivables	–	160
- Held for trading other investments	–	407
	944	567

7. Other income

	Note	Group 2018 $'000	Group 2017 $'000
Rental income		2,912	2,213
Sample recharge		37	53
Dividend income from other investments		166	172
Net gain on disposal of property, plant and equipment		1,273	–
Net gain from fair value adjustment of investment properties	14	197	346
Net fair value gain on derivatives		–	282
Reversal of impairment loss on property, plant and equipment	13	1,163	1,253
Government grants*		562	315
Insurance compensation		229	–
Others		736	445
		7,275	5,079

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

8. Finance costs

	Group 2018 $'000	Group 2017 $'000
Interest expense on obligations under finance leases	1	1

9. Other expenses

	Group 2018 $'000	Group 2017 $'000
Net fair value loss on derivatives	112	–
Net foreign exchange loss	242	1,700
Net fair value loss on held for trading investment securities	251	416
Net loss on disposal of property, plant and equipment	–	130
Net loss on cessation of operations	821	–
Others	158	–
	1,584	2,246

10. Profit before tax and impairment losses/(reversal of impairment losses) on financial assets

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

	Note	Group 2018 $'000	Group 2017 $'000
Audit fees:			
- Auditor of the Company		117	119
- Other auditors		326	362
Non-audit fees:			
- Auditor of the Company		22	23
- Other auditors		152	102
Inventories recognised as an expense in cost of sales	20	82,629	80,963
Capitalised contract costs recognised as an expense in cost of sales	20	6,342	5,676
Depreciation of property, plant and equipment	13	4,955	4,840
Amortisation of prepaid land lease payments	15	53	69
Amortisation of intangible assets	16	101	89
Net loss on disposals of other investments		155	37
Employee benefit expense (including directors):			
- Salaries and bonuses		46,805	46,787
- Contributions to defined contribution plans		3,337	2,967
- Long-term benefits	25	(74)	(51)
- Termination benefits		34	–
- Share-based payments (Employee share option plans)		61	347
Operating lease expense	31(c)	5,149	5,626
Net impairment losses/(reversal of impairment losses) on trade receivables	21	319	(273)
Reversal of provision for indemnity	25	120	–

Impairment losses/(reversal of impairment losses) on financial assets allocated by function are as follows:

	Group 2018 $'000	Group 2017 $'000
Other expenses/(income)	319	(273)

11. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	2017
	$'000	$'000
Consolidated income statement		
Current income tax:		
Current income taxation	4,976	3,842
(Over)/under provision in respect of previous years	(2,322)	4
	2,654	3,846
Deferred income tax:		
Origination and reversal of temporary differences	1,440	1,087
(Over)/under provision in respect of previous years	(988)	1,029
	452	2,116
Income tax expense recognised in profit or loss	3,106	5,962

Relationship between income tax expense and accounting profit

A reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Group	
	2018	2017
	$'000	$'000
Profit before tax	23,345	15,835
Tax at the domestic rates applicable to profits in the countries where the Group operates	2,105	4,013
Adjustments:		
Income not subject to taxation	(775)	(1,044)
Non-deductible expenses	3,507	2,368
Deferred tax assets not recognised	1,393	16
Benefits from previously unrecognised tax losses	(303)	(83)
Effect of tax exemption, tax rebates and tax incentive	(523)	(348)
Deferred tax on dividends from oversea subsidiaries	995	–
(Over)/under provision in respect of previous years	(3,310)	1,033
Others	17	7
Income tax expense recognised in profit or loss	3,106	5,962

11. Income tax expense (cont'd)

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

For the financial year ended 31 December 2018, the corporate income tax rate applicable to the Company is 17% (2017: 17%). For the subsidiaries operating in Hong Kong and the PRC, income taxes are calculated using domestic tax rates of 16.5% (2017: 16.5%) and 25% (2017: 25%) respectively, except for a subsidiary in the PRC, which is entitled to reduced tax rate of 15% under High and New Technology Enterprise scheme for 3 years from 1 January 2017.

12. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit, net of tax, 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 profit, net of tax, 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 2018 and 2017:

	Group	
	2018	**2017**
	$'000	$'000
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	20,239	9,873

	Group	
	2018	**2017**
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	225,303	224,006
Effects of dilution:		
– Share options	1,490	1,910
Weighted average number of ordinary shares for diluted earnings per share computation *	226,793	225,916

* 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 financial 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.

13. Property, plant and equipment

Group	Note	Freehold land $'000	Freehold building $'000	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 2017		–	–	29,413	113,388	6,365	648	33,716	60	183,590
Additions		–	–	–	1,469	231	36	504	739	2,979
Disposals		–	–	–	(975)	(260)	(44)	(1,592)	–	(2,871)
Revaluation surplus		–	–	1,252	–	–	–	–	–	1,252
Transfer to investment properties	14	–	–	(9,775)	–	–	–	–	–	(9,775)
Exchange differences		–	–	(557)	(6,144)	(334)	(28)	(1,506)	–	(8,569)
At 31 December 2017 and 1 January 2018		–	–	20,333	107,738	6,002	612	31,122	799	166,606
Additions		1,101	–	–	2,898	269	166	1,733	3,855	10,022
Disposals		–	–	–	(10,967)	(239)	–	(564)	–	(11,770)
Write-offs		–	–	–	–	–	–	(20)	–	(20)
Reclassifications		–	2,833	–	662	2	–	11	(3,508)	–
Exchange differences		–	44	(653)	(618)	(43)	(4)	(393)	(63)	(1,730)
At 31 December 2018		1,101	2,877	19,680	99,713	5,991	774	31,889	1,083	163,108

13. Property, plant and equipment (cont'd)

Group	Note	Freehold land $'000	Freehold building $'000	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
Accumulated depreciation and impairment loss										
At 1 January 2017		–	–	9,445	100,210	6,149	483	30,776	60	147,123
Depreciation charge for the year		–	–	868	3,161	128	44	639	–	4,840
Disposals		–	–	–	(893)	(260)	(41)	(1,402)	–	(2,596)
Reversal of impairment loss on revaluation		–	–	(1,253)	–	–	–	–	–	(1,253)
Transfer to investment properties	14	–	–	(1,310)	–	–	–	–	–	(1,310)
Exchange differences		–	–	(163)	(5,965)	(334)	(27)	(1,454)	(60)	(8,003)
At 31 December 2017 and 1 January 2018		–	–	7,587	96,513	5,683	459	28,559	–	138,801
Depreciation charge for the year		–	24	748	3,261	137	56	729	–	4,955
Disposals		–	–	–	(10,933)	(201)	–	(146)	–	(11,280)
Reversal of impairment loss		–	–	–	–	–	–	(1,163)	–	(1,163)
Write-offs		–	–	–	–	–	–	(20)	–	(20)
Exchange differences		–	–	(268)	(923)	(26)	(1)	(299)	–	(1,517)
At 31 December 2018		–	24	8,067	87,918	5,593	514	27,660	–	129,776
Net carrying amount										
At 1 January 2017		–	–	19,968	13,178	216	165	2,940	–	36,467
At 31 December 2017		–	–	12,746	11,225	319	153	2,563	799	27,805
At 31 December 2018		1,101	2,853	11,613	11,795	398	260	4,229	1,083	33,332

13. Property, plant and equipment (cont'd)

Company	Leasehold improvements	Furniture, fittings and office equipment	Total
	$'000	$'000	$'000
Cost			
At 1 January 2017, 31 December 2017, 1 January 2018	20	9	29
Additions	33	–	33
Disposals	(19)	–	(19)
As at 31 December 2018	34	9	43
Accumulated depreciation			
At 1 January 2017	12	7	19
Depreciation charge for the year	7	2	9
At 31 December 2017 and 1 January 2018	19	9	28
Depreciation charge for the year	8	–	8
Disposals	(19)	–	(19)
At 31 December 2018	8	9	17
Net carrying amount			
At 1 January 2017	8	2	10
At 31 December 2017	1	–	1
At 31 December 2018	26	–	26

Assets held under finance leases

During the financial year, the Group acquired motor vehicle with an aggregate cost of $60,000 (2017: $Nil) by means of finance lease. The cash outflow on acquisition of motor vehicle amounted to $24,000 (2017: $Nil).

The carrying amount of motor vehicles held under finance leases at the end of the reporting period was $104,000 (31.12.2017: $71,000, 1.1.2017: $91,000).

Leased assets are pledged as security for the related finance lease liabilities.

Reversal of impairment of assets

During the financial year, a subsidiary of the Group within the precision machining segment, Magix Mechatronics (Dongguan) Company Limited, carried out a review of the recoverable amount of its property, plant and equipment because its financial performance is improving. A reversal of previously recognised impairment loss of $1,163,000, representing difference between the recoverable amount and the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously, was recognised in "Other income" (Note 7) line item of profit or loss for the financial year ended 31 December 2018. The recoverable amount of the property, plant and equipment was based on its value in use and the pre-tax discount rate used was 15%.

14. Investment properties

	Note	Group 2018 $'000	Group 2017 $'000
Balance sheet			
At 1 January		26,978	16,919
Transfer from prepaid land lease payments	15	–	1,380
Transfer from property, plant and equipment	13	–	8,465
Net gain from fair value adjustments recognised in profit or loss	7	197	346
Exchange differences		(867)	(132)
At 31 December		26,308	26,978
Consolidated income statement			
Rental income from investment properties – Minimum lease payments		2,752	2,126
Direct operating expenses arising from rental generating properties		778	815

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

Transfer to investment properties

During the financial year ended 31 December 2017, a subsidiary of the Group within the precision components and tooling segment, Mansfield (Suzhou) Manufacturing Company Limited transferred two units of leasehold land and buildings that were previously held as owner-occupied properties to investment properties. The leases of the buildings commenced on the dates of transfer.

The Group engaged BMI Appraisals Limited, an independent valuer to determine the fair value of the leasehold land and buildings on the dates of transferring leasehold land and buildings to investment properties. During the financial year ended 31 December 2017, a reversal of impairment loss of $1,253,000, representing difference between the fair value and the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously, was recognised in "Other income" (Note 7) line item in profit or loss.

14. Investment properties (cont'd)

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2018, 31 December 2017 and 1 January 2017. The valuations were performed by BMI Appraisals Limited, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs used are disclosed in Note 32.

The investment properties held by the Group as at 31 December are as follows:

Description and location	Existing use	Tenure	Unexpired 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	40 years
Industrial complex located in Jin Wang Road, Suzhou National New & Hi-Tech, Industrial Development Zone, Suzhou City, Jiangsu Province, The PRC	Factory	Leasehold	40 years

15. Prepaid land lease payments

	Note	Group 2018 $'000	Group 2017 $'000
Cost			
At 1 January		2,336	4,082
Transfer to investment properties	14	–	(1,662)
Exchange differences		(75)	(84)
At 31 December		2,261	2,336
Accumulated amortisation			
At 1 January		385	610
Amortisation for the year		53	69
Transfer to investment properties	14	–	(282)
Exchange differences		(14)	(12)
At 31 December		424	385
Net carrying amount		1,837	1,951

	Note	Group 31.12.2018 $'000	Group 31.12.2017 $'000	Group 1.1.2017 $'000
Amount to be amortised:				
- Not later than one year	22	84	87	89
- Later than one year but not later than five years		338	349	353
- Later than five years		1,415	1,515	3,030
		1,837	1,951	3,472

The Group has land use rights over three (2017: three) separate plots of state-owned land in the PRC where the Group's PRC manufacturing facilities reside. The land use rights are transferable and have remaining tenures ranging from 38 to 40 (2017: 39 to 41) years.

16. Intangible assets

	Group Computer software	Company Computer software
	$'000	$'000
Cost		
At 1 January 2017	2,662	42
Additions	67	–
Exchange differences	(114)	–
At 31 December 2017 and 1 January 2018	2,615	42
Additions	370	–
Exchange differences	(57)	–
At 31 December 2018	2,928	42
Accumulated amortisation		
At 1 January 2017	2,518	16
Amortisation	89	14
Exchange differences	(112)	–
At 31 December 2017 and 1 January 2018	2,495	30
Amortisation	101	12
Exchange differences	(27)	–
At 31 December 2018	2,569	42
Net carrying amount		
At 1 January 2017	144	26
At 31 December 2017	120	12
At 31 December 2018	359	–

Amortisation expense

Amortisation of computer software is included in the "Administrative expenses" line item in profit or loss.

17. Investment in joint venture

The Group has the following investment in joint venture:

Name	Country of incorporation	Principal activities	Proportion of ownership interest 31.12.2018	31.12.2017	1.1.2017
			%	%	%
Held through a subsidiary					
Anhui KM Technology Company Limited ("Anhui KM") [(1)]	People's Republic of China	Research and development, manufacturing and sale of precision metal parts, hardware fittings and metal assembly	49	49	49

[(1)] Audited by CAC CPA Limited Liability Partnership

17. Investment in joint venture (cont'd)

The Group jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

Summarised financial information in respect of Anhui KM based on its SFRS(I) financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Summarised balance sheet			
Cash and cash equivalents	565	266	188
Other current assets	7,560	6,514	4,206
Total current assets	8,125	6,780	4,394
Non-current assets	3,663	3,109	1,641
Total assets	11,788	9,889	6,035
Current liabilities (excluding trade and other payables and provisions)	(1)	(37)	(2,067)
Other current liabilities	(7,656)	(5,719)	(1)
Total current liabilities	(7,657)	(5,756)	(2,068)
Total non-current liabilities (excluding trade and other payables and provisions)	(123)	–	–
Total liabilities	(7,780)	(5,756)	(2,068)
Net assets	4,008	4,133	3,967
Proportion of the Group's ownership	49%	49%	49%
Group's share of net assets	1,964	2,025	1,944
Other adjustments	(402)	(394)	(423)
Carrying amount of the investment	1,562	1,631	1,521

	Group	
	2018	2017
	$'000	$'000
Summarised statement of comprehensive income		
Revenue	13,527	9,018
Depreciation and amortisation	(391)	(307)
Other operating expenses	(13,292)	(8,392)
Interest income	25	11
Interest expense	(48)	(5)
(Loss)/profit before tax	(179)	325
Income tax credit/(expense)	178	(85)
Profit for the year, representing total comprehensive income for the year	(1)	240

18. Other investments

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
At fair value through profit or loss						
Equity securities (quoted)	3,264	–	–	3,264	–	–
Debt securities (quoted)	9,334	–	–	9,334	–	–
Structured deposits (unquoted)	12,896	–	–	–	–	–
Held for trading investments						
Equity securities (quoted)	–	4,817	4,431	–	4,817	4,431
Debt securities (quoted)	–	9,979	10,901	–	9,979	10,901
	25,494	14,796	15,332	12,598	14,796	15,332

Other investments denominated in foreign currencies at 31 December are as follows:

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
United States Dollar	1,293	8,125	7,732	1,293	8,125	7,732
Euro	–	1,164	841	–	1,164	841
Hong Kong Dollar	226	477	155	226	477	155
Japanese Yen	–	169	169	–	169	169

19. Deferred tax

Deferred tax as at 31 December relates to the following:

Group	Note	Unutilised tax losses $'000	Provisions $'000	Depreciation in excess of related capital allowances $'000	Total $'000
Deferred tax asset					
At 1 January 2017		2,198	910	157	3,265
(Charged)/credited to profit or loss during the year	11	(1,825)	4	(148)	(1,969)
Exchange differences		(373)	(53)	(9)	(435)
At 31 December 2017 and 1 January 2018		–	861	–	861
Charged to profit or loss during the year	11	–	(63)	–	(63)
Exchange differences		–	3	–	3
At 31 December 2018		–	801	–	801

Group	Note	Foreign income not remitted $'000	Fair value adjustments on investment properties $'000	Undistributed earnings of subsidiaries $'000	Total $'000
Deferred tax liabilities					
At 1 January 2017		(318)	(1,896)	–	(2,214)
Charged to profit or loss during the year	11	(112)	(35)	–	(147)
Exchange differences		–	27	–	27
At 31 December 2017 and 1 January 2018		(430)	(1,904)	–	(2,334)
(Charged)/credited to profit or loss during the year	11	(115)	721	(995)	(389)
Exchange differences		–	67	3	70
At 31 December 2018		(545)	(1,116)	(992)	(2,653)

	Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Deferred tax liabilities			
Foreign income not remitted	545	430	318

Unrecognised temporary differences relating to investment in subsidiaries and joint venture

At the end of the reporting period, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of the Group's subsidiaries and joint venture as:

- The Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future; and

- The joint venture of the Group cannot distribute its earnings until it obtains the consent of both the venturers. At the end of the reporting period, the Group does not foresee giving such consent.

19. Deferred tax (cont'd)

Unrecognised temporary differences relating to investment in subsidiaries and joint venture (cont'd)

Such temporary differences for which no deferred tax liability has been recognised aggregate to $32,403,000 (31.12.2017: $9,662,000, 1.1.2017: $3,552,000).

Unrecognised deferred tax assets

At the end of reporting period, the Group has tax losses of approximately $42,050,000 (31.12.2017: $37,526,000, 1.1.2017: $37,045,000), that 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. The tax losses in the PRC can be carried forward for five years. The tax losses in Hong Kong have no expiry date.

Tax consequences of proposed dividends

There are no income tax consequences (2017: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 36).

20. Inventories

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Balance sheet			
Inventories			
Raw materials (at cost)	4,454	5,186	3,993
Work-in-progress (at cost)	4,304	3,646	4,055
Finished goods (at cost or net realisable value)	8,813	6,309	8,162
	17,571	15,141	16,210
Capitalised contract costs	7,588	9,085	7,026
	25,159	24,226	23,236
Consolidated income statement			
Inventories recognised as an expense in cost of sales	82,629	80,963	
Inclusive of the following charge/(credit):			
– Allowance for inventory obsolescence	587	400	
– Write-back of allowance for inventory obsolescence	(89)	(70)	
Capitalised contract costs recognised as an expense in cost of sales	6,342	5,676	
Inclusive of net impairment loss/ (reversal of impairment loss on capitalised contract costs	152	(46)	

The write-back of allowance for inventory obsolescence was made when the related inventories were sold above their carrying amounts in the respective financial year.

21. Trade and other receivables

		Group			Company		
	Note	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
		$'000	$'000	$'000	$'000	$'000	$'000
Trade and other receivables (current)							
Trade receivables		64,287	62,862	60,557	–	–	–
Bills receivables		2,423	1,575	1,646	–	–	–
Amount due from a subsidiary		–	–	–	2,926	4,229	3,273
Loan to a joint venture		583	603	–	–	–	–
Other receivables		1,296	682	382	14	4	11
Refundable deposits		1,755	3,561	974	10	37	26
		70,344	69,283	63,559	2,950	4,270	3,310
Other receivables (non-current)							
Refundable deposits		1,111	1,433	1,431	–	–	–
Loan to a subsidiary		–	–	–	–	23,552	25,702
		1,111	1,433	1,431	–	23,552	25,702
Total trade and other receivables (current and non-current)		71,455	70,716	64,990	2,950	27,822	29,012
Add: Cash and short-term deposits	24	34,649	35,784	30,090	1,268	2,458	4,576
Less: Sales tax receivables		(427)	(82)	(18)	(2)	(4)	(11)
Total financial assets carried at amortised cost		105,677	106,418	95,062	4,216	30,276	33,577

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.

Bills receivables

Bills receivables have an average maturity of one to six months (2017: One to four months) from the end of the reporting period.

Amount due from a subsidiary

Amount due from a subsidiary is non-trade related, unsecured, non-interest bearing, repayable upon demand and is to be settled in cash.

Loan to a subsidiary

As at 31 December 2017, loan to a subsidiary is unsecured, bears interest ranging from 4.31% to 4.56% (1.1.2017: 2.23% to 4.1%) per annum, repayable upon demand and is to be settled in cash. The loan is denominated in Hong Kong Dollar.

21. Trade and other receivables (cont'd)

Trade and other receivables denominated in foreign currencies at 31 December are as follows:

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000	$'000	$'000	$'000
United States Dollar	18,442	16,167	17,585	770	966	1,045
Euro	324	625	515	–	–	–
Hong Kong Dollar	–	–	–	1,743	25,079	26,235

Receivables that are past due but not impaired

The Group has trade receivables amounting to $15,056,000 as at 31 December 2017 and $6,356,000 as at 1 January 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	31.12.2017	**1.1.2017**
	$'000	$'000
Trade receivables past due but not impaired		
Less than 30 days	11,362	3,881
30 to 60 days	1,619	1,356
61 to 90 days	1,195	257
91 to 120 days	540	380
More than 120 days	340	482
	15,056	6,356

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	31.12.2017	**1.1.2017**
	$'000	$'000
Trade receivables – Nominal amounts	949	1,356
Less: Allowance for impairment	(949)	(1,356)
	–	–

Movement in allowance accounts	
At 1 January	(1,356)
Net reversal for the year	273
Written off	68
Exchange differences	66
At 31 December	(949)

21. Trade and other receivables (cont'd)

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Expected credit losses

The movement in allowance for expected losses of trade receivables and contract assets computed based on lifetime ECL are as follows:

	Group Trade receivable 31.12.2018 $'000
Movement in allowance accounts	
At 1 January	(949)
Net charge for the year	(319)
Written off	790
Exchange differences	(8)
At 31 December	(486)

22. Prepayments

	Note	Group			Company		
		31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
		$'000	$'000	$'000	$'000	$'000	$'000
Prepaid land lease payments	15	84	87	89	–	–	–
Other prepayments		534	458	732	46	55	66
		618	545	821	46	55	66

23. Derivatives

Group	Note	Contract/ notional amount	Assets	Liabilities
		$'000	$'000	$'000
31 December 2018				
Total derivatives				
Forward currency contracts		–	–	–
Add: Other investments at FVPL	18		25,494	–
Total financial assets at fair value through profit or loss			25,494	–
31 December 2017				
Total derivatives				
Forward currency contracts		9,194	112	–
Add: Held for trading investments	18		14,796	–
Total financial assets at fair value through profit or loss			14,908	–
1 January 2017				
Total derivatives				
Forward currency contracts		8,324	20	(190)
Add: Held for trading investments	18		15,332	–
Total financial assets/(liabilities) at fair value through profit or loss			15,352	(190)

Company	Note	Contract/ notional amount	Assets	Liabilities
		$'000	$'000	$'000
31 December 2018				
Total derivatives				
Forward currency contracts		–	–	–
Add: Other investments at FVPL	18		12,598	–
Total financial assets at fair value through profit or loss			12,598	–
31 December 2017				
Total derivatives				
Forward currency contracts		9,194	112	–
Add: Held for trading investments	18		14,796	–
Total financial assets at fair value through profit or loss			14,908	–
1 January 2017				
Total derivatives				
Forward currency contracts		8,324	20	(190)
Add: Held for trading investments	18		15,332	–
Total financial assets/(liabilities) at fair value through profit or loss			15,352	(190)

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

24. Cash and short-term deposits

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash at banks and on hand	33,879	34,154	25,849	498	828	335
Cash at bank under portfolio investment management	669	630	1,030	669	630	1,030
Short-term deposits	101	1,000	3,211	101	1,000	3,211
Cash and short-term deposits	34,649	35,784	30,090	1,268	2,458	4,576
Less: Bank balance under portfolio investment management	(669)	(630)	(1,030)	(669)	(630)	(1,030)
Cash and cash equivalents per cash flow statement	33,980	35,154	29,060	599	1,828	3,546

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 month and three months depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate for the Group and the Company was 0.1% (31.12.2017: 1.0%, 1.1.2017: 0.3%) per annum respectively.

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

Cash and cash equivalents of $8,884,000 (31.12.2017: $21,646,000, 1.1.2017: $6,640,000) held in the People's Republic of China are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported.

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

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
United States Dollar	15,983	8,848	16,385	679	49	3,249
Euro	1,422	480	1,106	–	80	114

25. Provisions

	Group Provision for long service payment $'000	Provision for indemnity $'000	Total $'000
At 1 January 2017	699	129	828
Unused amounts reversed	(51)	–	(51)
Exchange differences	(25)	(11)	(36)
At 31 December 2017 and 1 January 2018	623	118	741
Unused amounts reversed	(74)	(120)	(194)
Utilised	(10)	–	(10)
Exchange differences	(16)	2	(14)
At 31 December 2018	523	–	523
31 December 2018			
Current	8	–	8
Non-current	515	–	515
	523	–	523
31 December 2017			
Current	62	118	180
Non-current	561	–	561
	623	118	741
1 January 2017			
Current	6	129	135
Non-current	693	–	693
	699	129	828

Long service payment

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

Indemnity

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 2012. This had been concluded in 2018.

26. Trade and other payables

	Note	Group 31.12.2018 $'000	Group 31.12.2017 $'000	Group 1.1.2017 $'000	Company 31.12.2018 $'000	Company 31.12.2017 $'000	Company 1.1.2017 $'000
Trade payables		42,329	43,529	43,073	–	–	–
Other payables		4,063	5,212	6,242	190	190	176
Accrued operating expenses		15,834	15,150	16,083	482	470	507
Refundable deposits from tenants		416	75	–	–	–	–
Total trade and other payables		62,642	63,966	65,398	672	660	683
Add: Finance lease liabilities	31(e)	60	50	73	–	–	–
Less: Accrued employee benefits and other taxes payable		(11,046)	(11,567)	(13,326)	(326)	(337)	(399)
Total financial liabilities carried at amortised cost		51,656	52,449	52,145	346	323	284

Trade payables and other payables

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

Trade and other payables denominated in foreign currencies at 31 December is as follows:

	Group 31.12.2018 $'000	Group 31.12.2017 $'000	Group 1.1.2017 $'000	Company 31.12.2018 $'000	Company 31.12.2017 $'000	Company 1.1.2017 $'000
United States Dollar	4,584	5,324	7,514	–	–	–
Euro	–	–	18	–	–	–

27. Share capital and treasury shares

(a) Share capital

	Group and Company 2018 No. of shares '000	2018 $'000	2017 No. of shares '000	2017 $'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	246,656	98,021	246,656	98,021

27. Share capital and treasury shares (cont'd)

(a) Share capital (cont'd)

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 29) 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			
		2018		2017	
	Note	No. of shares		No. of shares	
		'000	$'000	'000	$'000
At 1 January		22,531	12,997	22,821	13,164
Reissued pursuant to employee share option plans:					
– For cash on exercise of employee share options	29	(2,180)	(424)	(290)	(81)
– Transferred from employee share option reserve		–	(139)	–	(17)
– Loss transferred to gain or loss on reissuance of treasury shares		–	(695)	–	(69)
		(2,180)	(1,258)	(290)	(167)
At 31 December		20,351	11,739	22,531	12,997

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

The Company reissued 2,180,000 (2017: 290,000) treasury shares pursuant to its employee share option plan at a weighted average exercise price of $0.19 (2017: $0.28) each.

28. Other reserves

		Group			Company		
	Note	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
		$'000	$'000	$'000	$'000	$'000	$'000
Asset revaluation reserve	(a)	1,252	1,252	–	–	–	–
Foreign currency translation reserve	(b)	(4,182)	(1,281)	–	–	–	–
Statutory reserve fund	(c)	3,566	1,078	–	–	–	–
Gain or loss on reissuance of treasury shares	(d)	(764)	(69)	–	(764)	(69)	–
Employee share option reserve	(e)	521	599	269	521	599	269
		393	1,579	269	(243)	530	269

28. Other reserves (cont'd)

(a) Asset revaluation reserve

The asset revaluation reserve represents increases in the fair value of leasehold buildings, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

(b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China, such subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

(d) Gain or loss on reissuance of treasury shares

This represents the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

(e) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 29). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

29. Employee share option plans

(a) 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 ("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.

The options granted under "Scheme 2014" with the exercise price set at the Market Price (a price equal to the average of the last dealt prices for the Shares on the Singapore Exchange over the 5 consecutive Market Days immediately preceding the Date of Grant of an Option) shall be vested after the first anniversary of the Date of Grant whereas Options granted with the exercise price set at a discount to the Market Price shall only be exercisable after the second anniversary of the Date of Grant of such Option.

The option granted has a life span of 5 years from the Date of Grant and any option not exercisable on the date on which an option Holder ceased to be employed by the Group shall immediately lapse and become null and void on such date. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

29. Employee share option plans (cont'd)

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 unissued ordinary shares of the Company under the plans as at 31 December 2018 can be found under the Section "Options" of the Directors' Statement.

Movement of share options during the financial year

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

	2018		2017	
	No. of share options	WAEP ($)	No. of share options	WAEP ($)
Outstanding at 1 January	7,180,000	0.27	4,470,000	0.20
- Granted	–	–	3,000,000	0.35
- Exercised [(2)]	(2,180,000)	0.19	(290,000)	0.28
Outstanding at 31 December [(1)]	5,000,000	0.28	7,180,000	0.27
Exercisable at 31 December	5,000,000	0.28	4,180,000	0.19

(1) The range of exercise price for options outstanding at the end of the year was $0.185 to $0.35 (2017: $0.156 to $0.350). The weighted average remaining contractual life for these options is 2.7 years (2017: 3.4 years).
(2) The weighted average share price at the date of exercise of the options exercised during the financial year was $0.45 (2017: $0.40).

Fair value of share options granted

The fair value of the share options granted under the 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 the financial years ended 31 December 2018 and 2017:

Scheme 2014	
3,000,000 options granted on 9 March 2017	
Dividend yield ($/year)	0.005
Expected volatility (%)	53.4
Risk-free rate (% per annum)	1.71
Expected life of option (years)	3.0
Share price ($)	0.350
Fair value of options granted ($)	0.122

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.

30. Related party transactions

(a) Sales and purchases of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the year:

	Group	
	2018	**2017**
	$'000	$'000
Sales of finished goods to:		
- Joint venture	69	1,040
- Companies related to a director	1,281	251
Purchase of goods from:		
- Joint venture	–	(22)
- Companies related to a director	(48)	(49)
Sales of property, plant and equipment to a joint venture	–	14
Purchase of services from companies related to a director	(805)	(708)

(b) Compensation of key management personnel

	Group	
	2018	**2017**
	$'000	$'000
Short-term employee benefits	4,649	4,414
Contributions to defined contribution plans	59	52
Share-based payments	61	347
	4,769	4,813
Comprise amounts paid/payable to:		
- Directors of the Company	949	1,100
- Other key management personnel	3,820	3,713
	4,769	4,813

The remuneration of key management personnel is 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 2017, 3,000,000 share options were granted to the key management personnel under the Scheme 2014 at an average price of $0.35 each, exercisable between 10 March 2018 and 9 March 2022.

At the end of the reporting period, the total number of outstanding share options granted by the Company to key management personnel under the Scheme 2014 amount to 5,000,000 (2017: 6,780,000).

31. Commitments and contingencies

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	2,416	5,275	915

(b) Contingent liabilities

At the end of the reporting, no corporate guarantees were issued in favour of certain financial institutions for banking facilities extended to the subsidiaries of the Group.

(c) Operating lease commitments – As lessee

In addition to the land use rights disclosed in Note 15, the Group has entered into commercial leases on certain properties and motor vehicles. These leases have tenures range from one to five years (2017: One to five years) with no renewal option or escalation clauses included in the contracts. The Group is not restricted from subleasing the leased assets to third parties.

Minimum lease payments, including land lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to $5,149,000 (2017: $5,626,000).

Future minimum rental payable under non-cancellable operating leases (excluding land lease) at the end of the reporting period are as follows:

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Not later than one year	4,493	6,183	6,190
Later than one year but not later than five years	1,412	7,151	12,050
	5,905	13,334	18,240

(d) Operating lease commitments – As lessor

The Group has entered into commercial property leases on its investment properties. 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. These non-cancellable leases have remaining lease terms of 3 to 9 years (2017: 5 to 10 years).

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Not later than one year	2,851	2,876	1,581
Later than one year but not later than five years	11,567	13,706	512
	14,418	16,582	2,093

31. Commitments and contingencies (cont'd)

(e) Finance lease commitments – As lessee

The Group has finance leases for certain item of motor vehicles. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group					
	31.12.2018		31.12.2017		1.1.2017	
	Minimum lease payment	Present value of payments	Minimum lease payment	Present value of payments	Minimum lease payment	Present value of payments
	$'000	$'000	$'000	$'000	$'000	$'000
Not later than one year	36	34	23	23	23	23
Later than one year but not later than five years	26	26	28	27	51	50
Total minimum lease payments	62	60	51	50	74	73
Less: Amounts representing finance charges	(2)	–	(1)	–	(1)	–
Present value of minimum lease payments	60	60	50	50	73	73

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	Group				
	31.12.2017	Acquisition	Cash flows	Others	31.12.2018
	$'000	$'000	$'000	$'000	$'000
Obligations under finance leases					
– Current	23	13	(26)	24	34
– Non-current	27	23	–	(24)	26
Total	50	36	(26)	–	60

	Group			
	1.1.2017	Cash flows	Others	31.12.2017
	$'000	$'000	$'000	$'000
Obligations under finance leases				
– Current	23	(23)	23	23
– Non-current	50	–	(23)	27
Total	73	(23)	–	50

32. Fair value of assets and liabilities

(a) 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) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

		Fair value measurements at the end of the reporting period using			
Group	**Note**	**Quoted prices in active markets for identical instruments**	**Significant observable inputs other than quoted prices**	**Significant unobservable inputs**	**Total**
		(Level 1)	(Level 2)	(Level 3)	
		$'000	$'000	$'000	$'000
31 December 2018					
Assets measured at fair value					
Financial assets at FVPL	18				
Quoted equity securities		3,264	–	–	3,264
Quoted debt securities		9,334	–	–	9,334
Unquoted debt securities		–	12,896	–	12,896
Financials assets as at 31 December 2018		12,598	12,896	–	25,494
Non-financial assets as at 31 December 2018					
Investment properties – Commercial	14	–	–	26,308	26,308

32. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

Group	Note	Fair value measurements at the end of the reporting period using: Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
31 December 2017					
Assets measured at fair value					
Held for trading financial assets	18				
Quoted equity securities		4,817	–	–	4,817
Quoted debt securities		9,979	–	–	9,979
Derivatives	23				
Forward currency contracts		–	112	–	112
Financials assets as at 31 December 2017		14,796	112	–	14,908
Non-financial assets as at 31 December 2017					
Investment properties – Commercial	14	–	–	26,978	26,978
1 January 2017					
Assets measured at fair value					
Held for trading financial assets	18				
Quoted equity securities		4,431	–	–	4,431
Quoted debt securities		10,901	–	–	10,901
Derivatives	23				
Forward currency contracts		–	20	–	20
Financials assets as at 1 January 2017		15,332	20	–	15,352
Non-financial assets as at 1 January 2017					
Investment properties – Commercial	14	–	–	16,919	16,919
Financial liabilities measured at fair value as at 1 January 2017					
Derivatives	23				
Forward currency contracts		–	190	–	190

32. Fair value of assets and liabilities (cont'd)

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

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.

Structured deposits

Structured deposits are valued using a valuation technique with market observable inputs including rate of return of the instruments.

(d) Level 3 fair value measurements

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

The following table shows the information about fair value measurement using significant unobservable inputs (Level 3):

Description	Fair value as at 31 December 2018 $'000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
Investment properties – Commercial	26,308	Income approach	Market rental (per square metre and per month)	RMB16.00 – RMB19.09
			Capitalisation rate	9.8% - 11.5%

Description	Fair value as at 31 December 2017 $'000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
Investment properties – Commercial	26,978	Income approach	Market rental (per square metre and per month)	RMB13.30 – RMB13.50
			Capitalisation rate	8.0% - 9.5%

Description	Fair value as at 1 January 2017 $'000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
Investment properties – Commercial	16,919	Income approach	Market rental (per square metre and per month)	RMB13.30
			Capitalisation rate	8.0%

32. Fair value of assets and liabilities (cont'd)

(d) Level 3 fair value measurements (cont'd)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

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.

For commercial investment 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 properties. A significant increase/(decrease) in the capitalisation rate would result in a significant decrease/(increase) in the fair value of the investment properties.

(ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3):

	Fair value measurements using significant unobservable inputs (Level 3)	
Group	**Investment properties - Commercial**	
	31.12.2018	**31.12.2017**
	$'000	**$'000**
At 1 January	26,978	16,919
Total gains included in profit or loss for the year	197	346
Transfer to investment properties	–	9,845
Exchange differences	(867)	(132)
At 31 December	26,308	26,978

(iii) Valuation policies and procedures

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

32. Fair value of assets and liabilities (cont'd)

(d) Level 3 fair value measurements (cont'd)

(iii) Valuation policies and procedures (cont'd)

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, reputable external valuation experts will be engaged to ensure valuation are properly executed according to industry standard guideline.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(e) Assets and liabilities not measured at fair value, for which fair value is disclosed

	Total carrying amount		**Aggregate fair value**	
Group	**2018** $'000	**2017** $'000	**2018** $'000	**2017** $'000
Non-current other receivables	1,111	1,433	715	1,107

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.

33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key risks are foreign currency risk, credit risk, liquidity risk and market price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(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 investment securities. The Group's policy is to obtain the most favourable interest rates available without increasing its exposure to foreign currency.

33. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates, with all other variables held constant:

		Group 2018 Profit before tax $'000	Group 2017 Profit before tax $'000
Singapore Dollar	– Strengthened 1% (2017: 1%)	80	35
	– Weakened 1% (2017: 1%)	(80)	(35)
United States Dollar	– Strengthened 1% (2017: 1%)	23	70
	– Weakened 1% (2017: 1%)	(23)	(70)

(b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Chinese Renminbi ("RMB") and Hong Kong Dollar ("HKD"). The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD") and Euro ("EUR"). The Group manages its transactional currency exposures by matching as far as possible, its receipt and payment in each individual currency.

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are disclosed in Note 24.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD and EUR exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

		Group 2018 Profit before tax $'000	Group 2017 Profit before tax $'000
USD/SGD	– Strengthened 5% (2017: 5%)	137	80
	– Weakened 5% (2017: 5%)	(137)	(80)
USD/HKD	– Strengthened 5% (2017: 5%)	1,304	860
	– Weakened 5% (2017: 5%)	(1,304)	(860)
EUR/HKD	– Strengthened 5% (2017: 5%)	78	51
	– Weakened 5% (2017: 5%)	(78)	(51)
USD/RMB	– Strengthened 5% (2017: 5%)	115	122
	– Weakened 5% (2017: 5%)	(115)	(122)

33. Financial risk management objectives and policies (cont'd)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk primarily arises from trade and other receivables. For other financial assets (including investment securities, cash and short-term deposits and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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 Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- Actual or expected significant changes in the operating results of the counterparty
- Significant increases in credit risk on other financial instruments of the same counterparty
- Significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:
- There is significant difficulty of the issuer or the counterparty
- A breach of contract, such as a default or past due event
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

33. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on product line. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward-looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix, grouped by product line:

Precision metal stamping components

Group	Contract assets $'000	Current $'000	Trade receivables past due: 1 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	> 90 days $'000	Total $'000
31 December 2018							
Gross carrying amount	1,807	27,066	3,105	558	297	453	33,286
Loss allowance provision	–	–	–	–	–	–	–

Tooling

Group	Current $'000	Trade receivables past due: 1 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	> 90 days $'000	Total $'000
31 December 2018						
Gross carrying amount	3,823	53	–	–	747	4,623
Loss allowance provision	–	–	–	–	486	486

Precision machining components

Group	Current $'000	Trade receivables past due: 1 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	> 90 days $'000	Total $'000
31 December 2018						
Gross carrying amount	28,644	–	–	27	–	28,671
Loss allowance provision	–	–	–	–	–	–

Information regarding loss allowance movement of trade receivables and contract assets are disclosed in Note 21.

During the financial year, the Group wrote off $790,000 of trade receivables which are more than 150 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

33. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on balance sheets.

Credit risk concentration profile

The Group's trading activities are carried out largely in Hong Kong and the PRC.

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, investment securities and derivatives are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

(d) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted payments obligations.

Group	**One year or less** $'000	**Over one year** $'000	**Total** $'000
31 December 2018			
Financial assets			
Trade and other receivables, excluding sales tax receivables	69,917	1,111	71,028
Cash and short-term deposits	34,649	–	34,649
Other investments	25,800	–	25,800
Total undiscounted financial assets	130,366	1,111	131,477
Financial liabilities			
Finance lease liabilities	36	26	62
Trade and other payables, excluding accrued employee benefits and other taxes payables	51,596	–	51,596
Total undiscounted financial liabilities	51,632	26	51,658
Total net undiscounted financial assets	78,734	1,085	79,819

33. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Group	One year or less $'000	Over one year $'000	Total $'000
31 December 2017			
Financial assets			
Trade and other receivables, excluding sales tax receivables	69,201	1,433	70,634
Cash and short-term deposits	35,784	–	35,784
Other investments	15,109	–	15,109
Derivatives	112	–	112
Total undiscounted financial assets	120,206	1,433	121,639
Financial liabilities			
Finance lease liabilities	23	28	51
Trade and other payables, excluding accrued employee benefits and other taxes payables	52,399	–	52,399
Total undiscounted financial liabilities	52,422	28	52,450
Total net undiscounted financial assets	67,784	1,405	69,189
1 January 2017			
Financial assets			
Trade and other receivables, excluding sales tax receivables	63,541	1,431	64,972
Cash and short-term deposits	30,090	–	30,090
Other investments	15,676	–	15,676
Derivatives	20	–	20
Total undiscounted financial assets	109,327	1,431	110,758
Financial liabilities			
Finance lease liabilities	23	51	74
Trade and other payables, excluding accrued employee benefits and other taxes payables	52,072	–	52,072
Derivatives	190	–	190
Total undiscounted financial liabilities	52,285	51	52,336
Total net undiscounted financial assets	57,042	1,380	58,422

33. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company	One year or less $'000	Over one year $'000	Total $'000
31 December 2018			
Financial assets			
Other receivables, excluding sales tax receivables	2,948	–	2,948
Cash and short-term deposits	1,268	–	1,268
Other investments	12,904	–	12,904
Total undiscounted financial assets	17,120	–	17,120
Financial liabilities			
Other payables, excluding accrued employee benefits and other taxes payables	346	–	346
Total undiscounted financial liabilities	346	–	346
Total net undiscounted financial assets	16,774	–	16,774
31 December 2017			
Financial assets			
Other receivables, excluding sales tax receivables	4,266	23,552	27,818
Cash and short-term deposits	2,458	–	2,458
Other investments	15,109	–	15,109
Derivatives	112	–	112
Total undiscounted financial assets	21,945	23,552	45,497
Financial liabilities			
Other payables, excluding accrued employee benefits and other taxes payables	323	–	323
Total undiscounted financial liabilities	323	–	323
Total net undiscounted financial assets	21,622	23,552	45,174

33. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company	One year or less $'000	Over one year $'000	Total $'000
1 January 2017			
Financial assets			
Other receivables, excluding sales tax receivables	3,299	25,702	29,001
Cash and short-term deposits	4,576	–	4,576
Other investments	15,676	–	15,676
Derivatives	20	–	20
Total undiscounted financial assets	23,571	25,702	49,273
Financial liabilities			
Other payables and accruals, excluding accrued employee benefits	284	–	284
Derivatives	190	–	190
Total undiscounted financial liabilities	474	–	474
Total net undiscounted financial assets	23,097	25,702	48,799

(e) Market price risk

Market price 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 the market prices (other than interest or exchange rates). The Group and the Company are exposed to price risk arising from its investment in quoted equity and debts securities. These securities are quoted on the stock exchanges of Singapore and Hong Kong. The quoted debts securities are issued from their respective companies and subsequently traded between participants directly over-the-counter. Due to the diversity of qualities, maturities and yields, the prices of debts securities 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.

Sensitivity analysis for price risk

At the end of the reporting period, if the price of the shares and bonds had been 2% higher/lower with all other variables held constant, the Group's profit before tax would have been $252,000 (2017: $296,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity and debt securities classified as financial assets at fair value through profit or loss.

34. 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 2018 and 2017.

34. Capital management (cont'd)

As disclosed in Note 28(c), certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, finance lease liabilities less cash and short-term deposits and structured deposits. Capital includes equity attributable to the owners of the Company less the fair value adjustment reserve and the above-mentioned restricted statutory reserve fund. The Group's policy is to keep the gearing ratio below one.

	Note	Group 2018 $'000	Group 2017 $'000
Finance lease liabilities	31(e)	60	50
Less: Cash and short-term deposits	24	(34,649)	(35,784)
Less: Structured deposits	18	(12,896)	–
Net cash		(47,485)	(35,734)
Equity attributable to the owners of the Company		149,596	134,035
Less: Fair value adjustment reserve	28(a)	(1,252)	(1,252)
Less: Statutory reserve fund	28(c)	(3,566)	(1,078)
Total capital		144,778	131,705
Gearing ratio		*	*

* Not applicable as the Group is in net cash position

35. 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 segment specialises in sales of stamping components, tooling design and fabrication to a wide range of industries such as automotive components, office automation and consumer electronics products. It also provides die making services to manufacturers of such products.

II. The precision machining segment specialises in the machining of 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, computer numerical control machining and surface decoration.

III. The corporate and others segment is involved in group-level corporate services and 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. Income taxes are managed on a group 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.

35. Segment information (cont'd)

Year ended 31 December 2018	Mansfield				Corporate and Others $'000	Eliminations $'000	Per Consolidated Financial Statements $'000
	Precision Components and Tooling $'000	Precision Machining $'000	Adjustments and Eliminations $'000	Total $'000			
Revenue							
External customers	145,012	73,287	–	218,299	–	–	218,299
Results							
External interest income	315	284	–	599	345	–	944
Depreciation and amortisation	(1,557)	(3,532)	–	(5,089)	(20)	–	(5,109)
Net fair value gain on investment properties	59	138	–	197	–	–	197
Dividend income from other investments	–	–	–	–	166	–	166
Net gain on disposal of property, plant and equipment	1,273	–	–	1,273	–	–	1,273
Net foreign exchange (loss)/gain	(321)	80	–	(241)	(1)	–	(242)
Reversal of impairment loss on property, plant and equipment	–	1,163	–	1,163	–	–	1,163
Rental income	1,299	1,613	–	2,912	–	–	2,912
Share of results of joint venture	(1)	–	–	(1)	–	–	(1)
Finance cost	(1)	–	–	(1)	–	–	(1)
Other non-cash expenses [1]	(519)	(450)	–	(969)	(579)	–	(1,548)
Segment profit/(loss) before tax	1,718	22,497	–	24,215	(870)	–	23,345
Assets							
Investment in joint venture	1,562	–	–	1,562	–	–	1,562
Additions to non-current assets [2]	7,708	355	–	8,063	34	–	8,097
Segment assets	125,902	81,966	–	207,868	15,696	–	223,564
Liabilities							
Segment liabilities	52,156	20,580	–	72,736	1,232	–	73,968

35. **Segment information (cont'd)**

Year ended 31 December 2017	Mansfield: Precision Components and Tooling $'000	Mansfield: Precision Machining $'000	Mansfield: Adjustments and Eliminations $'000	Mansfield: Total $'000	Corporate and Others $'000	Eliminations $'000	Per Consolidated Financial Statements $'000
Revenue							
External customers	146,157	66,789	–	212,946	–	–	212,946
Results							
External interest income	36	113	–	149	418	–	567
Depreciation and amortisation	(2,391)	(2,583)	–	(4,974)	(24)	–	(4,998)
Net fair value gain on investment properties	142	204	–	346	–	–	346
Dividend income from other investments	–	–	–	–	172	–	172
Net (loss)/gain on disposal of property, plant and equipment	(138)	8	–	(130)	–	–	(130)
Net foreign exchange loss	(1,263)	(301)	–	(1,564)	(136)	–	(1,700)
Reversal of impairment loss on property, plant and equipment	1,253	–	–	1,253	–	–	1,253
Rental income	749	1,464	–	2,213	–	–	2,213
Share of results of joint venture	118	–	–	118	–	–	118
Finance cost	–	(1)	–	(1)	–	–	(1)
Other non-cash income/(expenses) (1)	340	(392)	–	(52)	(477)	–	(529)
Segment profit/(loss) before tax	1,113	15,409	–	16,522	(687)	–	15,835
Assets							
Investment in joint venture	1,631	–	–	1,631	–	–	1,631
Additions to non-current assets (2)	3,891	1,145	–	5,036	–	–	5,036
Segment assets	122,421	68,952	–	191,373	17,475	–	208,848
Liabilities							
Segment liabilities	45,306	28,375	–	73,681	1,132	–	74,813

35. Segment information (cont'd)

	Mansfield						
As at 1 January 2017	Precision Components and Tooling $'000	Precision Machining $'000	Adjustments and Eliminations $'000	Total $'000	Corporate and Others $'000	Eliminations $'000	Per Consolidated Financial Statements $'000
Assets							
Investment in joint venture	1,521	–	–	1,521	–	–	1,521
Additions to non-current assets [(2)]	1,161	1,140	–	2,301	15	–	2,316
Segment assets	107,910	69,425	–	177,335	20,068	–	197,403
Liabilities							
Segment liabilities	31,646	39,683	–	71,329	1,192	–	72,521

(1) Other non-cash income/expenses consist of net fair value gain/loss on other investments, net gain/loss on disposal of other investments, net gain/loss on derivatives, net impairment loss/reversal of impairment loss on financial assets, net allowance/write-back for inventory obsolescence, net impairment loss/reversal of impairment loss on capitalised contract costs and share-based payments as presented in the respective notes to the financial statements.

(2) Additions to non-current assets consist of additions to property, plant and equipment and intangible assets and deposit refunded/paid for purchase of property, plant and equipment.

35. Segment information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Non-current assets		
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000	$'000	$'000
Hong Kong/PRC	216,440	212,946	59,287	59,811	60,401
Thailand	1,859	–	5,379	2,569	–
Singapore	–	–	26	13	36
	218,299	212,946	64,692	62,393	60,437

Non-current assets information presented above consist of property, plant and equipment, investment properties, intangible assets, prepaid land lease payments, investment in joint venture, deposit paid for purchase of property, plant and equipment and non-current other receivables as presented in the balance sheet.

Information about major customers

Revenue from two (2017: three) major customers amount to $82,294,000 (2017: $88,235,000), arising from sales by the Precision Components and Tooling and Precision Machining segments.

36. Dividends

	Group and Company	
	2018	**2017**
	$'000	$'000
Declared and paid during the financial year		
Dividends on ordinary shares		
Final exempt (one-tier) dividend for 2017: $0.010 (2016: $0.005) per share	2,262	1,119
Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting		
Final exempt (one-tier) dividend for 2018: $0.015 (2017: $0.010) per share	3,394	2,241

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 28 March 2019.

STATISTICS OF SHAREHOLDINGS

As at 28 March 2019

No. of issued shares	-	246,656,428
No. of issued shares (excluding treasury shares)	-	226,305,428
No./percentage of treasury shares	-	20,351,000 (8.99%)
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	6	0.32	72	0.00
100 - 1,000	195	10.46	183,290	0.08
1,001 - 10,000	900	48.26	5,395,339	2.39
10,001 - 1,000,000	746	40.00	50,019,926	22.10
1,000,001 AND ABOVE	18	0.96	170,706,801	75.43
TOTAL	**1,865**	**100.00**	**226,305,428**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE.) LIMITED	41,943,800	18.53
2	ADVANTEC HOLDING SA	22,571,000	9.97
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	20,302,400	8.97
4	PHILLIP SECURITIES PTE LTD	17,864,700	7.89
5	DBS NOMINEES (PRIVATE) LIMITED	16,707,500	7.38
6	LOU YILIANG	14,082,700	6.22
7	CITIBANK NOMINEES SINGAPORE PTE LTD	10,324,700	4.56
8	LIU WENYING	4,520,000	2.00
9	COMCRAFT INTERNATIONAL SA	4,421,000	1.95
10	GOH GUAN SIONG (WU YUANXIANG)	3,338,000	1.47
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,980,498	1.32
12	UOB KAY HIAN PRIVATE LIMITED	1,918,000	0.85
13	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,727,603	0.76
14	SEE BENG LIAN JANICE	1,674,500	0.74
15	SEAH CHYE ANN (XIE CAI'AN)	1,650,000	0.73
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,626,800	0.72
17	TEO HEE HUAT (ZHANG XIFA)	1,603,600	0.71
18	TAN KIAN CHUAN (CHEN JIANZHUAN)	1,450,000	0.64
19	WONG BARK CHUAN DAVID	1,000,000	0.44
20	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	801,000	0.35
	TOTAL	**172,507,801**	**76.20**

STATISTICS OF SHAREHOLDINGS

As at 28 March 2019

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

Based on information available to the Company as of 28 March 2019, approximately 51.47% 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 Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
Advantec Holding SA (1)	22,571,000	9.97	60,811,300	26.87
Trustee of Chandaria Trust I (2)	-	-	83,832,300	37.04
Lou Yiliang (3)	14,082,700	6.22	11,902,800	5.26

Notes:

(1) Advantec Holding SA is deemed to be interested in the 60,811,300 shares held through the following:
Raffles Nominees (Pte) Ltd 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 Trustee of Chandaria Trust I.

(3) Mr. Lou Yiliang is deemed to be interested in the 11,902,800 shares held through Philip Securities Pte Ltd

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 23rd Annual General Meeting of **INNOTEK LIMITED** (the "**Company**") will be held at Courtyard 1 and 2, Basement 1, Oasia Hotel Novena, 8 Sinaran Drive, Singapore 307470 on Tuesday, 30 April 2019 at 10.30 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 2018 together with the Auditor's Report thereon.

   (Resolution 1)

2. To declare a one-tier tax-exempt First and Final Dividend of 1.0 Singapore cents per share and a one-tier tax-exempt Special Dividend of 0.5 Singapore cents per share for the year ended 31 December 2018 (2017: 1.0 Singapore cents per share).

   (Resolution 2)

3. To re-elect Mr. Neal Manilal Chandaria (Chairman and Non-Executive Director) who will retire in accordance with Article 103 of the Company's Constitution and who, being eligible, offers himself for re-election as a Director of the Company.

   (Resolution 3)

   Subject to his re-appointment, Mr. Neal Manilal Chandaria, will be re-appointed as member of the Audit & Risk Management Committee and member of the Nominating Committee.

4. To re-elect Mr. Teruo Kiriyama (Non-Executive and Independent Director), who will retire in accordance with Article 103 of the Company's Constitution and who, being eligible, offers himself for re-election as a Director of the Company.

   (Resolution 4)

   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 & Risk Management Committee and member of the Remuneration Committee.

5. To approve the payment of Directors' fees of S$327,000 for the year ended 31 December 2018 (2017: S$323,118).

   (Resolution 5)

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

   (Resolution 6)

AS SPECIAL BUSINESS

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

7. 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;

(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 Constitution 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 (i) below] **(Resolution 7)**

8. 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 2014 ("**Share Plan**") 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 Plan, provided always that the aggregate number of shares to be issued pursuant to the Share Plan 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 (ii) below] **(Resolution 8)**

9. That:

   (a) for the purposes of Section 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") and such other laws and regulations as may for the time being be applicable, the exercise by the Directors of the Company ("**Directors**") of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the share capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

      (i) on-market purchases transacted on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**On-Market Purchase**"); and/or

      (ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act and the SGX-ST Listing Manual ("**Off-Market Purchase**"),

   (the "**Share Purchase Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Purchase Mandate shall, at the discretion of the Directors, either be cancelled or held as treasury shares and dealt with in accordance with the Companies Act;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of the Company ("**AGM**") is held or required by law to be held, whichever is earlier;

(ii) the date on which the share purchases are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied;

(d) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days ("**Market Day**" being a day on which the SGX-ST is open for trading in securities) on which transactions in the Shares were recorded, before the day on which the purchases are made, or as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase; and is deemed to be adjusted in accordance with the Listing Manual for any corporate action that occurs after the relevant five (5)-day period;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Share Purchase; and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for the Shares which will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase, 115% of the Average Closing Price of the Shares,

"**Prescribed Limit**" means 10% of the total number of Shares as at the date of the last annual general meeting of the Company held before this Resolution is passed or as at the date of passing of this Resolution, whichever is the higher (excluding any treasury shares that may be held by the Company from time to time), unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered; and

(e) the Directors and each of them be and is hereby authorised to do any and all such acts (including to execute all such documents as may be required, approve any amendments, alterations or modifications to any documents, and sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they and/or he may, in their absolute discretion deem necessary, desirable or expedient to give effect to this Ordinary Resolution and the Share Purchase Mandate.

(Resolution 9)

[See explanatory note (iii) below]

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 9 May 2019 for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares in the capital of the Company received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 up to 5.00 p.m. on 8 May 2019 will be registered to determine members' entitlement to the proposed first and final dividend. Members whose Securities Accounts with The Central Depository (Pte) Ltd. are credited with Shares in the Company as at 5.00 p.m. on 8 May 2019 will be entitled to the proposed First and Final Dividend and Special Dividend.

The proposed First and Final Dividend and Special Dividend, if approved at this annual general meeting, will be paid on 22 May 2019.

By Order of the Board

Linda Sim Hwee Ai
Company Secretary

Singapore, 15 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Ordinary Resolution 7 proposed in item 7 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).

(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 next Annual General Meeting, to offer and grant options in accordance with the provisions of the Share Plan and to allot and issue shares as may be issued pursuant to the exercise of options under the Share Plan 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 Plan.

(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 make purchases (whether by way of On-Market Purchase or Off-Market Purchase on an equal access scheme) from time to time of up to 10% of the total number of issued shares (excluding treasury shares), at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of shares by the Company pursuant to the Share Purchase Mandate are set out in greater detail in the Letter to Shareholders dated 15 April 2019.

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 license 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 appointer 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.

LETTER TO SHAREHOLDERS

Directors:	**Registered Office:**
Mr Neal Manilal Chandaria (Chairman and Non-Executive Director) Mr Lou Yiliang (Executive Director and Chief Executive Officer) Mr Steven Chong Teck Sin (Independent Director) Mr Sunny Wong Fook Choy (Independent Director) Mr Teruo Kiriyama (Independent Director)	160 Robinson Road #24-12 SBF Center Singapore 068914 15 April 2019

To: The Shareholders of InnoTek Limited

Dear Sir/Madam

RENEWAL OF THE SHARE PURCHASE MANDATE (THE "SHARE PURCHASE MANDATE")

1. BACKGROUND

1.1 We refer to:

(a) the Notice of the Annual General Meeting of InnoTek Limited (the "**Company**", and together with its subsidiaries, the "**Group**") dated 15 April 2019 (the "**Notice**"), accompanying the Annual Report of the Company for its financial year ended 31 December 2018 ("**FY2018**") (the "**2018 Annual Report**"), convening the Annual General Meeting of the Company (the "**2019 AGM**") which is scheduled to be held on 30 April 2019 at 10.30 a.m. at Courtyard 1 and 2, Basement 1, Oasia Hotel Novena, 8 Sinaran Drive, Singapore 307470; and

(b) Ordinary Resolution 9 in relation to the renewal of the Share Purchase Mandate (as defined in paragraph 2.1 below) under the heading "Special Business" set out in the Notice.

1.2 The purpose of this letter is to provide Shareholders with information relating to the proposed renewal of the Share Purchase Mandate (the "**Letter**").

1.3 The Singapore Exchange Securities Trading Limited ("**SGX-ST**") takes no responsibility for the accuracy of the statements made, or opinions expressed or reports contained in this Letter.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 The Existing Share Purchase Mandate

At the Extraordinary General Meeting of the Company held on 25 April 2018, the Shareholders of the Company had approved the grant of a share purchase mandate (the "**Share Purchase Mandate**") to enable the Company to purchase or otherwise acquire the ordinary shares in the capital of the Company (the "**Shares**"). As the Share Purchase Mandate will expire on the date of the forthcoming 2019 AGM, the Directors propose that the Share Purchase Mandate be renewed at the 2019 AGM.

2.2 Rationale for the Share Purchase Mandate

2.2.1 The purchase by a company of its issued shares is one of the ways in which the return on equity of the company may be improved, thereby increasing shareholder value. By obtaining the Share Purchase Mandate, the Company will have the flexibility to undertake purchases of Shares at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

2.2.2 The Share Purchase Mandate will also facilitate the return to the Shareholders by the Company of surplus cash (if any) which is in excess of the Group's financial needs in an expedient and cost-effective manner.

2.2.3 The Directors further believe that Share purchases by the Company may help to mitigate short-term market volatility in the price of the Shares, off-set the effects of short-term speculation and bolster Shareholders' confidence.

2.2.4 Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full limit as authorised.

2.3 Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on the purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate, if approved at the 2019 AGM, are summarised below:

2.3.1 *Maximum Number of Shares*

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate shall not exceed 10% of the number of its issued Shares as at the date on which the resolution authorising the Share Purchase Mandate is passed.

Any shares which are held as treasury shares as well as subsidiary holdings will be disregarded for the purposes of computing the 10% limit. As at the latest practicable date prior to the printing of this Letter, being 18 March 2019 (the "**Latest Practicable Date**"), the Company held 20,351,000 treasury shares.

Purely for illustrative purposes, on the basis of 226,305,428 Shares in issue (excluding treasury shares) as at the Latest Practicable Date and assuming that no further Shares are issued on or before the 2019 AGM, not more than 22,630,542 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Purchase Mandate.

2.3.2 *Duration of Authority*

Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the date of the forthcoming 2019 AGM at which the Share Purchase Mandate is approved, up to the earliest of:

(a) the date on which the next annual general meeting is or is required by law to be held;

(b) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate ("**Share Purchases**") are carried out to the full extent mandated; or

(c) the time when the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in general meeting.

The Share Purchase Mandate may be renewed at subsequent annual general meetings or extraordinary general meetings.

2.3.3 *Manner of Purchases or Acquisitions of Shares*

Purchases or acquisitions of Shares may be effected by the Company by way of:

(a) on-market purchases ("**Market Purchases**"); and

(b) off-market purchases, otherwise than on a securities exchange, in accordance with an "equal access scheme" as defined in section 76C of the Companies Act ("**Off-Market Purchases**").

Market Purchases refer to purchases or acquisitions of Shares by the Company effected on the SGX-ST, through one or more duly licensed dealers appointed by the Company for the purpose.

In an Off-Market Purchase, the Directors of the Company may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual, the Companies Act and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy the following conditions:

(a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(b) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(c) the terms of all the offers are the same, except that there shall be disregarded:

    (i) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;

    (ii) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and

    (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Under the Listing Manual, if the Company wishes to make an Off-Market Purchase, it will issue an offer document containing, *inter alia*, the following information to all Shareholders:

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed Share Purchase;

(d) the consequences, if any, of Share Purchases by the Company that will arise under the Singapore Code on Take-overs and Mergers (the **"Take-Over Code"**) or other applicable take-over rules;

(e) whether the Share Purchase, if made, would have any effect on the listing of the Shares on the SGX-ST;

(f) details of any Share Purchase made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and

(g) whether the Shares purchased by the Company will be cancelled or kept as treasury Shares.

2.3.4 *Maximum Purchase Price*

The purchase price (excluding ancillary expenses such as brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors of the Company. However, the purchase price to be paid for the Shares must not exceed the maximum price ("**Maximum Price**") as set out below:

(a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(b) in the case of an Off-Market Purchase, 115% of the Average Closing Price of the Shares, in each case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Listing Manual for any corporate action that occurs after the relevant five-day period; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of Purchased Shares or Acquired Shares

2.4.1 Under the Companies Act, a Share which is purchased or acquired by the Company may be:

(a) held by the Company as a treasury share; or

(b) dealt with by the Company in the following manner:

(i) sold for cash;

(ii) transferred for the purposes of or pursuant to an employees' share scheme;

(iii) transferred as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancelled; or

(v) sold, transferred or otherwise used for such other purposes as the Minister may by order prescribe.

2.4.2 The maximum number of treasury shares which may be held by the Company is as follows:

(a) the Company if having only one class of shares shall not hold treasury shares exceeding 10% of the total number of such shares; or

(b) the Company if having more than one class of shares shall not hold treasury shares of that class exceeding 10% of the total number of issued shares in that class at any time;

and in the event that the Company holds in its treasury more than 10% of the total number of issued shares in any class of its shares, it shall cancel the excess within six months or such further period as the Registrar may allow.

2.4.3 The Company shall not exercise any right in respect of the treasury shares, including:

(a) the right to attend or vote at meetings; and

(b) the right to receive dividend or any other distribution (in cash or otherwise) of its assets (including any distribution of assets to members on a winding up).

2.4.4 The Company may receive allotments of fully paid bonus shares in respect of its treasury shares and its treasury shares may be sub-divided or consolidated so long as the total value of the treasury shares after the subdivision or consolidation is the same as before the subdivision or consolidation.

2.5 Source of Funds

2.5.1 The Companies Act provides that any purchase or acquisition of Shares by the Company may be made out of its capital or profits, so long as it is solvent (i.e. the Company is able to pay its debts in full at the time which the share buy-back is being conducted and the value of its assets exceed its liabilities, including any contingent liability and will not after the proposed share buy-back become less than the value of its liabilities, including any contingent liability). The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such an extent that the financial position of the Group would be materially adversely affected.

2.5.2 The Company intends to use internal sources of funds or external borrowings to finance purchases or acquisitions of its Shares. The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the Group arising from such purchases or acquisitions of the Shares pursuant to the proposed Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions.

2.6 Financial Effects

2.6.1 Where the Company chooses to cancel any of the Shares it repurchases, it shall:

(a) reduce the amount of its share capital where the Shares are purchased or acquired out of its capital;

(b) reduce the amount of its profits where the Shares are purchased or acquired out of its profits; or

(c) reduce the amount of its share capital and profits proportionately where the Shares are purchased or acquired out of both its capital and the profits, by the total amount of the purchase price paid by it for the Shares cancelled.

2.6.2 The consideration if paid by the Company out of its profits for the purchase or acquisition of Shares (including related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

2.6.3 The financial effects on the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, and the amount (if any) borrowed by the Group to fund the purchases or acquisitions.

2.6.4 Based on the number of issued Shares (excluding treasury shares) as at the Latest Practicable Date, the purchase by the Company of 10% of its issued Shares will result in the purchase or acquisition of 22,630,542 Shares.

2.6.5 Assuming the Company purchases or acquires the 22,630,542 Shares at the Maximum Price, the maximum amount of funds required (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) is:

(a) in the case of Market Purchases of Shares, approximately S$0.55 based on S$0.53 for one Share (being the price equivalent to 105% above the Average Closing Price of the Shares traded on the SGX-ST for the five consecutive market days immediately preceding the Latest Practicable Date); and

(b) in the case of Off-Market Purchases of Shares, approximately S$0.60 based on S$0.53 for one Share (being the price equivalent to 115% above the Average Closing Price of the Shares traded on the SGX-ST for the five consecutive market days immediately preceding the Latest Practicable Date).

2.6.6 For illustrative purposes only, on the basis of the assumptions set out above, and based on the audited financial statements of the Group for the reporting year ended 31 December 2018, and assuming that:

(a) the Share Purchase Mandate had been effected on the Latest Practicable Date; and

(b) the purchases or acquisitions of Shares are financed solely by internal resources,

the financial effects of the purchase or acquisition of such Shares by the Company on the audited financial statements of the Group for the reporting year ended 31 December 2018 would have been as follows:

Market Purchases:

	The Group		**The Company**	
	Before Share Purchase	**After Share Purchase**	**Before Share Purchase**	**After Share Purchase**
As at 31 December 2018				
Shareholders' Funds (S$'000)	149,596	137,149	90,156	77,709
Net tangible assets ("**NTA**") (S$'000) (1)	149,237	136,790	90,156	77,709
Current Assets (S$'000)	158,071	145,624	16,862	4,415
Current Liabilities (S$'000)	70,774	70,774	687	687
Total Liabilities (S$'000)	73,968	73,968	1,232	1,232
Cash and Cash Equivalents (S$'000)	33,980	21,533	599	(11,848)
Number of Shares ('000)	226,305	203,675	226,305	203,675
Financial Ratios				
NTA per Share (cents)	65.9	67.2	39.8	38.2
Earnings Per Share ("**EPS**") (cents) (2)	8.98	9.99	0.33	0.37
Gearing (%) (3)	0.04	0.04	–	–
Current Ratio (times) (4)	2.23	2.06	24.54	6.43

Notes:

(1) NTA equals total equity less intangible assets and minority interests, if any.

(2) EPS is computed based on FY2018 net profit attributable to ordinary shareholders of the Company divided by the number of shares.

(3) Gearing equals total borrowings divided by shareholders' funds.

(4) Current ratio equals current assets divided by current liabilities.

Off-Market Purchases:

	The Group		The Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
As at 31 December 2018				
Shareholders' Funds (S$'000)	149,596	136,018	90,156	76,578
NTA (S$'000) (1)	149,237	135,659	90,156	76,578
Current Assets (S$'000)	158,071	144,493	16,862	3,284
Current Liabilities (S$'000)	70,774	70,774	687	687
Total Liabilities (S$'000)	73,968	73,968	1,232	1,232
Cash and Cash Equivalents (S$'000)	33,980	20,402	599	(12,979)
Number of Shares ('000)	226,305	203,675	226,305	203,675
Financial Ratios				
NTA per Share (cents)	65.9	66.6	39.8	37.6
EPS (cents) (2)	8.98	9.99	0.33	0.37
Gearing (%) (3)	0.04	0.04	–	–
Current Ratio (times) (4)	2.23	2.04	24.54	4.78

Notes:

(1) NTA equals total equity less intangible assets and minority interests, if any.

(2) EPS is computed based on FY2018 net profit attributable to ordinary shareholders of the Company divided by the number of shares.

(3) Gearing equals total borrowings divided by shareholders' funds.

(4) Current ratio equals current assets divided by current liabilities.

SHAREHOLDERS SHOULD NOTE THAT THE FINANCIAL EFFECTS SET OUT ABOVE ARE PURELY FOR ILLUSTRATIVE PURPOSES ONLY. ALTHOUGH THE SHARE PURCHASE MANDATE WOULD AUTHORISE THE COMPANY TO PURCHASE OR ACQUIRE UP TO 10% OF THE ISSUED SHARES, THE COMPANY MAY NOT NECESSARILY PURCHASE OR ACQUIRE OR BE ABLE TO PURCHASE OR ACQUIRE THE ENTIRE 10% OF THE ISSUED SHARES. IN PARTICULAR, THE MAXIMUM NUMBER OF SHARES THAT THE COMPANY MAY PURCHASE UNDER THE SHARE PURCHASE MANDATE IS LIMITED TO THE EXTENT THAT THE COMPANY WILL REMAIN SOLVENT. THE DIRECTORS DO NOT INTEND TO EXERCISE THE PROPOSED SHARE PURCHASE MANDATE UP TO THE MAXIMUM LIMIT IF SUCH EXERCISE WOULD MATERIALLY AND ADVERSELY AFFECT THE FINANCIAL POSITION OF THE GROUP.

2.7 For illustrative purposes, it has been assumed that the purchases or acquisitions of Shares are financed solely by internal resources and in the event that there is a shortfall, the purchases and acquisitions are to be financed by long-term borrowings. Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would also be an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company, with the actual impact dependent on, *inter alia*, the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

2.8 Shareholders should note that the financial effects set out above are for illustration purposes only (based on the aforementioned assumptions). The actual impact will depend on, *inter alia*, the number and price of the Shares purchased or acquired (if any). In particular, Shareholders should note that the above analysis is based on the audited financial statements of the Group for the reporting year ended 31 December 2018 and is not necessarily representative of future financial performance.

2.9 The Company may take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

3. TAXATION

3.1 Shareholders who are in any doubt as to their respective tax positions or the tax implications of Share Purchases by the Company, or who may be subject to tax whether inside or outside of Singapore, should consult their own professional advisers.

3.1.1 The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (i) in the case of a Market Purchase, on the market day following the day on which the Market Purchase was effected, and (ii) in the case of an Off-Market Purchase, on the second market day after the close of acceptances of the offer. The notification of such purchases or acquisitions to the SGX-ST shall be in such form, and shall include such details, as may be prescribed by the SGX-ST in the Listing Manual.

3.1.2 The Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time(s). However, as the Company would be regarded as an insider in relation to any proposed purchase or acquisition of its shares, it will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate in the following circumstances:

(a) at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board until the price-sensitive information has been publicly announced; and

(b) in the case of Market Purchases, during the period commencing one month immediately before the announcement of the Company's full-year results and the period of two weeks before the announcement of the Company's first quarter, half-year and third quarter results.

3.1.3 The Listing Manual requires a company to ensure that at least 10% of equity securities (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is held by public shareholders. The "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates of such persons.

3.1.4 As at the Latest Practicable Date, there are approximately 116,487,628 Shares in the hands of the public, representing approximately 51.47% of the issued Shares of the Company (excluding treasury shares). Accordingly, the Company is of the view that there is, at present, a sufficient number of Shares held by public shareholders which would permit it to undertake purchases and acquisitions of its Shares up to 10% of its issued Shares pursuant to the proposed Share Purchase Mandate, without adversely affecting the listing status of its Shares on the SGX-ST. The Directors will use their best efforts to ensure that the Company does not effect a Share Purchase if the Share Purchase will result in the number of Shares remaining in the hands of the public to fall to such a level as to cause market illiquidity and/or adversely affect the listing status of the Company on the SGX-ST.

3.2 Certain Take-over Code Implications

3.2.1 *Obligation to Make a Take-over Offer*

Any resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following any purchase or acquisition of Shares by the Company, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**"). Consequently, depending on the number of Shares purchased or acquired by the Company and the number of issued Shares at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make a take-over offer under Rule 14.

3.2.2 *Persons Acting in Concert*

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely:

(a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and

(b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other.

3.2.3 *Effect of Rule 14 and Appendix 2*

(a) The circumstances under which Shareholders (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code. In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such directors and their concert parties would increase to 30% or more, or, if the voting rights of such directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such directors and their concert parties would increase by more than 1% in any period of six months.

(b) Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the proposed Share Purchase Mandate.

(c) As at the Latest Practicable Date, approximately 51.47% of the issued shares of the Company are in the hands of the public. Mr Lou Yiliang, who is a Director as well as a substantial shareholder of the Company has an aggregate interest (both direct and indirect) of approximately 11.48% in the Company. Advantec Holding SA is a substantial shareholder of the Company with an aggregate interest (both direct and indirect) of approximately 36.85% and Trustee of Chandaria Trust I is deemed to be interested in the shares held by Advantec Holding SA with an aggregate interest of 36.85%. Save for the aforesaid, the Company has no other substantial shareholders.

(d) Purely for illustrative purposes, on the basis of 226,305,428 issued Shares as at the Latest Practicable Date (excluding treasury shares), and assuming that no further Shares are issued on or prior to the 2019 AGM, not more than 22,630,542 Shares (representing 10% of the issued Shares as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate, if so approved by Shareholders at the 2019 AGM.

Further assuming that:

(i) the Share Purchase Mandate is validly and fully exercised prior to the next annual general meeting of the Company;

(ii) there is no change to the number of issued Shares at the time of such exercise;

(iii) the re-purchased Shares are not acquired from the substantial shareholders and are deemed cancelled immediately upon purchase;

(iv) there is no change in the holding of Shares of the substantial shareholders between the Latest Practicable Date and the date of the 2019 AGM; and

(v) the substantial shareholders do not sell or otherwise dispose of their holding of Shares,

the shareholdings of the substantial shareholders would be changed as follows:

	Before Share Purchase (1)		After Share Purchase (1)	
Director	**Number of Share**	**%**	**Number of Share**	**%**
Lou Yiliang	25,985,500	11.48	25,985,500	12.76
Substantial Shareholders				
Advantec Holding SA	83,382,300	36.85	83,382,300	40.94
Trustee of Chandaria Trust I	83,832,300	37.04	83,832,300	41.16

(1) Please refer to paragraph 4 of this Letter for additional details on the substantial shareholders' shareholdings in the Company.

As illustrated in previous page, Advantec Holding SA and Trustee of Chandaria Trust I may incur an obligation to make a general offer to other Shareholders under the Take-over Code due to the Share Purchase Mandate. However, the Securities Industry Council had on 22 November 2007 confirmed that neither Advantec Holding SA nor Trustee of Chandaria Trust I will incur such a general offer obligation arising from the exercise by the Company of the Share Purchase Mandate.

Save as disclosed above, the Directors are not aware of any fact(s) or factor(s) which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interest in voting Shares should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

3.2.4 Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Take-over Code as a result of Share Purchases by the Company are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity.

3.2.5 Advice to Shareholders

The statements in this Letter do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers, the Securities Industry Council or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchase or acquisition of Shares by the Company.

3.2.6 Details of Previous Share Purchases within the last 12 months

In the last 12 months preceding the Latest Practicable Date, the Company has not made any Market Purchases of its Shares pursuant to the Share Purchase Mandate.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The direct and indirect interests of the Directors and the substantial shareholders in the Shares as at the Latest Practicable Date are as follows:

	Direct Interest		**Deemed Interest**	
Director	**Number of Shares**	**%[1]**	**Number of Shares**	**%[1]**
Lou Yiliang [2]	14,082,700	6.22	11,902,800	5.26
Steven Chong Teck Sin	–	–	–	–
Sunny Wong Fook Choy	–	–	–	–
Neal Manilal Chandaria	–	–	–	–
Teruo Kiriyama	–	–	–	–
Substantial Shareholders (Other than Directors)				
Advantec Holding SA[3]	22,571,000	9.97	60,811,300	26.87
Trustee of Chandaria Trust I [4]	–	–	83,832,300	37.04

Notes:

(1) Percentages are based on the issued capital of the Company of 226,305,428 shares (excluding treasury shares) as at the Latest Practicable Date.

(2) Mr Lou Yiliang is deemed to be interested in the 11,902,800 shares held through Phillip Securities Pte. Ltd.

(3) Advantec Holding SA is deemed to be interested in the 60,811,300 shares held through the following:

(a) Raffles Nominees (Pte) Ltd in respect of 40,811,300 shares; and
(b) UOB Bank Nominees Pte Ltd in respect of 20,000,000 shares.

(4) 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 Trustee Chandaria Trust I.

As at the Latest Practicable Date, save as disclosed in this Letter, none of the Directors have any interest, direct or indirect, in the Share Purchase Mandate (other than by reason only of being a Director).

As at the Latest Practicable Date, the Company has not received any notification from any of the Company's substantial shareholders that it has any interest, direct or indirect, in the Share Purchase Mandate (other than by reason of their shareholding interest in the Company).

5. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company and accordingly recommend that the Shareholders vote in favour of the resolution pertaining to the renewal of the Share Purchase Mandate to be proposed at the 2019 AGM.

6. ADVICE TO SHAREHOLDERS

Shareholders, who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in the Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Letter in its proper form and context.

Yours faithfully
For and on behalf of the Board of Directors of
INNOTEK LIMITED

Neal Manilal Chandaria
Chairman

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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/them, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the 23rd Annual General Meeting ("**AGM**") of the Company to be held at Courtyard 1 and 2, Basement 1, Oasia Hotel Novena, 8 Sinaran Drive, Singapore 307470 on 30 April 2019 at 10.30 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/their discretion, as he/she/they 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 2018		
2	Declaration of First and Final Dividend and Special Dividend		
3	Re-election of Mr. Neal Manilal Chandaria		
4	Re-election of Mr. Teruo Kiriyama		
5	Approval of Directors' fees		
6	Re-appointment of Ernst & Young LLP as Auditor		
7	Authority to allot and issue new shares		
8	Authority to offer and grant options and to allot and issue new shares in accordance with the provisions of the Share Plans		
9	Renewal of Share Purchase Mandate		

(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 ____________ 2019

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 Investor and SRS Investor shall be precluded from attending the Meeting.

iMPACT

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