



InnoTek Limited
(Company Reg. No. 199508431Z)

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1 , Q2 & Q3), HALF-YEAR and FULL YEAR RESULTS

1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the Second Quarter ended 30 June 2014

Group	Note	Quarter Ended 30-Jun		YoY Change %	6 Months Ended 30-Jun		YoY Change %
		2014 S\$'000	2013 S\$'000		2014 S\$'000	2013 S\$'000	
Revenue		54,815	58,274	(5.9)	108,963	116,382	(6.4)
Cost of sales	1(a)(i)(a)	(50,224)	(50,325)	(0.2)	(99,740)	(99,977)	(0.2)
Gross Profit		4,591	7,949	(42.2)	9,223	16,405	(43.8)
Other items of expense							
Selling and distribution		(1,042)	(975)	6.9	(2,068)	(1,833)	12.8
Administrative expense	1(a)(i)(b)	(8,087)	(7,912)	2.2	(16,095)	(18,021)	(10.7)
Finance cost		(65)	(54)	20.4	(134)	(145)	(7.6)
Other expenses	1(a)(i)(c)	(218)	(165)	32.1	(565)	(217)	160.4
Total other item of expenses		(9,412)	(9,106)	3.4	(18,862)	(20,216)	(6.7)
Other items of income							
Interest income		99	42	135.7	202	136	48.5
Other income	1(a)(i)(d)	1,490	1,215	22.6	2,910	2,519	15.5
Total other items of Income		1,589	1,257	26.4	3,112	2,655	17.2
(Loss)/Profit before taxation and non-controlling interest		(3,232)	100	NM	(6,527)	(1,156)	464.6
Tax expense		(645)	(89)	624.7	(1,153)	(263)	338.4
(Loss)/Profit , net of tax		(3,877)	11	NM	(7,680)	(1,419)	441.2
Other comprehensive income :							
Foreign currency translation		(434)	4,180	NM	(3,759)	6,174	NM
Realisation of fair value gain		(229)	-		(229)	-	
Net gain on fair value changes of available-for-sale financial assets		203	(1,650)	(112.3)	(547)	225	NM
Other comprehensive income , net of tax		(460)	2,530	NM	(4,535)	6,399	NM
Total comprehensive income for the period		(4,337)	2,541	NM	(12,215)	4,980	NM
(Loss)/Profit attributable to :							
Owners of the parent		(3,860)	32	NM	(7,641)	(1,400)	445.8
Non-controlling interests		(17)	(21)	(19.0)	(39)	(19)	105.3
(Loss)/Profit, net of tax		(3,877)	11	NM	(7,680)	(1,419)	441.2
Total comprehensive income attributable to :							
Owners of the parent		(4,317)	2,545	NM	(12,158)	4,972	NM
Non-controlling interests		(20)	(4)	400.0	(57)	8	NM
Total comprehensive income for the period		(4,337)	2,541	NM	(12,215)	4,980	NM
Earning per share (cents)							
Basic	Para 6	(1.72)	0.01	NM	(3.41)	(0.62)	450.0
Diluted	Para 6	(1.72)	0.01	NM	(3.41)	(0.62)	450.0
NM denotes Not Meaningful							

Notes to Group Consolidated Statement of Comprehensive Income

1(a) (i) (Loss)/Profit for the period is arrived at after (charging) / crediting the following items:

	Note	Quarter Ended 30-Jun		6 Months Ended 30-Jun	
		2014	2013	2014	2013
		S\$'000	S\$'000	S\$'000	S\$'000
(a) Included in cost of sales are :					
- Inventories recognised as an expense in cost of sales		(26,174)	(26,659)	(52,688)	(53,406)
- Write-back for inventory obsolescence		221	69	169	617
- Depreciation of property, plant and equipment ("PPE")		(2,251)	(2,323)	(4,608)	(4,650)
- Wages and salaries	1(a)(i)(e)	(10,550)	(11,691)	(21,492)	(22,822)
(b) Included in administrative expenses are :					
- Depreciation of property, plant and equipment ("PPE")	1(a)(i)(f)	(514)	(747)	(1,055)	(1,941)
- Amortisation of prepaid land lease payments		(16)	(28)	(34)	(54)
- Amortisation of intangible assets		(118)	(119)	(244)	(247)
- Wages and salaries	1(a)(i)(e)	(3,975)	(4,397)	(7,931)	(9,412)
(c) Included in other expenses are :-					
- Net fair value (loss)/gain on held for trading investments		22	(128)	(218)	(128)
- Foreign currency loss		(236)	(17)	(309)	(17)
- Allowance for doubtful debts		-	(20)	-	(72)
(d) Included in other income are :-					
- Fair value gain on investment property	(A)	-	-	138	-
- Write-back of allowance for doubtful debts		-	-	101	-
- Dividend income from investment securities		338	362	681	723
- Gain on disposal of PPE		53	418	120	497
- Gain on disposal of held for trading investment		133	-	321	-
- Gain on disposal of other investments		258	-	258	-
- Gain on disposal of Exerion		121	-	121	-
- Foreign currency gain		-	(80)	-	-
(e) Wages and salaries for three months ended 30 June 2014 ("Q2'14") were lower due to lower headcounts. This was partially offset by higher retrenchment cost of S\$0.6 million.					
(f) Depreciation for Q2'14 was lower due to lower depreciation of leasehold improvement resulting from conversion of four floors of an existing building to Investment Property (See Note A to Group Balance Sheet) in Q1'14 and a number of leasehold items were fully depreciated by end of 2013.					

1(a) (ii) Investment in Associate

(a) Disposal of Exerion Precision Technology Holding B.V.

On 20 February 2012, the Group and Retnok entered into a sale and purchase ("S&P") agreement with Alliance Manufacturing Sdn. Bhd. ("ACM") for the sale of 30,731 shares (representing 42.7%) and 6,002 shares (representing 8.3%) in Exerion held by the Group and Retnok, respectively, to ACM. In addition, on the same date, the Group entered into a shareholders' agreement and an option agreement (the "Option Agreement") with ACM for the sale of the remaining 35,291 shares in Exerion, which represent 49% equity interest. Under the Option Agreement, ACM is granted a call option, exercisable from the date of the option agreement up to and including 31 March 2014, to require the Group to sell all the remaining Exerion shares to ACM; and the Group has been granted a put option, exercisable from 1 April 2014 to 30 April 2014, to require ACM to purchase all the remaining Exerion shares. We had activated the put option to sell the remaining 49% equity interest at Euro 1.25 million (approximately S\$2.16 million) at the time of this announcement.

As at 31 December 2013 and March 2014, the investment in the remaining 49% equity interest is classified as "held-for-sale" as the Group expects the disposal of the remaining 49% equity interest to be completed within the next 12 months. The Group exercised the put Option on 30 April 2014 to dispose of the 49% interest, details of which are as follows:

	S\$'000
Remaining equity interest as at 1 January 2013	1,986
Share of results	-
Exchange differences	<u>70</u>
Investment in associate as at 31 December 2013	2,056
Exchange differences	<u>(8)</u>
Investment in associate classified as held-for-sale as at 31 March 2014	2,048
Exchange differences	(7)
Consideration for Put Option exercised on the 30 April 2014	<u>(2,162)</u>
Gain on disposal	<u>121</u>

(b) Disposal of Mansfield Industrial Co. Ltd ("MICL")

On 20 February 2012, Mansfield Manufacturing Company Limited entered into an agreement to dispose its 55% shareholding in MICL to the shareholder who held the remaining 45%. The sale was approved at an Extraordinary General Meeting by shareholders on 27 April 2012. The sale would take place over two tranches, of which the first sale of 3.6 million shares, representing 36% of the Group's equity interest in MICL amounting to consideration of S\$5.8 million (HK\$36 million), was completed before 30 April 2012. The second tranche of 19 million shares, representing 19% of the Group's equity interest in MICL with consideration of HK\$19 million (approximately S\$3.1 million), was completed with the last payment received on 30 June 2014, details of which are as follows:-

	S\$'000
- Payment received in March 2013 under S&P agreement (HK\$9.0 million)	1,475
- Amount received in March 2014 under S&P agreement (HK\$5.0 million)	813
- Balance receivable on 30 June 2014 under S&P agreement (HK\$5.0 million) **	819
	<u>3,107</u>

** The last payment of HK\$5.0 million to be received earlier on the 30 June 2014. The transfer of MICL shares to purchaser took place only after 30 June 2014. Hence as at 30 June 2014, the investment was still classified as "held-for-sale" as follows:

	S\$'000
Carrying value of 19% shareholding in MICL as at 1 January 2013	2,996
Share of results	-
Exchange differences	<u>103</u>
Investment in associate as at 31 December 2013	3,099
Exchange differences	<u>(11)</u>
Investment in associate as at 31 March 2014	3,088
Exchange differences	<u>(29)</u>
Investment in associate as at 30 June 2014	<u>3,059</u>

1(b) (i) A balance sheet (for the issuer and the Group), together with a comparative statement as at the end of the immediately preceding financial year

Balance Sheets (Unaudited)

	Note	Group		Company	
		As at 30-Jun-14 S\$'000	As at 31-Dec-13 S\$'000	As at 30-Jun-14 S\$'000	As at 31-Dec-13 S\$'000
Non-current Assets					
Property, plant and equipment ("PPE")	A	63,331	76,854	-	75
Investment property	A	21,430	15,319	-	-
Prepaid land lease payment	A	2,882	3,864	-	-
Intangible assets		1,016	1,232	-	-
Investment in subsidiary		-	-	47,061	47,061
Other investments	B	14,129	16,200	14,129	16,200
Deposit paid for purchases of property, plant and equipment		813	551	-	-
Other receivables	C	1,308	1,358	-	-
Deferred tax assets		898	915	-	-
		105,807	116,293	61,190	63,336
Current Assets					
Inventories	D	24,844	28,056	-	-
Trade and other receivables	E	58,967	64,636	1,460	963
Tax recoverables		225	428	-	-
Loan to associate		-	958	-	-
Prepayments		602	1,513	-	-
Loan to subsidiary		-	-	15,468	14,013
Held for trading investments	F	11,686	11,079	11,686	11,079
Derivatives		26	33	26	33
Cash and short-term deposit	G	20,029	27,787	6,606	10,286
		116,379	134,490	35,246	36,374
Assets of disposal group classified as held-for-sale	H	3,059	5,155	-	-
		119,438	139,645	35,246	36,374
Total Assets		225,245	255,938	96,436	99,710
Current Liabilities					
Bank loans	G	-	1,631	-	-
Invoice financing		1,477	-	-	-
Trust receipts		4,445	7,412	-	-
Bank overdrafts	G	646	1,017	-	-
Loans and borrowings	1(b)(ii)	6,568	10,060	-	-
Trade and other payables	I	66,869	78,803	511	546
Provisions	J & G	135	1,649	-	-
Derivatives		-	64	-	64
Tax payable		1,831	1,031	231	262
		75,403	91,607	742	872
Net Current Assets		44,035	48,038	34,504	35,502
Non-current Liabilities					
Deferred tax liabilities		1,381	1,431	50	50
Total Liabilities		76,784	93,038	792	922
Net Assets		148,461	162,900	95,644	98,788
Share capital		98,021	98,021	98,021	98,021
Treasury shares		(13,164)	(13,164)	(13,164)	(13,164)
Share option reserve		108	204	108	204
Fair value adjustment reserves	B	2,299	3,075	2,299	3,075
Retained earnings	G	65,512	75,281	8,380	10,652
Translation reserves		(4,725)	(984)	-	-
		148,051	162,433	95,644	98,788
Non-controlling interests		410	467	-	-
Total Equity		148,461	162,900	95,644	98,788

Notes to Group Balance Sheet

- A In Q1'14, one of the subsidiaries transferred four floors of its unused factory space from property, plant and equipment ("PPE") to investment property (IP) due to the management decision to rent them out to maximize utilization of existing facilities. The Group recorded a fair value gain of S\$138,000 for the quarter ended 31 March 2014. This resulted in an increase in investment property and a reduction in PPE as at 30 June 2014.
- B The Board of Directors decided to diversify into various investment instruments instead of solely on Industrial Reits. Hence, the decrease was attributed to the partial disposal of 1,479,000 Sabana shares at an average price of S\$1.049 up to 30 June 2014. The balance of 13,521,000 million shares were marked-to-market at S\$1.045 per share as at 30 June 2014, compared to S\$1.080 as at 31 December 2013. The net decrease in fair value of S\$0.8 million was recorded in Other Comprehensive Income.
- C These are mainly long-term rental and utilities deposit for PRC factory facilities.
- D The higher inventory as at 31 December 2013 was due to stocking up of raw materials and work-in-progress in preparation of the long Chinese New Year holiday in January 2014.
- E Decrease in trade and other receivables was mainly due to lower sales in Q2'14 compared to Q4'13 and refund of value-added tax from the China Tax authorities.
- F These are quoted equities and bonds held for trading and managed by an investment bank in Singapore. The fair value was computed based on the last transacted bid prices on the stock exchange or in active markets at the end of the reporting period.
- G Decrease in cash and bank balances was mainly due to losses recorded for 1H'14, repayment of bank loan and overdraft, payment of retrenchment expense which resulted in reduction in the provision balance and payment of dividend to InnoTek shareholders in May 2014 amounting to S\$2.2 million. This was offset by receipt of proceeds from the disposal of Exerion of S\$2.2 million and proceeds from the disposal of MICL of S\$1.6 million. Cash and bank balance as at 30 June 2014 included S\$1.1 million which forms part of the investment portfolio.
- H Reduction was due to disposal of the remaining 49% equity interest in Exerion in April 2014. The balance as at 30 June 2014 relates to the remaining 19 million shares in MICL, the transfer of which took place after 30 June 2014 upon receipt of the last payment of S\$0.8 million (HK\$5.0 million). Please refer to Note 1(a)(ii) (a) and (b).
- I Decrease in trade payables was due mainly to decrease in purchase as a result of lower sales in Q2'14 compared to Q4'13. Other payables as at 30 June 2014 included a S\$3.1 million consideration received as scheduled for the disposal of MCL under Note 1(a)(ii)(b)
- J The reduction was mainly due to the reversal of provision for long service payment in Q2'14 and restructuring with the completion of certain restructuring activities in Q1'14 provided for in December 2013. The Group will determine whether there is a need to top-up the provision in subsequent quarters.

1(b)(ii) Aggregate amount of Group's borrowings and debt securities

	As at 30-Jun-14 S\$'000	As at 31-Dec-13 S\$'000
Amount repayable in one year or less, on demand		
- Secured	1,477	2,264
- Unsecured	5,091	7,796
	6,568	10,060
Amount repayable after one year		
- Secured	-	-
- Unsecured	-	-
	-	-
Total	6,568	10,060

Details of any collateral

All bank borrowings, overdrafts and trust receipts are either unsecured or secured by corporate guarantee from the Company and its subsidiaries. The secured borrowing of S\$1.5 million relates to factoring and is secured by invoices.

1(c) A cash flow statement (for the Group) , together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

GROUP	Note	Quarter Ended 30-Jun		6 Months Ended 30-Jun	
		2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
Cash flows from operating activities :					
(Loss)/Profit before tax		(3,232)	100	(6,527)	(1,156)
Adjustment items	K	930	2,546	2,782	5,823
Cash flows (used in)/from operations before reinvesting in working capital		(2,302)	2,646	(3,745)	4,667
Working capital changes , excluding changes relating to cash		(3,707)	(7,355)	(4,447)	(1,279)
Cash (used in)/generated from operating activities		(6,009)	(4,709)	(8,192)	3,388
Net interest and income tax paid		(176)	(297)	(59)	408
Net cash (used in)/ generated from operating activities		(6,185)	(5,006)	(8,251)	3,796
Net cash used in investing activities :					
Acquisition of property, plant and equipment ("PPE")		(449)	(1,016)	(1,521)	(1,522)
Refund/(deposit) paid for property, plant and equipment		182	(400)	269	(1,106)
Proceeds on sale of property, plant and equipment		153	2,459	462	2,659
Additions to intangible assets		(9)	(100)	(35)	(809)
Deposit for sale of HongKong premise		-	845	-	845
Proceeds from sale of investment securities		1,447	-	4,583	-
Proceed from sales of Sabana Reits		1,552	-	1,552	-
Acquisition of Investment securities under portfolio management		-	(5,314)	-	(5,314)
Purchase of investment securities		(1,791)	-	(5,077)	-
Dividend from investment securities		338	362	681	723
Proceed from sales of Exerion		2,162	-	2,162	-
Payment received from disposal of MICL	1(a)(ii)(b)	794	-	1,607	1,475
Increase in pledged time deposits		554	-	431	-
Increase in restricted cash		(6)	-	21	-
Net cash generated from/(used in) investing activities		4,927	(3,164)	5,135	(3,049)
Net cash used in financing activities					
Repayment of short term financing		-	(475)	-	(1,990)
Bank loan repayment		-	(3,049)	(1,631)	(5,267)
Purchase of treasury shares		-	(32)	-	(32)
Dividend paid to ordinary shareholder		(2,239)	(2,239)	(2,239)	(2,239)
Net cash used in financing activities		(2,239)	(5,795)	(3,870)	(9,528)
Net decrease in cash and cash equivalents		(3,497)	(13,965)	(6,986)	(8,781)
Effect of exchange rate changes on cash and cash equivalents		37	(169)	51	(111)
Cash and cash equivalents as at beginning of period		19,973	39,953	23,448	34,711
Cash and cash equivalents as at end of period	L	16,513	25,819	16,513	25,819

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

K. Details of adjustment items as follows:

GROUP	Note	Quarter Ended 30- June		6 Months Ended 30- June	
		2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
Depreciation of property, plant and equipment		2,765	3,070	5,663	6,591
Amortisation of intangible assets		118	119	244	247
Amortisation of prepaid land lease payment		16	28	34	54
Gain on disposal of property, plant and equipment		(53)	(418)	(120)	(497)
Gain on sale of quoted equities		(133)	-	(321)	-
Gain on disposal of Exerion		(121)	-	(121)	-
Gain on disposal of other investment		(258)	-	(258)	-
Fixed assets written off		4	-	37	-
Share option expense		-	-	15	-
Allowance for doubtful debts		-	20	-	72
Allowance for doubtful debts written back		-	-	(101)	-
Net fair value (gain)/loss on held for trading investments		(22)	128	218	128
Net fair value gain for derivatives		(32)	-	(57)	-
Interest expense		65	54	134	145
Interest income		(99)	(42)	(202)	(136)
Provision/(write-back) for obsolete inventories		(221)	(69)	(169)	(617)
Unrealised exchange (gain)/loss		434	451	(676)	515
Fair value gain on investment property		-	-	(138)	-
(Write-back)/Provision for severance benefits and restructuring expenses		(1,195)	(433)	(719)	44
Dividend income from investment securities		(338)	(362)	(681)	(723)
Total		<u>930</u>	<u>2,546</u>	<u>2,782</u>	<u>5,823</u>

L For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise:

GROUP	As at 30 June	
	2014 S\$'000	2013 S\$'000
Cash and bank balances	13,016	19,133
Cash and bank balance under portfolio investment management	1,143	6,686
Other Fixed deposits	5,870	-
Total cash and bank balance	20,029	25,819
Less: Pledged fixed deposit and restricted cash	(2,870)	-
Cash and bank balances per balance sheet	17,159	25,819
Less : Bank overdrafts	(646)	-
Cash and cash equivalents at end of year	16,513	25,819 *

* Decrease was mainly due to losses recorded for 1H'14, repayment of bank loan and overdraft, payment of retrenchment expense and payment of dividend to InnoTek shareholders in May 2014, amounting to S\$2.2 million receipt of proceeds from the disposal of Exerion in May 2014 and early settlement for the disposal of MICL on the 30 June 2014.

1(d)(i) A statement (for the issuer and the Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders , together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of changes in equity

GROUP	Attributable to owners of the parents							Equity attributable to owners of the parent, total S\$'000	Non-controlling Interest S\$'000	Total Equity S\$'000
	Share Capital S\$'000	Treasury Shares S\$'000	Retained earnings S\$'000	Share Option Reserve S\$'000	Foreign Currency Translation Reserve S\$'000	Fair value adjustment reserve S\$'000	Total other Reserve S\$'000			
2014										
Balance at 1 January 2014	98,021	(13,164)	75,281	204	(984)	3,075	2,295	162,433	467	162,900
Loss for Q1'14	-	-	(3,781)	-	-	-	-	(3,781)	(22)	(3,803)
<u>Other Comprehensive Income</u>										
Foreign currency translation	-	-	-	-	(3,310)	-	(3,310)	(3,310)	(15)	(3,325)
Net gain on fair value changes of available-for-sale financial assets	-	-	-	-	-	(750)	(750)	(750)	-	(750)
Other comprehensive income	-	-	-	-	(3,310)	(750)	(4,060)	(4,060)	(15)	(4,075)
Total comprehensive Income	-	-	(3,781)	-	(3,310)	(750)	(4,060)	(7,841)	(37)	(7,878)
<u>Contribution by and distribution to owners</u>										
Share Option expense	-	-	-	15	-	-	15	15	-	15
Total contribution by and distribution to owners	-	-	-	15	-	-	15	15	-	15
Balance at 31 March 2014	98,021	(13,164)	71,500	219	(4,294)	2,325	(1,750)	154,607	430	155,037
Loss for Q2'14	-	-	(3,860)	-	-	-	-	(3,860)	(17)	(3,877)
<u>Other Comprehensive Income</u>										
Foreign currency translation	-	-	-	-	(431)	-	(431)	(431)	(3)	(434)
Realisation of fair value gain	-	-	-	-	-	(229)	(229)	(229)	-	(229)
Net gain on fair value changes of available-for-sale financial assets	-	-	-	-	-	203	203	203	-	203
Other comprehensive income	-	-	-	-	(431)	(26)	(457)	(457)	(3)	(460)
Total comprehensive Income	-	-	(3,860)	-	(431)	(26)	(457)	(4,317)	(20)	(4,337)
<u>Contribution by and distribution to owners</u>										
Share Option expense accrued	-	-	-	-	-	-	-	-	-	-
Expiry of employee share options	-	-	111	(111)	-	-	(111)	-	-	-
Dividends on ordinary shares	-	-	(2,239)	-	-	-	-	(2,239)	-	(2,239)
Total contribution by and distribution to owners	-	-	(2,128)	(111)	-	-	(111)	(2,239)	-	(2,339)
Balance at 30 June 2014	98,021	(13,164)	65,512	108	(4,725)	2,299	(2,318)	148,051	410	148,461

Statement of changes in equity (Cont'd)

GROUP	Attributable to owners of the parents							Equity		
	Share Capital S\$'000	Treasury Shares S\$'000	Retained earnings S\$'000	Foreign			Total other Reserve S\$'000	attributable to owners of the parent, total S\$'000	Non-controlling Interest S\$'000	Total Equity S\$'000
				Share Option Reserve S\$'000	Currency Translation Reserve S\$'000	Fair value adjustment reserve S\$'000				
Balance at 1 January 2013	98,021	(13,132)	76,595	111	(8,859)	3,975	(4,773)	156,711	508	157,219
Loss for Q1'13	-	-	(1,432)	-	-	-	-	(1,432)	2	(1,430)
<u>Other Comprehensive Income</u>										
Foreign currency translation	-	-	-	-	1,984	-	1,984	1,984	10	1,994
Net gain on fair value changes of available-for-sale financial assets	-	-	-	-	-	1,875	1,875	1,875	-	1,875
Other comprehensive income	-	-	-	-	1,984	1,875	3,859	3,859	10	3,869
Total comprehensive Income	-	-	(1,432)	-	1,984	1,875	3,859	2,427	12	2,439
Balance at 31 March 2013	98,021	(13,132)	75,163	111	(6,875)	5,850	(914)	159,138	520	159,658
Profit for Q2'13	-	-	32	-	-	-	-	32	(21)	11
<u>Other Comprehensive Income</u>										
Foreign currency translation	-	-	-	-	4,163	-	4,163	4,163	17	4,180
Net gain on fair value changes of available-for-sale financial assets	-	-	-	-	-	(1,650)	(1,650)	(1,650)	-	(1,650)
Other comprehensive loss for Q2'13	-	-	-	-	4,163	(1,650)	2,513	2,513	17	2,530
Total comprehensive Income for Q2'13	-	-	32	-	4,163	(1,650)	2,513	2,545	(4)	2,541
<u>Contribution by and distribution to owners</u>										
Purchase of treasury shares	-	(32)	-	-	-	-	-	(32)	-	(32)
Dividend on ordinary shares	-	-	(2,239)	-	-	-	-	(2,239)	-	(2,239)
Total contribution by and distribution to owners for Q2'13	-	(32)	(2,239)	-	-	-	-	(2,271)	-	(2,271)
Balance at 30 June 2013	98,021	(13,164)	72,956	111	(2,712)	4,200	1,599	159,412	516	159,928

Statement of changes in equity (Cont'd)

COMPANY	Attributable to owners of the parents						Total equity S\$'000
	Issued Capital S\$'000	Tresury Shares S\$'000	Retained earnings S\$'000	Share Option Reserve S\$'000	Fair value Adjustment Reserve S\$'000	Total Other reserves S\$'000	
2014							
Balance at 1 January 2014	98,021	(13,164)	10,652	204	3,075	3,279	98,788
Loss for Q1'14	-	-	(178)	-	-	-	(178)
Other Comprehensive Income	-	-	-	-	-	-	-
Net loss on fair value changes of available-for-sale financial assets	-	-	-	-	(750)	(750)	(750)
Total comprehensive income	-	-	(178)	-	(750)	(750)	(928)
Contributions by and distribution to owners							
Share option expense accrued	-	-	-	15	-	15	15
Total transactions with owners in their capacity as owners	-	-	-	15	-	15	15
Balance at 31 March 2014	98,021	(13,164)	10,474	219	2,325	2,544	97,875
Profit for Q2'14	-	-	34	-	-	-	34
Other Comprehensive Income	-	-	-	-	-	-	-
Realisation of fair value gain	-	-	-	-	(229)	(229)	(229)
Net gain on fair value changes of available-for-sale financial assets	-	-	-	-	203	203	203
Total comprehensive income for Q2'14	-	-	34	-	(26)	(26)	8
Contributions by and distribution to owners							
Share Option expense accrued	-	-	-	-	-	-	-
Expiry of Employees' Share Option	-	-	111	(111)	-	(111)	-
Dividends on ordinary shares	-	-	(2,239)	-	-	-	(2,239)
Total contributions and distribution to owners for Q2'14	-	-	(2,128)	(111)	-	(111)	(2,239)
Balance at 30 June 2014	98,021	(13,164)	8,380	108	2,299	2,407	95,644
2013							
Balance at 1 January 2013	98,021	(13,132)	11,456	111	3,975	4,086	100,431
Loss for Q1'13	-	-	(5)	-	-	-	(5)
Other Comprehensive Income	-	-	-	-	-	-	-
Net gain on fair value changes of available-for-sale financial assets	-	-	-	-	1,875	1,875	1,875
Total comprehensive income	-	-	(5)	-	1,875	1,875	1,870
Balance at 31 March 2013	98,021	(13,132)	11,451	111	5,850	5,961	102,301
Loss for Q2'13	-	-	(111)	-	-	-	(111)
Other Comprehensive Income	-	-	-	-	-	-	-
Net gain on fair value changes of available-for-sale financial assets	-	-	-	-	(1,650)	(1,650)	(1,650)
Total comprehensive income	-	-	(111)	-	(1,650)	(1,650)	(1,761)
Contributions by and distribution to owners							
Purchase of Treasury Shares	-	(32)	-	-	-	-	(32)
Dividends on ordinary shares	-	-	(2,239)	-	-	-	(2,239)
Total contributions and distribution to owners for Q2'13	-	(32)	(2,239)	-	-	-	(2,271)
Balance at 30 June 2013	98,021	(13,164)	9,101	111	4,200	4,311	98,269

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of share for cash or as consideration for acquisition or for any purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

(a) Share Capital

Number of ordinary shares as at 30 June 2014 is 246,656,428.

Number of shares that may be issued on conversion of all outstanding options are as follows:-

	As at 30/6/2014	As at 30/6/2013
Options granted under the InnoTek Employees' Share Option Plan I	-	196,000
Options granted under the InnoTek Employees' Share Option Scheme II **	<u>5,290,000</u>	<u>7,730,000</u>
	<u>5,290,000</u>	<u>7,926,000</u>

** On 23 May 2013, 7,730,000 options were granted to the Group's and the Company's employees under the "InnoTek Employee's Share Option Scheme II" plan which was approved by shareholders at the Extraordinary General Meeting held on 30 April 2008. The option price for the grant was S\$0.28 per share which was based on the average of the last dealt prices for the shares on the SGX-ST over five consecutive Market Days immediately preceding the Date of Grant of Option as determined by the Remuneration Committee. 2,440,000 options had been forfeited since May 2013 due to staff resignation.

(b) Treasury Shares

	No of shares '000	S\$'000
Balance as at 1 January / 30 June 2014	<u>22,821</u>	<u>13,164</u>

1(d)(iii) To show the total number of issued shares excluding Treasury Shares as at the end of the current financial period and as at the end of the corresponding period of the immediately preceding financial year.

	As at 30/6/2014		As at 30/6/2013	
	No of shares '000	\$'000	No of shares '000	\$'000
Total number of issued shares at the end of period	246,656	98,021	246,656	98,021
Number of Treasury Shares at the end of period	<u>(22,821)</u>	<u>(13,164)</u>	<u>(22,821)</u>	<u>(13,164)</u>
Net number of issued shares at the end of period	<u>223,835</u>	<u>84,857</u>	<u>223,835</u>	<u>84,857</u>

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of Treasury Shares as at the end of the current financial period reported on.

None

2. Whether the figures have been audited, or reviewed and in accordance with the standard (e.g. The Singapore Standard on Auditing 910 (Engagement to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed by auditors.

3. Whether the figures have been audited, or reviewed, the auditor's report (including any qualifications or emphasis of matter)

The figures have not been audited or reviewed by auditors.

4. **Whether the same accounting policies and methods of computation as in the issuers most recently audited annual financial statements have been applied**

The same accounting policies and method of computation have been applied to the financial statements as in the most recently audited annual financial statements.

5. **Whether there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

None.

6. **Earning per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Quarter Ended 30 June		6 Months Ended 30 June	
	2014 S'000	2013 S'000	2014 S'000	2013 S'000
Earning per ordinary share of the Group based on net profit attributable to the shareholders of the Company :				
(i) Based on the weighted average number of shares (in cents)				
Earning per share	<u>(1.72)</u>	<u>0.01</u>	<u>(3.41)</u>	<u>(0.62)</u>
Weighted average number of shares ('000)	<u>223,835</u>	<u>223,902</u>	<u>223,835</u>	<u>223,927</u>
(ii) On a fully diluted basis (in cents)				
Earning per share	<u>(1.72)</u>	<u>0.01</u>	<u>(3.41)</u>	<u>(0.62)</u>
Adjusted weighted average number of shares ('000)	<u>223,835</u>	<u>223,902</u>	<u>223,835</u>	<u>223,927</u>

7. **Net assets value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on; and (b) immediately preceding financial year**

	Group		Company	
	As at 6/30/14	As at 12/31/13	As at 6/30/14	As at 12/31/13
Net asset backing per ordinary share based on the total number of issued share excluding treasury shares as at the end of the period reported on	66.1 cents	72.6 cents	42.7 cents	44.1 cents

The decrease in net asset per ordinary share was mainly due to dividend payment to ordinary shareholders, foreign currency translation loss due to weakening of the HKD in 30 June 2014 compared to 31 December 2013 and the comprehensive losses in 1H'14. This can be seen in the 1H'14 Group comprehensive loss of S\$12.2 million.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group business. The review must discuss any significant factors that affected the turnover costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital assets or liabilities of the Group during the current financial period reported on

Review for the Quarter ended 30 June 2014 (Q2'14)

	Q2'14 S\$'000	Q2'13 S\$'000	Q2'14 vs Q2'13 S\$'000	Q2'14 vs Q2'13 %
Turnover				
MSF	54,815	58,274	(3,459)	(5.9)
Net Loss attributable to owners of the parent				
MSF Group	(3,894)	142	(4,036)	(2,842.3)
Corporate	34	(110)	144	130.9
Total	(3,860)	32	(3,892)	(12,162.5)
Basic EPS (cents)	(1.72)	0.01	(1.73)	(17,300.0)

Turnover

The Group's revenue in the April-to-June 2014 quarter ("Q2'14") declined S\$3.5 million or 5.9% to S\$54.8 million from S\$58.3 million in Q2'13 due mainly to:

- (1) Revenue decline from Precision sub-assembly segment as a result of an early end-of-life of a major TV product in Q4'13 from a major Japanese customer without replacement programmes; and
- (2) Revenue decline from Tooling segment due to intense competition from local companies with lower cost structures.

These were offset by an increase in revenue from Precision component segment due to higher demand for automotive products.

Net Loss

The Group recorded a net loss of S\$3.9 million in Q2'14 compared to breakeven in Q2'13 due mainly to:

- (1) Decline in MSF's gross profit ("GP") margin in Q2'14 to 8.4% from 13.6% in Q2'13 due to lower revenue;
- (2) Start-up costs incurred by the Precision sub-assembly segment, in preparation for mass production for initial orders secured from established non-Japanese TV manufacturers;
- (3) Retrenchment expense of S\$0.6 million incurred by Tooling segment;
- (4) Compensation paid to a senior management staff who left the Company in Q2'14.

These were offset by a gain of S\$0.2 million on disposal of 1,479,000 shares in Sabana Reits by end of June 2014.

Review for the 6 months ended 30 June 2014 (1H'14)

	1H'14 S\$'000	1H'13 S\$'000	1H'14 vs 1H'13 S\$'000	1H'14 vs 1H'13 %
Turnover				
MSF	108,963	116,382	(7,419)	(6.4)
Net Loss attributable to owners of the parent				
MSF	(7,494)	(1,279)	(6,215)	(485.9)
Corporate	(147)	(121)	(26)	(21.5)
Total MSF Group	(7,641)	(1,400)	(6,241)	(445.8)
Basic EPS (cents) -continuing operations	(3.41)	(0.62)	(2.79)	NM

Revenue

The Group's revenue for the six months ended 30 June 2014 ("1H'14") declined S\$7.4 million or 6.4% to S\$109.0 million from S\$116.4 million in 1H'13 due mainly to:

- (1) Revenue decline in Precision sub-assembly segment as a result of an early end-of-life of a major TV product in Q4'13 from a major Japanese customer without replacement programmes; and
- (2) Revenue decline in Tooling segment due to intense competition from local companies with lower cost structures.

These were offset by higher revenue from Precision component segment with higher demand for automotive products.

Net Loss

The Group's net loss increased to S\$7.6 million from S\$1.4 million in 1H'13 due mainly to:

- (1) Decline in MSF's GP margin in 1H'14 to 8.5% from 14.1% in 1H'13;
- (2) Start-up costs incurred by the Precision sub-assembly segment in preparation for mass production of initial orders secured from established non-Japanese TV manufacturers;
- (3) Retrenchment expense of S\$0.6 million incurred by Tooling segment in Q2'14;
- (4) Compensation paid to a senior management staff who left the Company in Q2'14.

These were offset by a fair value gain of S\$138,000 arising from the conversion of floors of unused factory space in Dongguan to investment property in Q1'14 and a gain of S\$0.2 million on the disposal of 1,479,000 shares in Sabana Reits in June 2014.

9. A forecast, or projected statement, has been previously disclosed to shareholders, any variance between it and the actual results

None.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

Demand for automotive components in China remains strong while the printing and imaging business is expected to remain stable for the second half of the financial year ("2H'14").

TV production in China is expected to grow with increasing demand from TV markets from North America, Europe and Africa with consumers demanding larger screen sizes and higher quality. Capitalising on these opportunities, the Group is seeking out opportunities through early involvement in product development to diversify its customer base.

The Group continues to reduce its dependency on the Japanese customers by increasing new contracts from non-Japanese as well as local domestic companies, targeting to reduce the ratio of Japanese customers from the current 60% to 50% by the end of the year.

The Group has also strengthened its management team and hopes to streamline its operations through centralization of certain functions. This will facilitate better integration and collaboration across its facilities so as to improve product quality and also achieve better cost efficiencies.

Despite delays due to supply chain issues from a new TV component customer, more orders were confirmed at the end of Q2'14 with production expected to start in 2H'14.

Additionally, the Group will continue to concentrate efforts to penetrate into automotive components sector as demand continues to grow as well as enhance internal efficiencies so as to improve profitability.

Barring unforeseen circumstances, the successful production ramp of new TV projects is expected to contribute to a better performance in 2H'14.

11. Dividend

(a) Current Financial period Reported On

Any dividend declared for the present financial period? No

(b) Corresponding period of the Immediate Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not Applicable

(d) Books closing date

Not Applicable

12. If no dividend has been declared / recommended , a statement to that effect

Not Applicable

13. Interested Person Transactions – Rule 920(1)(a)(ii) – An issuer must announce the aggregate value of transactions conducted pursuant to the general mandate for interested person transactions for the financial period which it is required to report on pursuant to Rule 705.

None

- 14. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(13), the Company confirms that there is no person occupying a managerial position in the Company who is related to the director, chief executive officer or substantial shareholder of the Company.

15. STATEMENT PURSUANT TO SGX LISTING RULE 705(5) OF THE LISTING MANUAL

The directors confirmed that to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the first quarter financial results of the Company and of the Group for the quarter ended 30 June 2014 to be false or misleading in any material aspects.

Signed by Robert Sebastiaan Lette, Chairman and Peter Tan Boon Heng, Executive Director

BY ORDER OF THE BOARD
Peter Tan Boon Heng
Executive Director
11 August 2014