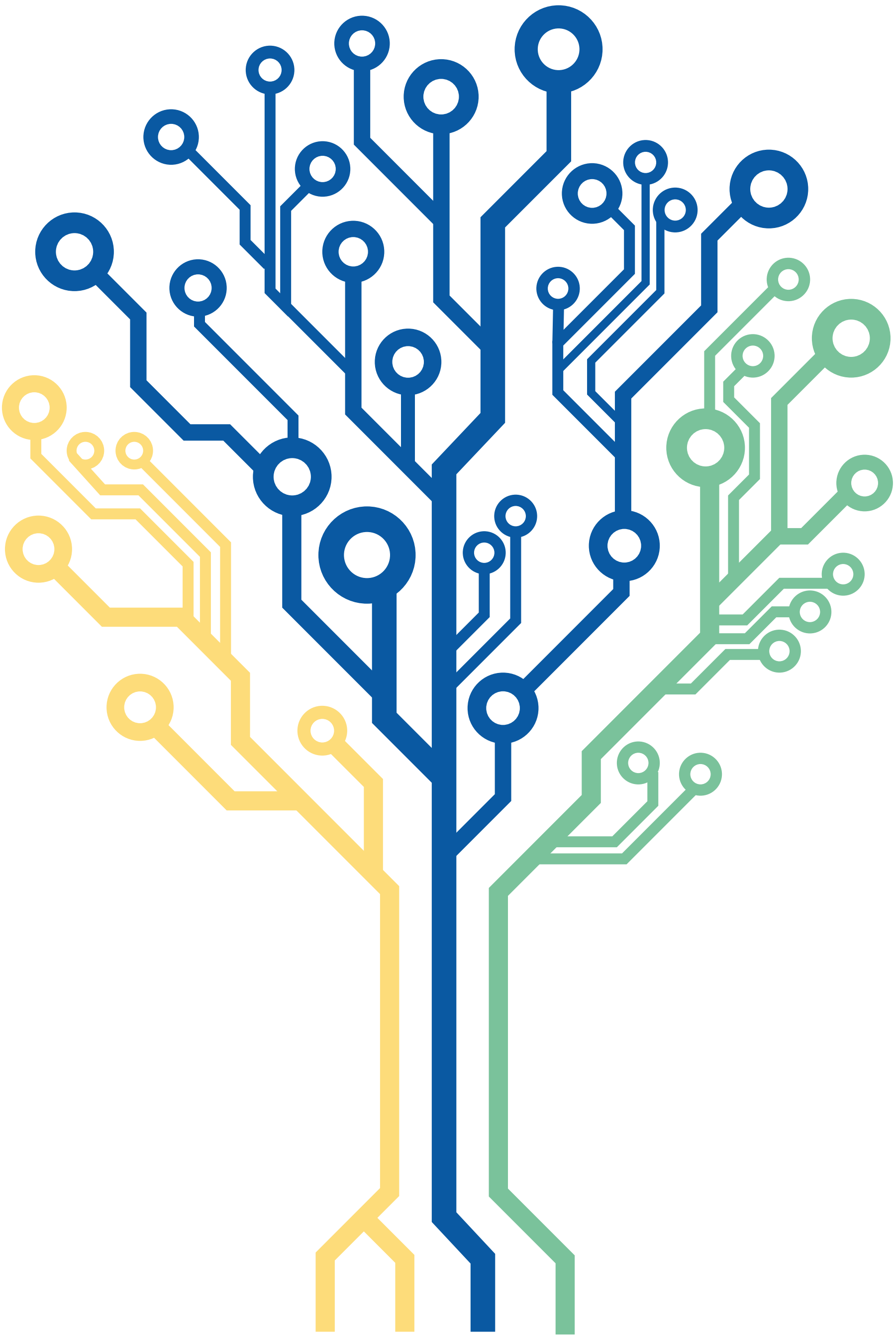
TRANSFORM · FOCUS · ENHANCE

For Sustainable Growth



2014
ANNUAL REPORT

INNOTEK

INNOTEK

MISSION STATEMENT

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

CONTENTS

CORE VALUES

Achievement

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

Communication

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

Teamwork

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

Balance

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

Commitment

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

Creativity

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

CORPORATE INFORMATION

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PLACE OF INCORPORATION
Singapore

COMPANY REGISTRATION NUMBER
199508431Z

DATE OF INCORPORATION
28 November 1995

BOARD OF DIRECTORS
Mr. Robert Sebastiaan Lette, Chairman
Mr. Peter Tan Boon Heng
Mr. Steven Chong Teck Sin
Mr. Sunny Wong Fook Choy

COMPANY SECRETARY
Ms. Linda Sim Hwee Ai

AUDIT COMMITTEE
Mr. Steven Chong Teck Sin, Chairman
Mr. Peter Tan Boon Heng
Mr. Robert Sebastiaan Lette
Mr. Sunny Wong Fook Choy

NOMINATING COMMITTEE
Mr. Robert Sebastiaan Lette, Chairman
Mr. Peter Tan Boon Heng
Mr. Steven Chong Teck Sin

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

AUDITORS
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One Raffles Quay
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Audit Partner-in-charge:
Mr. Christopher Wong (since 2012)

PRINCIPAL BANKER
Credit Suisse AG, Singapore Branch
The Hongkong and Shanghai Banking
Corporation Limited

SHARE REGISTRAR
Boardroom Corporate & Advisory
Services Pte. Ltd
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Singapore 048623

LETTER TO SHAREHOLDERS

Dear Shareholders,

The financial year ended 31 December 2014 ("FY'14") reflects the challenges of a difficult operating environment as well as significant restructuring efforts – undertaken largely since the second half of FY'14. This restructuring is intended to optimise assets utilisation, exit non-core operations, reduce inefficiencies and, more importantly, sharpen InnoTek's focus in tooling activities as a core competency for the TV and automotive markets in China.

The restructuring commenced in the second half of the year under the leadership of Mr. Peter Tan, who was appointed as Executive Director on 1 May 2014. I am pleased that even at this early stage of the efforts, InnoTek has embarked on a clear path leading towards corporate recovery. This transformation is much needed as the operating environment gets increasingly challenging. Manufacturing growth in China is slowing down, applying pressure on the office automation and TV markets in particular at a time when wage and operational costs continue to rise, resulting in increasing margin pressure.

Hence, shareholders should view the financial performance for the year under review against the backdrop of this operating environment as well as of key restructuring initiatives being executed.

FINANCIAL PERFORMANCE

The Group's operations under wholly owned Mansfield Manufacturing Company Limited ("MSF") reported a net loss of S$12.5 million compared to a net loss of S$7.1 million in tandem with lower revenue as well as start-up costs incurred by the precision sub-assembly segment ahead of mass production in the last quarter of FY'14.

In FY'14, the Group recognised a significant non-cash, non-recurring impairment loss of S$16.7 million related to a loss-making metal stamping subsidiary, compared to S$1.3 million a year ago. Excluding the non-cash impairment loss, the Group reported a net loss of S$11.5 million for FY'14 from a net loss of S$6.9 million, excluding gain from the disposal of Hong Kong premises, in FY'13.

Loss per share for Q4'14 was 7.93 Singapore cents while net asset backing per share as at 31 December 2014 stood at 58.6 Singapore cents following payment of dividend in May 2014.

However, InnoTek's net cash position remains healthy at S$14.2 million, comprising total cash balance of S$24.3 million less total borrowings of S$10.1 million, as at 31 December 2014.

LETTER TO SHAREHOLDERS

The office automation manufacturing sector in China continues to diminish as leading brands shift their manufacturing base to lower cost centres such as Vietnam. The TV market is undergoing a clear shift towards stronger growth of local Chinese brands. InnoTek is reducing its dependence on Japanese manufacturers and working increasingly with local brands, even though the latter operating environment is witnessing price pressure from local component manufacturers. To optimise utilisation of our existing assets we have formed a 49:51 joint venture with the Konka Group which also strengthens our relationship with China's fourth-largest TV manufacturer.

Our other core market – automotive – shows greater promise as this sector has a more stable production life-cycle, apart from the fact that China's demand for cars continues to grow. This sector offers potential for InnoTek to achieve greater economies of scale and hence, we are deepening our relationship with automotive manufacturers. This includes improving the quality, cost and turnaround times at our dedicated tooling facility, Feng Chuan Tooling Company Ltd. I am pleased to note that we have secured new tooling and production commitment for our Wuhan facility with mass production expected to commence by the end of FY'15.

The business strategy is clearly reflecting a diversification of our customer base to reduce the dependence on Japanese customers to 59.6% in FY2014 from 64.4% in FY2013. We intend to lower this further to 50% in the coming years as we build deeper inroads with Chinese and Taiwanese manufacturers in both the TV and automotive markets.

Stepping back to look at the bigger picture of our restructuring strategy, it is clear that we have moved beyond merely improving internal operational efficiencies. Under Peter Tan's leadership, the management has taken decisive actions to sharpen our core focus, deepen penetration in the local Chinese market and strengthened our tooling capabilities. The latter – which requires a unique blend of skills as well as technology – remains the bedrock of our efforts to offer differentiated value so that we can engage customers at an early stage of their production cycles. I am confident that these efforts will yield positive results at the operating level even as we strive to enhance shareholder value.

CORPORATE DEVELOPMENTS

We have acquired the remaining 1.76% of the total issued and paid-up capital of Magix Mechatronics Company Limited, making it a wholly-owned TV component subsidiary of MSF.

Apart from completing the exercise of its put option and sale of its remaining 49% equity interest in Exerion for an aggregate consideration of EUR 1.25 million (approximately S$2.16 million) as described above, we also announced the decision to dispose of our investment in a Real Estate Investment Trust ("REIT"), which was acquired in November 2010. The proceeds have been and will continue to be invested into other financial instruments including dividend stocks and bonds.

Wuhan Mansfield Plant

Feng Chuan Tooling (Dongguan)

LETTER TO SHAREHOLDERS

Magix Dongguan Plant 4

Dongguan Mansfield

BOARD AND MANAGEMENT CHANGES

It has been an eventful year with several changes to our Board of Directors and management.

We would like to thank:

• Mr. Yong Kok Hoon who stepped down on 16 May 2014 as Managing Director and Executive Director of InnoTek to pursue other career opportunities. We record our appreciation of Mr. Yong who led the Group's management in the last few years and wish him best in his future endeavours.

We welcome:

• Mr. Sunny Wong Fook Choy to our Board. With vast experience as an independent director for many listed companies, Mr Wong was appointed as the Company's Independent, Non-Executive Director on 17 November 2014.

• Mr. Christopher Chew Chee Khiong who joined as Group Managing Director of Mansfield Manufacturing Company Limited, on 1 December 2014, bringing to the leadership team his experience of more than 30 years in manufacturing and management.

APPRECIATION

On behalf of the Board, we thank all customers, business partners, management and staff for your effort and continued support of InnoTek. We would also like to take this opportunity to thank our shareholders for their continued support.

Mr. Robert Sebastiaan Lette
Chairman and Non-Executive Independent Director

MESSAGE FROM EXECUTIVE DIRECTOR

Dear valued Shareholders,

It was with no small trepidation that I agreed to a request from fellow Board members to take on the role of Executive Director for a one-year tenure commencing May 2014. The operating environment that InnoTek is in – precision metal stamping in the office automation ("OA"), TV and automotive markets – has altered significantly in recent years.

Wages and operating costs in China have risen to the point where many OA manufacturers themselves have migrated to lower-cost locations such as Vietnam. We had been over-reliant on our Japanese customers and did not engage Original Equipment Manufacturer ("OEMs") or local Chinese brands more actively. Our assets were under-utilized and our tool and die-making capability did not exhibit the intensity in early customer involvement required in this new operating environment. Some bitter medicine was required, and I was given the task of administering it.

This message is a score-card which summarises the strategic direction as well as the actions taken mostly in the second half of FY'14. The work is far from finished. But the Board and I sincerely believe that a firm foundation has been laid for the transformation of InnoTek. The over-arching strategy was to enhance long-term shareholder value by making tough decisions under three broad themes: "Transform, Focus and Enhance". Allow me to explain in some detail.

TRANSFORMATION

Let us start with the leadership of our main subsidiary, Mansfield Manufacturing Company Limited. ("MSF"). Since taking over as Executive Director, I have put in place a new MSF management team led by Mr. Christopher Chew. Appointed Group Managing Director of MSF on 1 December 2014, Christopher brings with him over 30 years of experience in manufacturing and management, including business development, operations and finance in various industries from components to high-end machine tooling.

Subsequent to the year-end, on 19 January 2015, Mr. Lim Tai Pong – with over 30 years' experience in sales, engineering and operations management in multi-national companies – was named General Manager for our Suzhou plant. Spearheading the automotive business is Mr. Simon Goh, who was appointed as Automotive Marketing Head on 2 February 2015. Like his senior management colleagues named above, he too has over 30 years' experience – mostly in sales, marketing, supply chain and operations management.

MESSAGE FROM EXECUTIVE DIRECTOR

The task of this team is to reposition InnoTek; to reduce dependency on Japanese customers by building a set of best practices and skill sets at the MSF level that can directly engage local Chinese brands (especially for autos and TVs) and Taiwanese OEMs. To penetrate this segment of the market, we have been emphasizing early customer involvement. Right from the tool-making stage, we are building deep engagement with customers – forging a relationship that will take us right through to mass production, and sustain MSF for future new product programmes.

This is critical as the industry we are involved in changes rapidly. The flat-screen TV market is now shifting towards larger screen sizes with much higher aesthetic appeal – thinner bezels, more refined etching and better finishing. Chinese brands are catching up with the Japanese and Koreans in quality and have a sizeable domestic market.

To engage the Chinese and Taiwanese players, we have had to transform the way we operate. Thus far, as part of the changes, we have reset the entire process flow in Magix – a wholly-owned TV component subsidiary of MSF – and invested in 45 additional CNC machines during the second half of FY'14. These new machines will meet the new aesthetic quality expectations and support the increased orders in Q4'14.

We have also established a Taiwan subsidiary to engage ODM ("Original Design Manufacturer") TV manufacturers through early involvement in the design and development process. The Taiwanese market – including OEMs who produce for Japanese brands – contributed to 10% of the total Group's revenue in Q4'14, up from 3% in Q1'14. This is expected to grow significantly throughout 2015.

FOCUS

To return to basics, we have had to sharpen the focus of our core design and build tooling capabilities. Tools for high-tonnage and high-precision stamping of sheet-metal can only be produced by a tool-making team which is skilled and well versed with today's state-of-the-art technology. MSF had lost some of that finesse in recent years, and we sought to change that through our in-house training and investment in advanced CAD software and equipment, which will allow us to perform 3D design tooling. Until recently, we tend to focus only on 2D tooling design, which is now facing intense competition and obsolescence.

To sharpen this focus of moving up the value chain, we decided to divest our smaller tonnage capacity, and focus on building our high tonnage stamping capability and capacity in the future. The latter will allow us to take on larger, more complex projects with potentially higher value. As at the end of FY'14, we had 155 stamping machines in the 300-1100 tonne range while our machines of 200-tonnes or less stood at 553, down from 572 a year earlier. Going forward, we expect to see further increases in heavy tonnages with a clear emphasis on 800 tonnes or more. During the year, we have also outsourced component production of smaller volume while retaining in-house production for larger volume projects to improve efficiency as well as reap economies of scales. For the whole of FY'14, 3D tooling design accounted for 28% of Tooling revenue, a figure expected to increase from FY'15.

Clearly, this renewed focus on tool and die making as well as the migration to higher tonnages with 3D design capability will be critical as we seek to increase our market share in the automotive sector – which offers more stable production cycles – especially for Chinese markets.

ENHANCE

The third element of our strategy was to enhance our value proposition to partners and customers as well as to enhance shareholder value. This is reflected by the achievement of good ratings from customers of our printing and imaging business, which currently contributes 52% of our revenue, through our continuous efforts to improve quality and delivery performance of this business segment.

We have also entered into a joint venture ("JV") with the Konka Group, China's fourth-largest TV manufacturer, with a view to enhance our assets utilization, particularly our Suzhou plant. As part of the terms of the JV, we will relocate a fully automated precision metal stamping line from our Suzhou facility to the JV which is located at a Konka manufacturing and assembly centre in Anhui Province. Additionally, the JV will have the option to direct spillover TV assembly orders to InnoTek's Suzhou facility, thereby potentially increasing the utilization of the latter facility.

To further enhance value for our shareholders we are also exploring alternative approaches to unlock value from other assets which are currently under-utilized and may not be generating optimal returns.

MESSAGE FROM EXECUTIVE DIRECTOR

CNC Machine Center

Robotic Welding Machine

Assembly Workshop

FINANCIAL REVIEW

As I stated, the bulk of our restructuring efforts were carried out in 2H'14. While the benefits will not be realised till FY'15 and beyond, nonetheless restructuring charges have had to be recognised in the year under review. Hence, shareholders should see this non-recurring costs in the context outlined above.

FY'14 revenue declined by S$21.4 million to S$225.6 million in FY'14 from S$246.9 million in FY'13 due mainly to the slowdown in the highly competitive Japanese consumer electronics environment and the weaker performance in the precision stamping and the tooling segment. However, it is notable that revenue from the precision sub-assembly segment improved significantly to S$5.2 million in Q4'14 from S$1.4 million Q1'14 as we commenced production of TV frames for a new non-Japanese customer in Q4'14. This reflects our continued efforts to deepen penetration in the TV markets – mainly in China and Taiwan – as part of our efforts to reduce dependency on Japanese accounts.

The Group reported a net loss after tax of S$28.2 million for FY'14, of which S$18.4 million arose from one-off expenses. The latter included an impairment loss of S$16.7 million, recognised during Q4'14 following a write-down of the fixed assets of our loss-making Suzhou facility as compared to an impairment loss of S$1.3 million in Q4'13.

Reflecting the success of our restructuring to date, our operating losses in Q4'14 (excluding the impairment loss of S$16.7 million) narrowed to S$1.0 million from S$2.8 million in Q3'14, and an improvement from the loss of S$2.3 million in Q4'13 (excluding a gain on sale of HK premises and excess tax reversal).

BALANCE SHEET

During the year under review, we recorded a net gain of S$1.3 million on the disposal of 8.7 million units in an SGX-listed REIT, following the decision to diversify into other financial investment instruments.

Our cash position remains healthy at S$14.2 million, comprising total cash balance of S$24.3 million less borrowings of S$10.1 million, as at 31 December 2014. The Company currently holds 22.8 million treasury shares which represent 9.25% of the total issued share capital.

OUTLOOK

The year under review has been transformational in terms of laying the foundation for future growth. I believe that with the decisive restructuring executed so far in FY'14, InnoTek is clearly on the path of corporate recovery.

APPRECIATION

I wish to take this opportunity to express my appreciation to my fellow Directors for their invaluable guidance and support, and to employees at InnoTek for their dedication, drive and contributions during this eventful and significant year. Most importantly, I would like to thank you, our valued shareholders, for your continued support in the past year.

Peter Tan Boon Heng
Executive Director

BOARD OF DIRECTORS

Mr. Robert Sebastiaan Lette

Non-Executive and Independent Director

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

A senior banker with over 45 years of extensive international experience in Commercial, Corporate, Treasury and Private Banking, Mr. Lette is an influential and motivational leader with a deep understanding of General and Regional management and Business Development across Latin America, Europe, the Middle East and Asia. Mr. Lette was the Executive Vice President of Clariden Bank in Zurich, Switzerland, Founding & Managing Director, Private Banking Advice to UBS Private Clients in Columba Pte. Ltd. in Singapore, Regional Head, Asia-Pacific Private Banking of Dresdner Bank, Singapore as well as the Executive Chairman of MeesPierson Asia Ltd. Mr. Lette was more than ten years country head of Credit Suisse Singapore. Other financial institutions where Mr. Lette had his banking experience include AMRO Bank, Hamburg as general manager and Sri Lanka as general manager, Bankers Trust Company and Algemene Bank Nederland.

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

Mr. Lette holds a Commercial Diploma from Institut Montana, Zugerberg, Switzerland and has attended banking and finance programmes with INSEAD, Fontainebleau and INSEAD, Euro Asia Centre in Singapore. Mr. Lette also attended courses conducted by IMD, Lausanne, Switzerland and IMD, Singapore Institute of Management.

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

Mr. Peter Tan Boon Heng

Executive and Non-Independent Director

Mr. Peter Tan Boon Heng joined InnoTek as a Non-Executive Independent Director on 17 September 2008 and is a member of the Audit and Nominating Committees. On 1 May 2014 Mr. Tan was re-designated as an Executive Director of the Company and subsequently appointed an Executive Director of the Mansfield group of companies.

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

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

Mr. Tan holds a Graduate Diploma in Management Studies (Distinction) from the University of Chicago and an MBA Degree from Golden Gate University, San Francisco, USA. In accordance with the Articles of Association of the Company, Mr. Tan was re-elected as a Director of the Company at the 2012 AGM and is due for re-election at this year's AGM.

BOARD OF DIRECTORS

Mr. Steven Chong Teck Sin

Non-Executive and Independent Director

Mr. Steven Chong Teck Sin joined InnoTek as a Director on 17 September 2012 and is the Chairman of the Audit Committee and member of the Remuneration Committee and Nominating 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 and Group Managing Director (Commercial) of Seksun Corporation Ltd, which was then listed on the Main Board of the Singapore Exchange ("SGX"). He later held non-executive directorships in several other SGX Main Board listed companies.

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

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

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 Audit Committee.

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

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

Mr. Wong holds a Bachelor of Law (Honours) from the National University of Singapore.

SENIOR MANAGEMENT

Mr. Christopher Chew Chee Kiong

Mr. Christopher Chew Chee Khiong joined Mansfield Manufacturing Company Limited ("Mansfield"), principal subsidiary of InnoTek Limited, as the Group Managing Director ("MD") on 1 December 2014. As Group MD of Mansfield, Mr. Chew oversees operations of Mansfield based in the People's Republic of China.

Mr. Chew has over 30 years of experience in manufacturing and management, including business development, operations and finance in various industries, from components to high-end machine tooling. Christopher was Managing Director at Minnesota Rubber Asia Pacific Pte Ltd from 1997 to 2006, after which he became CEO and President for Makino China Co. Ltd. ("Makino"), till 2009.

Mr. Chew was also Vice President of Makino Asia, and was responsible for the commercial and operational Profit and Loss ("P&L") of the entire Makino China business unit. His last appointment was Senior General Manager of Kerry IntraTainer Precision Metal, a subsidiary of the Kerry Group, where he had overall P&L responsibilities.

Mr. Chew is currently a board member of the Institute of Advanced Technology & Innovation Management.

Mr. Chew obtained his Diploma in Mechanical Engineering from Singapore Polytechnic and holds a Diploma in Marketing from the UK Chartered Institute of Marketing and an accredited Honors Degree equivalent in Engineering Studies from the U.K. Engineering Council. He also holds an MBA from the University of Dubuque, Iowa, USA. Mr. Chew is fluent in both English and Mandarin and competent in various Chinese dialects.

Mr. Yi Yuan Wah

Mr. Yi Yuan Wah joined Mansfield Manufacturing Company Limited ("Mansfield"), principal subsidiary of InnoTek Limited, as its Chief Financial Officer ("CFO") in November 2012. After less than a year with Mansfield, he was re-designated as General Manager, South China taking charge of Mansfield subsidiaries in southern China.

An associate member of the Australian CPA, Mr. Yi has more than 20 years of experience in investment, finance and accounting. His experience spans different industries ranging from multi-national corporations such as Ericsson to small and medium enterprises like Swee Chioh Groups of Companies. His last appointment was Finance Director and Board Director of Ettason Group of Companies in Sydney, Australia. In Ettason Mr. Yi was entrusted with the responsibility to oversee their investment, and tasked with transforming the family company into one that conformed to corporate standards and a process driven organization.

Before joining Ettason, Mr. Yi spent seven years with Swee Chioh Group as its Managing Director and successfully transformed a family-run fishery into one of the largest aquaculture companies in Singapore. Mr. Yi held different positions in Ericsson Telecom China from 1995-2001 with his main responsibilities in Finance and Accounting. His last appointment with Ericsson was as the Managing Director of Ericsson Guangdong Telecom Pte Ltd, a service joint venture between Ericsson Sweden and Guangdong Telecom.

Mr. Yi graduated from Murdoch University, Western Australia in 1989 with a Bachelor of Commerce, and went on to pursue an MBA from Hull University, UK in 1992.

SENIOR MANAGEMENT

Mr. Lim Tai Pong

Mr. Lim Tai Pong joined Mansfield (Suzhou) Manufacturing Company Limited as its General Manager on 19 January 2015. Prior to this, he was Managing Director of Bruderer Presses (Far East) Pte. Ltd. covering South East Asia, China, Taiwan and Hong Kong.

Mr. Lim has over 30 years of experience in sales, engineering and operations management in multinationals, and held various executives and managerial positions in Sony, Hewlett Packard, Olivetti and Du Pont. With vast business experience in the Asia region, Mr. Lim holds a Bachelor of Engineering (Mechanical) degree from the National University of Singapore and an MBA from NUS.

A Singaporean, Mr. Lim is a Graduate Member of the Institute of Engineers, Singapore, and an Associate Member of the Institute of Management.

Ms. Quek Siew Hoon

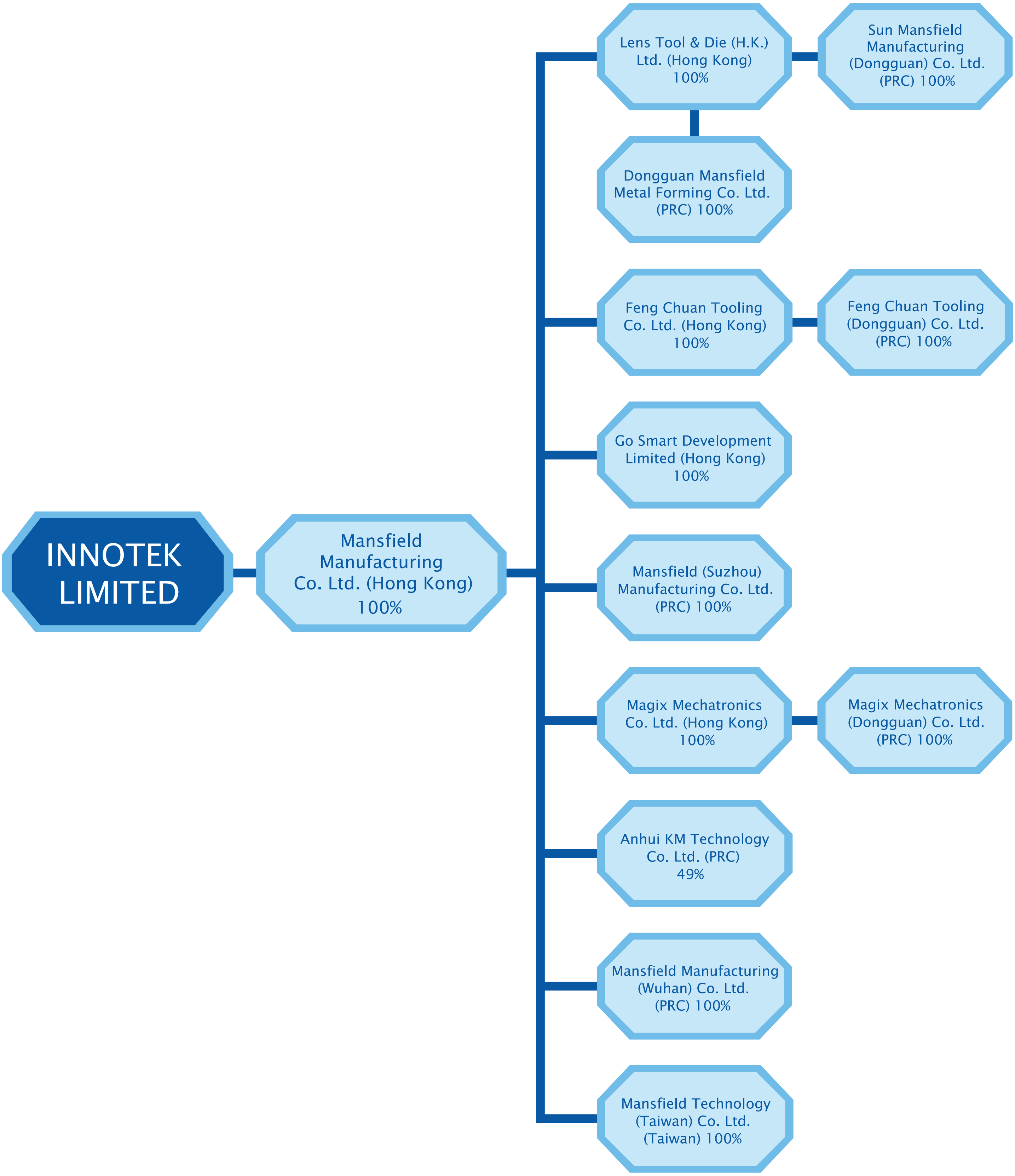
Ms. Quek Siew Hoon is the Corporate Controller of InnoTek Limited. Ms. Quek joined InnoTek in 2000 and has been with the Group for more than 14 years. Ms. Quek has over 25 years of experience in finance and accounting. Ms. Quek is responsible for the financial reporting of the Group and frequently travels to the Group's subsidiaries in Hong Kong and the PRC. Ms Quek currently sits on the Board of Mansfield Manufacturing Co Ltd in Hong Kong as well as the other Hong Kong subsidiaries of the Mansfield group of companies. The CFO and finance managers of Mansfield and its subsidiaries reports to Ms. Quek.

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

Prior to joining InnoTek Limited, Ms. Quek was a Finance Director with Seagate Technology Electronic Assembly Operation (EAO) division, with manufacturing operations in Singapore, Batam and Senai. At Seagate, Ms. Quek spent eleven years as Costing and Financial Planning Manager and was subsequently promoted to Finance Director. She handled complex inventory system, budgeting, scrap and product cost control, financial reporting, and other accounting functions of the EAO division; besides providing financial information to the EAO president for his strategic planning. In addition, she ensured adherence to financial policies and compliance, amongst other responsibilities.

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.

GROUP STRUCTURE as at 25 March 2015



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FINANCIAL HIGHLIGHTS

FOR THE YEAR (S$ in thousands)	2011	2012	2013	2014
Turnover	312,088	258,860	246,948	225,580
Operating Profit/(loss)	804	(14,946)	7	(17,959)
Profit/(loss) Before Tax and Minority Interest	3,181	(18,048)	548	(28,647)
Profit/(loss) After Tax & Minority Interests Attributable To Members of the Co.	536	(18,446)	926	(28,228)
AT YEAR-END (S$ in thousands)				
Shareholders Equity	190,581	156,712	162,433	131,217
PPE, Investment Property and Prepaid Land Lease Payment	100,506	99,864	96,037	72,304
Total Debts	24,540	16,119	10,060	10,095
Less: Cash and Cash Equivalent	(56,056)	(35,773)	(27,787)	(24,336)
Net Cash	(31,516)	(19,654)	(17,727)	(14,241)
Weighted Average Number of Shares	226,481	224,150	223,881	223,835
Number of Shares at End of Period	225,233	223,952	223,835	223,835
PER SHARE (Singapore cents)				
Profit/(loss) After Tax & Minority Interests	0.24	(8.23)	0.41	(12.61)
Net Tangible Assets	84.4	69.6	72.0	58.6
RATIOS				
Operating Profit (%)	0.3%	(5.8%)	0.0%	(8.0%)
Profit Before Tax (%)	1.0%	(7.0%)	0.2%	(12.7%)
Profit After Tax (%)	0.2%	(7.1%)	0.4%	(12.5%)
Net Cash	(16.5%)	(12.5%)	(10.9%)	(10.9%)
Current Ratio	1.62	1.36	1.52	1.56

CORPORATE GOVERNANCE REPORT

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

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

This Report is to be read in conjunction with the Guidelines for Disclosure set out on page 34 of the Annual Report.

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 interest of the Company;

- Represent shareholders' interest in developing the Company's businesses successfully including optimizing long-term financial returns;

- Review and evaluate management performance and ensure that management is capable of executing its responsibilities;

- Act as an advisor to senior management;

- Recognise its legal, social and moral obligations towards its stakeholders;

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

- Providing entrepreneurial leadership within a framework of prudent and effective controls which enable risks to be adequately assessed and managed.

- Ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and overseeing the management of the Company and the Group;

- Approving of investment and divestment proposals;

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

- Approving the nomination of board directors and oversee succession planning. Assuming responsibility for compliance with the Companies Act and other regulatory bodies; and

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

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

To ensure that specific issues are subject to in-depth and timely review, certain functions have been delegated to various Board Committees, which would submit their recommendations or decisions to the Board. The Board Committees constituted by the Board are the Executive Committee (up to 25 February 2014), the Audit Committee, the Nominating Committee and the Remuneration Committee. Each of these Board Committees has its own terms of reference.

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

A total of five Board meetings were held in 2014. The number of Board committee meetings as well as Board members' attendance thereat is set out below:

	Board	**Executive Committee**	**Audit Committee**	**Remuneration Committee**	**Nominating Committee**
No. of Meetings Held	**5**	**1**	**4**	**3**	**3**
	Attended	**Attended**	**Attended**	**Attended**	**Attended**
Mr. Robert S. Lette	5/5	1/1	4/4	3/3	3/3
Mr. Yong Kok Hoon	3/3	1/1	2/2	N/A	N/A
Mr. Peter Tan Boon Heng	5/5	1/1	4/4	3/3	3/3
Mr. Steven Chong Teck Sin	5/5	N/A	4/4	3/3	3/3
Mr. Sunny Wong Fook Choy*	N/A	N/A	N/A	N/A	N/A

* Mr. Sunny Wong Fook Choy was appointed on 17 November 2014 subsequent to the holding of all the meetings for 2014.

Training for Directors

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

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent Board

The Board comprises four directors, three of whom are independent non-executive directors. During the year, Mr. Yong Kok Hoon, the Managing Director, resigned in May 2014 and Mr. Peter Tan Boon Heng was re-designated as Executive Director of the Company. Mr. Sunny Wong Fook Choy was appointed to the Board on 17 November 2014. The Board is able to exercise objective judgment on corporate affairs independently, in particular from Management, as there is a strong and independent element on the Board, with independent Directors making up 75% of the Board.

The Board comprises the following members:-

1)	Mr. Robert S. Lette (Chairman)	Non-Executive and Independent
2)	Mr. Peter Tan Boon Heng	Executive and Non-Independent
3)	Mr. Steven Chong Teck Sin	Non-Executive and Independent
4)	Mr. Sunny Wong Fook Choy	Non-Executive and Independent

Profiles of the current directors are set out in the Board of Directors' section on page 10 and 11 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 2014, all the Non-Executive Directors, namely, Messrs Robert S. Lette, Steven Chong Teck Sin and Sunny Wong Fook Choy were considered by the Nominating Committee to be independent as they do not have any 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 Code states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In this regard, the Nominating Committee (save for Mr. Robert S. Lette who abstained from the deliberation on this matter) deemed Mr. Robert Lette to be independent for FY2014. However, as of 25 March 2015, the Nominating Committee conducted a rigorous review and concluded that Mr. Robert S. Lette would no longer be deemed independent for FY2015.

Taking the recommendation of the Code on refreshing the Board, in November 2014, the Board appointed Mr. Sunny Wong Fook Choy as a director of the Company. The Board considers its current Board structure, size and composition appropriate for the Group's present operations. Non-Executive directors constructively challenge and help develop proposals on strategy and review the performance of Management. With the core competencies of members of the Board in various fields of finance, business, industry and strategic planning, their stature, and wealth of international business experience, the Company is well positioned to chart new frontiers for the InnoTek Group. The Directors actively participate and engage Management in setting goals and objectives for the Company and the Group and monitor the reporting of performance.

Composition of Board and Board Committees

Director	Board membership	Audit Committee	Nominating Committee	Remuneration Committee
Mr. Robert S. Lette	Non-Executive Chairman	Member	Chairman	Member
Mr. Peter Tan Boon Heng	Executive Director	Member	Member	-
Mr. Steven Chong Teck Sin	Independent Director	Chairman	Member	Member
Mr. Sunny Wong Fook Choy	Independent Director	Member	-	Chairman

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

The Company does not have a CEO. Mr. Yong Kok Hoon, the Managing Director of the Company left in May 2014 and Mr. Peter Tan Boon Heng assumes the executive responsibility for the Group's businesses for a one-year tenure. The Executive Director has full executive responsibilities and oversees the daily running of the Group's operations and is responsible to execute strategies and policies adopted by the Board. In accordance with the Articles of Association of the Company, Mr. Peter Tan Boon Heng is due for retirement by rotation and who, being eligible, will offer himself for re-election as a Director of the Company at the Annual General Meeting in April 2015.

BOARD MEMBERSHIP

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

The Nominating Committee ("NC"), through a formal and transparent process, makes recommendations to the Board on all board appointments. The NC met three times in 2014.

The NC is chaired by Mr. Robert S. Lette and comprises Mr. Peter Tan Boon Heng and Mr. Steven Chong Teck Sin (a majority of whom, including the Chairman) are independent Directors. The Chairman is not directly associated with a substantial shareholder. Members of the NC comprise persons of stature, integrity and accountability, who would be able to exercise independent judgment in the performance of their duties.

The names of the members of the Nominating Committee are set out in the Corporate Information page of this Annual Report.

The NC is guided by its Terms of Reference, which sets out its responsibilities. Its duties with regard to nomination functions are to review and make recommendations to the Board on all board appointments, to review all nominations for the appointment and re-appointment of directors, to evaluate the effectiveness and performance of the Board as a whole and each individual director and to review the independence of each director annually. In determining the independence of directors, the NC determines whether or not a director is independent bearing in mind the

Code's definition of an "independent director" and guidance as to relationships which would deem a director not to be independent. The NC has endorsed the independence status of all the Non-executive directors for FY2014. However, as of 25 March 2015, the Nominating Committee concluded that Mr. Robert S. Lette would no longer be deemed independent for FY2015.

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

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

At least one-third of the Directors retire at each AGM. Article 103 of the Articles of Association of the Company allows the retiring directors to offer themselves for re-election. All of the Directors are subject to re-election at least once every three years.

Apart from sitting on this Board, Mr. Robert S. Lette does not sit on the board of other listed company. Mr. Peter Tan Boon Heng sat on the Board of one other listed company while Mr. Steven Chong Teck Sin and Mr. Sunny Wong Fook Choy sat on the Board of four and five other listed companies respectively, apart from InnoTek.

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

The Board does not appoint alternate directors as recommended by Guideline 4.5 of the 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 NC noted that different directors devoted different time and attention to the affairs of the Company. The NC will remind directors of the time and attention they must accord to the Company to fulfil their fiduciary duty.

ACCESS TO INFORMATION

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

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

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

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

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

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

REMUNERATION MATTERS

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

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

Mr. Sunny Wong Fook Choy	Chairman (Appointed on 17 November 2014)
Mr. Robert S. Lette	Member
Mr. Steven Chong Teck Sin	Member
Mr. Peter Tan Boon Heng	Member (Resigned on 17 November 2014)

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

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

The principal responsibilities of the RC include the following:

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

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

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

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

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

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

LEVEL AND MIX OF REMUNERATION

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

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

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

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

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

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

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

The RC is assigned the responsibility of administering all share option plans in accordance with the rules of the respective plan, to determine and approve the list of grantees of the share options, the date of grant and the price thereof. During the year, 1,000,000 options were 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. The Board is of the view that it is not necessary to present its remuneration policy before shareholders for approval at the AGM.

A breakdown, showing the level and mix of each individual Director's remuneration payable for the financial year ended 31 December 2014 is as follows:

Directors' Remuneration	Remuneration	Fee	Salary	Bonus	Allowance/ Benefits	Others	Total
	S$	(%)	(%)	(%)	(%)	(%)	(%)
Mr. Yong Kok Hoon (1)	453,336	0	40	0	25	35	100
Mr. Peter Tan Boon Heng (2)	405,438	8	75	0	16	1	100
Mr. Robert S. Lette	87,780	100	0	0	0	0	100
Mr. Steven Chong Teck Sin	76,643	100	0	0	0	0	100
Mr. Sunny Wong Fook Choy (3)	7,286	100	0	0	0	0	100

Note: (1) Mr. Yong Kok Hoon resigned on 16 May 2014

(2) Mr. Peter Tan Boon Heng was re-designated Executive Director on 1 May 2014

(3) Mr. Sunny Wong Fook Choy was appointed a Director on 17 November 2014

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

Key Management Executive Remuneration	Remuneration	Salary	AWS	Allowance & Benefits	Others	Total
	S$	(%)	(%)	(%)	(%)	(%)
$250,000 to below $500,000						
Mr. Yi Yuan Wah	341,505	71	0	29	0	100
Below $250,000						
Mr. Christopher Chew (1)	25,072	99	0	1	0	100
Mr. Andy Eng (2)	110,495	100	0	0	0	100
Mr. Chan Chin Fat	166,343	84	0	16	0	100
Ms. Quek Siew Hoon	217,600	86	7	7	0	100

Note: (1) Mr. Christopher Chew joined Mansfield as its Group Managing Director on 1 December 2014

(2) Mr. Andy Eng joined Mansfield as General Manager of Mansfield Suzhou on 12 May 2014

The aggregate remuneration paid to the key management personnel is $861,015.

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

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

The annual remuneration of the Directors, the Managing Director and the top five key management executives (who are not directors or the Managing Director) above included the termination, retirement and post-employment benefits that were granted to them for FY 2014.

ACCOUNTABILITY & AUDIT

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

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

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

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

Principle 11 - Establishment of an Audit Committee with written terms of reference

The Audit Committee ("AC") currently has four members. With the exception of Mr. Peter Tan Boon Heng, who is an Executive Director, the other members (including the Chairman) of the AC are non-executive and independent. Mr. Peter Tan, re-designated as Executive Director in May 2014, wishes to continue serving the AC so as to share his 'hands-on' experience with the AC, as compared to being a non-executive Director. The Board is satisfied that members of the AC are appropriately qualified to discharge their responsibilities. The Chairman and members of the AC are:

Mr. Steven Chong Teck Sin	Chairman
Mr. Robert S. Lette	Member
Mr. Peter Tan Boon Heng	Member
Mr. Sunny Wong Fook Choy	Member (Appointed on 22 December 2014)

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

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

The responsibilities of the AC include the following:

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

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

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

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

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

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

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

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

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

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

The AC has reviewed all non-audit services provided by the external auditors to the Company and is satisfied that the extent of such services provided will not prejudice the independence and objectivity of the external auditors. The amount paid and payable to external auditors for audit and non-audit services fees were $391,773 and $118,112, 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 29 April 2015.

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

Principle 12 –Sound system of internal controls to safeguard the shareholders' investments and the company's assets

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

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

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

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

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

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

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

The Board of Directors and the AC have reviewed the adequacy of the Group's internal controls that address the Group's financial, operational, compliance and information technology controls and risks management. Based on the work performed by the internal auditors during the financial year as well as the statutory audit by the external auditors, and reviews performed by Management, the Board with the concurrence of the AC, is of the opinion that the Group's system of internal controls including financial, operational, compliance and information technology controls and risk management systems were adequate as at 31 December 2014 in providing reasonable assurance of the effectiveness of the Group under the current business environment.

The Board has received assurance from the Executive Director and the General Managers of the Business Units and the Corporate Controller of the Company that as at 31 December 2014:

(a) the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2014 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 2014 to address the Group's financial, operational, compliance and information technology risks which the business divisions consider relevant and material to their operations.

WHISTLE BLOWING POLICY

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

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

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

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.

COMMUNICATION WITH SHAREHOLDERS

Principle 14 - Regular, effective and fair communication with Shareholders

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

The Company does not practice selective disclosure. Price-sensitive information is first publicly released through SGXNET, either before the Company meets with any investors or analysts or simultaneously with such meetings. The results are published through the SGXNET, news releases and the Company's website and Shareinvestor. 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.

Principle 15 – Greater shareholder participation at Annual General Meetings ("AGMs")

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

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

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.

DIVIDEND POLICY

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

DEALINGS IN SECURITIES

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

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

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

INTERESTED PERSON TRANSACTION POLICY

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

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

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)
VQBN Holdings Pte Ltd	S$40,998	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 Committee and Internal Audit. Management periodically reviews the past performance of, and profiles the current and future risks facing the Group. This system by its nature can only provide reasonable, but not absolute, assurance to investors regarding:

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

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

1. **Industry and customer risk**

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

2. **Under utilization of production capacity**

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

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

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

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

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

5. **Exposure to credit risks**

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

6. **Foreign exchange exposure**

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

7. **Liquidity risk**

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

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

GUIDELINES FOR DISCLOSURE

This Guidelines for Disclosure sets out a list of questions to provide guidance on the specific principles and guidelines identified with *express* disclosure requirements under the section on "Disclosure of Corporate Governance Arrangements" in the Code.

Guideline	Questions		How has the Company complied?	
General	(a)	Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	(a)	The Company has complied with all the principles and guidelines of the Code except for the guideline that all members of the AC should be non-executive directors.
	(b)	In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(b)	Principle 12, Guideline 12.1 of the Code states that the AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors. Mr. Peter Tan, a non-executive director was re-designated as Executive Director ("ED") in May 2014, and remains a member of the AC with a view to share his 'hands-on' experience as an ED with the AC. Please refer to page 25 of the Corporate Governance Report of the Annual Report.
Board Responsibility				
Guideline 1.5	What are the types of material transactions which require approval from the Board?		Matters which require approval from the Board are: a) Investment and divestment proposals; b) strategic planning; c) corporate or financial restructuring; d) capital expenditure; e) annual budgets; f) share issuances, share buy-backs and dividends	
Members of the Board				
Guideline 2.6	(a)	What is the Board's policy with regard to diversity in identifying director nominees?	(a)	It is the Board's policy that members of the Board should possess the relevant core competencies in areas such as accounting and finance, legal, strategic planning, business and management experience.
	(b)	Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	(b)	The current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group. Please refer to key information on the directors as set out on page 10 to 11 of the Annual Report.

Guideline	Questions		How has the Company complied?	
	(c)	What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(c)	The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.		The nomination process is described in the Corporate Governance Report on page 21 of the Annual Report.	
Guideline 1.6	(a)	Are new directors given formal training? If not, please explain why.	Yes	
	(b)	What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	Please refer to the segment Training for Directors on page 18 of the Corporate Governance Report of the Annual Report.	
Guideline 4.4	(a)	What is the maximum number of listed company board representations that the Company has prescribed for its directors?	(a)	Nil
	(b)	If a maximum number has not been determined, what are the reasons?	(b)	All Directors have been able to fulfil their obligations and attended all meetings of the Company.
	(c)	What are the specific considerations in deciding on the capacity of directors?	(c)	- attendance record at meetings. - prepares for meetings sufficiently to be able to contribute to discussion and decision making. - engages in constructive discussion. - prompt attention to resolutions and minutes of meetings. - keep up-to-date with current issues in regulatory and business environment in which the Company operates.
Board Evaluation				
Guideline 5.1	(a)	What was the process upon which the Board reached the conclusion on its performance for the financial year?	(a)	The process is described in the Corporate Governance Report on page 21
	(b)	Has the Board met its performance objectives?	(b)	The NC has reviewed the evaluations of the performance of the Board and individual Directors and is satisfied that the Board has met its performance objectives.
Independence of Directors				
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.		Yes.	

Guideline	Questions		How has the Company complied?	
Guideline 2.3	(a)	Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.	(a)	No.
	(b)	What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(b)	Not Applicable.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.		None of the directors has served on the Board for a period exceeding nine years from the date of their appointments with the except of Mr. Robert S. Lette, who would have served the Board for more than twelve years by 25 March 2015. Please refer to page 19 of the Corporate Governance Report of the Annual Report.	
Disclosure on Remuneration				
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?		Yes. Please refer to the relevant segment of the Corporate Governance Report on page 24 of the Annual Report.	
Guideline 9.3	(a)	Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes. Please refer to the relevant segment of the Corporate Governance Report on page 24 of the Annual Report.	
	(b)	Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	Yes. The aggregate remuneration paid to the top five key management personnel amounted to $861,015 for FY 2014.	
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.		No.	

Guideline	Questions		How has the Company complied?	
Guideline 9.6	(a)	Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.	(a)	For Executive Directors, service agreements are in place between each Executive Director and the Company. An appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Such performance-related remuneration is aligned with the interests of shareholders and promotes the long-term success of the Company.
	(b)	What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	(b)	The Company has an employees' share option scheme in place.
	(c)	Were all of these performance conditions met? If not, what were the reasons?	(c)	No. The Company was not profitable in FY2014.
Risk Management and Internal Controls				
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?		All Directors, including independent Directors, are from time to time furnished with information concerning the Company to enable them to be fully informed of the decisions and actions of the Company's executive management. The Board receives periodic updates on the group financials and any material variances between projections and actual results are disclosed and explained. Board papers are sent to Directors before each Board and Board Committee meeting. Please refer to page 21 to 22 of the Corporate Governance Report of the Annual Report with regards to directors' access to information concerning the Company.	
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.		The Company's internal auditor is Mazars LLP	
Guideline 11.3	(a)	In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the basis for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	(a)	The Board and the AC have reviewed the adequacy of the Group's internal controls and risk management. Based on the work performed by the internal auditors, external auditors and management, the AC with the concurrence of the Board is of the opinion that the Group's system of internal controls including financial, operational, compliance and information technology controls, and risk management systems are adequate.

Guideline	Questions		How has the Company complied?	
	(b)	In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(b)	Yes.
Guideline 12.6	(a)	Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	(a)	Audit fee: $391,773 Non-audit fee: $118,112
	(b)	If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(b)	The Audit Committee undertook a review on the audit and non-audit services supplied by the external auditors and concluded that the non-audit services performed by the external auditors would not affect their independence. The external auditors also confirmed their independence to the Audit Committee.
Guideline 15.4	(a)	Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	(a)	The annual general meeting is the principal forum where the Company engages in dialogue with its shareholders. Apart from the AGM, the Company holds quarterly results briefings with analysts and investors.
	(b)	Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	(b)	The Company engaged WeR1 Consultants Pte Ltd for its investor relation services.
	(c)	How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(c)	Engagement with shareholders takes many forms including quarterly results briefings, email communications and contents on the Company's website.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.		The Company was not profitable in FY2014.	

The directors present their report to the members together with the audited consolidated financial statements of InnoTek Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

Except as described in this report, neither at the end of, nor at any time during the financial year was the Company a party to any arrangement whose object 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, share options and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 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				
Robert Sebastiaan Lette	–	–	40,000	40,000

There was no director who holds options to subscribe for ordinary shares in the Company and there was no change in interests between the end of the financial year and 21 January 2015.

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

Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefits by reason of a contract made by the Company or a related corporation with the directors, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in this report and the accompanying financial statements.

Share Options

(1) InnoTek Limited – Employees' Share Option Plan

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

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

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

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

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

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

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

Date of Grant	No. of Options Granted	No. of Options Exercised	No. of Options Cancelled	No. of Options Outstanding	Subscription Price Per Share	Exercise Period
23 May 2013	7,730,000	-	5,140,000	2,590,000	S$0.28	23/5/2014 to 23/5/2018
1 Dec 2014	1,000,000	-	-	1,000,000	S$0.27	1/12/2015 to 1/12/2019

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

(6) During the financial year, 1,000,000 options were granted on 1 December 2014 under Scheme 2014.

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

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

Audit Committee

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

Steven Chong Teck Sin (Chairman)
Robert Sebastiaan Lette
Peter Tan Boon Heng
Mr. Sunny Wong Fook Choy (Appointed on 22 December 2014)

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

During the year, Mr. Sunny Wong Fook Choy was appointed a member of the Audit Committee.

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

The Audit Committee also reviewed the first quarter results, the half-year interim results, the third quarter results, the final consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014 as well as the auditors' report thereon, and the impact of the various new accounting standards on the operating results and financial position of the Company and of the Group.

In addition, the Audit Committee reviewed the Interested Person Transaction for the financial year ended 31 December 2014 and reviewed all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence of the auditors and to obtain confirmation of independence of the auditors.

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

Auditor

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

On behalf of the Board,

Robert Sebastiaan Lette
Director

Peter Tan Boon Heng
Executive Director

Singapore
25 March 2015

STATEMENT BY DIRECTORS

We, Robert Sebastiaan Lette and Peter Tan Boon Heng, being two of the directors of InnoTek Limited, do hereby state that, in the opinion of the directors:

(i) the accompanying balance sheets, statements of changes in equity, consolidated statement of comprehensive income and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results of the business, 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.

On behalf of the Board,

Robert Sebastiaan Lette
Director

Peter Tan Boon Heng
Executive Director

Singapore
25 March 2015

Independent Auditor's Report to the Members of InnoTek Limited

Report on the Financial Statements

We have audited the accompanying financial statements of InnoTek Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 45 to 121, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
25 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000
Revenue	5	**225,580**	246,948
Cost of sales		**(205,380)**	(217,084)
Gross profit		**20,200**	29,864
Other items of income			
Interest income	6	**384**	272
Other income	7	**7,169**	14,434
Other items of expense			
Selling and distribution		**(4,336)**	(3,959)
Administrative expense		**(34,755)**	(37,937)
Finance cost	8	**(257)**	(248)
Other expenses	9	**(17,052)**	(1,878)
(Loss)/profit before taxation	10	**(28,647)**	548
Income tax expense	11	**381**	302
(Loss)/profit for the year		**(28,266)**	850
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**1,931**	7,910
Realisation of fair value gain		**(1,360)**	–
Net loss on fair value changes of available-for-sale financial assets		**(1,309)**	(900)
Other comprehensive income, net of tax		**(738)**	7,010
Total comprehensive income for the year		**(29,004)**	7,860
(Loss)/profit for the year attributable to:			
Owners of the Company		**(28,228)**	926
Non-controlling interests		**(38)**	(76)
		(28,266)	850
Total comprehensive income attributable to:			
Owners of the Company		**(28,948)**	7,901
Non-controlling interests		**(56)**	(41)
		(29,004)	7,860
(Loss)/earning per share attributable to owners of the Company (cents)			
Basic	12	**(12.61)**	0.41
Diluted	12	**(12.61)**	0.41

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

BALANCE SHEETS
As at 31 December 2014

		Group		Company	
	Note	2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	13	**52,399**	76,854	**–**	75
Investment property	14	**16,260**	15,319	**–**	–
Prepaid land lease payment	15	**3,645**	3,864	**–**	–
Intangible assets	16	**880**	1,232	**–**	–
Investment in subsidiary	17	**–**	–	**47,061**	47,061
Investment in joint venture	4	**–**	–	**–**	–
Other investments	19	**5,873**	16,200	**5,873**	16,200
Deferred tax assets	20	**3,306**	915	**–**	–
Deposit paid for purchase of property, plant and equipment		**1,057**	551	**–**	–
Other receivables	22	**1,677**	1,358	**–**	–
		85,097	116,293	**52,934**	63,336
Current assets					
Inventories	21	**24,497**	28,056	**–**	–
Trade and other receivables	22	**66,363**	64,636	**1,857**	963
Tax recoverables		**40**	428	**–**	–
Prepayments	23	**702**	1,513	**43**	–
Loan to associates	24	**–**	958	**–**	–
Loan to subsidiary	24	**–**	–	**19,390**	14,013
Other investments	19	**19,412**	11,079	**19,412**	11,079
Derivatives	25	**40**	33	**40**	33
Cash and bank balances	26	**24,336**	27,787	**2,023**	10,286
		135,390	134,490	**42,765**	36,374
Assets of disposal group classified as held for sale	18	**–**	5,155	**–**	–
		135,390	139,645	**42,765**	36,374
Total assets		**220,487**	255,938	**95,699**	99,710
Current liabilities					
Provisions	27	**229**	1,649	**–**	–
Tax payable		**1,890**	1,031	**51**	262
Loans and borrowings	28	**10,095**	10,060	**–**	–
Derivatives	25	**76**	64	**76**	64
Trade and other payables	29	**74,661**	78,803	**554**	546
		86,951	91,607	**681**	872
Net current assets		**48,439**	48,038	**42,084**	35,502
Non-current liabilities					
Provisions	27	**609**	–	**–**	–
Deferred tax liabilities	20	**1,710**	1,431	**137**	50
Total liabilities		**89,270**	93,038	**818**	922
Net assets		**131,217**	162,900	**94,881**	98,788
Share capital	30(a)	**98,021**	98,021	**98,021**	98,021
Treasury shares	30(b)	**(13,164)**	(13,164)	**(13,164)**	(13,164)
Retained earnings		**44,911**	75,281	**9,535**	10,652
Other reserves		**1,449**	2,295	**489**	3,279
		131,217	162,433	**94,881**	98,788
Non-controlling interests		**–**	467	**–**	–
Total Equity		**131,217**	162,900	**94,881**	98,788

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

2014 Group	Note	Equity, total	Equity attributable to owners of the Company, total	Share capital	Treasury shares	Retained earnings	Other reserves, total	Fair value adjustment reserve	Foreign currency translation reserve	Employee share option reserve	Non–controlling interests
			Attributable to owners of the Company								
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2014		**162,900**	**162,433**	**98,021**	**(13,164)**	**75,281**	**2,295**	**3,075**	**(984)**	**204**	**467**
Loss for the year		(28,266)	(28,228)	–	–	(28,228)	–	–	–	–	(38)
Other comprehensive income											
Foreign currency translation		1,931	1,949	–	–	–	1,949	–	1,949	–	(18)
Realisation of fair value gain upon disposal of available-for-sale financial assets		(1,360)	(1,360)				(1,360)	(1,360)			
Net loss on fair value changes of available-for-sale financial assets		(1,309)	(1,309)	–	–	–	(1,309)	(1,309)	–	–	–
Other comprehensive income for the year, net of tax		(738)	(720)	–	–	–	(720)	(2,669)	1,949	–	(18)
Total comprehensive income for the year		(29,004)	(28,948)	–	–	(28,228)	(720)	(2,669)	1,949	–	(56)
Contributions by and distributions to owners											
Share option expense accrued		43	43	–	–	–	43	–	–	43	–
Expiry of employee share options		–	–	–	–	164	(164)	–	–	(164)	–
Dividends on ordinary shares	39	(2,239)	(2,239)	–	–	(2,239)	–	–	–	–	–
Total transactions with owners in their capacity as owners		(2,196)	(2,196)	–	–	(2,075)	(121)	–	–	(121)	–
Changes in ownership interests in subsidiaries											
Acquisition of non-controlling interests without a change in control		(483)	(72)	–	–	(67)	(5)	–	(5)	–	(411)
Total changes in ownership interest in subsidiaries		(483)	(72)	–	–	(67)	(5)	–	(5)	–	(411)
Closing balance at 31 December 2014		**131,217**	**131,217**	**98,021**	**(13,164)**	**44,911**	**1,449**	**406**	**960**	**83**	–

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

2013 Group	Note	Equity, total	Equity attributable to owners of the Company, total	Share capital	Treasury shares	Retained earnings	Other reserves, total	Fair value adjustment reserve	Foreign currency translation reserve	Employee share option reserve	Non–controlling interests
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2013		**157,219**	**156,711**	**98,021**	**(13,132)**	**76,595**	**(4,773)**	**3,975**	**(8,859)**	**111**	**508**
Profit / (Loss) for the year		850	926	–	–	926	–	–	–	–	(76)
<u>Other comprehensive income</u>											
Foreign currency translation		7,910	7,875	–	–	–	7,875	–	7,875	–	35
Net loss on fair value changes of available-for-sale financial assets		(900)	(900)	–	–	–	(900)	(900)	–	–	–
Other comprehensive income for the year, net of tax		7,010	6,975	–	–	–	6,975	(900)	7,875	–	35
Total comprehensive income for the year		7,860	7,901	–	–	926	6,975	(900)	7,875	–	(41)
<u>Contributions by and distributions to owners</u>											
Share option expense accrued		93	93	–	–	–	93	–	–	93	–
Purchase of treasury shares	30(b)	(32)	(32)	–	(32)	–	–	–	–	–	–
Dividends on ordinary shares	39	(2,240)	(2,240)	–	–	(2,240)	–	–	–	–	–
Total transactions with owners in their capacity as owners		(2,179)	(2,179)	–	(32)	(2,240)	93	–	–	93	–
Closing balance at 31 December 2013		**162,900**	**162,433**	**98,021**	**(13,164)**	**75,281**	**2,295**	**3,075**	**(984)**	**204**	**467**

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

2014 Company	Note	Equity, total	Share capital	Treasury shares	Retained earnings	Other reserves, total	Employee share option reserve	Fair value adjustment reserve
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2014		**98,788**	**98,021**	**(13,164)**	**10,652**	**3,279**	**204**	**3,075**
Profit for the year		958	–	–	958	–	–	–
Other comprehensive income for the year, net of tax								
Realisation of fair value gain upon disposal of available-for-sale financial assets		(1,360)	–	–	–	(1,360)	–	(1,360)
Net loss on fair value changes of available-for-sale financial assets		(1,309)	–	–	–	(1,309)	–	(1,309)
Total comprehensive income for the year		(1,711)	–	–	958	(2,669)	–	(2,669)
Contributions by and distributions to owners								
Share option expense accrued		43	–	–	–	43	43	–
Expiry of employee share options		–	–	–	164	(164)	(164)	–
Dividends on ordinary shares	39	(2,239)	–	–	(2,239)	–	–	–
Total transactions with owners in their capacity as owners		**(2,196)**	–	–	**(2,075)**	**(121)**	**(121)**	–
Closing balance at 31 December 2014		**94,881**	**98,021**	**(13,164)**	**9,535**	**489**	**83**	**406**

2013 Company	Note	Equity, total	Share capital	Treasury shares	Retained earnings	Other reserves, total	Employee share option reserve	Fair value adjustment reserve
Opening balance at 1 January 2013		**100,431**	**98,021**	**(13,132)**	**11,456**	**4,086**	**111**	**3,975**
Profit for the year		1,436	–	–	1,436	–	–	–
Other comprehensive income for the year, net of tax								
Net loss on fair value changes of available-for-sale financial assets		(900)	–	–	–	(900)	–	(900)
Total comprehensive income for the year		536	–	–	1,436	(900)	–	(900)
Contributions by and distributions to owners								
Share option expense accrued		93	–	–	–	93	93	–
Purchase of treasury shares	30(b)	(32)	–	(32)	–	–	–	–
Dividends on ordinary shares	39	(2,240)	–	–	(2,240)	–	–	–
Total transactions with owners in their capacity as owners		**(2,179)**	**–**	**(32)**	**(2,240)**	**93**	**93**	–
Closing balance at 31 December 2013		**98,788**	**98,021**	**(13,164)**	**10,652**	**3,279**	**204**	**3,075**

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 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
(Loss)/profit before tax		**(28,647)**	548
Adjustments for:			
Depreciation of property, plant and equipment		**11,894**	12,985
Amortisation of intangible assets		**486**	494
Amortisation of prepaid land lease payments		**87**	97
Gain on disposal on property, plant and equipment and prepaid land lease payments		**(388)**	(8,014)
Property, plant and equipment written off		**–**	470
Net loss on derivatives		**5**	31
Share option expense		**43**	93
Fair value gain on other investments		**(288)**	(550)
Gain on disposal of other investments		**(1,500)**	–
Gain on disposal of assets of disposal group classified as held for sale		**(107)**	–
Write-back of provision for indemnity		**–**	(1,005)
Fair value gain on investment property		**(863)**	(498)
Impairment loss on property, plant and equipment		**16,729**	1,266
Allowance for doubtful debts		**306**	431
Allowance for doubtful debts written back		**–**	(131)
Provision for long service payment, indemnity and restructuring		**796**	475
Interest expense		**257**	248
Interest income		**(384)**	(272)
Dividend income		**(1,126)**	(1,481)
Allowance/(write-back) for slow-moving inventories		**339**	(1,189)
Effect of exchange rate changes		**1,523**	1,138
Operating cash flows before changes in working capital		**(838)**	5,136
Increase in trade and other receivables		**(2,359)**	(7,059)
Decrease/(increase) in inventories		**3,460**	(5,261)
Increase/(decrease) in trade and other payables		**(2,668)**	10,604
Decrease/(increase) in prepayment		**811**	(743)
Decrease in provision		**(1,577)**	(918)
Decrease in trust receipts		**(1,209)**	(3,067)
Cash flows used in operations		**(4,380)**	(1,308)
Interest paid		**(257)**	(248)
Interest received		**367**	272
Taxes (paid)/refund		**(510)**	478
Net cash flows used in operating activities		**(4,780)**	(806)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,134)**	(5,135)
Proceeds from sale of property, plant and equipment and prepaid land lease payments		**599**	11,271
Purchase of other investments		**(16,640)**	(10,529)
Proceeds from sale of assets of disposal group classified as held for sale		**3,766**	1,475
Deposit refund/(paid) for property, plant and equipment		**(506)**	475
Additions to intangible assets		**(37)**	(810)
Proceeds from sales of other investments		**17,770**	–
Dividend from other investments		**1,126**	1,481
Receipt from loan to associates		**958**	–
Acquisition of non-controlling interest		**(483)**	–
Decrease/(increase) in bank balance under portfolio investment management		**777**	(1,638)
Decrease/(increase) in pledged time deposits		**166**	(3,322)
Increase in restricted cash		**(44)**	–
Effect of exchange rate changes		**(1,265)**	–
Net cash generated from/(used in) investing activities		**3,053**	(6,732)
Cash flows from financing activities			
Dividends paid on ordinary shares by the Company		**(2,239)**	(2,240)
Purchase of treasury shares		**–**	(32)
Repayment of loans and borrowings		**(1,631)**	(5,266)
Increase in short term financing		**3,050**	2,265
Effect of exchange rate changes		**129**	–
Net cash used in financing activities		**(691)**	(5,273)
Net decrease in cash and cash equivalents		**(2,418)**	(12,811)
Effect of exchange rate changes on cash and cash equivalents		**170**	(90)
Cash and cash equivalents at beginning of year		**21,810**	34,711
Cash and cash equivalents at end of year	26	**19,562**	21,810

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 in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX–ST).

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

The principal activity of the Company is that of investment holding.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
(e) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(c) Amendments to FRS 40 *Investment Property*	1 July 2014
Amendments to FRS 16 and FRS 41 *Agriculture - Bearer Plants*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

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

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

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

FRS 115 Revenue from Contracts with Customers

FRS 115 Revenue from Contracts with Customers is effective for financial periods beginning on or after 1 January 2017.

The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

FRS 115 establishes a five-step model that apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

FRS 115 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management will evaluate the impact of FRS 115 in due course.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

2.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

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

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

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

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

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

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

(b) Business combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

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

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

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the balance sheet, from equity attributable to owners of the Company.

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

2.6 Foreign currency

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

(a) **Transactions and balances**

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

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

(b) **Consolidated financial statements**

For consolidation purpose, the assets and liabilities of foreign operations are translated into 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.

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

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

2.7 Property, plant and equipment

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

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

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

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

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

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

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

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

2.8 Investment properties

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

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

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

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

2.8 Investment properties (cont'd)

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.9 Prepaid land lease payment

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

2.10 Intangible assets

(a) Computer software

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

(b) Club memberships

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

2.11 Impairment of non-financial assets

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

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

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

2.11 Impairment of non-financial assets (cont'd)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss.

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

2.12 Subsidiaries

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

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

2.13 Joint arrangements

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

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

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

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

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

2.14 Associates and joint ventures

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

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

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

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

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

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

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

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

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

2.15 Financial instruments

(a) **Financial assets**

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

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

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

(ii) Loans and receivables

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

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

2.15 Financial instruments (cont'd)

(a) **Financial assets (cont'd)**

Subsequent measurement (cont'd)

(iii) Available-for-sale financial assets

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

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

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

De-recognition

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

Regular way purchase or sale of a financial asset

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

(b) **Financial liabilities**

Initial recognition and measurement

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

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

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

2.15 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

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

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

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

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

(ii) Financial liabilities at amortised cost

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

De-recognition

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

(c) Offsetting of financial instruments

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

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

2.16 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

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

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

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

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

(b) Available-for-sale financial assets

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

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

2.16 Impairment of financial assets (cont'd)

(b) Available-for-sale financial assets (cont'd)

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

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

2.17 Cash and cash equivalents

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

2.18 Inventories

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

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

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

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

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

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

2.19 Provisions

(a) General

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

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

(b) Restructuring provision

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

2.20 Borrowing costs

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

2.21 Employee benefits

(a) Defined contribution plans

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

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

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

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

2.21 Employee benefits (cont'd)

(b) Employee leave entitlement

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

(c) Termination benefit

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

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

(d) Employee share option plans

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

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

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

2.22 Leases

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

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

(a) As lessee

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

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

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

(b) As lessor

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

2.23 Revenue

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

(a) Sale of goods

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

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

2.23 Revenue (cont'd)

(b) Dividend income

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

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Rental income

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

2.24 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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:

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

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

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

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

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

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

(c) Sales tax

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

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

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

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

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

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issue expenses

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

2.27 Treasury shares

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

2.28 Contingencies

A contingent liability is:

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

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

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

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

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

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

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

2.29 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.30 Government grants

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

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

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

2.31 Related parties

A related party is defined as follows:

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

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

(ii) has significant influence over the Company; or

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

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

2.31 Related parties (cont'd)

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

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

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

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

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

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

3. Significant accounting judgements and estimates

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

3.1 Key sources of estimates uncertainty

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

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

(a) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loan and receivable at the balance sheet date is disclosed in Note 22 to the financial statements.

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

3.1 Key sources of estimates uncertainty (cont'd)

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

The Group's management determines the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment. These estimates are based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. They could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where residual values or useful lives are less than previously estimated, or it will write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could results in a change in depreciable lives and therefore depreciation in the future periods. The carrying amount of the Group's and the Company's property, plant and equipment as at 31 December 2014 is stated in Note 13 to the financial statements. A 1% difference in the expected useful life of property, plant and equipment from management's estimates would result in approximately $119,000 (2013: $130,000) variance in the Group's profit/loss before tax.

(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 31.

(d) Fair value of investment property

Investment property is carried in the consolidated statement of financial position at its fair value. The fair value was based on a valuation on the property conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Company's investment property, and the corresponding adjustments to the gain or loss recognised in the profit or loss. The carrying amount of the investment property as at 31 December 2014 was $16,260,000 (2013: $15,319,000).

Further details including the key assumptions used for fair value measurement and a sensitivity analysis are given in Note 35 to the financial statements.

(e) Impairment of property, plant and equipment

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

The carrying amount of the property, plant and equipment as at 31 December 2014 is $52,399,000 (2013: $76,854,000).

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

3.2 Judgment made in applying accounting policies

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

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

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property. The carrying amount of the Group's investment property as at 31 December 2014 is stated in Note 14 to the financial statements.

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

The Group records impairment loss on available-for-sale investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of "significant" or "prolonged" requires judgment. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. No impairment loss was recognised for available-for-sale financial assets for the year ended 31 December 2014 and 2013.

(c) Deferred tax assets

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

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses. The carrying value of recognised tax losses at 31 December 2014 was $1,647,000 (2013: $388,000) and the unrecognised tax losses and capital allowances at 31 December 2014 was $36,579,000 (2013: $20,477,000). If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $8,945,000 (2013: $4,608,000).

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

3.2 Judgment made in applying accounting policies (cont'd)

(d) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's tax payable, deferred tax assets and deferred tax liabilities as at 31 December 2014 were $1,890,000 (2013: $1,031,000), $3,306,000 (2013: $915,000) and $1,710,000 (2013: $1,431,000) respectively. The carrying amounts of the Company's tax payable and deferred tax liabilities as at 31 December 2014 were $51,000 (2013: $262,000) and $137,000 (2013: $50,000) respectively.

4. Group companies

The subsidiary and associated companies as at 31 December 2014 are:

Name of company	Country of incorporation	Principal activities	Cost of investments by the Company 2014	2013	Effective interest held by the Group 2014	2013
(a) Subsidiary companies			**$'000**	$'000	**%**	%
Directly held by the Company						
Mansfield Manufacturing Company Limited ("Mansfield") (1)	Hong Kong	Metal stamping and sub–assembly of stamped components, tooling and die making	**47,061**	47,061	**100.00**	100.00
			47,061	47,061		
Indirectly held through subsidiary companies						
Mansfield						
Go Smart Development Limited (1)	Hong Kong	Trading of electrical appliances	**#**	#	**100.00**	100.00
Lens Tool & Die (H.K.) Limited (1)	Hong Kong	Investment Holding	**#**	#	**100.00**	100.00

4. Group companies (Cont'd)

Name of company	Country of incorporation	Principal activities	Cost of investments by the Company 2014 $'000	Cost of investments by the Company 2013 $'000	Effective interest held by the Group 2014 %	Effective interest held by the Group 2013 %
(a) Subsidiary companies (cont'd)						
Magix Mechatronics Company Limited [(1)]	Hong Kong	Sale of assembly components	#	#	**100.00 (i)**	98.24
Feng Chuan Tooling Company Limited [(1)]	Hong Kong	Sale of precision tools and dies	#	#	**100.00**	100.00
Feng Chuan Tooling (Dongguan) Company Limited [(2)]	People's Republic of China	Manufacturing of precision tools and dies	#	#	**100.00**	100.00
Mansfield (Suzhou) Manufacturing Company Limited [(2)]	People's Republic of China	Metal stamping, tooling and die making	#	#	**100.00**	100.00
Magix Mechatronics (Dongguan) Company Limited [(2)]	People's Republic of China	Assembly of components	#	#	**100.00 (i)**	98.24
Dongguan Mansfield Metal Forming Company Limited [(2)]	People's Republic of China	Metal stamping, tooling and die making	#	#	**100.00**	100.00
Magix Industrial Company Limited [(1)]	Hong Kong	Dormant	#	#	**100.00 (i)**	98.24
Sun Mansfield Manufacturing (Dongguan) Company Limited [(2)]	People's Republic of China	Metal stamping, tooling and die making	#	#	**100.00**	100.00
Mansfield Manufacturing (Wuhan) Company Limited [(2)]	People's Republic of China	Metal stamping	#	#	**100.00**	100.00
Mansfield Technology (Taiwan) Company Limited [(3)]	Taiwan	Sale of stamped components, precision tools and dies	#	–	**100.00 (ii)**	–

4. Group companies (cont'd)

Name of company	Country of incorporation	Principal activities	Cost of investments by the Company 2014	2013	Effective interest held by the Group 2014	2013
(b) Joint venture			**$'000**	$'000	**%**	%
Indirectly held through subsidiary companies						
Anhui KM Technology Co. Ltd	People's Republic of China	Research and development, manufacturing and sale of precision metal parts, hardware fittings and metal assembly	#	–	**49.00 (iii)**	–

1 Audited by member firms of Ernst & Young Global in the respective countries

2 Audited by member firms of Ernst & Young Global (for Group reporting purpose)

3 Incorporated during the financial year

\# Cost of investment in the sub-subsidiaries of the Group are reflected in the financial statements of their respective holding companies

(i) In September 2014, the minority shareholder of Magix Mechatronics Company Limited ("MGX") disposed off its 3 million shares at a consideration of $0.5 million (HK$ 3 million) to the Group. As a result, the Group's effective interest in MGX further increased by 1.76% to 100%, making MGX a wholly-owned subsidiary of the Group.

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

(iii) In December 2014, Anhui KM Technology Co. Ltd was incorporated and the Group has a 49% interest in the ownership and voting rights in the joint venture, held through a subsidiary. The Group jointly controls the venture with the other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities. Capital contribution of RMB2,450,000 was made subsequent to the financial year end.

5. Revenue

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

6. Interest income

	Group	
	2014	**2013**
	$'000	$'000
Interest income from banks and associate	**384**	272

7. Other income

	Group	
	2014	**2013**
	$'000	$'000
Rental income	**1,424**	1,392
Sample recharge	**445**	421
Dividend income	**1,126**	1,481
Gain on disposal of property, plant and equipment	**388**	8,014
Write back of provision for indemnity	**–**	1,005
Fair value gain on other investments	**288**	550
Fair value gain on investment property	**863**	498
Net foreign exchange gain	**306**	33
Write-back of allowance for doubtful debts	**–**	131
Government grants*	**104**	109
Miscellaneous recharged to customer	**445**	444
Gain on disposal of other investments	**1,500**	–
Gain on disposal of assets of disposal group classified as held for sale	**107**	–
Others	**173**	356
	7,169	14,434

* The amount of government grant represents the incentive subsidies received from the PRC local district authorities for the business activities carried out by the Group in the district. There are no specific conditions attached to the grant.

8. Finance costs

	Group	
	2014	**2013**
	$'000	$'000
Interest expense		
- Bank loans and borrowings	**257**	248

9. Other expenses

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

	Group	
	2014	2013
	$'000	$'000
Expenses related to aborted merger and acquisition projects	**–**	150
Impairment loss on property, plant and equipment	**16,729**	1,266
Net loss on derivatives	**5**	31
Allowance for doubtful debts	**306**	431
Others	**12**	–
	17,052	1,878

10. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax:

	Group	
	2014	2013
	$'000	$'000
Audit fees:		
- Auditors of the Company	**75**	79
- Other auditors	**317**	373
Non-audit fees:		
- Auditors of the Company	**47**	170
- Other auditors	**71**	48
Inventories recognised as an expense in cost of sales	**107,050**	114,562
Depreciation of property, plant and equipment	**11,894**	12,985
Amortisation of intangible assets	**486**	494
Amortisation of prepaid land lease payments	**87**	97
Employee benefit expense:		
(excluding directors' remuneration – Note 32(b))		
Wages and salaries	**56,130**	61,748
Pension scheme contributions	**6,459**	5,872
Write-back for long service payment	**(71)**	(24)
Restructuring expenses	**833**	1,125
Share option expense	**43**	93
Allowance/(write-back) for inventory obsolescence	**339**	(1,189)
Property, plant and equipment written-off	**–**	470

11. Income tax expense

Major components of income tax expense

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

	Group	
	2014	**2013**
	$'000	$'000
Current		
Singapore	**51**	223
Foreign	**1,911**	1,015
Under/(over) provision for current income tax in respect of previous years	**28**	(1,268)
	1,990	(30)
Deferred		
Origination and reversal of temporary differences	**(2,371)**	(272)
Income tax expense recognised in the profit or loss	**(381)**	(302)

Relationship between tax expense and accounting profit

A reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate for the years ended 31 December 2014 and 31 December 2013 are as follows:

	Group	
	2014	**2013**
	$'000	$'000
Accounting (loss)/profit before tax	**(28,647)**	548
Tax recoverables at the domestic rates applicable to profits in the countries where the Group operates	**(7,548)**	(419)
Adjustments:		
Income not subject to taxation	**(297)**	(1,969)
Effect of partial tax exemption and tax relief	**–**	(56)
Non-deductible expenses	**5,405**	1,954
Tax losses not recognised	**2,631**	1,632
Benefits from previously unrecognised tax losses	**–**	(269)
Under/(over) provision of tax in prior years	**28**	(1,268)
Others	**(600)**	93
Tax expense recognised in the profit or loss	**(381)**	(302)

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

11. **Income tax expense (cont'd)**

Relationship between tax expense and accounting profit (cont'd)

The corporate income tax rate applicable to the Company was 17% for the years of assessment 2015 and 2014.

For the companies operating in PRC, corporate taxes have been calculated on the estimated assessable profits for the year at the rate of 25% (2013: ranging from 12.5% to 25%).

12. **Earnings per share**

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

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

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

	Group	
	2014	**2013**
	$'000	$'000
Profit / (loss) attributable to owners of the Company	**(28,228)**	926
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share ('000) *	**223,835**	223,881

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

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

As at 31 December 2014, 3,590,000 (2013: 6,171,000) of share options outstanding under the existing employee share option schemes have not been included in the calculation of diluted loss/earnings per share because they are anti-dilutive for the financial year presented.

13. Property, plant and equipment

Group	Leasehold buildings	Machinery and equipment	Furniture fittings, and office equipment	Motor vehicles	Leasehold improvements	Construction in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
At 1 January 2013	29,833	113,873	12,726	1,087	39,240	237	196,996
Additions	–	2,590	220	17	983	2,498	6,308
Reclassification	–	1,842	6	–	–	(1,848)	–
Disposals and write-off	(2,419)	(9,065)	(4,142)	(320)	(7,919)	–	(23,865)
Exchange differences	2,125	6,380	596	40	2,358	51	11,550
At 31 December 2013 and 1 January 2014	29,539	115,620	9,406	824	34,662	938	190,989
Additions	–	2,128	63	–	868	75	3,134
Reclassification	(14)	729	(269)	–	4	(777)	(327)*
Disposals and write-off	–	(1,267)	(1,813)	(205)	(240)	–	(3,525)
Exchange differences	595	3,599	269	21	742	13	5,239
At 31 December 2014	30,120	120,809	7,656	640	36,036	249	195,510
Accumulated depreciation and impairment loss							
At 1 January 2013	3,511	68,926	11,561	586	30,756	–	115,340
Charge for the year	1,132	9,040	487	127	2,199	–	12,985
Impairment loss	–	1,266	–	–	–	–	1,266
Reclassification	(77)	–	–	–	77	–	–
Disposals and write-off	(1,302)	(8,220)	(4,111)	(250)	(7,510)	–	(21,393)
Exchange differences	318	3,399	532	23	1,665	–	5,937
At 31 December 2013 and 1 January 2014	3,582	74,411	8,469	486	27,187	–	114,135
Charge for the year	1,120	8,767	317	105	1,585	–	11,894
Impairment loss	2,849	12,195	155	–	1,306	224	16,729
Reclassification	–	–	(251)	–	–	–	(251)*
Disposals and write-off	–	(1,144)	(1,808)	(138)	(210)	–	(3,300)
Exchange differences	19	2,909	260	14	705	(3)	3,904
At 31 December 2014	7,570	97,138	7,142	467	30,573	221	143,111
Carrying amount							
At 31 December 2014	22,550	23,671	514	173	5,463	28	52,399
At 31 December 2013	25,957	41,209	937	338	7,475	938	76,854

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

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

Company	Leasehold improve-ments S$'000	Computer $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Cost					
At 1 January 2013, 31 December 2013 and 1 January 2014	70	56	57	205	388
Additions	–	1	–	–	1
Disposals and write off	(70)	(57)	(57)	(205)	(389)
At 31 December 2014	–	–	–	–	–
Accumulated depreciation					
At 1 January 2013	70	56	57	97	280
Charge for the year	–	–	–	33	33
At 31 December 2013 and 1 January 2014	70	56	57	130	313
Charge for the year	–	1	–	11	12
Disposals and write off	(70)	(57)	(57)	(141)	(325)
At 31 December 2014	–	–	–	–	–
Net book value					
At 31 December 2014	–	–	–	–	–
At 31 December 2013	–	–	–	75	75

Impairment of assets

During the year, a subsidiary in the precision components and tooling segment recorded an impairment loss of $16,729,000 (2013: $1,266,000) to write-down under utilised plant and machineries and leasehold buildings (2013: plant and machineries) to the recoverable amount. The impairment loss was recognised in 'Other expenses' (Note 9) line item of the statement of comprehensive income for the financial year ended 31 December 2014.

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

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

	Precision Components and Tooling segment		Precision Sub-assembly segment	
	2014	**2013**	**2014**	**2013**
Long-term growth rates	**3%**	3%	**3%**	3%
Pre-tax discount rates	**14%**	14%	**14%**	14%

Key assumptions used in the value in use calculation

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

Budgeted gross margins – Gross margins are based on average values achieved in the four years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

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

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

Sensitivity to changes in assumptions

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

Long-term growth rates – Management recognises that the speed of technological change and the possibility of new entrance can have a significant impact on growth rate assumptions. The effect of new entrance is not expected to have an adverse impact on the forecasts, but could yield a reasonably possible alternative to the estimated long-term growth rate of 3%. A reduction of 1% in the long-term growth rate would result in a further impairment of $505,000.

14. Investment property

	Group	
	2014	2013
	$'000	$'000
Balance sheet:		
At 1 January	**15,319**	13,785
Gain from fair value adjustments recognised in profit or loss	**863**	498
Exchange differences	**78**	1,036
At 31 December	**16,260**	15,319
Profit or loss:		
Rental income from investment property	**1,041**	1,050
Direct operating expenses (including repairs and maintenance) arising from rental generating property	**372**	354

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

Valuation of investment property

The investment property is situated in Mainland China and is held under a medium term lease.

The Group's investment property was revalued on 31 December 2014 by BMI Appraisals, independent professional qualified valuers, at $16.3 million (2013: $15.3 million) on an open market value basis using the depreciated replacement cost approach. Each year, directors of the Group appoint an external valuer to revalue the Group's investment property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date. The investment property is leased to third parties under operating leases.

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

Description and location	Existing Use	Tenure	Unexposed 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	44 years

15. Prepaid land lease payments

	Group 2014 $'000	Group 2013 $'000
Cost		
At 1 January	**4,314**	5,266
Write-off	**(222)**	(1,299)
Exchange differences	**89**	347
At 31 December	**4,181**	4,314
Accumulated amortisation and impairment loss		
At 1 January	**361**	738
Amortisation for the year	**87**	97
Write-off	**(14)**	(514)
Exchange differences	**10**	40
At 31 December	**444**	361
Carrying amount at 31 December	**3,737**	3,953
Current portion included in prepayments (Note 23)	**(92)**	(89)
	3,645	3,864
Amount to be amortised:		
- Not later than one year	**92**	89
- Later than one year but not later than five years	**363**	355
- Later than five years	**3,282**	3,509
	3,737	3,953

The Group has 3 (2013: 3) separate plots of leasehold land in People's Republic of China (PRC). The leasehold land is transferable and has remaining tenures ranging from 42 to 44 (2013: 43 to 45) years.

16. Intangible assets

Group	Club memberships $'000	Computer Software $'000	Total $'000
Cost			
Balance 1 January 2013	159	1,206	1,365
Addition	–	810	810
Exchange differences	4	82	86
At 31 December 2013 and 1 January 2014	163	2,098	2,261
Addition	–	37	37
Disposal	(39)	–	(39)
Reclassification from property, plant and equipment (Note 13)	–	327	327
Exchange differences	5	75	80
At 31 December 2014	129	2,537	2,666
Accumulated amortisation and impairment loss			
Balance 1 January 2013	39	464	503
Charge for the year	–	494	494
Exchange differences	–	32	32
At 31 December 2013 and 1 January 2014	39	990	1,029
Charge for the year	–	486	486
Disposal	(39)	–	(39)
Reclassification from property, plant and equipment (Note 13)	–	251	251
Exchange differences	–	59	59
At 31 December 2014	–	1,786	1,786
Net book value			
At 31 December 2014	129	751	880
At 31 December 2013	124	1,108	1,232

16. Intangible assets (cont'd)

Company	Club Memberships $'000
Cost	
At 1 January 2013, 31 December 2013 and 1 January 2014	39
Disposal	(39)
At 31 December 2014	–
Accumulated amortisation	
At 1 January 2013, 31 December 2013 and 1 January 2014	39
Disposal	(39)
At 31 December 2014	–
Net book value	
At 31 December 2014	–
At 31 December 2013	–

17. Investment in subsidiary

	Company	
	2014	2013
	$'000	$'000
Investment in subsidiary, at cost	**47,061**	47,061

Please see Note 4 for details of subsidiary.

Acquisition of non-controlling interests

On 25 September 2014, one of the non-controlling interest shareholders of MGX disposed off its 3 million shares at a consideration of $483,000 (HK$ 3 million) to the Group. As a result, the Group's effective interest in MGX further increased by 1.76% to 100%. On the date of acquisition, the book value of the additional interest acquired was $411,000. The difference between the consideration and the book value of the interest acquired of $72,000 was reflected in the equity as loss on acquisition of non-controlling interests.

18. Assets of disposal group classified as held for sale

(a) On 20 February 2012, the Group and Retnok Holding B.V. ("Retnok") entered into a sale and purchase agreement (the "Exerion SPA") with Alliance Corp 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 the Exerion, which represents 49% equity interest. Under the Option Agreement, ACM will be 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 of the remaining Exerion's shares to ACM; and the Group will be granted a put option, exercisable from 1 April 2014 to 30 April 2014, to require ACM to purchase all of the remaining Exerion's shares.

The disposal of 30,731 shares (representing 42.7%) in Exerion was completed on 20 February 2012. As at 31 December 2013, the remaining 35,291 shares in Exerion, representing 49% equity interest, has been classified as investment in associate as the Group is able to exercise significant influence over the operational and financial decision of Exerion through its one out of six board representation in Exerion and 49% voting rights during the general meetings of Exerion.

(b) On 20 February 2012, the Group entered into a sale and purchase agreement (the "MICL SPA") with Mr Xia Lurong, a 45% non-controlling interests of Mansfield Industrial Company Limited ("MICL", together with its subsidiary, the "MICL Group"), to dispose of the Group's entire 55% equity interest in MICL (the "MICL Sale Shares") for an aggregate consideration of $8.9 million (HK$55 million). In the opinion of directors, the disposal of MICL Group, which engages in the assembly of components and sub-assembly of electrical appliances, is in line with the Group's overall strategy to not over rely on products with slow growth so that it would be able to focus its resources to expanding into other new businesses.

The sale will be taken place over two tranches, of which the first sale of 3,600,000 shares, representing 36% of the Group's equity interest in the MICL Group, amounting to $5.8 million (HK$36 million) is expected to be completed before 30 April 2012. Upon completion of the first sale, the MICL Group will cease to be a subsidiary of the Group. The second tranche of sale relates to 1,900,000 shares, representing 19% of the Group's equity interest in the MICL Group. The consideration is $3.1 million (HK$19 million) which is expected to be received before 31 December 2014. As at 31 December 2013, the Group received part of the consideration of $1.5 million (HK$9 million) from Mr Xia Lurong as scheduled. The consideration received was included in other payables.

As at 31 December 2013, the Group's investment in Exerion and MICL have been presented in the consolidated balance sheet as "Assets of disposal groups classified as held for sale" as the Group intends to exercise the put option to require ACM to purchase the remaining 35,291 shares before 30 April 2014 and the Group expects to complete the disposal of Exerion in 2014.

The disposal of the remaining 35,291 shares (representing 49%) in Exerion was completed on 30 April 2014. During the year, the Group received the remaining consideration of $1.6 million (HK$9 million) from Mr Xia Lurong as scheduled and the second tranche of sale in MICL was completed in July 2014.

18. Assets of disposal group classified as held for sale (cont'd)

The financial effect of the disposal of assets of disposal group classified as held for sale is as follows:

	Group $'000
As 1 January 2013	4,982
Exchange differences	173
As at 31 December 2013	5,155
Exchange differences	(21)
Carrying value as at date of disposal	5,134
Cash consideration received:	
- In prior year	(1,475)
- In current year	(3,766)
Gain on disposal of assets of disposal group classified as held for sale	(107)

Name of company	Country of incorporation	Principal activities	Cost of investments by the Company 2013 $'000	Effective interest held by the Group 2013 %
Indirectly held through subsidiary company				
Exerion Precision Technology Holdings BV ("Exerion")	The Netherlands	Investment holding	#	49.00
Mansfield Industrial Company Limited ("MILL")	Hong Kong	Investment holding	#	19.00
Subsidiaries of Exerion				
Exerion Precision Technology Ulft BV	The Netherlands	Electrical appliance sub–assembly	#	49.00
Exerion Precision Technology Olomouc CZ s.r.o.	Czech Republic	Electrical appliance sub–assembly	#	49.00
Subsidiaries of MICL				
Mansfield Manufacturing (Dalian) Company Limited	People's Republic of China	Metal Stamping	#	19.00
Associate of Exerion				
Wong Exerion Precision Technology Sdn Bhd	Malaysia	Electrical appliance sub–assembly	#	22.00

Cost of investment is reflected in the financial statements of their respective shareholders

18. Assets of disposal group classified as held for sale (cont'd)

The summarised financial information of the investments in Exerion and MICL, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2013
	$'000
Assets and liabilities:	
Total assets	35,865
Total liabilities	(15,491)
Results:	
Revenue	51,396
Profit for the year	–

19. Other investments

	Group and Company	
	2014	**2013**
	$'000	$'000
Non-current		
Available-for-sale financial assets:		
Quoted shares at fair value:	**5,873**	16,200
Current		
Held for trading financial assets:		
Equity securities (quoted)	**12,940**	6,183
Bonds and fixed income (quoted)	**6,472**	4,896
	19,412	11,079

Available-for-sale financial assets

The Company holds 6.2 million (2013: 15 million) units in the Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT"). As of 31 December 2014, a decrease in fair value of S$1,309,000 (2013: decrease of $900,000) was recognised in other comprehensive income based on Sabana REIT's closing market price of S$0.94 (2013: S$1.08).

19. Other investments (cont'd)

Held for trading financial assets

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

	2014 $'000	2013 $'000
United States Dollar	**7,150**	3,200
Euro	**2,378**	918
Japanese Yen	**749**	768

No impairment loss was recognised during the year ended 31 December 2014 and 2013. The Group has recognised gain on disposal of available-for-sale financial assets of $1,252,000 and gain on disposal of held for trading financial assets of $248,000 during the year.

20. Deferred tax

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

Group

	2014 $'000	2013 $'000
Deferred tax assets	**3,306**	915
Deferred tax liabilities	**(1,710)**	(1,431)
	1,596	(516)

20. Deferred tax (cont'd)

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

	Deferred tax assets			
	Loss available for offsetting against future taxable profits $'000	Provisions for various expenses $'000	Depreciation in excess of related depreciation allowance $'000	Total $'000
At 1 January 2013	375	82	319	776
Deferred tax credited/(charged) to the income statement during the year (Note 11)	–	112	–	112
Exchange realignment	13	4	10	27
At 31 December 2013 and 1 January 2014	388	198	329	915
Deferred tax credited/(charged) to the income statement during the year (Note 11)	1,376	987	240	2,603
Exchange realignment	(117)	(87)	(8)	(212)
At 31 December 2014	1,647	1,098	561	3,306

	Deferred tax liabilities			
	Foreign income not remitted $'000	Depreciation allowance in excess of related depreciation $'000	Fair value adjustment arising from the investment property $'000	Total $'000
At 1 January 2013	(50)	(273)	(1,217)	(1,540)
Deferred tax credited/(charged) to the income statement during the year (Note 11)	–	97	63	160
Exchange realignment	–	(9)	(42)	(51)
At 31 December 2013 and 1 January 2014	(50)	(185)	(1,196)	(1,431)
Deferred tax credited/(charged) to the income statement during the year (Note 11)	(87)	95	(240)	(232)
Exchange realignment	–	(17)	(30)	(47)
At 31 December 2014	(137)	(107)	(1,466)	(1,710)

20. Deferred tax (cont'd)

Deferred tax liabilities

Company

	Foreign income not remitted	
	2014	**2013**
	$'000	$'000
At 31 December	**137**	50

Unrecognised temporary differences relating to investment in subsidiaries

At 31 December 2014 and 31 December 2013, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the subsidiary of the Group.

Tax consequences of proposed dividends

Pursuant to the People's Republic of China Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applicable if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding tax on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences (2013: Nil) attached to the dividends to the shareholders proposed by the Company and not recognised as a liability in the financial statement (Note 39).

Unrecognised tax losses

As at 31 December 2014, the Group had unutilised tax losses and unutilised capital allowances of approximately $2,347,000 and $34,232,000 (2013: $6,013,000 and $14,464,000) arising from the Hong Kong subsidiaries and PRC subsidiaries respectively, which are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement with the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the Group operates. Tax loss arising from the PRC subsidiaries will expire in one to five years for offsetting against future taxable profits.

21. Inventories

	Group	
	2014	**2013**
	$'000	$'000
Finished goods	**12,068**	13,215
Work-in-progress	**6,350**	6,837
Raw materials	**6,079**	8,004
Total inventories at lower of cost and net realisable value	**24,497**	28,056

During the year, the Group made an allowance for slow-moving inventories of $339,000 (2013: wrote back approximately $1,189,000 of inventories as expenses in the profit or loss as this allowance was no longer required due to compensation received from a customer and certain tooling inventories had been reworked and sold).

22. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	**63,427**	59,144	**–**	–
Amount due from subsidiary	**–**	–	**1,780**	900
Other debtors	**1,659**	2,395	**10**	20
Deposits	**1,277**	3,097	**67**	43
	66,363	64,636	**1,857**	963
Loan to subsidiary (Note 24)	**–**	–	**19,390**	14,013
Loan to associate (Note 24)	**–**	958	**–**	–
	66,363	65,594	**21,247**	14,976
Other receivables (non-current):				
Deposits	**1,677**	1,358	**–**	–
Total trade and other receivables (current and non-current)	**68,040**	66,952	**21,247**	14,976
Add: Cash and bank balances (Note 26)	**24,336**	27,787	**2,023**	10,286
Less: Statutory tax recoverables	**(564)**	(1,597)	**–**	(21)
Total loans and receivables	**91,812**	93,142	**23,270**	25,241

Trade receivables

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

Trade receivables denominated in foreign currency as at 31 December 2014 and 31 December 2013 are as follows:

	Group	
	2014	2013
	$'000	$'000
United States Dollar	**25,736**	19,243
Renmimbi	**33,354**	33,582

22. Trade and other receivables (cont'd)

Trade receivables (cont'd)

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

As at 31 December 2013, included in trade receivables are amount due from non-controlling interests of subsidiaries of $1,694,000 and fully collected during the year. The amount is unsecured, interest-free and sales were made according to the published selling price and condition offered to the major customers of the Group.

As at 31 December 2013 and 2014, outstanding trade receivables endorsed to banks as factoring loans with recourse obligation were $2,857,000 and $6,827,000 respectively.

Amount due from subsidiary

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

Allowance for doubtful trade receivables

For the year ended 31 December 2014, an allowance of doubtful debts of $306,000 (2013: $431,000) was recognised in the profit or loss subsequent to a debt recovery assessment performed on trade receivables as at year end.

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

	Group	
	2014	**2013**
	$'000	$'000
Movement in allowance accounts:		
At 1 January	**(358)**	(442)
Charge for the year	**(306)**	(431)
Bad debt written off against provision	**163**	408
Write back	**–**	131
Exchange differences	**(6)**	(24)
At 31 December	**(507)**	(358)

The above represents a provision for individually impaired trade receivables whose carrying values aggregate $507,000 (2013: $358,000) as at year end. The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are not expected to be recovered.

22. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $11,049,000 (2013: $16,220,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2014	**2013**
	$'000	$'000
Trade receivables past due:		
Less than 30 days	**4,346**	6,827
30 to 60 days	**2,405**	3,763
61 to 90 days	**940**	1,967
91 to 120 days	**1,080**	1,155
More than 120 days	**2,278**	2,508
	11,049	16,220

23. Prepayments

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	**$'000**	$'000
Current:				
Prepaid land lease payments (Note 15)	**92**	89	**–**	–
Other prepayments	**610**	1,424	**43**	–
	702	1,513	**43**	–

24. Loans to subsidiary and associate

Loans to subsidiary and associate disbursed by the Company are unsecured, repayable on demand and are to be settled in cash. Interest bearing loans bear interest ranging from 2.00% to 2.52% (2013: 2.00% to 2.60%) per annum. Loan to associate was fully collected during the year.

25. Derivatives

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

25. Derivatives (cont'd)

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

	Group and Company 2013 $'000		
	Contract/ Notional Amount	Assets	Liabilities
Forward currency contracts	5,149	33	(64)
Total derivatives		33	(64)
Add: Held for trading investments (Note 19)		11,079	–
Total financial assets/(liabilities) at fair value through profit or loss		11,112	(64)

26. Cash and bank balances

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

	Group		Company	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Cash and bank balances	**20,275**	14,809	**1,162**	630
Bank balance under portfolio investment management	**861**	1,638	**861**	1,638
Short term deposits	**3,200**	11,340	**–**	8,018
	24,336	27,787	**2,023**	10,286
Bank balance under portfolio investment management	**(861)**	(1,638)	**(861)**	(1,638)
Pledged fixed deposit and restricted cash	**(3,200)**	(3,322)	**–**	–
Net cash and bank balance	**20,275**	22,827	**1,162**	8,648
Bank overdrafts (Note 28)	**(713)**	(1,017)	**–**	–
Cash and cash equivalents	**19,562**	21,810	**1,162**	8,648

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate of short term deposits is 5.2% (2013: 0.6%) per annum.

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

26. Cash and bank balances (cont'd)

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

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
United States dollar	**1,175**	7,274	**42**	54

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

Bank overdrafts are repayable on demand and have a weighted average effective interest rate of 11.1% (2013: 5.5%) per annum.

27. Provisions

	Group			
	Provision for long service payment	**Provision for indemnity**	**Provision for restructuring**	**Total**
	$'000	S$'000		S$'000
At 1 January 2013	916	1,044	982	2,942
(Reversed)/arose during the year	(24)	(1,005)	499	(530)
Utilised during the year	(76)	–	(842)	(918)
Exchange differences	68	36	51	155
At 31 December 2013 and 1 January 2014	884	75	690	1,649
(Reversed)/arose during the year	(70)	38	828	796
Utilised during the year	(100)	–	(1,477)	(1,577)
Exchange differences	(30)	4	(4)	(30)
At 31 December 2014	684	117	37	838
Current	75	117	37	229
Non-current	609	–	–	609
	684	117	37	838

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

27. Provisions (cont'd)

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

28. Loans and borrowings

	Group					
	Weighted average effective interest rate (p.a.)	**Maturity**	**2014** **$'000**	**Weighted average effective interest rate (p.a.)**	**Maturity**	**2013** $'000
Current:						
Factoring loans	2.63% - 3.13%	2015	**5,444**	2.64% - 2.79%	2014	2,265
Bank loans – secured	–	–	**–**	HIBOR + 1.75%	2014	1,631
Trust receipts	HIBOR + 1.75% / LIBOR + 1.75%	2015	**3,938**	HIBOR + 1.75% / SIBOR + 1.75%	2014	5,147
Bank overdrafts (Note 26)	HK prime rate + 0.5	On demand	**713**	HK prime rate + 0.5	On demand	1,017
Total loans and borrowings			**10,095**			10,060

<u>Bank overdrafts and trust receipts</u>

The bank overdrafts and trust receipts are secured by corporate guarantees of approximately $8,515,000 (2013: $44,526,000) from the Company and its subsidiaries (Note 34(b)).

During the current financial year, certain subsidiaries of the Company breached a covenant of a bank's facilities. They did not fulfil the requirement to maintain a "Consolidated Tangible Net Worth" of HK$598.0 million at all times. The bank is entitled to suspend, withdraw or make demand for payment of the whole or part of the bank facilities. The bank has issued a one-off waiver for the breach on 26 February 2015 and the subsidiaries would have to rectify such breach within on or before 30 June 2015.

As at 31 December 2014, the facilities utilised consist of bank overdrafts and trust receipts and were presented as current liabilities at the end of the reporting period.

<u>Bank loans</u>

Included a bank loan drawdown in September 2008 on a 5-year term loan of $16.5 million (HK$100 million) granted on 29 July 2008. The loan is repayable on 10 quarterly instalments of $1.6 million (HK$10 million) commencing 2.5 years after first drawdown.

29. Trade and other payables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	**$'000**	$'000
Trade and other payables:				
Trade payables	**49,364**	50,653	**–**	–
Other payables	**8,885**	13,048	**–**	–
Accrued operating expenses	**15,111**	12,763	**554**	546
Advance payment from customers	**1,301**	2,339	**–**	–
Total trade and other payables	**74,661**	78,803	**554**	546
Add: Loans and borrowings (Note 28)	**10,095**	10,060	**–**	–
Less: Advance payment from customers	**(1,301)**	(2,339)	**–**	–
Less: Accrued employee benefits and statutory tax payables	**(12,174)**	(9,343)	**(221)**	(401)
Total financial liabilities carried at amortised cost	**71,281**	77,181	**333**	145

Trade payables and other payables

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

Trade payables and other payables denominated in foreign currency as at 31 December 2014 and 31 December 2013 is as follows:

	Group	
	2014	**2013**
	$'000	$'000
United States Dollar	**12,265**	14,815
Renminbi	**40,218**	39,885

30. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2014		**2013**	
	No. Of shares '000	**$'000**	**No. Of shares** '000	$'000
Issued and fully paid:				
At 1 January and 31 December	**246,656**	**98,021**	246,656	98,021

30. 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 31) 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			
	2014		2013	
	No. Of shares '000	**$'000**	No. Of shares '000	$'000
Issued and fully paid:				
At 1 January	**22,821**	**13,164**	22,704	13,132
Acquired during the year	**–**	**–**	117	32
At 31 December	**22,821**	**13,164**	22,821	13,164

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

In 2013, the Company acquired 117,000 shares in the Company through purchases on the Singapore Exchange. The total amount paid to acquire the shares was $32,000 and this was presented as a component within shareholders' equity. The Company did not acquire any shares during the year.

31. Employee share option plan

(a) InnoTek Employees' Share Option Plan

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

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

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

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

31. Employee share option plan (cont'd)

(c) InnoTek Employees' Share Option Scheme 2014 (cont'd)

The unissued ordinary shares of the Company under the plans as at 31 December 2014 can be found under the Section "Options" of the Directors' Report.

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

	2014		2013	
	No.	WAEP($)	No.	WAEP($)
Outstanding at beginning of year	**6,171,000**	**0.29**	196,000	0.69
- Granted	**1,000,000**	**0.27**	7,730,000	0.28
- Forfeited	**(3,410,000)**	**0.28**	(1,755,000)	0.28
- Expired	**(171,000)**	**0.69**	–	–
Outstanding at end of year [1]	**3,590,000**	**0.28**	6,171,000	0.29
Exercisable at end of year	**–**	**–**	171,000	0.69

[1] The range of exercise prices for options outstanding at the end of the year was \$0.27 and \$0.28 (2013: \$0.28 and \$0.69). The weighted average remaining contractual life for the options is 4.5 years (2013: 4.3 years).

Fair value of share options granted

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

The following tables list the inputs to the option pricing models for year ended 31 December 2014 and 31 December 2013.

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

31. Employee share option plan (cont'd)

Fair value of share options granted (cont'd)

	2013
Scheme II	
Dividend yield ($/year)	0.01
Expected volatility (%)	40
Risk-free rate (% p.a)	0.32
Expected life of option (years)	2.25
Share price ($)	0.28
Fair value of grant ($)	0.0576

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

32. Related party transactions

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

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

	Group	
	2014	**2013**
	$'000	$'000
Sale of finished goods to non-controlling shareholders	**–**	10,274
Provision of services	**(42)**	(42)

(b) Compensation of key management personnel

	Group	
	2014	**2013**
	$'000	$'000
Directors' fees	**202**	336
Short-term employee benefits	**2,315**	3,021
Central provident fund contributions	**81**	117
Total compensation paid to key management personnel	**2,598**	3,474
Comprise amounts paid to:		
- Directors of the Company	**1,021**	912
- Other key management personnel	**1,577**	2,562
	2,598	3,474

32. Related party transactions (cont'd)

(b) Compensation of key management personnel (cont'd)

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

Interest of key management personnel in employee share option plan

During the year, 1,000,000 (2013: 1,750,000) share options were granted to the key management personnel under the InnoTek Employees' Share Option Scheme 2014 (the "Scheme 2014") (2013: Scheme II) at a price of $0.27 (2013: $0.28) each, exercisable between 1 December 2015 and 1 December 2019 (2013: 23 May 2016 and 23 May 2018).

At the end of the reporting period, the total number of outstanding share options granted by the Company to key management personnel amount to 2,280,000 (2013: 1,827,000).

33. Directors' remuneration

Number of directors in remuneration bands:

	2014	2013
$500,000 and above	**–**	1
$250,000 to $499,999	**2**	–
Below $250,000	**3**	4
	5	5

34. Commitments and contingencies

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

	Group	
	2014	**2013**
	$'000	$'000
Commitments in respect of purchase of property, plant and equipment	**3,289**	2,947

(b) The Company and its subsidiaries have issued corporate guarantees amounting to approximately $8.5 million (2013: $44.5 million) in favour of certain financial institutions for banking facilities extended to the subsidiaries in the Group, of which $4.7 million (2013: $1.6 million) was utilised as at 31 December 2014.

34. Commitments and contingencies (cont'd)

(c) Operating lease commitments – As lessee

The Group leases certain properties and motor vehicles under lease agreements that are non-cancellable within a year. Leases for properties are negotiated for various terms up to 42 years (2013: 43 years) with no renewal option or escalation clauses included in the contracts. There are no restrictions placed upon the Group or the Company by entering into these leases. Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Within one year	**7,314**	6,394	**118**	228
After one year but not more than five years	**22,378**	2,550	**230**	62
More than five years	**–**	1,849	**–**	–
	29,692	10,793	**348**	290

(d) Operating lease commitments – As lessor

The Group leases its investment property (Note 14 to the financial statements) under operating lease arrangements, with lease negotiated for term of six years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. There are 2 years (2013: 3 years) remaining on the lease term.

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants failing due as follows:

	2014	2013
	$'000	$'000
Within one year	**1,056**	1,130
After one year but not more than five years	**352**	2,428
More than five years	**–**	–
	1,408	3,558

35. **Fair value measurements**

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

Fair value hierarchy

The Group classifies fair value measurement 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 – Inputs for the asset or liability.

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

(b) **Level 1 Fair Value Measurements**

Quoted equity instruments and bonds (Note 19): Fair value is determined directly by reference to their published market bid price at the end of the reporting period.

(c) **Level 2 Fair Value Measurements**

Derivatives

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

(d) **Level 3 Fair Value Measurements**

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

Investment property

Investment property is valued using an income approach valuation technique.

Description	**Fair value at 31 December 2014 $'000**	**Valuation techniques**	**Unobservable inputs**	**Range (weighted average)**
Investment property				
Industrial property	16,260	Income approach	Market rental (per s.q.m and per month)	Renminbi ("RMB") 12.2
			Passing rental (per s.q.m and per month	RMB10
			Capitalisation rate	7.5%

35. Fair value measurements (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.

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

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

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

	31 December 2013		
		Effect of reasonably possible alternative assumptions	
	Carrying amount	Profit of loss	Other comprehensive income
	$'000	$'000	$'000
Investment property:			
Leasehold land and buildings	15,319	498	1,036

35. Fair value measurements (cont'd)

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

Current trade and other receivables and payables (Note 22 and 29), cash and bank balances (Note 26), loan to subsidiary (Note 24) and loans and borrowings (Note 28)

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

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

	Total carrying amount		**Aggregate fair value**	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	**$'000**	$'000
Group				
Non-current other receivables	**1,371**	1,358	**1,119**	1,099

<u>Determination of fair value</u>

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.

36. Financial risk management objectives and policies

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

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

The main risks arising from the Group's and the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and market risk. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks, excepts as disclosed in Note 36(e) Market risk section. The board reviews and agrees policies for managing each of these risks and they are summarised below.

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

(a) ***Interest rate risk***

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate loans and borrowings and bank balances and fixed deposit and investment securities):

	Group		**Company**	
	Strengthened/ (weakened) %	Increase/ (decrease) in profit before tax $'000	Strengthened/ (weakened) %	Increase/ (decrease) in profit before tax $'000
2014				
Hong Kong dollar	1	31	–	–
Singapore dollar	1	208	1	208
United States dollar	1	(29)	1	36
Hong Kong dollar	(1)	(31)	–	–
Singapore dollar	(1)	(208)	(1)	(208)
United States dollar	(1)	29	(1)	(36)
2013				
Hong Kong dollar	1	(146)	–	–
Singapore dollar	1	250	1	250
United States dollar	1	(44)	1	34
Hong Kong dollar	(1)	146	–	–
Singapore dollar	(1)	(250)	(1)	(250)
United States dollar	(1)	43	(1)	(34)

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

(b) *Foreign currency risk (cont'd)*

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

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

The Group and the Company also hold quoted equity securities and cash and cash equivalents denominated in foreign currencies for investment and working capital purposes. At the balance sheet date, such foreign currency balances (mainly in USD) for the Group amount to $7,150,000 and $1,175,000 (2013: $3,200,000 and $7,274,000), and the Company amount to $7,150,000 and $42,000 (2013: $3,200,000 and $54,000) for the Group and the Company respectively.

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

	2014		2013	
Group	**Strengthened/ (weakened) %**	**Increase/ (decrease) in profit before tax $'000**	Strengthened/ (weakened) %	Increase/ (decrease) in profit before tax $'000
United States dollar	**5.0**	**139**	5.0	331
	(5.0)	**(139)**	(5.0)	(331)
Euro	**5.0**	**86**	5.0	221
	(5.0)	**(86)**	(5.0)	(221)
Singapore Dollar	**5.0**	**(840)**	5.0	(551)
	(5.0)	**840**	(5.0)	551
Sterling Pound	**5.0**	**11**	5.0	38
	(5.0)	**(11)**	(5.0)	(38)

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

(b) *Foreign currency risk (cont'd)*

	2014		2013	
Company	**Strengthened/ (weakened) %**	**Increase/ (decrease) in profit before tax $'000**	Strengthened/ (weakened) %	Increase/ (decrease) in profit before tax $'000
United States dollar	**5.0**	**259**	5.0	331
	(5.0)	**(259)**	(5.0)	(331)
Euro	**5.0**	**5**	5.0	46
	(5.0)	**(5)**	(5.0)	(46)
Sterling Pound	**5.0**	**11**	5.0	38
	(5.0)	**(11)**	(5.0)	(38)

(c) *Credit risk*

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

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

<u>Credit risk concentration profile</u>

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

<u>Financial assets that are neither past due nor impaired</u>

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

<u>Financial assets that are either past due or impaired</u>

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 22 to the financial statements.

(d) *Liquidity risk*

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

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

(d) ***Liquidity risk*** **(cont'd)**

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

Group	**1 year or less** $'000	**1 to 5 Years** $'000	**Over 5 years** $'000	**Total** $'000
2014				
Financial assets:				
Trade and other receivables, excluding statutory tax recoverables	65,799	1,677	–	67,476
Cash and short-term deposits	24,502	–	–	24,502
Derivatives	40	–	–	40
Total undiscounted financial assets	90,341	1,677	–	92,018
Financial liabilities:				
Loans and borrowings	10,095	–	–	10,095
Trade payables	49,364	–	–	49,364
Other payables and accrual, excluding employee benefits and statutory tax payables	11,822	–	–	11,822
Derivatives	76			76
Total undiscounted financial liabilities	71,357	–	–	71,357
Total net undiscounted financial assets	18,984	1,677	–	20,661
2013				
Financial assets:				
Trade and other receivables, excluding statutory tax recoverables	63,039	1,358	–	64,397
Cash and short –term deposits	27,855	–	–	27,855
Loan to associate	969	–	–	969
Derivatives	33	–	–	33
Total undiscounted financial assets	91,896	1,358	–	93,254
Financial liabilities:				
Loans and borrowings	10,084	–	–	10,084
Trade payables	50,653	–	–	50,653
Other payables and accruals, excluding employee benefits and statutory tax payables	16,468	–	–	16,468
Derivatives	64	–	–	64
Total undiscounted financial liabilities	77,269	–	–	77,269
Total net undiscounted financial assets	14,627	1,358	–	15,985

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

(d) ***Liquidity risk (cont'd)***

Company	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2014				
Financial assets:				
Other receivables, excluding goods and services tax	1,857	–	–	1,857
Loan to subsidiary, including interest receivable	19,837	–	–	19,837
Cash and short-term deposits	2,023	–	–	2,023
Derivatives	40	–	–	40
Total undiscounted financial assets	23,757	–	–	23,757
Financial liabilities:				
Other payables and accruals, excluding accrued employee benefits	333	–	–	333
Derivatives	76	–	–	76
Total undiscounted financial liabilities	409	–	–	409
Total net undiscounted financial assets	23,348	–	–	23,348
2013				
Financial assets:				
Other receivables, excluding goods and services tax	942	–	–	942
Loan to subsidiary, including interest receivable	14,336	–	–	14,336
Cash and short-term deposits	10,286	–	–	10,286
Derivatives	33	–	–	33
Total undiscounted financial assets	25,597	–	–	25,597
Financial liabilities:				
Other payables and accruals, excluding accrued employee benefits	145	–	–	145
Derivatives	64	–	–	64
Total undiscounted financial liabilities	209	–	–	209
Total net undiscounted financial assets	25,388	–	–	25,388

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

(d) *Liquidity risk (cont'd)*

The contractual expiry by maturity of the Group's and the Company's corporate guarantees amounting to approximately $4.7 million (Note 34(b)) is one year or less. The maximum amount of the corporate guarantees is allocated to the earliest period in which the guarantee could be called.

(e) *Market risk*

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

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

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

<u>Held for trading investments</u>

At the end of the reporting period, if the market price of the investments had been 2% higher/lower with all other variables held constant, the Group's profit before tax would have been S$388,000 (2013: S$219,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments.

<u>Available for sale investments</u>

At the end of the reporting period, the investment is valued at its closing price of $0.94 (2013: $1.08). If the market price of the investment had been 2% (2013: 2%) higher/lower with all other variables held constant, the Group's Other comprehensive income would have been S$117,000 (2013: $324,000) higher/lower.

37. 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. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

37. Capital management (cont'd)

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

	Group	
	2014	2013
	$'000	$'000
Loans and borrowings (Note 28)	**10,095**	10,060
Less: Cash and bank balances (Note 26), excluding cash deposited under investment portfolio account, pledged fixed deposits and restricted cash	**(20,275)**	(22,827)
Net cash	**(10,180)**	(12,767)
Equity attributable to the equity holders of the Parent	**131,217**	162,433
Gearing ratio	*	*

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

38. Segment information

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

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

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

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

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

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

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

38. Segment information (cont'd)

The following table presents revenue and results information regarding the Group's reportable operating segments for the years ended 31 December 2014 and 2013:

	Mansfield													
	Precision Components and Tooling		Precision Sub-assembly		Adjustments and eliminations		Total		Corporate and Others		Eliminations		Per consolidated Financial statements	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue:														
External customer	**209,930**	225,633	**15,650**	21,315	**–**	–	**225,580**	246,948	**–**	–	**–**	–	**225,580**	246,948
Inter-segment	**69,691**	64,693	**52**	45	**(69,743)**	(64,738)	**–**	–	**–**	–	**–**	–	**–**	–
Total revenue	**279,621**	290,326	**15,702**	21,360	**(69,743)**	(64,738)	**225,580**	246,948	**–**	–	**–**	–	**225,580**	246,948
Results:														
Management fees	**–**	–	**–**	–	**–**	–	**–**	–	**212**	421	**(212)**	(421)	**–**	–
Inter-segment interest income	**322**	178	**–**	–	**(322)**	(178)	**–**	–	**354**	421	**(354)**	(421)	**–**	–
External interest income	**165**	179	**2**	2	**–**	–	**167**	181	**217**	91	**–**	–	**384**	272
Dividend Income	**–**	–	**–**	–	**–**	–	**–**	–	**1,126**	1,481	**–**	–	**1,126**	1,481
Gain on disposal of property, plant and equipment	**215**	8,014	**173**	–	**–**	–	**388**	8,014	**–**	–	**–**	–	**388**	8,014
Gain on disposal of other investments	**–**	–	**–**	–	**–**	–	**–**	–	**1,500**	–	**–**	–	**1,500**	–
Gain on disposal of assets of disposal group classified as held for sale	**107**	–	**–**	–	**–**	–	**107**	–	**–**	–	**–**	–	**107**	–
Foreign currency (loss)/gain	**412**	(426)	**(185)**	274	**–**	–	**227**	(152)	**79**	185	**–**	–	**306**	33
Write-back of provision for indemnity	**–**	1,005	**–**	–	**–**	–	**–**	1,005	**–**	–	**–**	–	**–**	1,005
Fair value change in trading securities	**–**	–	**–**	–	**–**	–	**–**	–	**288**	550	**–**	–	**288**	550
Fair value gain on investment property	**–**	–	**863**	498	**–**	–	**863**	498	**–**	–	**–**	–	**863**	498
Write-back on allowance for doubtful debts	**–**	131	**–**	–	**–**	–	**–**	131	**–**	–	**–**	–	**–**	131
Other income	**1,074**	1,186	**1,517**	1,469	**–**	–	**2,591**	2,655	**–**	67	**–**	–	**2,591**	2,722
Total other income and interest income	**2,295**	10,267	**2,370**	2,243	**(322)**	(178)	**4,343**	12,332	**3,776**	3,216	**(566)**	(842)	**7,553**	14,706

38. Segment information (cont'd)

The following table presents revenue and results information regarding the Group's reportable operating segments for the years ended 31 December 2014 and 2013 (cont'd):

	Mansfield													
	Precision Components and Tooling		Precision Sub-assembly		Adjustments and eliminations		Total (Continuing Operations)		Corporate and Others		Eliminations		Per consolidated Financial statements	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Finance cost	**(582)**	(633)	**(352)**	(214)	**322**	178	**(612)**	(669)	**–**	–	**355**	421	**(257)**	(248)
Depreciation and amortisation	**(9,484)**	(10,359)	**(2,957)**	(3,185)	**–**	–	**(12,441)**	(13,544)	**(12)**	(32)	**–**	–	**(12,453)**	(13,576)
Impairment loss on property, plant and equipment	**(16,729)**	–	**–**	(1,266)	**–**	–	**(16,729)**	(1,266)	**–**	–	**–**	–	**(16,729)**	(1,266)
Segment profit/(loss) before tax	**(26,583)**	4,502	**(3,170)**	(4,362)	**–**	–	**(29,753)**	140	**1,106**	408	**–**	–	**(28,647)**	548
Segment assets	**132,792**	136,635	**60,205**	76,412	**–**	–	**192,997**	213,047	**27,490**	37,736	**–**	–	**220,487**	250,783
Investment in associate company (classified as held for sale)	**–**	5,155	**–**	–	**–**	–	**–**	5,155	**–**	–	**–**	–	**–**	5,155
Total assets	**132,792**	141,790	**60,205**	76,412	**–**	–	**192,997**	218,202	**27,490**	37,736	**–**	–	**220,487**	255,938
Segment liabilities	**51,804**	67,294	**36,648**	24,822	**–**	–	**88,452**	92,116	**818**	922	**–**	–	**89,270**	93,038

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

The following table presents revenue and information regarding the Group's geographical segments for the years ended 31 December 2014 and 2013:

	Hong Kong/PRC		Singapore		Elimination		Consolidated	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue:								
Sales to external customer	**225,580**	246,948	**–**	–	**–**	–	**225,580**	246,948
Inter–segment sales	**69,743**	64,738	**–**	–	**(69,743)**	(64,738)	**–**	–
Total sales	**295,323**	311,686	**–**	–	**(69,743)**	(64,738)	**225,580**	246,948
Management fees	**–**	–	**212**	421	**(212)**	(421)	**–**	–
Intercompany interest income	**–**	178	**354**	421	**(354)**	(599)	**–**	–
External interest income	**167**	181	**217**	91	**–**	–	**384**	272
Fair value gain on investment property	**863**	498	**–**	–	**–**	–	**863**	498
Gain on disposal of assets of disposal group classified as held for sale	**107**	–	**–**	–	**–**	–	**107**	–
Gain on disposal of other investments	**–**	–	**1,500**	–	**–**	–	**1,500**	–
Write back of provision for indemnity	**–**	1,005	**–**	–	**–**	–	**–**	1,005
Fair value change in other investments	**–**	–	**288**	550	**–**	–	**288**	550
Gain on disposal of property, plant and equipment	**388**	8,014	**–**	–	**–**	–	**388**	8,014
Foreign currency gain	**227**	(152)	**79**	185	**–**	–	**306**	33
Dividend income	**–**	–	**1,126**	1,481	**–**	–	**1,126**	1,481
Write–back on allowance for doubtful debts	**–**	131	**–**	–	**–**	–	**–**	131
Other income	**2,591**	2,655	**–**	67	**–**	–	**2,591**	2,722
Total other income and interest income	**4,343**	12,510	**3,776**	3,216	**(566)**	(1,020)	**7,553**	14,706
Other segment information:								
Segment assets	**192,997**	213,047	**27,490**	37,736	**–**	–	**220,487**	250,783
Investment in associates	**–**	5,155	**–**	–	**–**	–	**–**	5,155
Total Assets	**192,997**	218,202	**27,490**	37,736	**–**	–	**220,487**	255,938

39. Dividends on ordinary shares

	Group and Company	
	2014	**2013**
	$'000	$'000
Declared and paid during the year:		
Dividends on ordinary shares		
Final tax exempt (one–tier) dividend for 2014: 1.0 (2013: 1.0) cents per share	2,239	2,240
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares		
Final tax exempt (one–tier) dividend for 2014: NIL (2013: 1.0) cents per share	–	2,238

40. Authorisation of financial statements

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 25 March 2015.

STATISTICS OF SHAREHOLDINGS

As at 25 March 2015

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	6	0.26	54	0.00
100 - 1,000	202	8.55	200,190	0.09
1,001 - 10,000	1,088	46.06	6,716,039	3.00
10,001 - 1,000,000	1,044	44.20	60,504,416	27.03
1,000,001 AND ABOVE	22	0.93	156,414,729	69.88
TOTAL	**2,362**	**100.00**	**223,835,428**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	42,978,300	19.20
2	ADVANTEC HOLDING SA	22,571,000	10.08
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	20,315,000	9.08
4	CITIBANK NOMINEES SINGAPORE PTE LTD	12,540,686	5.60
5	DBS NOMINEES (PRIVATE) LIMITED	10,284,700	4.59
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	8,726,089	3.90
7	COMCRAFT INTERNATIONAL S.A	4,421,000	1.98
8	UOB KAY HIAN PRIVATE LIMITED	4,305,000	1.92
9	HONG LEONG FINANCE NOMINEES PTE LTD	4,153,000	1.86
10	OCBC SECURITIES PRIVATE LIMITED	4,069,010	1.82
11	DBSN SERVICES PTE. LTD.	3,356,900	1.50
12	HSBC (SINGAPORE) NOMINEES PTE LTD	2,855,745	1.28
13	ESTATE OF GOPALA ACHUTA MENON, DECEASED	2,472,000	1.10
14	SING INVESTMENTS & FINANCE NOMINEES (PTE.) LTD.	2,352,000	1.05
15	CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,318,099	1.04
16	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	1,600,000	0.71
17	PHILLIP SECURITIES PTE LTD	1,455,000	0.65
18	TAN KAH BOH ROBERT@ TAN KAH BOO	1,235,000	0.55
19	RUSLI	1,210,000	0.54
20	LIM HO KEE	1,153,000	0.52
	TOTAL	**154,371,529**	**68.97**

Percentage of Shareholding in the hands of public (Public Float)

Based on information available to the Company as of **25 March 2015**, approximately 56.52% of the issued ordinary shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the SGX-ST Listing Manual requirement.

Substantial Shareholders

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

	Direct Interest		Deemed Interest	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Advantec Holding SA[1]	22,571,000	10.08	60,811,300	27.17
Trustee of Chandaria Trust I[2]	–	–	83,832,300	37.45
Gazelle Capital Pte Ltd[3]	1,000,000	0.45	12,452,000	5.56
Lim Teck-Ean[4]	–	–	13,452,000	6.01
Lim Su-Lynn[5]	–	–	13,452,000	6.01

Notes:

(1) Advantec Holding SA is deemed to be interested in the 60,811,300 Shares held through the following:
HSBC (Singapore) 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 Chandaria Trust I.

(3) Gazelle Capital Pte. Ltd. is deemed to be interested in 12,452,000 Shares held through the following:
OCBC Securities Private Ltd in respect of 10,000 shares
Hong Leong Finance Limited in respect of 4,000,000 shares
Maybank Kim Eng Securities Pte. Ltd in respect of 5,000,000 shares
MBB Nominees (Singapore) Private Limited in respect of 1,600,000 shares
Sing Investments & Finance Nominees (Pte) Ltd in respect of 1,842,000 shares

(4) Mr. Lim Teck-Ean is deemed to be interested in the 13,452,000 shares held by Gazelle Capital Pte. Ltd.

(5) Ms Lim Su-Lynn is deemed to be interested in the 13,452,000 shares held by Gazelle Capital Pte. Ltd.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 19th Annual General Meeting of INNOTEK LIMITED (the "**Company**") will be held at the East India Rooms, Level 1, Raffles Hotel, 1 Beach Road, Singapore 189673 on Wednesday, 29 April 2015 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon.

   (Resolution 1)

2. To re-elect Mr. Peter Tan Boon Heng (Executive Director), who will retire by rotation in accordance with Article 103 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director of the Company.

   (Resolution 2)

   Subject to his re-appointment, Mr. Peter Tan Boon Heng will be re-appointed as member of the Audit Committee and Nominating Committee.

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

   (Resolution 3)

   Subject to his re-appointment, Mr. Sunny Wong Fook Choy who is considered an independent director, will be re-appointed as Chairman of the Remuneration Committee and member of the Audit Committee.

4. To approve the payment of Directors' fees of S$201,830 for the year ended 31 December 2014 (2013: S$335,956).

   (Resolution 4)

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

   (Resolution 5)

AS SPECIAL BUSINESS

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

6. 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 Companies Act, the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

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

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

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

 [See Explanatory Note (ii) below] **(Resolution 7)**

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

By Order of the Board

Linda Sim Hwee Ai
Company Secretary
Singapore, 14 April 2015

Explanatory Notes:

(i) Ordinary Resolution 6 proposed in item 6 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 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 offer and grant options in accordance with the provisions of the Share Plans and to allot and issue shares as may be issued pursuant to the exercise of options under the Share Plans up to an aggregate limit of 15% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company from time to time ("**15% Limit**"). The 15 % Limit is calculated by including the shares which have already been allotted and issued pursuant to the exercise of options under the Share Plans.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 390 Orchard Road, #14-01 Palais Renaissance, Singapore 238871 not less than 48 hours before the time appointed for holding 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.

INNOTEK LIMITED

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____ (Name)

Of ____ (Address)

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

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

And/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

or failing him/her, the Chairman of the Annual General Meeting as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the 19th Annual General Meeting ("**AGM**") of the Company to be held at the East India Rooms, Level 1, Raffles Hotel, 1 Beach Road, Singapore 189673 on 29 April 2015 at 9.30 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the AGM.

No.	Ordinary Resolutions relating to:	For	Against
1	Directors' Report and Accounts for the year ended 31 December 2014		
2	Re-election of Mr. Peter Tan Boon Heng		
3	Re-election of Mr. Sunny Wong Fook Choy		
4	Approval of Directors' fees amounting to S$201,830		
5	Re-appointment of Ernst & Young LLP as Auditors		
6	Authority to allot and issue new shares		
7	Authority to offer and grant options and to allot and issue new shares in accordance with the provisions of the Share Plans		

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

Dated this ____________ day of __________________ 2015.

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 of the Company ("**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, Chapter 50 of Singapore (the "**Companies Act**")), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. 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 of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

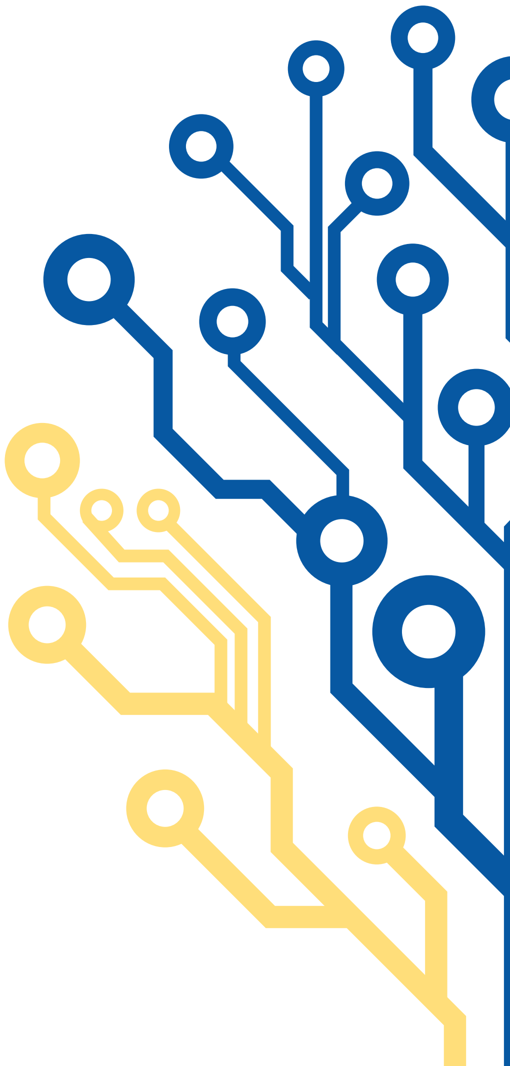
4. This instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 390 Orchard Road, #14-01 Palais Renaissance, Singapore 238871 not less than 48 hours before the time appointed for the AGM.

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

6. A corporation which is a member may authorise by resolution of its directors or other governing body such persons as it thinks fit to act as its representative at the AGM in accordance with Section 179 of the Companies Act.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by the Central Depository (Pte) Limited to the Company.



INNOTEK

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