INNOTEK

ANNUAL REPORT 2016

GROWTH THROUGH TRANSFORMATION

改革成长

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.

INNOTEK

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CORE VALUES

ACHIEVEMENT

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

COMMUNICATION

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

TEAMWORK

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

BALANCE

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

COMMITMENT

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

CREATIVITY

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

CORPORATE INFORMATION

REGISTERED OFFICE
390 Orchard Road #14-01
Palais Renaissance
Singapore 238871
Telephone : (65) 6535 0689
Facsimile : (65) 6533 2680
Website : www.innotek.com.sg

PLACE OF INCORPORATION
Singapore

COMPANY REGISTRATION NUMBER
199508431Z

DATE OF INCORPORATION
28 November 1995

BOARD OF DIRECTORS
Mr. Robert Sebastiaan Lette, Chairman
Mr. Lou Yiliang
Mr. Steven Chong Teck Sin
Mr. Sunny Wong Fook Choy
Mr. Neal M. Chandaria
Mr. Teruo Kiriyama

COMPANY SECRETARY
Ms. Linda Sim Hwee Ai

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

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

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

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

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

PRINCIPAL BANKER
The Hongkong and Shanghai Banking
Corporation Limited

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

CHAIRMAN'S LETTER TO SHAREHOLDERS

Sun Mansfield Plant

Mr. Robert Sebastiaan Lette
Chairman and
Non-Executive Director

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board"), I am pleased to present to you the annual report of InnoTek Limited ("InnoTek" or the "Group") for the financial year ended 31 December 2016 ("FY'16").

FY'16 marked a healthy turnaround for the Group's financial performance after two years of losses. The Group recorded a significant increase in net profit after tax for FY'16 to S$11.6 million from a net loss of S$16.3 million a year earlier. This was despite a lower revenue posted for FY'16 as the Company managed to improve the cost efficiencies and asset utilisation of its operations.

Undoubtedly it reflects well on the leadership and experience of Mr Lou Yiliang ("Mr Lou"), who was re-designated as our Group's Chief Executive Officer ("CEO") on 1 March 2017. Mr Lou, who was first appointed as the Executive Director and CEO of Mansfield Manufacturing

Mansfield Suzhou Plant

Magix Dongguan Plant 4

Company Limited ("Mansfield") on 2 November 2015, introduced measures in the second half of FY'15 to improve cost efficiencies and Group-wide productivity.

FY'16 represents the first full year of restructuring under Mr Lou. Under his leadership, InnoTek has demonstrated it is able to thrive amidst the competitive operating environment of manufacturing in China. Increasing margin compression, the result of rising labour and operational costs, has led to several Japanese office automation brands relocating to lower-cost countries.

On the contrary, the TV sector has remained vibrant. The introduction of bigger and higher-definition ("4K" and "8K") televisions requires high-precision and quality metal TV bezels for larger screens for our Taiwanese OEMs and Japanese clients whom we focus on. This sets us apart from local players producing for the domestic Chinese TV manufacturers. Indeed, we intend to strengthen our foothold in this sub-sector and subsequently penetrate the display market in China. The Group has commenced mass production of car display panels in FY'16.

Overall, several government incentives has lifted China's automotive business since late 2015. With a longer product lifecycle and overall growth trend, we believe this segment will remain an important and stable market for us.

We believe the restructuring initiatives initiated in the year under review constitute the start of a new chapter for InnoTek. More needs to be done to improve processes on the shopfloor and to secure more programmes from existing customers while winning over new customers.

BOARD AND MANAGEMENT CHANGES

Changes to The Board of Directors

Re-designation

Mr. Lou assumed the role of Executive Director and CEO of Mansfield Group since 2 November 2015 and has been re-designated as the Chief Executive Officer of InnoTek on 1 March 2017. He has been an invaluable asset to the Group and we believe his wealth of experience will continue to be a great contribution to InnoTek.

Resignation

Mr. Peter Tan Boon Heng resigned as Non-Executive Director on 31 March 2016.

Management Changes

Mr Song Lei was appointed as General Manager of Mansfield (Suzhou) Manufacturing Company Limited on 1 August 2016.

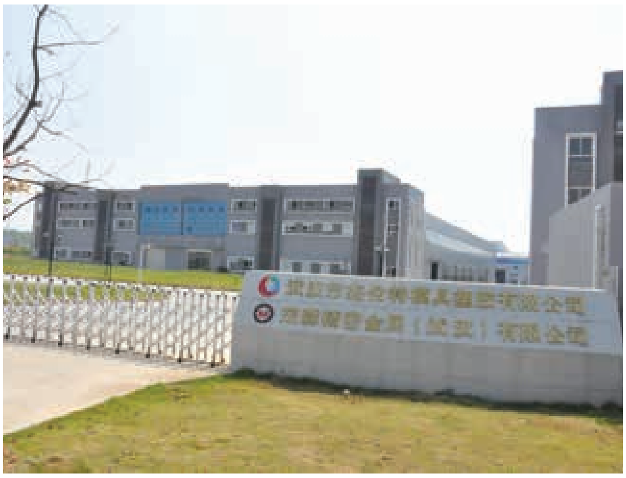
CHAIRMAN'S LETTER TO SHAREHOLDERS

APPRECIATION

We extend a warm welcome to the new directors and managers, whose experience and guidance will bring fresh perspectives and vigour to the Group as we enter a new chapter of growth. To those who have left InnoTek, we thank them for their invaluable contributions and wish them well in their future endeavours.

On behalf of the Board, I would like to thank all our customers, business partners, management and staff for your dedication and hard work in the past year, which marks a highly successful transformation under Mr Lou's leadership. I would also like to take this opportunity to extend our gratitude to our loyal shareholders for your unwavering support.

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



Mansfield Wuhan Plant

Feng Chuan Tooling (Dogguan) Plant

CEO MESSAGE

I am honoured to present you the annual report for InnoTek Limited ("InnoTek" or the "Group") for the financial year ended 31 December 2016 ("FY2016"). This report represents the scorecard in the first full financial year since my dual appointment on 2 November 2015 as the Executive Director of InnoTek and as Chief Executive Officer of Mansfield Manufacturing Company Limited ("Mansfield"), the Group's main operating subsidiary.

Shareholders would be familiar with our performance in recent years and the challenges faced by the manufacturing sector in China as a whole and by our Company in particular.

Following my appointment, I quickly assembled a team of experienced managers. Together we reviewed the existing problems faced within the Company as well as our relationships with existing and potential customers. Our key priorities were to stem losses, improve cash flow and strengthen our value proposition with existing and new customers.

Under my leadership, we returned to the basics. We implemented strategies to focus on product innovation, staff training and how to improve operating cost efficiencies, automation and customer engagement. The task has been very challenging and we faced many difficulties. But our management team persisted and, over time, the entire InnoTek team responded to the changes. We have also strengthened relationships with existing customers and secured new customers.

I am thankful for the support of so many people as I share with you this turnaround story of InnoTek.

Mr. Lou Yiliang
Chief Executive Officer

FINANCIAL PERFORMANCE

Revenue for FY'16 decreased 7.9% to S$214.7 million from S$233.1 million in FY'15. The decline was due mainly to lower contribution from the Precision Components and Tooling segment, as some Japanese customers relocated production from China to lower-cost centres in South East Asia. This was offset by higher revenue from the Precision Machining segment as new products for two major Taiwanese customers commenced mass production.

Reflecting the many operational improvements that have been implemented by the new management team, the Group's gross profit margin improved sharply to 19.1% in FY'16 from 6.5% in FY'15 despite lower revenue.

CEO MESSAGE

Net profit after tax increased significantly to S$11.6 million in FY'16 from a net loss after tax of S$16.3 million in FY'15, representing a positive swing of S$27.9 million in earnings.

InnoTek's net cash position as at 31 December 2016 improved to S$30 million (up from S$25.2 million a year earlier) after the repayment of S$5.3 million of invoice financing.

Earnings per share for FY'16 reversed to a positive of 5.17 Singapore cents compared to a loss per share of 7.28 Singapore cents in FY'15. Net asset backing per share as at 31 December 2016 was 55.8 Singapore cents, compared to 51.9 Singapore cents a year ago.

BUSINESS REVIEW

The operating environment for all three of InnoTek's business segments – automotive, office automation and TV – remains challenging and highly competitive, leading to price cuts across the board. Our income from interest rates has also fallen sharply in the tough economic climate.

Most of our competitors today are private enterprises, helmed by dynamic and flexible first-generation entrepreneurs. The Group, having gone through a few rounds of management transition and high staff turnover in the past few years, found itself lacking a core operational team to hold the fort. InnoTek's previous three main competitive advantages – Technology, Capital and Scale – had ceased to exist.

The lack of stability in the previous teams had led to a drop in the quality of deliverables to our customers. Consequently, a few of our customers stopped granting new programmes to InnoTek. As such, much of the team's restructuring efforts in FY2016 involved engaging existing and potential customers to rebuild relationships and restore trust.

To put things into perspective, among the three business segments, automotive programmes tend to have the longest product life cycle, clocking in at around five years. Office automation cycles are around three years, whilst the TV market has the shortest product life cycles of less than a year.

In the year ahead, apart from the TV segment which should stay relatively stable, we will need to prepare ourselves for an increasingly challenging operating climate. Office automation, which declined 18% in 2016 following the relocation of some Japanese brands' production to lower-cost countries in Southeast Asia, is likely to decline by a further 15% in 2017. Our decision to invest in Thailand is part of our efforts to make up for the loss in orders, following a major office automation customer's decision to transfer new products to Thailand.

Overall, 2016 was a challenging yet fruitful year for InnoTek. While we executed a successful turnaround and recorded a profit for the year, there is much to be done to improve the Company's fundamentals before we can truly embark on further development. It will take time and effort to increase our output value and improve our production efficiency. We still have a long way to go.

That said, I would like to thank the Board of Directors for their faith in me, and I am confident that with the hard work of everyone in the Group and the support of all shareholders, we can bring InnoTek to greater heights in the coming years.

Mr Lou Yiliang
Chief Executive Officer

BOARD OF DIRECTORS

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

Mr. Robert S. Lette joined the Board on 16 May 2002. Mr. Lette was appointed Chairman of the Board on 12 November 2004. Mr. Lette is a member of the Audit & Risk Management 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 Branch Manager and First Vice President, Country Head of Credit Suisse in Singapore between 1985 and 1995. Other financial institutions where Mr. Lette had his banking experiences included ABN-AMRO Bank and Bankers Trust Company.

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

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

Mr. Lette was a non-executive director of Heineken Beverages Switzerland, A.G. since 2004 to 2016. Mr. Lette was re-elected as a Director of the Company at the 2014 AGM and has decided not to stand for re-election at this year's AGM.

MR. LOU YILIANG
Executive and Non-Independent Director

Mr. Lou Yiliang was appointed Executive Director of InnoTek and Chief Executive Officer of InnoTek's Mansfield Group on 2 November 2015. On 1 March 2017, Mr. Lou was re-designated Chief Executive Officer of the Company.

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

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

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

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

Besides Chinese, Mr. Lou is also proficient in Japanese. He was re-elected as a Director of the Company at the 2016 AGM.

BOARD OF **DIRECTORS**

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

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

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

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

Mr. Chong graduated with a Bachelor of Engineering from the University of Tokyo in 1981 on a government scholarship and subsequently obtained a Masters of Business Administration from the National University of Singapore in 1987 through part-time study. Mr. Chong was re-elected as a Director of the Company at the 2016 AGM.

MR. SUNNY WONG FOOK CHOY
Non-Executive and Independent Director

Mr. Sunny Wong Fook Choy joined InnoTek as a Non-Executive Independent Director on 17 November 2014 and is the Chairman of the Remuneration Committee and member of the Nominating Committee.

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

A practising 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 shareholder of Wong Tan & Molly Lim LLC and Director and shareholder of WTML Management Services Pte. Ltd.

Mr. Wong holds a Bachelor of Law (Honours) from the National University of Singapore. Mr. Wong was re-elected as a Director of the Company at the 2015 AGM and is due for re-election at this year's AGM.

MR. TERUO KIRIYAMA
Non-Executive and Independent Director

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

Mr. Kiriyama was advisor to Toshiba Corporation from 2014 to 2015. Before this, he was Toshiba's Corporate Vice-President from 2011 to 2014, during which time he was also the Chairman and CEO of Toshiba China. Under his watch, Toshiba China generated annual sales of some US$6 billion and boasted a 35,000-strong workforce amid a period of political sensitivity for Japanese businesses in China.

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

He was re-elected as a Director of the Company at the 2016 AGM.

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

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

Mr. Chandaria graduated from Stanford University with a degree in economics. He is the Honorary Consul of the Republic of Kenya in Singapore. Mr. Chandaria was re-elected as a Director of the Company at the 2016 AGM.

SENIOR MANAGEMENT

MR. KUANG YUBIN
Chief Operating Officer

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

With over 24 years' experience in the electronics industry, Mr. Kuang – who reports directly to Mr. Lou Yiliang, the Chief Executive Officer – is an asset to the Group.

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

MR. UKAWA MASATSUGU
GM Internal Audit Dep,
Director, Mansfield Group

Mr. Ukawa Masatsugu joined Mansfield Group as General Manager, Internal Audit Department and Director of Mansfield in December 2015.

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

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

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

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

MR. LIM BOON PHUANG
General Manager for
SMW and FCT

Mr. Lim Boon Phuang joined Mansfield Manufacturing Company Limited as the General Manager for Sun Mansfield Manufacturing (Dongguan) Co. Ltd. and Feng Chuan Tooling (Dongguan) Co. Ltd., PRC in July 2015. Mr. Lim has more than 30 years of industrial experience and 20 years working experience as General Manager in China.

He started his career in NMB Singapore Ltd. in 1978 heading its QC Department, subsequently with Jade Technologies Singapore Pte Ltd. and as QA Manager in Polymicro Precision Engineering Pte Ltd. He was General Manager of Advance System Automation Ltd., C&W Technology Ltd., BW Highsonic Industrial Ltd. and Inovan (Tianjin) Contact Technology Ltd. 1997 was his first foray into China as GM of C&W Technology Ltd. Prior to joining Mansfield, Mr. Lim was with Worldmark Label (Suzhou) as their Plant Manager.

Mr. Lim is a Singaporean and an engineer by training, Mr. Lim possesses a Diploma in Mechanical Engineering and a Diploma in Industrial Management from the Singapore Polytechnic. Mr. Lim is fluent in English, Mandarin, and Cantonese.

MS. QUEK SIEW HOON
Corporate Controller

Ms. Quek Siew Hoon joined InnoTek in 2000 and has been with the Group for more than 16 years. Ms. Quek has over 25 years of experience in finance and accounting. She is responsible for the finance functions of the Group and frequently travels to the Group's subsidiaries in Hong Kong and the PRC.

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

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

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

MS. IVY NEO
Finance Director,
Mansfield Group

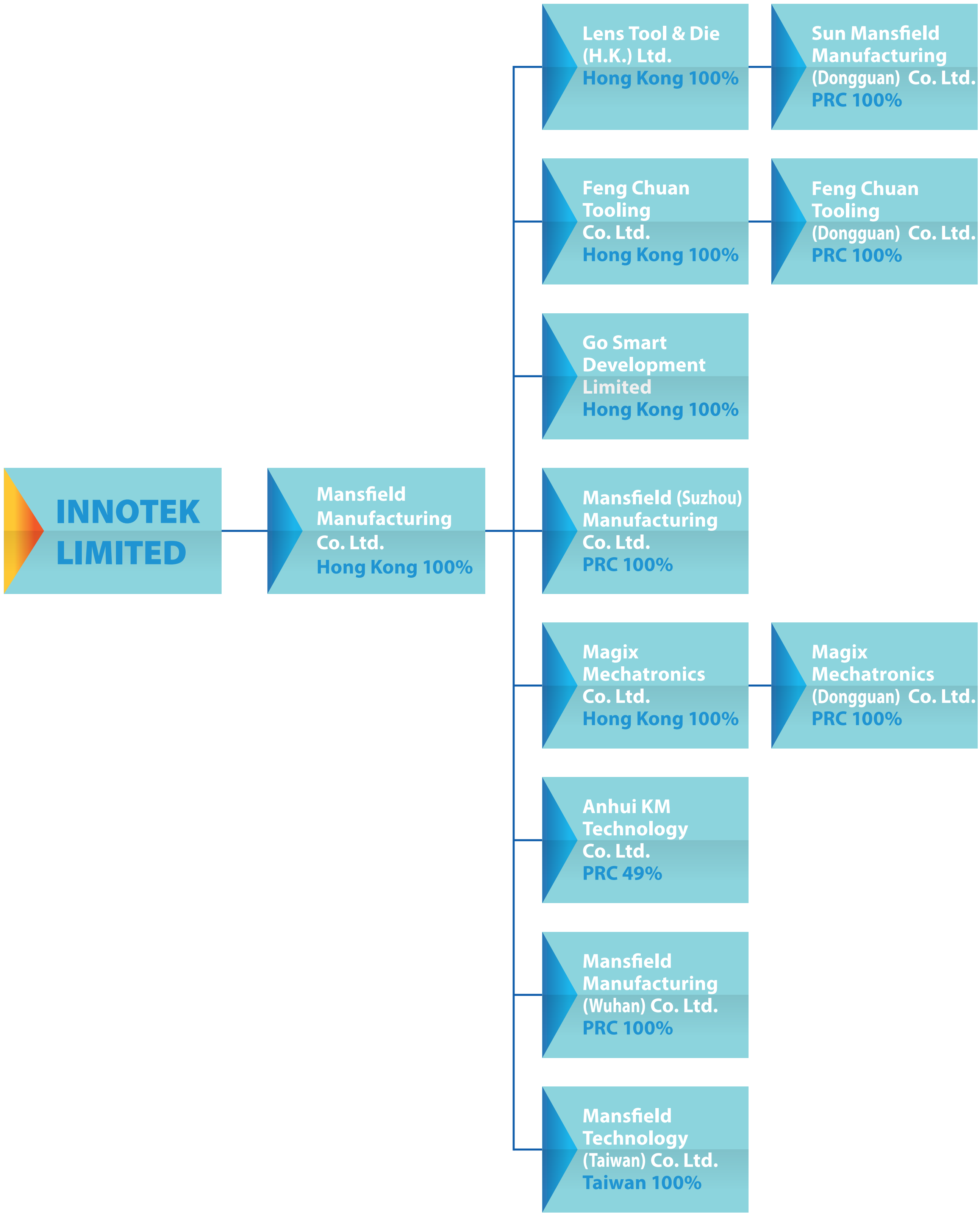
Ms. Ivy Neo Meow Khim joined Mansfield (Suzhou) Manufacturing Company Limited as Financial Controller in May 2014. After a year and a half, she was re-designated as Finance Director of Mansfield Group where she oversees the Group's financial affairs and corporate functions and works closely with the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

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

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

GROUP STRUCTURE

AS AT 31 MARCH 2017



INNOTEK LOCATIONS

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390 Orchard Road #14-01 Palais Renaissance
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www.mansfield.com.hk

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FINANCIAL **HIGHLIGHTS**

FOR THE YEAR (S$ in thousands)	2013	2014	2015	2016
Turnover	246,948	225,580	233,137	214,740
Operating Profit/(loss)	7	(17,959)	(16,299)	10,841
Profit/(loss) Before Tax	548	(28,647)	(15,260)	13,799
Profit/(loss) After Tax attributable To owners of the Company	926	(28,228)	(16,293)	11,569
AT YEAR END (S$ in thousands)				
Shareholders Equity	162,433	131,217	116,226	124,820
PPE, Investment Property and Prepaid land Lease payment	96,037	72,304	64,133	56,769
Cash and cash equivalents	27,787	24,336	25,180	30,090
Less: Total Debts	(10,060)	(10,095)	(5,288)	(73)
Net Cash	17,727	14,241	19,892	30,017
Weighted Average Number of Shares (in thousands)	223,881	223,835	223,835	223,835
Number of Shares at end of period (in thousands)	223,835	223,835	223,835	223,835
PER SHARE (Singapore cents)				
Profit/(loss) After Tax	0.41	(12.61)	(7.28)	5.17
Net Tangible Assets	72.0	58.6	51.9	55.8
RATIOS				
Operating (Loss)/Profit %	0.0%	(8.0%)	(7.0%)	5.0%
Profit/(Loss) Before Tax %	0.2%	(12.7%)	(6.5%)	6.4%
Profit/(Loss) after Tax %	0.4%	(12.5%)	(7.0%)	5.4%
Net Cash	10.9%	10.9%	17.1%	24.0%
Current Ratio	1.52	1.56	1.58	1.92

CORPORATE GOVERNANCE REPORT

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

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

BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Effective Board to lead and control the company

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

The principal functions of the Board are to:

– Act as ultimate decision-making body of the Company, except with respect to those matters reserved to shareholders. All directors take decisions objectively in the interests of the Company;

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

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

– Act as an advisor to senior management;

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

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

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

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

– Approving of investment and divestment proposals;

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

A total of four Board meetings were held in 2016. The number of Board committee meetings as well as Board members' attendance thereat is set out below:

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

Training for Directors

Newly appointed Directors are briefed on the Group's business activities, strategic direction, corporate governance practices as well as their statutory and other duties and responsibilities. In addition, new Directors are given a memorandum outlining their obligations, duties and responsibilities to the Company. As and when new regulations

CORPORATE GOVERNANCE REPORT

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

After the resignation of Mr. Peter Tan Boon Heng as a Director of the Company on 31 March 2016, the Executive Committee chaired by him was dissolved. The current Board comprises six directors, three of whom are independent and non-executive.

With independent directors making up 50% of the Board, 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.

The Board comprises the following members:–

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

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

The Nominating Committee is responsible for reviewing the independence of each Director based on the guidelines set out in the Code. For the financial year ended 31 December 2016, Messrs. Steven Chong Teck Sin, Sunny Wong Fook Choy and Teruo Kiriyama were considered by the Nominating Committee to be independent as they do not have any 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 Articles of Association of the Company provide that at least one third of the Directors for the time being, shall retire as Directors at each annual general meeting of the Company (“AGM”). Also, all new Directors appointed by the Board during the year shall hold office until the next AGM, and are eligible for re-election at the said AGM.

In accordance with the Articles of Association of the Company, Mr. Robert S. Lette and Mr. Sunny Wong Fook Choy are due to retire by rotation at the 2017 AGM and being eligible, Mr. Wong has offered himself for re-election whilst Mr. Robert S. Lette has decided to retire at the 2017 AGM.

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The Code also states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In this regard, with the retirement of Mr. Robert S. Lette who sat on the Board for more than 14 years and is due to retire at this AGM, there are no other directors who have served the Board for nine years or more.

With the retirement of Mr. Robert S. Lette after the AGM, the Board considers its 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 & Risk Management Committee	Nominating Committee	Remuneration Committee
Mr. Robert S. Lette	Non-Executive Chairman	Member	–	Member
Mr. Lou Yiliang	Executive Director	–	–	–
Mr. Steven Chong Teck Sin	Independent Director	Chairman	–	Member
Mr. Sunny Wong Fook Choy	Independent Director	–	Member	Chairman
Mr. Teruo Kiriyama	Independent Director	Member	Chairman	–
Mr. Neal M. Chandaria	Non-Independent Director	–	Member	–

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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On 1 March 2017, the Company has re-designated Mr. Lou Yiliang as the CEO of the Company. Mr. Lou Yiliang, the Executive Director of the Company was appointed in November 2015. The Executive Director has full executive responsibilities and oversees the daily running of the Group's operations and is responsible to execute strategies and policies adopted by the Board.

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

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 once in 2016.

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

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

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

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

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

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

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

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

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

BOARD PERFORMANCE

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

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

All Directors are required to assess the performance of the Board, the Board Committees and the individual director by way of a questionnaire. The assessment covers areas such as contribution of each individual director to the effectiveness of the Board and Board Committees, information management, Board processes, Shareholder management, managing the Company's performance. The NC takes into consideration their respective preparedness, commitment, participation, attendance at Board and Board committee meetings. The evaluation would also take into account their respective ability to make informed decisions and level of comprehension of legal, accounting and regulatory requirements and whether they have the essential skills to competently discharge the Board's duties.

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

ACCESS TO INFORMATION

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

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

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

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

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

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

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

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

The principal responsibilities of the RC include the following:

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

LEVEL AND MIX OF REMUNERATION

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

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

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

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

Executive directors do not receive directors' fees but are remunerated as a member of Management. Non-Executive Directors 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, 3,500,000 options were granted under the InnoTek Employees' Share Option Scheme 2014.

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On 9 March 2017, Mr. Lou Yiliang was granted 3,000,000 options 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 2016 is as follows:

Directors' Remuneration	Remuneration	Fee	Salary	Bonus	Allowance/ Benefits	Others	Total
	S$	(%)	(%)	(%)	(%)	(%)	(%)
Mr. Robert S. Lette	73,820	100	0	0	0	0	100
Mr. Peter Tan Boon Heng(1)	13,743	100	0	0	0	0	100
Mr. Steven Chong Teck Sin	71,311	100	0	0	0	0	100
Mr. Sunny Wong Fook Choy	64,311	100	0	0	0	0	100
Mr. Lou Yiliang	643,367	0	76	0	0	24	100
Mr. Teruo Kiriyama	83,378	100	0	0	0	0	100
Mr. Neal M. Chandaria	54,180	100	0	0	0	0	100

Note: (1) Mr. Peter Tan Boon Heng resigned on 31 March 2016

The total Directors' Fees of $360,743 will be tabled at this AGM for shareholders' approval.

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

Key Management Executive Remuneration	Salary	Bonus	Allowance & Benefits	Others	Total
	(%)	(%)	(%)	(%)	(%)
$250,000 to below $500,000					
Mr. Kuang Yubin	53	35	0	12	100
Mr. Li Wei Ta	38	58	2	2	100
Mr. Lim Boon Phuang	76	20	3	1	100
Below $250,000					
Mr. Song Lei	89	0	2	9	100
Mr. Zhou Jin Hua	75	10	3	12	100

The aggregate remuneration paid to the key management personnel is $1,336,676.

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Mr. Okura Ippei, the brother of Mr. Lou Yiliang, is the Sales Director of Mansfield Manufacturing Co., Ltd. Hong Kong, the wholly-owned subsidiary of the Company. His remuneration for 2016 was within the band of $50,000 to $100,000.

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

The annual remuneration of the Directors, the CEO and the top five key management executives (who are not directors or the CEO) above included the termination, retirement and post-employment benefits that were granted to them for FY 2016.

ACCOUNTABILITY & AUDIT

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

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

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

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

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

The Audit Committee ("AC") has three members. The AC comprises entirely non-executive directors, majority of whom (including the Chairman) are independent. 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. Teruo Kiriyama	Member

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

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During the year, the Audit Committee reviewed and amended its terms of reference to include risk management as part of its responsibility and renamed the committee as the Audit and Risk Management Committee ("ARMC").

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

The responsibilities of the ARMC include the following:

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

– review the independence and objectivity of the 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;

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

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

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

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

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

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

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

The ARMC reviews the Group's risk assessment according to the guidelines in its TOR 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 ARMC 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 ARMC 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 $451,464 and $61,551, respectively, for the financial period under review. The re-appointment of the external auditors will be subject to approval by way of an ordinary resolution of shareholders at the Company's Annual General Meeting, to be held on 27 April 2017.

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

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

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

The Board considers that the Group has in place, a system of internal controls of its procedures and processes maintained by the Company's Management to safeguard shareholders' investments and assets of the Company. The system of internal controls 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.

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

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

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

Apart from the internal 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 ARMC.

The Board of Directors and the ARMC 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 ARMC, 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 2016 in providing reasonable assurance of the effectiveness of the Group under the current business environment.

The Board has received assurance from the Chief Executive Officer, Chief Operating Officer and the General Managers of the Business Units, Head of Internal Audit Department and the Corporate Controller of the Company that as at 31 December 2016:

(a) the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2016 give 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 2016 to address the Group's financial, operational, compliance and information technology risks which the business divisions consider relevant and material to their operations.

WHISTLE BLOWING POLICY

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

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

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All cases reported are treated confidentially and objectively investigated. Identities of whistle blower will be kept confidential to the extent possible. Results of the investigation would not be disclosed or discussed with anyone other than those who have a legitimate right to know. Investigation of such reports will be handled by the whistle blow committee headed by Mr. Kuang Yubin and involve persons who need to be involved in order to properly carry out the investigation. The committee will review the information disclosed and will, on a best efforts basis, carry out the investigation in a timely manner. The committee will interview the whistle blower, if known, and if it was an anonymous submission, to determine whether the circumstances warrants a report to the ARMC for further investigation and corrective actions (if any) to be taken.

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

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14 – Shareholders to be treated fairly and equitably

Principle 15 – Regular, effective and fair communication with Shareholders

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

DIVIDEND POLICY

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

The Board is proposing to Shareholders to pay a first and final (one-tier, tax exempt) dividend of 0.5 cent per share at the AGM on 27 April 2017.

DEALINGS IN SECURITIES

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

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

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

INTERESTED PERSON TRANSACTION POLICY

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

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

CORPORATE GOVERNANCE REPORT

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Anhui KM Technology Co. Ltd.	$1,127,745	None
Dongguan Konka Mould Plastic Co. Ltd.	$468,971	None
Toyoichi Tsusho Co. Ltd.	$59,959	None
Wuhan Grand Mould Plastic Co. Ltd.	$272,505	None

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

MATERIAL CONTRACTS

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

RISK MANAGEMENT

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

– the safeguarding and protection of the Group's assets against unauthorized or improper use or disposal;

– protection against material misstatements or losses;

– the maintenance of proper accounting records;

– the reliability of financial information used within the business and for publication;

– the compliance with appropriate legislations, regulations and best practices; and

– the identification and containment of business risks.

CORPORATE GOVERNANCE REPORT

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

1. **Industry and customer risk**

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

2. **Under utilization of production capacity**

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

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

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

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

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

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.

CORPORATE GOVERNANCE REPORT

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. Appropriate measures have been put in place to conserve energy and reduce water usage in all our facilities. We adopt good human resource policies and practices that promote fairness, safe working conditions and encourage teamwork, which is one of the Company's Core Value.

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

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of InnoTek Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

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

	Direct interest			Deemed interest		
Name of director	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At 21 January 2017**	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At 21 January 2017**
Ordinary shares of the Company						
Robert Sebastiaan Lette	–	–	–	40,000	40,000	40,000
Lou Yiliang	–	–	–	10,924,600	11,902,800	11,902,800
Share options of the Company						
Lou Yiliang	–	2,000,000	2,000,000	–	–	–

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

OPTIONS

(1) InnoTek Limited – Employees' Share Option Plan

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

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

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

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

Sunny Wong Fook Choy
Robert Sebastiaan Lette
Steven Chong Teck Sin

DIRECTORS' STATEMENT

OPTIONS (CONTINUED)

(3) As at the end of the financial year, there were 2,000,000 share options to subscribe for ordinary shares of the Company granted to a director of the Company under any of the InnoTek Employees' Share Option Plan.

(4) Details of all the options to subscribe for ordinary shares of the Company under Scheme II and Scheme 2014 as at 31 December 2016 comprises:

Expiry date	Exercise price (S$)	Number of options
23 May 2018	0.28	970,000
19 January 2021	0.185	2,000,000
6 June 2021	0.156	1,500,000
Total		4,470,000

(5) Details of the options to subscribe for ordinary shares of the Company granted to a director of the Company pursuant to the InnoTek Employees' Share Option Scheme 2014 is as follows:

Name of Director	Options granted during financial year	Aggregate options granted since commencement of plan to end of financial year	Aggregate options exercised since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year
Lou Yiliang	2,000,000	–	–	2,000,000
Total	2,000,000[1]	–	–	2,000,000

1 These options are exercisable between the periods from 19 January 2017 to 18 January 2021 at the exercise price of S$0.185 if the vesting conditions are met.

Details of the options to subscribe for ordinary shares of the Company granted to a director of a subsidiary company pursuant to the InnoTek Employees' Share Option Scheme 2014 is as follows:

Name	Options granted during financial year	Aggregate options granted since commencement of plan to end of financial year	Aggregate options exercised since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year
Kuang Yubin	1,500,000	–	–	1,500,000
Total	1,500,000[1]	–	–	1,500,000

1 These options are exercisable between the periods from 6 June 2017 to 5 June 2021 at the exercise price of S$0.156 if the vesting conditions are met.

DIRECTORS' STATEMENT

OPTIONS (CONTINUED)

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

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

AUDIT & RISK MANAGEMENT COMMITTEE

The audit & risk management committee (ARMC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

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

DIRECTORS' STATEMENT

AUDIT & RISK MANAGEMENT COMMITTEE (CONTINUED)

- Reported actions and minutes of the ARMC to the board of directors with such recommendations as the ARMC considered appropriate

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

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

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

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

AUDITOR

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

On behalf of the Board,

Robert Sebastiaan Lette
Director

Lou Yiliang
Chief Executive Officer

Singapore
31 March 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INNOTEK LIMITED

Report on the audit of the financial statement

OPINION

We have audited the financial statements of InnoTek Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

KEY AUDIT MATTERS (CONTINUED)

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Group operates several production facilities in the People's Republic of China (the "PRC"). Losses in recent years has resulted in an indication of impairment of property, plant and equipment in certain subsidiaries in the PRC. Management has performed the impairment test with respect to its property, plant and equipment with carrying value amounting to $36.5 million as at 31 December 2016. Based on the outcome of this impairment test, the Group did not recognise any impairment charge for the financial year ended 31 December 2016. This area was significant to our audit due to the size of the property, plant and equipment's carrying amount (57% of the total non-current assets as at 31 December 2016) and the judgement involved in the impairment assessment. This assessment required the management to make assumptions and use estimates in the preparation of the underlying cash flow forecasts to determine the recoverable amount of the property, plant and equipment.

Our audit procedures included, amongst others, evaluating and assessing the assumptions and methodology used by the Group to determine the recoverable amount of the property, plant and equipment. We assessed management's assumptions, which were mainly relating to revenue, budgeted gross margins and the pre-tax discount rates used. We compared past years' results with management budgets and performed sensitivity analysis on key assumptions, particularly revenue growth rates and gross margins. We also involved our internal specialist to assist us in the review of the methodology used by management to determine the property, plant and equipment's recoverable amount and the key assumptions on the pre-tax discount rates by comparing them to market data of comparable companies. The management's impairment assessment and the related disclosures are included in Note 13 to the financial statements.

Furthermore, we reviewed the adequacy of the disclosures on the sensitivity analysis surrounding the assumptions in Note 13 which indicates that a minor change in assumptions can have a significant effect on the carrying value of the property, plant and equipment.

IMPAIRMENT OF TRADE RECEIVABLES

As of 31 December 2016, the gross carrying amount of trade receivables amounted to $63.6 million and the allowance for doubtful debts amounted to $1.4 million. We focused on this area as the net carrying amount of trade receivables of $62.2 million is material to the financial statements, being 47% of the total current assets. The impairment assessment of trade receivables also required management to exercise significant judgement. In addition, the operating environment in the PRC continues to be challenging due to slower domestic growth, rising labour costs and intense competition. The collectability of trade receivables is also a key element of the Group's working capital management, which is managed on an ongoing basis by management.

As part of our audit, we obtained an understanding of the processes and controls relating to the monitoring of trade receivables. Our audit procedures included, amongst others, requesting trade receivable confirmations, and reviewing for collectability by way of obtaining evidence of receipts from the trade debtors subsequent to the year end. As assessing the impairment of trade receivables requires significant management judgement, we evaluated management's assumptions used to determine the trade receivables impairment amount, through testing of ageing for samples of receivables and assessment of significant overdue individual trade receivables by reviewing historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also evaluated the impairment amounts recognised, taking into account the facts and circumstances specific in the PRC where the subsidiaries operate and the economic environment in the country. The Group's disclosures related to the impairment of trade receivables and the related risks such as credit risk and liquidity risk are disclosed in Notes 21 and 35 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

KEY AUDIT MATTERS (CONTINUED)

ALLOWANCE FOR INVENTORY OBSOLESCENCE

As of 31 December 2016, the gross carrying amount of inventories amounted to $24.7 million and the allowance for inventory obsolescence amounted to $956,000. We focused on this area as the net carrying amount of inventories of $23.8 million is material to the financial statements and the determination of any allowance for inventory obsolescence involves a high level of management judgement, which is further complicated by end-of-life impairment issues.

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

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

Ernst & Young LLP

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2017

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000
Revenue	5	**214,740**	233,137
Cost of sales		**(173,761)**	(217,896)
Gross profit		**40,979**	15,241
Other items of income			
Interest income	6	**414**	278
Other income	7	**3,091**	9,237
Other items of expense			
Selling and distribution		**(4,594)**	(4,642)
Administrative expense		**(25,206)**	(28,654)
Finance cost	8	**(89)**	(186)
Other expenses	9	**(859)**	(6,366)
Share of results of joint venture	17	**63**	(168)
Profit/(loss) before taxation	10	**13,799**	(15,260)
Income tax expense	11	**(2,230)**	(1,033)
Profit/(loss) for the year		**11,569**	(16,293)
Profit/(loss) for the year attributable to:			
Owners of the Company		**11,569**	(16,293)
Profit/(loss) per share attributable to owners of the Company (cents)			
Basic	12	**5.17**	(7.28)
Diluted	12	**5.16**	(7.28)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group	
		2016	2015
		$'000	S'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net loss on fair value changes of available-for-sale financial assets		–	(239)
Realisation of fair value gain on disposal of available-for-sale financial assets and reclassified to profit or loss		–	(167)
Foreign currency translation		**(3,196)**	1,679
Other comprehensive income, net of tax		**(3,196)**	1,273
Total comprehensive income for the year		**8,373**	(15,020)
Total comprehensive income attributable to:			
Owners of the Company		**8,373**	(15,020)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current assets					
Property, plant and equipment	13	**36,467**	42,259	**10**	20
Investment property	14	**16,919**	18,243	**–**	–
Prepaid land lease payments	15	**3,383**	3,631	**–**	–
Intangible assets	16	**144**	370	**26**	25
Investment in subsidiary	4	**–**	–	**47,061**	47,061
Investment in joint venture	17	**1,521**	1,092	**–**	–
Deferred tax assets	19	**3,265**	3,559	**–**	–
Deposit paid for purchase of property, plant and equipment		**572**	154	**–**	–
Loan to subsidiary	23	**–**	–	**25,702**	–
Other receivables	21	**1,431**	1,684	**–**	–
		63,702	70,992	**72,799**	47,106
Current assets					
Inventories	20	**23,759**	21,564	**–**	–
Trade and other receivables	21	**63,559**	68,213	**3,310**	2,390
Tax recoverables		**58**	43	**–**	–
Prepayments	22	**821**	790	**66**	56
Loan to subsidiary	23	**–**	–	**–**	24,141
Other investments	18	**15,332**	15,106	**15,332**	15,106
Derivatives	24	**20**	19	**20**	19
Cash and bank balances	25	**30,090**	25,180	**4,576**	6,242
		133,639	130,915	**23,304**	47,954
Total assets		**197,341**	201,907	**96,103**	95,060
Current liabilities					
Provisions	26	**135**	318	**–**	–
Tax payable		**2,944**	2,042	**1**	10
Loans and borrowings	27	**–**	5,288	**–**	–
Derivatives	24	**190**	26	**190**	26
Trade and other payables	28	**66,272**	75,058	**683**	753
Finance lease	33	**23**	–	**–**	–
		69,564	82,732	**874**	789
Net current assets		**64,075**	48,183	**22,430**	47,165
Non-current liabilities					
Provisions	26	**693**	690	**–**	–
Deferred tax liabilities	19	**2,214**	2,259	**318**	241
Finance lease	33	**50**	–	**–**	–
		2,957	2,949	**318**	241
Total liabilities		**72,521**	85,681	**1,192**	1,030
Net assets		**124,820**	116,226	**94,911**	94,030
Share capital	29(a)	**98,021**	98,021	**98,021**	98,021
Treasury shares	29(b)	**(13,164)**	(13,164)	**(13,164)**	(13,164)
Retained earnings		**40,251**	28,655	**9,785**	9,098
Other reserves		**(288)**	2,714	**269**	75
Total Equity		**124,820**	116,226	**94,911**	94,030

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 2016

2016 Group	Equity, total $'000	Equity attributable to owners of the Company, total $'000	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserves, total $'000	Fair value adjustment reserve $'000	Foreign currency translation reserve $'000	Employee share option reserve $'000
		Attributable to owners of the Company							
Opening balance at 1 January 2016	**116,226**	**116,226**	**98,021**	**(13,164)**	**28,655**	**2,714**	**–**	**2,639**	**75**
Profit for the year	11,569	11,569	–	–	11,569	–	–	–	–
Other comprehensive income									
Foreign currency translation	(3,196)	(3,196)	–	–	–	(3,196)	–	(3,196)	–
Other comprehensive income for the year, net of tax	(3,196)	(3,196)	–	–	–	(3,196)	–	(3,196)	–
Total comprehensive income for the year	(3,196)	(3,196)	–	–	–	(3,196)	–	(3,196)	–
Contributions by and distributions to owners									
Share option expense accrued	221	221	–	–	–	221	–	–	221
Expiry of employee share options	–	–	–	–	27	(27)	–	–	(27)
Total transactions with owners in their capacity as owners	221	221	–	–	27	194	–	–	194
Closing balance at 31 December 2016	**124,820**	**124,820**	**98,021**	**(13,164)**	**40,251**	**(288)**	**–**	**(557)**	**269**

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 2016

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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2016 Company	Equity, total $'000	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserves, total $'000	Employee share option reserve $'000	Fair value adjustment reserve $'000
Opening balance at 1 January 2016	**94,030**	**98,021**	**(13,164)**	**9,098**	**75**	**75**	**–**
Profit for the year	660	–	–	660	–	–	–
Total comprehensive income for the year	**660**	**–**	**–**	**660**	**–**	**–**	**–**
Contributions by and distributions to owners							
Share option expense accrued	221	–	–	–	221	221	–
Expiry of employee share options	–	–	–	27	(27)	(27)	–
Total transactions with owners in their capacity as owners	**221**	**–**	**–**	**27**	**194**	**194**	**–**
Closing balance at 31 December 2016	**94,911**	**98,021**	**(13,164)**	**9,785**	**269**	**269**	**–**

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 2016

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

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit/(Loss) before tax		**13,799**	(15,260)
Adjustments for:			
Depreciation of property, plant and equipment	13	**5,785**	8,925
Amortisation of intangible assets	16	**229**	459
Amortisation of prepaid land lease payments	22	**89**	93
Gain on disposal of property, plant and equipment and intangible assets	7	**(205)**	(1,515)
Net loss/(gain) on derivatives	9	**163**	(29)
Share option expense		**221**	29
Fair value gain on other investments	7	**(61)**	(452)
Gain on disposal of other investments		**–**	(232)
Loss on disposal of held for trading investments	18	**5**	–
Fair value loss/(gain) on investment property	9	**521**	(1,651)
Impairment loss on property, plant and equipment		**–**	4,956
Allowance for doubtful debts	21	**169**	1,410
Share of results of joint venture	17	**(63)**	168
Provision for long service payment, indemnity and restructuring	26	**122**	185
Interest expense	8	**89**	186
Interest income	6	**(414)**	(278)
Dividend income from other investments	7	**(139)**	(373)
(Writeback)/allowance for slow-moving inventories	10	**(158)**	1,572
Effect of exchange rate changes		**(3,400)**	1,273
Operating cash flows before changes in working capital		**16,752**	(534)
Decrease/(increase) in trade and other receivables		**4,792**	(3,290)
(Increase)/decrease in inventories		**(1,992)**	1,335
Decrease in prepayment		**(31)**	(88)
(Decrease)/increase in trade and other payables		**(8,865)**	398
Decrease in provision		**(197)**	(37)
Decrease in trust receipts		**–**	(3,939)
Cash flows generated from/(used in) operations		**10,459**	(6,155)
Interest paid		**(89)**	(186)
Interest received		**364**	284
Taxes paid		**(879)**	(441)
Net cash flows generated from/(used in) operating activities		**9,855**	(6,498)

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

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(1,792)**	(3,321)
Proceeds from sale of property, plant and equipment		**330**	3,750
Purchase of other investments		**(21,385)**	(10,405)
Deposit (paid)/refund for property, plant and equipment		**(417)**	902
Additions to intangible assets	16	**(15)**	(52)
Proceeds from sales of intangible assets		**–**	141
Proceeds from sales of other investments		**21,267**	20,857
Dividend from other investments	7	**139**	373
Investment in joint venture		**(507)**	(1,589)
Decrease/(increase) in bank balance under portfolio investment management		**59**	(227)
Decrease in pledged time deposits		**1,309**	976
Decrease in restricted cash		**–**	915
Effect of exchange rate changes		**2,876**	(2,774)
Net cash generated from investing activities		**1,864**	9,546
Cash flows from financing activities			
Repayment of obligations under finance leases	13	**(18)**	–
Decrease in short term financing		**(5,454)**	(120)
Effect of exchange rate changes		**166**	(36)
Net cash used in financing activities		**(5,306)**	(156)
Net increase in cash and cash equivalents		**6,413**	2,892
Effect of exchange rate changes on cash and cash equivalents		**(136)**	329
Cash and cash equivalents at beginning of year		**22,783**	19,562
Cash and cash equivalents at end of year	25	**29,060**	22,783

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2016. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for FRS 109, FRS 115 and FRS 116, 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 changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 115 *Revenue from Contracts with Customers*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

FRS 109 *Financial Instruments*

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

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

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(a) Basis of consolidation (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(a) Basis of consolidation (Continued)

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.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.5 Transactions with non-controlling interests

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (Continued)

(a) Transactions and balances (Continued)

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

(b) Consolidated financial statements

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

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

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

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured 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 2.21.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

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 or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties.

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

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

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

2.9 Prepaid land lease payment

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite.

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

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Joint arrangements (Continued)

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

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

2.14 Associates and joint ventures

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

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Associates and joint ventures (Continued)

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.

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement (Continued)

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

(a) Financial assets (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

(b) Financial liabilities (Continued)

Subsequent measurement (Continued)

(ii) Financial liabilities at amortised cost

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

De-recognition

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets (Continued)

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

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) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had 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 current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets (Continued)

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

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

2.17 Cash and cash equivalents

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

2.18 Inventories

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

(a) General

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

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

(b) Restructuring provision

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

2.20 Government grants

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

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.21 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. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group did not capitalise any borrowing costs during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) Employee leave entitlement

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

(c) Termination benefit

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (Continued)

(d) Employee share option plans

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

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

2.23 Leases

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group 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 2.24(d). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 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.

(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.

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Taxes (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Taxes (Continued)

(c) Sales tax

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Key sources of estimates uncertainty

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

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

(a) Impairment of loans and receivables

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

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

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

The Group's management determines the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment. These estimates are based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. They could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where residual values or useful lives are less than previously estimated, or it will write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could results in a change in depreciable lives and therefore depreciation in the future periods. The carrying amount of the Group's and the Company's property, plant and equipment as at 31 December 2016 is stated in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Key sources of estimates uncertainty (Continued)

(c) Employee share options

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

(d) Fair value of investment property

Investment property is carried in the consolidated balance sheets at its fair value. The fair value was based on a valuation on the property conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment property, and the corresponding adjustments to the gain or loss recognised in the profit or loss. The carrying amount of the investment property as at 31 December 2016 was $16,919,000 (2015: $18,243,000).

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

(e) Impairment of property, plant and equipment

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

The carrying amount of the property, plant and equipment as at 31 December 2016 is $36,467,000 (2015: $42,259,000).

(f) Inventory obsolescence

Management reviews the inventory listing on a periodic basis. This review involves comparison of the carrying value of the inventory items with the respective net realizable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow-moving items. The carrying amounts of inventory provision as at 31 December 2016 was $956,000 (2015: $1,323,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Judgement made in applying accounting policies

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

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

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property. The carrying amount of the Group's investment property as at 31 December 2016 is stated in Note 14 to the financial statements.

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant 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 3 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 2016 was $2,807,000 (2015: $1,764,000) and the unrecognised tax losses and capital allowances at 31 December 2016 was $47,503,000 (2015: $44,720,000). If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $11,505,000 (2015: $10,921,000).

(c) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's tax payable, deferred tax assets and deferred tax liabilities as at 31 December 2016 were $2,944,000 (2015: $2,042,000), $3,265,000 (2015: $3,559,000) and $2,214,000 (2015: $2,259,000) respectively. The carrying amounts of the Company's tax payable and deferred tax liabilities as at 31 December 2016 were $1,000 (2015: $10,000) and $318,000 (2015: $241,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	**2015**
	$'000	**$'000**
Shares, at cost	**47,061**	47,061

The Group has the following significant investments in subsidiaries.

Name	Principal place of business	Principal Activities	Effective interest held by the Group 2016 %	Effective interest held by the Group 2015 %
(a) Subsidiary companies				
Directly held by the Company				
Mansfield Manufacturing Company Limited ("Mansfield")(1)	Hong Kong	Metal stamping and sub-assembly of stamped components, tooling and die making	**100**	100
Indirectly held through subsidiary companies				
Mansfield				
Go Smart Development Limited(1)	Hong Kong	Dormant	**100**	100
Lens Tool & Die (H.K.) Limited(1)	Hong Kong	Investment holding	**100**	100
Magix Mechatronics Company Limited(1)	Hong Kong	Sale of assembly components	**100**	100
Feng Chuan Tooling Company Limited(1)	Hong Kong	Sale of precision tools and dies	**100**	100
Feng Chuan Tooling (Dongguan) Company Limited(2)	People's Republic of China	Manufacturing of precision tools and dies	**100**	100
Mansfield (Suzhou) Manufacturing Company Limited(2)	People's Republic of China	Metal stamping, tooling and die making	**100**	100
Magix Mechatronics (Dongguan) Company Limited(2)	People's Republic of China	Assembly of components	**100**	100
Magix Industrial Company Limited(1)	Hong Kong	Dormant	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Principal place of business	Principal Activities	Effective interest held by the Group 2016 %	2015 %
(a) Subsidiary companies (Continued)				
Indirectly held through subsidiary companies (Continued)				
Sun Mansfield Manufacturing (Dongguan) Company Limited(2)	People's Republic of China	Metal stamping, tooling and die making	**100**	100
Mansfield Manufacturing (Wuhan) Company Limited(2)	People's Republic of China	Metal stamping	**100**	100
Mansfield Technology (Taiwan) Company Limited(3)	Taiwan	Sale of stamped components, precision tools and dies	**100**	100

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

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

3 Not required to be audited by the law of its country of incorporation

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 2016 $'000	2015 $'000
Interest income from bonds and banks	**414**	278

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. OTHER INCOME

	Group	
	2016	**2015**
	$'000	**$'000**
Rental income	**1,459**	1,311
Sample recharge	**55**	724
Dividend income from other investments	**139**	373
Gain on disposal of property, plant and equipment and intangible assets	**205**	1,515
Fair value gain on other investments	**61**	452
Fair value gain on investment property	**–**	1,651
Net foreign exchange gain	**348**	2,162
Government grants*	**176**	261
Miscellaneous recharged to customer	**–**	179
Gain on disposal of other investments	**–**	232
Others	**648**	377
	3,091	9,237

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

8. FINANCE COSTS

	Group	
	2016	**2015**
	$'000	**$'000**
Interest expense		
– Bank loans and borrowings	**89**	186

9. OTHER EXPENSES

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

	Group	
	2016	**2015**
	$'000	**$'000**
Impairment loss on property, plant and equipment	**–**	4,956
Net loss on derivatives	**163**	–
Allowance for doubtful debts	**169**	1,410
Fair value loss on investment property	**521**	–
Others	**6**	–
	859	6,366

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. PROFIT/(LOSS) BEFORE TAX

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

	Group 2016 $'000	Group 2015 $'000
Audit fees:		
– Auditors of the Company	**90**	85
– Other auditors	**362**	323
Non-audit fees:		
– Auditors of the Company	**18**	16
– Other auditors	**44**	57
Inventories recognised as an expense in cost of sales	**82,855**	102,102
Depreciation of property, plant and equipment	**5,785**	8,925
Amortisation of intangible assets	**229**	459
Amortisation of prepaid land lease payments	**89**	93
Employee benefit expense:		
(excluding directors' remuneration – Note 31(b))		
Wages and salaries	**52,815**	62,453
Pension scheme contributions	**2,413**	4,976
Provision for long service payment	**7**	66
Restructuring expenses	**115**	119
Share option expense	**221**	29
(Write back)/allowance for inventory obsolescence	**(158)**	1,572

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 2016 $'000	Group 2015 $'000
Current		
Singapore	**29**	50
Foreign	**1,947**	502
(Over)/under provision for current income tax in respect of previous years	**(26)**	2
	1,950	554
Deferred		
Origination and reversal of temporary differences	**280**	479
Income tax expense recognised in the profit or loss	**2,230**	1,033

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. INCOME TAX EXPENSE (CONTINUED)

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 2016 and 31 December 2015 are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Accounting profit/(loss) before tax	13,799	(15,260)
Tax recoverables at the domestic rates applicable to profits in the countries where the Group operates	**3,986**	(2,917)
Adjustments:		
Income not subject to taxation	**(1,642)**	(308)
Non-deductible expenses	**2,219**	3,413
Tax losses not recognised	**618**	1,078
Benefits from previously unrecognised tax losses	**(2,929)**	(206)
(Over)/under provision of tax in prior years	**(26)**	2
Others	**4**	(29)
Income tax expense recognised in the profit or loss	**2,230**	1,033

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

The corporate income tax rate applicable to the Company was 10% for the years of assessment 2016 and 2015.

For the companies operating in Hong Kong and PRC, corporate taxes have been calculated on the estimated assessable profits for the year at the rate of 16.5% and 25%, respectively (2015: 16.5% and 25%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. EARNINGS PER SHARE

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

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

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

	Group	
	2016	**2015**
	$'000	**$'000**
Profit/(loss) attributable to owners of the Company	**11,569**	(16,293)

	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation	**223,835**	223,835
Effects of dilution:		
– Share options	**218**	–
Weighted average number of ordinary shares for diluted earnings per share computation*	**224,053**	223,835

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings $'000	Machinery and equipment $'000	Furniture fittings, and office equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Construction in-progress $'000	Total $'000
Cost							
At 1 January 2015	30,120	120,809	7,656	640	36,036	249	195,510
Additions	–	855	123	–	747	1,596	3,321
Reclassification	–	1,203	–	–	–	(1,203)	–
Disposals and write-off	–	(14,012)	(1,676)	(6)	(5,370)	–	(21,064)
Exchange differences	650	7,093	423	35	1,903	(12)	10,092
At 31 December 2015 and 1 January 2016	30,770	115,948	6,526	669	33,316	630	187,859
Additions	–	741	32	157	953	–	1,883
Reclassification	–	368	–	–	–	(368)	–
Disposals and write-off	–	(2,307)	(133)	(184)	(8)	(129)	(2,761)
Exchange differences	(1,357)	(1,362)	(60)	6	(545)	(73)	(3,391)
At 31 December 2016	**29,413**	**113,388**	**6,365**	**648**	**33,716**	**60**	**183,590**
Accumulated depreciation and impairment loss							
At 1 January 2015	7,570	97,138	7,142	467	30,573	221	143,111
Charge for the year	1,081	6,256	252	91	1,245	–	8,925
Impairment loss	–	2,481	–	–	2,475	–	4,956
Disposals and write-off	–	(12,041)	(1,605)	(6)	(5,167)	–	(18,819)
Exchange differences	156	5,306	367	28	1,564	6	7,427
At 31 December 2015 and 1 January 2016	8,807	99,140	6,156	580	30,690	227	145,600
Charge for the year	1,029	3,980	171	63	542	–	5,785
Impairment loss	–	–	–	–	–	–	–
Disposals and write-off	–	(2,146)	(133)	(164)	(8)	(167)	(2,618)
Exchange differences	(391)	(764)	(45)	4	(448)	–	(1,644)
At 31 December 2016	**9,445**	**100,210**	**6,149**	**483**	**30,776**	**60**	**147,123**
Carrying amount							
At 31 December 2016	**19,968**	**13,178**	**216**	**165**	**2,940**	**–**	**36,467**
At 31 December 2015	21,963	16,808	370	89	2,626	403	42,259

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold improvements S$'000	Furniture, fittings and office equipment $'000	Total $'000
Cost			
At 1 January 2015	–	–	–
Additions	20	9	29
At 31 December 2015 and 1 January 2016	20	9	29
Additions	–	–	–
At 31 December 2016	**20**	**9**	**29**
Accumulated depreciation			
At 1 January 2015	–	–	–
Charge for the year	(6)	(3)	(9)
At 31 December 2015 and 1 January 2016	(6)	(3)	(9)
Charge for the year	(6)	(4)	(10)
At 31 December 2016	**(12)**	**(7)**	**(19)**
Net book value			
At 31 December 2016	**8**	**2**	**10**
At 31 December 2015	14	6	20

Assets held under finance leases

During the financial year, the Group acquired motor vehicle with an aggregate cost of $91,000 (2015: $NIL) by means of finance leases. The cash outflow on acquisition of motor vehicle amounted to $18,000 (2015: $NIL).

The carrying amount of motor vehicles held under finance leases at the end of the reporting period were $73,000 (2015: $NIL).

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

Impairment of assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of assets (Continued)

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

	Precision Components and Tooling segment		Precision Sub-assembly segment	
	2016	**2015**	**2016***	**2015**
Growth rates	**3.0%**	3%	–	3%
Pre-tax discount rates	**15.0%**	14.5%	–	14.5%

* There is no indicator of impairment for the precision sub-assembly segment for 2016.

Key assumptions used in the value in use calculation

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

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

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

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.

Management does not believe that a reasonably possible change in any key assumptions used would cause the carrying values of CGUs to materially exceed the recoverable amount.

14. INVESTMENT PROPERTY

	Group	
	2016	**2015**
	$'000	**$'000**
Balance sheet:		
At 1 January	**18,243**	16,260
(Loss)/gain from fair value adjustments recognised in profit or loss	**(521)**	1,651
Exchange differences	**(803)**	332
At 31 December	**16,919**	18,243

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. INVESTMENT PROPERTY (CONTINUED)

	Group	
	2016	**2015**
	$'000	**$'000**
Income statement:		
Rental income from investment property	**1,267**	1,147
Direct operating expenses (including repairs and maintenance) arising from rental generating property	**362**	395

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

Valuation of investment property

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

The Group's investment property was revalued on 31 December 2016 by BMI Appraisals, independent professional qualified valuers, at $16.9 million (2015: $18.2 million) on an open market value basis using the income approach. Each year, directors of the Group appoint an external valuer to fair value the Group's investment property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date. The investment property is leased to third parties under operating leases.

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

Description and location	**Existing Use**	**Tenure**	**Remaining lease term**
Industrial complex located in Hedong Industrial Zone, Xiang Xin East Road, Yiantian Village, Fenggang Town, Dongguan City, Guangdong Province, The PRC	Factory	Leasehold	42 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2016	**2015**
	$'000	**$'000**
Cost		
At 1 January	**4,270**	4,181
Exchange differences	**(188)**	89
At 31 December	**4,082**	4,270
Accumulated amortisation and impairment loss		
At 1 January	**546**	444
Amortisation for the year	**89**	93
Exchange differences	**(24)**	9
At 31 December	**611**	546
Carrying amount at 31 December	**3,471**	3,724
Current portion included in prepayments (Note 22)	**(89)**	(93)
	3,382	3,631
Amount to be amortised:		
– Not later than one year	**89**	93
– Later than one year but not later than five years	**353**	370
– Later than five years	**3,029**	3,261
	3,471	3,724

The Group has 3 (2015: 3) separate plots of leasehold land in People's Republic of China (PRC). The leasehold land is transferable and has remaining tenures ranging from 40 to 42 (2015: 41 to 43) years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. INTANGIBLE ASSETS

Group	Club memberships $'000	Computer Software $'000	Total $'000
Cost			
Balance 1 January 2015	129	2,537	2,666
Addition	–	52	52
Disposal	(129)	–	(129)
Exchange differences	–	104	104
At 31 December 2015 and 1 January 2016	–	2,693	2,693
Addition	–	15	15
Exchange differences	–	(46)	(46)
At 31 December 2016	**–**	**2,662**	**2,662**
Accumulated amortisation and impairment loss			
Balance 1 January 2015	–	1,786	1,786
Charge for the year	–	459	459
Exchange differences	–	78	78
At 31 December 2015 and 1 January 2016	–	2,323	2,323
Charge for the year	–	229	229
Exchange differences	–	(34)	(34)
At 31 December 2016	**–**	**2,518**	**2,518**
Net book value			
At 31 December 2016	**–**	**144**	**144**
At 31 December 2015	–	370	370

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. INTANGIBLE ASSETS (CONTINUED)

Company	Club memberships $'000	Computer Software $'000	Total $'000
Cost			
At 1 January 2015	–	–	–
Addition	–	27	27
At 31 December 2015 and 1 January 2016	–	27	27
Addition	–	15	15
At 31 December 2016	–	42	42
Accumulated amortisation and impairment loss			
At 1 January 2015	–	–	–
Charge for the year	–	2	2
At 31 December 2015 and 1 January 2016	–	2	2
Charge for the year	–	14	14
At 31 December 2016	–	16	16
Net book value			
At 31 December 2016	–	26	26
At 31 December 2015	–	25	25

17. INVESTMENT IN JOINT VENTURE

	Group 2016 $'000	Group 2015 $'000
Investment in joint venture	**1,521**	1,092

Name	Principal place of business	Principal Activities	Effective interest held by the Group 2016 %	Effective interest held by the Group 2015 %
Indirectly held through subsidiary companies				
Anhui KM Technology Co. Ltd[1]	People's Republic of China	Research and development, manufacturing and sale of precision metal parts, hardware fittings and metal assembly	**49**	49

1 Audited by Asia Pacific Group Certified Public Accountants LLP, People's Republic of China

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. INVESTMENT IN JOINT VENTURE (CONTINUED)

Summarised financial information in respect of the Group's joint venture based on its FRS financial statements:

	Group 2016 $'000	Group 2015 $'000
Anhui KM Technology Co. Ltd		
Current assets	**4,394**	3,406
Non-current assets	**1,641**	1,088
Current liabilities	**(2,068)**	(1,566)
Revenue	**7,124**	142
Profit/(loss) for the year, representing total comprehensive income for the year	**129**	(343)
Profit/(loss) for the year attributable to the Group	**63**	(168)

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

	Group 2016 $'000	Group 2015 $'000
Net assets of the joint venture	3,967	2,928
Proportion of the Group's ownership interest in the joint venture	49%	49%
	1,944	1,435
Other adjustments	(423)	(343)
Carrying amount of the Group's interest in the joint venture	1,521	1,092

18. OTHER INVESTMENTS

	Group and Company 2016 $'000	Group and Company 2015 $'000
Held for trading financial assets:		
Equity securities (quoted)	**4,431**	8,037
Bonds and fixed income (quoted)	**10,901**	7,069
	15,332	15,106

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. OTHER INVESTMENTS (CONTINUED)

Held for trading financial assets

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

	2016 $'000	2015 $'000
United States Dollar	**7,732**	5,527
Euro	**841**	1,188
Japanese Yen	**169**	698

No impairment loss was recognised during the year ended 31 December 2016 and 2015. The Group has recognised gain on disposal of available-for-sale financial assets of $NIL (2015: $107,000) and loss on disposal of held for trading financial assets of $5,000 (2015 Gain on disposal: $125,000) during the year.

19. DEFERRED TAX

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

Group

	2016 $'000	2015 $'000
Deferred tax assets	**3,265**	3,559
Deferred tax liabilities	**(2,214)**	(2,259)
	1,051	1,300

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. DEFERRED TAX (CONTINUED)

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

	Deferred tax assets			
	Loss available for offsetting against future taxable profits $'000	Provisions for various expenses $'000	Depreciation in excess of related depreciation allowance $'000	Total $'000
At 1 January 2015	1,647	1,098	561	3,306
Deferred tax credited to the income statement during the year (Note 11)	–	22	19	41
Exchange realignment	117	62	33	212
At 31 December 2015 and 1 January 2016	1,764	1,182	613	3,559
Deferred tax credited/(charged) to the income statement during the year (Note 11)	983	(890)	(459)	(366)
Exchange realignment	63	6	3	72
At 31 December 2016	2,810	298	157	3,265

	Deferred tax liabilities			
	Foreign income not remitted $'000	Fair value adjustment arising from the investment property $'000	Depreciation allowance in excess of related depreciation $'000	Total $'000
At 1 January 2015	(137)	(1,466)	(107)	(1,710)
Deferred tax charged to the income statement during the year (Note 11)	(104)	(416)	–	(520)
Exchange realignment	–	(22)	(7)	(29)
At 31 December 2015 and 1 January 2016	(241)	(1,904)	(114)	(2,259)
Deferred tax (charged)/credited to the income statement during the year (Note 11)	(77)	49	114	86
Exchange realignment	–	(11)	–	(41)
At 31 December 2016	(318)	(1,896)	–	(2,214)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. DEFERRED TAX (CONTINUED)

Company

Deferred tax liabilities	**Foreign income not remitted**	
	2016	**2015**
	$'000	**$'000**
At 31 December	**318**	241

Unrecognised temporary differences relating to investment in subsidiaries

At 31 December 2016 and 31 December 2015, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the subsidiary of the Group.

Unrecognised tax losses

As at 31 December 2016, the Group had unutilised tax losses and unutilised capital allowances of approximately $4,366,000 and $43,137,000 (2015: $3,046,000 and $41,674,000) arising from the Hong Kong subsidiaries and PRC subsidiaries respectively, which are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement with the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the Group operates. Tax loss arising from the PRC subsidiaries will expire in one to five years for offsetting against future taxable profits.

20. INVENTORIES

	Group	
	2016	**2015**
	$'000	**$'000**
Finished goods	**12,283**	11,302
Work-in-progress	**7,483**	6,474
Raw materials	**3,993**	3,788
Total inventories at lower of cost and net realisable value	**23,759**	21,564

During the year, the Group made a write back for slow-moving inventories of $158,000 (2015: Allowance for slow-moving inventories of $1,572,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade and other receivables (current):				
Trade receivables	**62,203**	65,514	**–**	–
Amount due from subsidiary	**–**	–	**3,273**	2,352
Other debtors	**382**	1,240	**11**	12
Deposits	**974**	1,459	**26**	26
	63,559	68,213	**3,310**	2,390
Loan to subsidiary (Note 23)	**–**	–	**25,702**	24,141
	63,559	68,213	**29,012**	26,531
Other receivables (non-current):				
Deposits	**1,431**	1,684	**–**	–
Total trade and other receivables (current and non-current)	**64,990**	69,897	**29,012**	26,531
Add: Cash and bank balances (Note 25)	**30,090**	25,180	**4,576**	6,242
Total loans and receivables	**95,080**	95,077	**33,588**	32,773

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 2016 and 31 December 2015 are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
United States Dollar	**17,079**	23,770
Renminbi	**42,704**	38,168

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

As at 31 December 2016 and 2015, outstanding trade receivables endorsed to banks as factoring loans with recourse obligation were $NIL and $6,827,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Amount due from subsidiary

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

Allowance for doubtful trade receivables

For the year ended 31 December 2016, an allowance of doubtful debts of $169,000 (2015: $1,410,000) 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	
	2016	**2015**
	$'000	**$'000**
Movement in allowance accounts:		
At 1 January	**(1,603)**	(507)
Charge for the year	**(169)**	(1,410)
Bad debt written off against provision	**414**	336
Exchange differences	**2**	(22)
At 31 December	**(1,356)**	(1,603)

The above represents a provision for individually impaired trade receivables whose carrying values aggregate $1,356,000 (2015: $1,603,000) as at year end. The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are not expected to be recovered.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $6,356,000 (2015: $6,249,000) 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	
	2016	**2015**
	$'000	**$'000**
Trade receivables past due:		
Less than 30 days	**3,881**	2,930
30 to 60 days	**1,356**	1,221
61 to 90 days	**257**	439
91 to 120 days	**380**	97
More than 120 days	**482**	1,562
	6,356	6,249

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. PREPAYMENTS

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Current:				
Prepaid land lease payments (Note 15)	**89**	93	**–**	–
Other prepayments	**732**	697	**66**	56
	821	790	**66**	56

23. LOANS TO SUBSIDIARY

Loans to subsidiary disbursed by the Company are unsecured, long term and are to be settled in cash. Interest bearing loans bear interest ranging from 2.23% to 4.1% (2015: 2.23% to 2.94%) per annum.

24. DERIVATIVES

	Group and Company 2016 $'000		
	Contract/ Notional Amount	**Assets**	**Liabilities**
Forward currency contracts	**8,324**	**20**	**(190)**
Total derivatives		**20**	**(190)**
Add: Held for trading investments (Note 18)		**15,332**	**–**
Total financial assets/(liabilities) at fair value through profit or loss		**15,352**	**(190)**

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. CASH AND BANK BALANCES

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**25,849**	19,084	**335**	1,454
Bank balance under portfolio investment management	**1,030**	1,089	**1,030**	1,089
Short term deposits	**3,211**	5,007	**3,211**	3,699
	30,090	25,180	**4,576**	6,242
Bank balance under portfolio investment management	**(1,030)**	(1,089)	**(1,030)**	(1,089)
Pledged fixed deposit and restricted cash	**–**	(1,308)	**–**	–
Net cash and bank balance	**29,060**	22,783	**3,546**	5,153
Cash and cash equivalents	**29,060**	22,783	**3,546**	5,153

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 0.3% (2015: 0.2%) per annum.

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

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
United States dollar	**19,634**	12,356	**3,249**	3,730

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. PROVISIONS

	Group			
	Provision for long service payment $'000	**Provision for indemnity $'000**	**Provision for restructuring $'000**	**Total S$'000**
At 1 January 2015	684	117	37	838
Arose during the year	66	–	119	185
Utilised during the year	(37)	–	–	(37)
Exchange differences	13	9	–	22
At 31 December 2015 and 1 January 2016	726	126	156	1,008
Arose during the year	7	–	115	122
Utilised during the year	(1)	–	(275)	(276)
Exchange differences	(33)	3	4	(26)
At 31 December 2016	**699**	**129**	**–**	**828**
At 31 December 2015				
Current	36	126	156	318
Non-current	690	–	–	690
	726	126	156	1,008
At 31 December 2016				
Current	**6**	**129**	**–**	**135**
Non-current	**693**	**–**	**–**	**693**
	699	**129**	**–**	**828**

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

The Group has made a provision of indemnity for exposure of certain inventories and receivable of major customer under Option Agreement upon disposal of Exerion group on 20 February 2012. As at 31 December 2014, the Group re-assessed the exposure related to the provision of indemnity and made an additional provision of $38,000 accordingly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. LOANS AND BORROWINGS

	Group		
	Weighted average effective interest rate (p.a.)	Maturity	2015 $'000
Current:			
Factoring loans	2.67% – 2.73%	2016	5,288
Total loans and borrowings			5,288

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade and other payables:				
Trade payables	**43,073**	51,615	**–**	–
Other payables	**6,242**	5,435	**176**	166
Accrued operating expenses	**16,083**	16,544	**507**	587
Advance payment from customers	**874**	1,464	**–**	–
Total trade and other payables	**66,272**	75,058	**683**	753
Add: Loans and borrowings (Note 27)	**–**	5,288	**–**	–
Add: Current and non-current finance lease liabilities (Note 33(e))	**73**	–	**–**	–
Less: Advance payment from customers	**(874)**	(1,464)	**–**	–
Less: Accrued employee benefits and statutory tax payables	**(11,902)**	(12,388)	**(399)**	(432)
Total financial liabilities carried at amortised cost	**53,569**	66,494	**284**	321

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 2016 and 31 December 2015 is as follows:

	Group	
	2016 $'000	2015 $'000
United States Dollar	**7,805**	10,425
Renminbi	**38,595**	42,770

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
At 1 January and 31 December	**246,656**	**98,021**	246,656	98,021

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

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

(b) Treasury shares

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
At 1 January and 31 December	**22,821**	**13,164**	22,821	13,164

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

30. EMPLOYEE SHARE OPTION PLAN

(a) InnoTek Employees' Share Option Plan

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. EMPLOYEE SHARE OPTION PLAN (CONTINUED)

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

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

The unissued ordinary shares of the Company under the plans as at 31 December 2016 can be found under the Section "Options" of the Directors' Statement.

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

	2016		2015	
	No.	**WAEP($)**	**No.**	**WAEP($)**
Outstanding at beginning of year	**1,510,000**	**0.28**	3,590,000	0.28
– Granted	**3,500,000**	**0.17**	–	–
– Forfeited	**(540,000)**	**0.28**	(2,080,000)	0.28
Outstanding at end of year(1)	**4,470,000**	**0.20**	1,510,000	0.28
Exercisable at end of year	**970,000**	**–**	–	–

(1) The exercise price for options outstanding at the end of the year has a range of $0.156 and $0.185 (2015: $0.28). The weighted average remaining contractual life for the options is 3.5 years (2015: 2.5 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.

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30. EMPLOYEE SHARE OPTION PLAN (CONTINUED)

Fair value of share options granted (Continued)

The following tables list the inputs to the option pricing models for Scheme 2014:

Scheme 2014	
2,000,000 options granted on 19 January 2016	
Dividend yield ($/year)	–
Expected volatility (%)	55.8
Risk-free rate (% p.a)	1.1
Expected life of option (years)	3.0
Share price ($)	0.195
Fair value of grant ($)	0.078

Scheme 2014	
1,500,000 options granted on 6 June 2016	
Dividend yield ($/year)	–
Expected volatility (%)	61.1
Risk-free rate (% p.a)	0.89
Expected life of option (years)	3.0
Share price ($)	0.159
Fair value of grant ($)	0.066

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.

31. RELATED PARTY TRANSACTIONS

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

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

	Group	
	2016	**2015**
	$'000	**$'000**
Sales of goods to joint venture and related party	**1,357**	466
Sales of plant and equipment to joint venture	**55**	789
Purchase of goods from related party	**184**	(9)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel

	Group	
	2016	2015
	$'000	$'000
Directors' fees	**361**	375
Short-term employee benefits	**3,325**	2,195
Central provident fund contributions	**44**	60
Total compensation paid to key management personnel	**3,730**	2,630
Comprise amounts paid to:		
– Directors of the Company	**1,004**	644
– Other key management personnel	**2,726**	1,986
	3,730	2,630

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

Interest of key management personnel in employee share option plan

In 2016, 3,500,000 share options were granted to the key management personnel under the InnoTek Employees' Share Option Scheme 2014 (the "Scheme 2014") at an average price of $0.17 each, exercisable between 19 January 2017 and 6 June 2021.

At the end of the reporting period, the total number of outstanding share options granted by the Company to key management personnel amount to 3,980,000 (2015: 780,000).

32. Directors' remuneration

Number of directors in remuneration bands:

	2016	2015
$250,000 to $749,999	**1**	1
Below $250,000	**6**	6
	7	7

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. COMMITMENTS AND CONTINGENCIES

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

	Group	
	2016	2015
	$'000	$'000
Commitments in respect of purchase of property, plant and equipment	**915**	375

(b) The Company and its subsidiaries have issued corporate guarantees amounting to $NIL (2015: $8.5 million) in favour of certain financial institutions for banking facilities extended to the subsidiaries in the Group, of which $NIL (2015: $NIL) was utilised as at 31 December 2016.

(c) Operating lease commitments – As lessee

The Group leases certain properties and motor vehicles under lease agreements that are non-cancellable within a year. Leases for properties are negotiated for various terms ranging from one to five years (2015: ranging from one to five years) with no renewal option or escalation clauses included in the contracts. There are no restrictions placed upon the Group or the Company by entering into these leases. Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Within one year	**6,190**	7,492	**102**	102
After one year but not more than five years	**12,050**	17,872	**26**	25
	18,240	25,364	**128**	127

(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 two years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. There is 1.5 years (2015: 1 year) remaining on the lease term.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants failing due as follows:

	Group	
	2016	2015
	$'000	$'000
Within one year	**1,581**	352
After one year but not more than five years	**512**	–
	2,093	352

NOTES TO THE FINANCIAL STATEMENTS

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33. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(e) Finance lease commitments

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

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

	Minimum lease payment 2016 $	Present value of payments 2016 $
Not later than one year	23	23
More than one year	51	50
Total	74	73
Less: Amounts representing finance charges	(1)	–
Present value of minimum lease payments	73	73

34. FAIR VALUE MEASUREMENTS

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

Fair value hierarchy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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34. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Level 1 fair value measurements

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

(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 2016 $'000	Valuation techniques	Unobservable inputs	Range (weighted average)
Investment property				
Industrial property	16,919	Income approach	Market rental (per s.q.m and per month)	Renminbi ("RMB") 13.3
			Capitalisation rate	8%

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Level 3 fair value measurements (Continued)

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

Investment property (Continued)

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.

Valuation policies and procedures

The Group's Corporate Controller oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Group's Corporate Controller reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

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

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

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

The Group's Corporate Controller documents and reports its analysis and results of the external valuations to the Audit Committee on a quarterly basis. The Audit Committee performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Level 3 fair value measurements (Continued)

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

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 2016		
		Effect of reasonably possible alternative assumptions	
	Carrying amount $'000	Profit or loss $'000	Other comprehensive loss $'000
Investment property:			
Leasehold land and buildings	**16,919**	**(521)**	**(803)**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Level 3 fair value measurements (Continued)

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

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

	Group			
	2016		2015	
	$'000		$'000	
	Fair value measurements using significant unobservable inputs (Level 3)			
	Investment property	Total	Investment property	Total
	Commercial		Commercial	
Opening balance	**18,243**	**18,243**	16,260	16,260
Total gains or losses for the period				
Included in profit or loss	**(521)**	**(521)**	1,651	1,651
Included in other comprehensive income	**(803)**	**(803)**	332	332
Closing balance	**16,919**	**16,919**	18,243	18,243

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

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

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

(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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Group				
Non-current other receivables	**1,431**	1,684	**1,250**	1,428

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. FAIR VALUE MEASUREMENTS (CONTINUED)

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

Determination of fair value

Non-current other receivables

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group's and the Company's principal financial instruments, comprise cash and short-term deposits, other receivables and derivatives. 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.

(a) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (Continued)

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

	Group		Company	
	Strengthened/ (weakened) %	Increase/ (decrease) in profit before tax $'000	Strengthened/ (weakened) %	Increase/ (decrease) in profit before tax $'000
2016				
Hong Kong dollar	**1**	**200**	**1**	**48**
Singapore dollar	**1**	**53**	**1**	**53**
United States dollar	**1**	**59**	**1**	**55**
Hong Kong dollar	**(1)**	**(200)**	**(1)**	**(48)**
Singapore dollar	**(1)**	**(53)**	**(1)**	**(53)**
United States dollar	**(1)**	**(59)**	**(1)**	**(55)**
2015				
Hong Kong dollar	1	124	–	–
Singapore dollar	1	77	1	246
United States dollar	1	(29)	1	38
Hong Kong dollar	(1)	(124)	–	–
Singapore dollar	(1)	(77)	(1)	(246)
United States dollar	(1)	29	(1)	(38)

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating entities in currencies other than the entities' functional currencies to which it relates which are mainly in Singapore dollar, Renminbi and Hong Kong dollar. The Group manages its transactional currency exposures by matching as far as possible, its receipt and payment in each individual currency.

Approximately 42% (2015: 51%) of the Group's sales and almost 82% (2015: 79%) of costs are denominated in the functional currencies of the Group entities. 29% (2015: 37%) of the Group's trade receivable and 17% (2015: 21%) of trade payable balances at the end of the reporting period are denominated in foreign currencies.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (Continued)

The Group and the Company also hold quoted equity securities and cash and cash equivalents denominated in foreign currencies for investment and working capital purposes. At the balance sheet date, such foreign currency balances (mainly in USD) for equity securities and cash and cash equivalents amount to $7,732,000 and $19,634,000 respectively (2015: $5,527,000 and $12,356,000) for the Group, and amount to $7,732,000 and $3,249,000 respectively (2015: $5,527,000 and $3,730,000) for the Company.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the exchange rate of United States dollar, Euro, Singapore dollar and Hong Kong dollar 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):

	2016		2015	
Group	**Strengthened/ (weakened) %**	**Increase/ (decrease) in profit before tax $'000**	**Strengthened/ (weakened) %**	**Increase/ (decrease) in profit before tax $'000**
United States dollar	**5.0**	**402**	5.0	504
	(5.0)	**(402)**	(5.0)	(504)
Euro	**5.0**	**81**	5.0	53
	(5.0)	**(81)**	(5.0)	(53)
Singapore dollar	**5.0**	**(84)**	5.0	(1,090)
	(5.0)	**84**	(5.0)	1,090
Company				
United States dollar	**5.0**	**275**	5.0	504
	(5.0)	**(275)**	(5.0)	(504)
Hong Kong dollar	**5.0**	**1,289**	5.0	13
	(5.0)	**(1,289)**	(5.0)	(13)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk primarily arises from trade and other receivables. 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 cash and short-term deposits, other receivables and derivatives arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Credit risk concentration profile

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

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, investment securities and derivatives are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

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	Total $'000
2016			
Financial assets:			
Trade and other receivables, excluding statutory tax recoverables	**63,559**	**1,431**	**64,990**
Cash and short-term deposits	**30,100**	**–**	**30,100**
Derivatives	**20**	**–**	**20**
Total undiscounted financial assets	**93,679**	**1,431**	**95,110**
Financial liabilities:			
Finance lease liabilities	**23**	**50**	**73**
Trade payables	**43,073**	**–**	**43,073**
Other payables and accrual, excluding employee benefits and statutory tax payables	**10,350**	**–**	**10,350**
Derivatives	**190**	**–**	**190**
Total undiscounted financial liabilities	**53,636**	**50**	**53,686**
Total net undiscounted financial assets	**40,043**	**1,381**	**41,424**
2015			
Financial assets:			
Trade and other receivables, excluding statutory tax recoverables	68,213	1,684	69,897
Cash and short-term deposits	25,269	–	25,269
Derivatives	19	–	19
Total undiscounted financial assets	93,501	1,684	95,185
Financial liabilities:			
Loans and borrowings	5,431	–	5,431
Trade payables	51,615	–	51,615
Other payables and accrual, excluding employee benefits and statutory tax payables	9,591	–	9,591
Derivatives	26	–	26
Total undiscounted financial liabilities	66,663	–	66,663
Total net undiscounted financial assets	26,838	1,684	28,522

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

Company	1 year or less $'000	1 to 5 years $'000	Total $'000
2016			
Financial assets:			
Other receivables, excluding goods and services tax	**37**	**–**	**37**
Loan to subsidiary, including interest receivable	**3,273**	**25,702**	**28,975**
Cash and short-term deposits	**4,586**	**–**	**4,586**
Derivatives	**20**	**–**	**20**
Total undiscounted financial assets	**7,916**	**25,702**	**33,618**
Financial liabilities:			
Other payables and accruals, excluding accrued employee benefits	**284**	**–**	**284**
Derivatives	**190**	**–**	**190**
Total undiscounted financial liabilities	**474**	**–**	**474**
Total net undiscounted financial assets	**7,442**	**25,702**	**33,144**
2015			
Financial assets:			
Other receivables, excluding goods and services tax	2,390	–	2,390
Loan to subsidiary, including interest receivable	24,721	–	24,721
Cash and short-term deposits	6,242	–	6,242
Derivatives	19	–	19
Total undiscounted financial assets	33,372	–	33,372
Financial liabilities:			
Other payables and accruals, excluding accrued employee benefits	321	–	321
Derivatives	26	–	26
Total undiscounted financial liabilities	347	–	347
Total net undiscounted financial assets	33,025	–	33,025

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Market risk

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

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

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

Held for trading investments

At the end of the reporting period, if the market price of the investments had been 2% higher/lower with all other variables held constant, the Group's profit before tax would have been S$307,000 (2015: S$302,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments.

36. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

36. CAPITAL MANAGEMENT (CONTINUED)

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 owners of the Company. The Group's policy is to keep the gearing ratio below 1.

	Group	
	2016	**2015**
	$'000	**$'000**
Loans and borrowings (Note 27)	–	5,288
Finance lease liabilities (Note 33(e))	**73**	–
Less: Cash and bank balances (Note 25), excluding cash deposited under investment portfolio account, pledged fixed deposits and restricted cash	**(29,060)**	(22,783)
Net cash	**(28,987)**	(17,495)
Equity attributable to the owners of the Company	**124,820**	116,226
Gearing ratio	*****	*

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

37. SEGMENT INFORMATION

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

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

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

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. 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 if the sales or transfers were to third parties at current market prices.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. SEGMENT INFORMATION (CONTINUED)

The following table presents revenue and results information regarding the Group's reportable operating segments for the years ended 31 December 2016 and 2015:

	Mansfield													
	Precision Components and Tooling		Precision Sub-assembly		Adjustments and Eliminations		Total		Corporate and Others		Eliminations		Per Consolidated Financial Statements	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:														
External customers	**156,697**	194,723	**58,043**	38,414	**–**	–	**214,740**	233,137	**–**	–	**–**	–	**214,740**	233,137
Inter-segment	**55,778**	68,028	**–**	44	**(55,778)**	(68,072)	**–**	–	**–**	–	**–**	–	**–**	–
Total revenue	**212,475**	262,751	**58,043**	38,458	**(55,778)**	(68,072)	**214,740**	233,137	**–**	–	**–**	–	**214,740**	233,137
Results:														
Management fees	**–**	–	**–**	–	**–**	–	**–**	–	**9**	89	**(9)**	(89)	**–**	–
Inter-segment interest income	**331**	639	**–**	–	**(331)**	(639)	**–**	–	**826**	518	**(826)**	(518)	**–**	–
External interest income	**60**	102	**65**	4	**–**	–	**125**	106	**289**	172	**–**	–	**414**	278
Dividend Income from other investments	**–**	–	**–**	–	**–**	–	**–**	–	**139**	373	**–**	–	**139**	373
Gain on disposal of property, plant and equipment and intangible assets	**162**	1,421	**43**	93	**–**	–	**205**	1,514	**–**	1	**–**	–	**205**	1,515
Gain on disposal of other investments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	232	**–**	–	**–**	232
Foreign currency gain/(loss)	**567**	2,672	**(3)**	(510)	**–**	–	**564**	2,162	**(216)**	–	**–**	–	**348**	2,162
Fair value change on other investments	**–**	–	**–**	–	**–**	–	**–**	–	**61**	452	**–**	–	**61**	452
Fair value gain on investment property	**–**	–	**–**	1,651	**–**	–	**–**	1,651	**–**	–	**–**	–	**–**	1,651
Net gain on derivatives	**–**	–	**–**	–	**–**	–	**–**	–	**–**	29	**–**	–	**–**	29
Other income	**839**	969	**1,493**	1,850	**–**	–	**2,332**	2,819	**6**	4	**–**	–	**2,338**	2,823
Total other income and interest income	**1,959**	5,803	**1,598**	3,088	**(331)**	(639)	**3,226**	8,252	**1,114**	1,870	**(835)**	(607)	**3,505**	9,515

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. SEGMENT INFORMATION (CONTINUED)

The following table presents revenue and results information regarding the Group's reportable operating segments for the years ended 31 December 2016 and 2015 (Continued):

	Mansfield													
	Precision Components and Tooling		Precision Sub-assembly		Adjustments and Eliminations		Total		Corporate and Others		Eliminations		Per Consolidated Financial Statements	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Finance cost	**(894)**	(694)	**(331)**	(639)	**310**	630	**(915)**	(703)	**–**	–	**826**	517	**(89)**	(186)
Depreciation and amortisation	**(4,454)**	(7,700)	**(1,625)**	(1,766)	**–**	–	**(6,079)**	(9,466)	**(24)**	(10)	**–**	–	**(6,103)**	(9,476)
Impairment loss on property, plant and equipment	**–**	(1,997)	**–**	(2,959)	**–**	–	**–**	(4,956)	**–**	–	**–**	–	**–**	(4,956)
Segment profit/(loss) before tax	**3,348**	(11,300)	**11,442**	(3,642)	**–**	–	**14,790**	(14,942)	**(991)**	(318)	**–**	–	**13,799**	(15,260)
Segment assets	**106,327**	114,485	**69,425**	64,823	**–**	–	**175,752**	179,308	**20,068**	21,507	**–**	–	**195,820**	200,815
Investment in joint venture	**1,521**	1,092	**–**	–	**–**	–	**1,521**	1,092	**–**	–	**–**	–	**1,521**	1,092
Total assets	**107,848**	115,577	**69,425**	64,823	**–**	–	**177,273**	180,400	**20,068**	21,507	**–**	–	**197,341**	201,907
Segment liabilities	**31,646**	39,783	**39,683**	44,868	**–**	–	**71,329**	84,651	**1,192**	1,030	**–**	–	**72,521**	85,681

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. SEGMENT INFORMATION (CONTINUED)

The following table presents revenue and information regarding the Group's geographical segments for the years ended 31 December 2016 and 2015:

	Hong Kong/PRC		Singapore		Elimination		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:								
Sales to external customers	**214,740**	233,137	**–**	–	**–**	–	**214,740**	233,137
Inter-segment sales	**55,778**	68,072	**–**	–	**(55,778)**	(68,072)		–
Total sales	**270,518**	301,209	**–**	–	**(55,778)**	(68,072)	**214,740**	233,137
Management fees	**–**	–	**9**	89	**(9)**	(89)	**–**	–
Intercompany interest income	**–**	–	**826**	518	**(826)**	(518)	**–**	–
External interest income	**125**	106	**289**	172	**–**	–	**414**	278
Fair value gain on investment property	**–**	1,651	**–**	–	**–**	–	**–**	1,651
Gain on disposal of assets of disposal group classified as held for sale	**–**	–	**–**	–	**–**	–	**–**	–
Gain on disposal of other investments	**–**	–	**–**	232	**–**	–	**–**	232
Fair value change in other investments	**–**	–	**61**	452	**–**	–	**61**	452
Gain on disposal of property, plant and equipment and intangible assets	**205**	1,514	**–**	1	**–**	–	**205**	1,515
Foreign currency gain	**564**	2,162	**(216)**	–	**–**	–	**348**	2,162
Dividend income from other investments	**–**	–	**139**	373	**–**	–	**139**	373
Net gain on derivatives	**–**	–	**–**	29	**–**	–	**–**	29
Other income	**2,332**	2,819	**6**	4	**–**	–	**2,338**	2,823
Total other income and interest income	**3,226**	8,252	**1,114**	1,870	**(835)**	(607)	**3,505**	9,515
Other segment information:								
Segment assets	**175,752**	179,308	**20,068**	21,507	**–**	–	**195,820**	200,815
Investment in joint venture	**1,521**	1,092	**–**	–	**–**	–	**1,521**	1,092
Total Assets	**177,273**	180,400	**20,068**	21,507	**–**	–	**197,341**	201,907

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. DIVIDENDS ON ORDINARY SHARES

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Declared during the year:		
Dividends on ordinary shares		
Final tax exempt (one-tier) dividend for 2016: 0.5 cent per share (2015: $NIL)	**1,119**	–

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 9 March 2017, Mr Lou Yiliang was granted 3 million options under the InnoTek Employees' Share Option Scheme 2014. The exercise price of options granted was $0.35 per share and is valid for 5 years from the grant date.

40. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 31 March 2017.

STATISTICS OF SHAREHOLDINGS

AS AT 27 MARCH 2017

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	7	0.33	82	0.00
100 – 1,000	194	9.07	187,990	0.08
1,001 – 10,000	989	46.26	6,054,839	2.71
10,001 – 1,000,000	928	43.40	55,036,316	24.59
1,000,001 AND ABOVE	20	0.94	162,556,201	72.62
TOTAL	**2,138**	**100.00**	**223,835,428**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	41,555,000	18.56
2	ADVANTEC HOLDING SA	22,571,000	10.08
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	20,269,000	9.06
4	PHILLIP SECURITIES PTE LTD	13,765,000	6.15
5	DBS NOMINEES (PRIVATE) LIMITED	12,166,300	5.44
6	CITIBANK NOMINEES SINGAPORE PTE LTD	10,607,200	4.74
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,893,090	4.42
8	GAZELLE CAPITAL PTE LTD	5,854,700	2.62
9	COMCRAFT INTERNATIONAL S.A	4,421,000	1.97
10	OCBC SECURITIES PRIVATE LIMITED	4,162,010	1.86
11	UOB KAY HIAN PRIVATE LIMITED	3,057,400	1.37
12	DBSN SERVICES PTE. LTD.	2,618,800	1.17
13	SING INVESTMENTS & FINANCE NOMINEES (PTE.) LTD.	2,352,000	1.05
14	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,959,001	0.87
15	TAN KIAN CHUAN (CHEN JIANZHUAN)	1,600,000	0.71
16	TAN KAH BOH ROBERT @ TAN KAH BOO	1,235,000	0.55
17	LEW WING KIT	1,232,000	0.55
18	LIM HO KEE	1,153,000	0.51
19	SEE BENG LIAN JANICE	1,042,600	0.47
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,042,100	0.47
	TOTAL	**162,556,201**	**72.62**

STATISTICS OF SHAREHOLDINGS

AS AT 27 MARCH 2017

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

Based on information available to the Company as of 27 March 2017, approximately 51.01% 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)]	5,854,700	2.62	8,228,000	3.68
Lim Teck-Ean[(4)]	–	–	14,082,700	6.29
Lim Su-Lynn[(5)]	–	–	14,082,700	6.29
Lou Yiliang[(6)]	–	–	11,902,800	5.32

Notes:

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

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

(3) Gazelle Capital Pte. Ltd. is deemed to be interested in 8,228,000 Shares held through the following:
OCBC Securities Private Ltd in respect of 886,000 shares
Maybank Kim Eng Securities Pte. Ltd in respect of 5,000,000 shares
Sing Investments & Finance Nominees (Pte) Ltd in respect of 2,342,000 shares

(4) Mr. Lim Teck-Ean is deemed to be interested in the 14,082,700 shares held by Gazelle Capital Pte. Ltd.

(5) Ms. Lim Su-Lynn is deemed to be interested in the 14,082,700 shares held by Gazelle Capital Pte. Ltd.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 21st 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 Thursday, 27 April 2017 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a first and final (one-tier, tax-exempt) dividend of 0.5 cent per share for the year ended 31 December 2016 (2015: no dividend declared).

(Resolution 2)

3. To note the retirement of Mr. Robert S. Lette (Chairman, Non-Executive and Non-Independent Director) who is due for retirement pursuant to Article 103 of the Company's Articles of Association and who has decided to step down having served the Board for more than fourteen years.

4. To re-elect Mr. Sunny Wong Fook Choy (Non-Executive and Independent Director), who will retire 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 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 Nominating Committee.

5. To approve the payment of Directors' fees of S$360,743 for the year ended 31 December 2016 (2015: S$375,276).

(Resolution 4)

6. 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:

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

Provided that:

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

8. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the InnoTek Employees' Share Option Scheme 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)**

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

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 9 May 2017 for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares in the capital of the Company received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 up to 5.00 p.m. on 8 May 2017 will be registered to determine members' entitlement to the proposed first and final dividend. Members whose Securities Accounts with The Central Depository (Pte) Ltd. are credited with Shares in the Company as at 5.00 p.m. on 8 May 2017 will be entitled to the proposed first and final dividend.

The proposed first and final dividend, if approved at this annual general meeting, will be paid on 22 May 2017.

By Order of the Board

Linda Sim Hwee Ai
Company Secretary
Singapore, 12 April 2017

Explanatory Notes:

(i) Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors from the date of the above Annual General Meeting until the date of the next Annual General Meeting, to issue, or agree to issue shares and/or grant Instruments that might require shares to be issued on a pro rata basis to shareholders of the Company, up to an aggregate limit of 50% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company (calculated as described).

(ii) Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors, from the date of the above Annual General Meeting until the next Annual General Meeting, to offer and grant options in accordance with the provisions of the Share 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.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

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

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

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

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

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

Personal Data Privacy:

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

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INNOTEK LIMITED

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____ (Name)

Of ____ (Address)

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

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

And/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, demand for a poll at the 21st 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 27 April 2017 at 9.30 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the AGM.

No.	Ordinary Resolutions relating to:	For	Against
1	Directors' Statement and the Audited Financial Statements for the year ended 31 December 2016		
2	Payment of proposed first and final dividend		
3	Re-election of Mr. Sunny Wong Fook Choy		
4	Approval of Directors' fees amounting to S$360,743		
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 ________________ 2017.

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

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:–

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

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

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

   "**Relevant Intermediary**" means:

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

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

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

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

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

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

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

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

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

INNOTEK

INNOTEK Limited

Co. Reg. No.199508431Z

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