INNOTEK

MOVING FORWARD

ANNUAL REPORT 2011

MISSION STATEMENT

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

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CORE VALUES

ACHIEVEMENT

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

COMMUNICATION

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

TEAMWORK

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

BALANCE

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

COMMITMENT

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

CREATIVITY

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

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LETTER TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS

It is our pleasure to present you the annual report for FY'11, a year marked by several challenges including the Eurozone debt crisis and two natural disasters in Asia which caused supply chain disruptions in the electronics sector – the earthquake and tsunami in Japan in March and the flooding in Thailand in October.

Dongguan Mansfield

Despite these challenges, the Group recorded net profit of S$0.5 million on revenue of S$349.7 million, as we stepped up efforts to streamline operations and improve cost efficiencies. In line with our commitment to deliver shareholder value, we have proposed a dividend of 5.0 cents per share, a payout which is unchanged for a fourth consecutive year.

Subsequent to the end of FY'11, the Board of Directors have announced the disposal of stakes in two companies, namely Exerion Precision Technology Holding B.V. ("Exerion") and Mansfield Industrial Company Limited ("MICL"), held by our wholly owned Mansfield Manufacturing Company Limited ("MSF").

Feng Chuan Tooling (Dongguan)

FINANCIAL PERFORMANCE

Beyond the Eurozone crisis and natural disasters, the Group's core business activity in TV components was buffeted by consolidation and price pressure as demand for LCD TVs declined following the cessation by the Japanese government of its eco-friendly subsidy. The TV manufacturing industry is still reeling from these combined effects which have already led to consolidation among manufacturers.

> "Despite these challenges, the Group recorded net profit of S$0.5 million on revenue of S$349.7 million, as we stepped up efforts to streamline operations and improve cost efficiencies."

Suzhou Mansfield


Sun Mansfield Plant


Magix Dongguan front view

Revenue from MSF's continuing operations declined 16.8% to S$312.1 million in FY'11 from S$375.2 million a year earlier, as Stamped Component revenue fell to S$245.3 million from S$296.2 million, respectively.

The revenue from the discontinued operations of Exerion contributed S$37.6 million, down from S$40.7 million in FY'10 as it received lower demand for printing, medical equipment, industrial, and semiconductor components. This resulted to S$0.7 million net profit, lower than S$1.7 million in FY'10.

Notwithstanding the supply chain disruptions – which impacted certain major office automation ("OA") customers – FY'11 saw higher sales of OA and automotive components than of TV components. The change in sales mix thereby reduced gross profit margin to 13.9% from 19.2% a year earlier.

MSF reported S$1.9 million net profit in FY'11, down from S$18.6 million in FY'10, due to revenue reduction and change in sales mix, apart from the increases in steel prices and PRC minimum wages. Higher costs were partially mitigated by a net fair value gain after tax of S$3.2 million in Q4'11 compared to a fair value loss of S$0.7 million in Q4'10 from the investment property.

The Company recorded a lower loss of S$0.5 million to S$2.1 million in FY'11 from S$2.6 million in FY'10. This was mainly due to the S$2.6 million provision for impairment loss for Sabana Reits based on 31 December


1000 ton Progressive Press


Robotic Welding Machine


900 ton Hydraulic Press


4M x 2M – machining centre

> "The proposed dividend for FY'11 will bring the total dividend payment in the last five financial years to 40.0 cents per share"

2011 market value of S$0.875 which was partially mitigated by dividend receipt of S$1.1 million from this investment. However, this was offset by a gain of S$1.8 million on disposal of investment in Daylight Solution and by a S$0.2 million exchange gain from strengthening of the US dollar against the Singapore dollar.

Earnings per share decreased to 0.24 cent in FY'11 from 7.75 cents in FY'10. Net asset backing per share as at 31 December 2011 stood at 84.6 cents compared to 85.4 cents as at 31 December 2010 following payment of dividend in May 2011 amounting to S$11.4 million and acquisition of treasury shares in FY'11 amounting to S$0.6 million.

The Group's continuing operations financial position remains healthy, with net cash position of S$31.6 million or 14 cents per share, comprising cash and bank balances of S$56.1 million less total borrowings of S$24.5 million, as at 31 December 2011.

DIVIDEND AND SHAREHOLDER VALUE

For the fourth year in a row, the directors have proposed a first and final dividend of 5.0 cents per share. We have been consistently returning value to shareholders since FY'07 when we distributed dividend of 20.0 cents per share. This was followed by dividend payments of 5.0 cents each for FY'08, FY'09 and FY'10. If approved, the proposed dividend for FY'11 will bring the total dividend payment in the last five financial years to 40.0 cents per share.

In line with our efforts to enhance shareholder value, we have continued to buy back InnoTek shares, including repurchase of a total of 1.81 million treasury shares in FY'11. Our holdings of treasury shares at the end of FY'11 stood at 21.4 million or 8.69% of total issued share capital.

As at date of this report, the Company had bought back a total of 22.7 million shares or 9.20% of total issued share capital of the Company. As shareholders will recall, while our buyback programme had started as early as FY'07, we re-issued 15.8 million treasury shares in FY'08 to acquire the remaining 16.7% stake in MSF we did not already own then.

Dies Assembly

AFTER BALANCE SHEET DISPOSALS

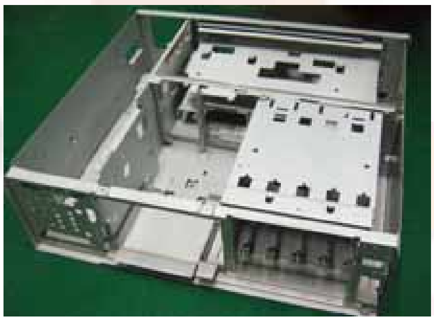
On 21 February 2012 the Group announced that MSF has entered into agreements to dispose stakes in Exerion and MICL, a Hong Kong subsidiary of Mansfield, with the resources to be channelled to enhance value proposition in automotive divisions, move up the value chain to capture new opportunities in higher-end smart TV and the new mobile telecommunications business.

Automotive parts

The disposal of Exerion, which is considered as non-core business and classified as a "low-volume, high-mix", will transpire in two transactions with the sale of the 42.7%-stake in the initial sale for approximately Euro 1.5 million (S$2.5 million) in cash upon signing and the remaining 49%-stake has been entered into put-and-call option exercisable up to 30 April 2014. The estimated gain on disposal is approximately Euro 1.1 million (S$1.8 million) in total upon completion.

Auto parts for safety airbag

The second disposal, which involves selling the entire 55%-stake in MICL, will be settled in two tranches — the first by April 2012 and the second by December 2014. Although MICL contributed a large portion of the Stamped Component revenue, historically MICL relied mainly on one single key customer. MICL's volume of sales and gross margin have fallen significantly and the Board is of the view that the growth prospects of MICL's business is limited and the Dalian facility would require more investments and significantly higher revenue to achieve economies of scale and desired profit levels. It is therefore in the long term interest of the Group to dispose of MICL so that the Group could focus its resources on expanding Mansfield's core business and venture into other new businesses. Upon completion of the disposal, the estimated proceed of HK$55.0 million (approximately S$8.9 million) and gain on disposal of HK$364,000 (approximately S$59,000) would be much beneficial for the Group in the longer term.



Components assembly for professional video

OUTLOOK

While there has been some recovery from supply chain disruption caused by the earthquake and tsunami in Japan, all three product segments continued to witness significant price pressure, resulting in margin compression.

The disruption related to the floods in Thailand is expected to have financial impact in the first quarter ending 31 March 2012 ("Q1'12"). The Directors also expect FY'12 to be challenging in view of the ongoing European debt crisis and slow growth in the US.

With the disposal of two subsidiaries, the Group will remain focused on reducing dependence on businesses which are lower in strategic value, facing margin pressure or are less stable.

We will enhance the automotive business together with improving the operating efficiencies of OA business to give better margins for the Group.

We expect the new telecommunications business to be operational in the second half of FY'12 and contribute a positive bottom-line in FY'13.

Auto parts for safety airbag

Auto parts for safety system

APPRECIATION

On behalf of the directors, we express our sincere appreciation to customers, business partners and management and staff for their hard work and dedication amidst all the challenges we operated under. We also thank our shareholders for their loyalty.

Mr. Robert Sebastiaan Lette
Chairman

Mr. Yong Kok Hoon
Managing Director

INNOTEK LOCATIONS

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Fax : (852) 2481 0946

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Fax : (86) 769-87849986

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Fax : (86) 769-87933609

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Tel : (86) 512-66617083
Fax : (86) 512-66617760

Mansfield Manufacturing (Dalian) Company Limited
No. 9, Wanchang Road,
Dalian Economic & Technical Development Zone,
Dalian, Liaoning, China
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Tel : (86) 411-87614288
Fax : (86) 411-87614266

Mansfield Manufacturing (Wuhan) Company Limited
No. 169, North Quanli Road,
Wuhan Economic and Technological Development
Zone, Hubei, China
PC : 430056
Tel : (86) 027-84551088
Fax : (86) 027-84893788

Feng Chuan Tooling Company Limited
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1-7 Kin Hong Street, Kwai Chung, NT,
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Tel : (852) 2489 1968
Fax : (852) 2481 0946

Feng Chuan Tooling (Dongguan) Company Limited
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Fax : (86) 769-87512008

Magix Mechatronics Company Limited
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Hong Kong
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Fax : (852) 2427 2696

Magix Mechatronics (Dongguan) Company Limited
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Guangdong, China
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Fax : (86) 769-82039100

BOARD OF DIRECTORS

Mr. Robert Sebastiaan Lette

Mr. Robert Sebastiaan Lette is a Non-Executive Independent Director of InnoTek Limited since May 16, 2002. Mr. Lette was appointed Chairman of the Board on November 12, 2004. Mr. Lette is also the Chairman of the Executive Committee of InnoTek Limited since September 1, 2008. A former banker with Credit Suisse Singapore, Mr. Lette is a non-executive director of Heineken Beverages Switzerland, A.G. Mr. Lette was re-elected as a Director of the Company at the 2011 AGM.

Mr. Yong Kok Hoon

Appointed Managing Director on January 7, 2010, Mr. Yong Kok Hoon has held key leadership roles in InnoTek Group for over 13 years. Serving initially as Chief Financial Officer, he was appointed Executive Director on February 18, 2002 and to the Executive Committee set up in September 2, 2008 following the departure of the former CEO.

With a strong background in finance and mergers and acquisitions, Mr. Yong played a pivotal role in the formation of JVs, acquisition of strategic investments and merger of the Group's data storage business with Magnecomp Precision Technology Public Company Limited of Thailand ("MPT") and the subsequent disposal in 2007 of MPT. Since then, he re-focuses his attention to improve cost and efficiencies, governance and control and most importantly, the strategic direction of the main subsidiary Mansfield Group of Companies as well as at the Group level.

A Certified Public Accountant and a Fellow of the Association of Chartered Certified Accountants; he was the Group Financial Controller of QAF Ltd., a listed FMCG group, before joining InnoTek. Prior to that, in various senior positions at international accounting firms, he gained extensive experience in auditing, advisory services and M&A; and was reporting accountant for multi-million dollar IPOs and major transactions. He was a member of the financial statements review committee and was a member of the China committee of the Institute of Certified Public Accountants of Singapore. He holds a Master of Business Administration degree from the International Management Centre, Europe. Mr. Yong sits on the board of Sabana Shari'ah Compliant Industrial Real Estate Trust. He was re-elected as a Director of the Company at the 2009 AGM and is due for re-election at this year's AGM.

Professor Low Teck Seng

Professor Low Teck Seng is a Non-Executive Independent Director of InnoTek Limited appointed on March 5, 2004. Prof. Low is the Managing Director of A*STAR, the Agency for Science, Technology and Research. He was the founder and former Principal and CEO of Republic Polytechnic, Singapore. He graduated with the Bachelor of Science (1st Class) and Ph. D, in 1978 and 1982 from Southampton University, United Kingdom. Prof. Low joined NUS in 1983 and founded the Magnetics Technology Centre in 1992. In 1998, he returned to NUS as Dean of the Faculty of Engineering. Prof. Low is a Fellow of the Institute of Electrical and Electronics Engineer. He is actively involved in research and his technical interests are in computational electromagnetics, nanomagnetics and data storage technologies. Prof. Low sits on the boards of several companies as well as the Workplace Safety and Health Council. Prof. Low was re-elected as a Director of the Company at the 2010 AGM.

Mr. Peter Tan Boon Heng

Mr. Peter Tan Boon Heng joined InnoTek as a Non-Executive Independent Director on September 17, 2008 and is a member of the Audit and Nominating Committees. He chairs the Remuneration Committee. Peter has experience in the public and private sectors, having worked in several multinational companies and held directorships and advisory position in companies engaged in the investment, technology, semiconductor, education and IT industries. Amongst his previous appointments, Peter was Group Executive Director of JIT Holdings Limited and President and Managing Director of Flextronics International Inc. – Asia, and was also a board member of Vacuumschmelze (VAC) Luxembourg S.a.r.l., and VariOptic SA.

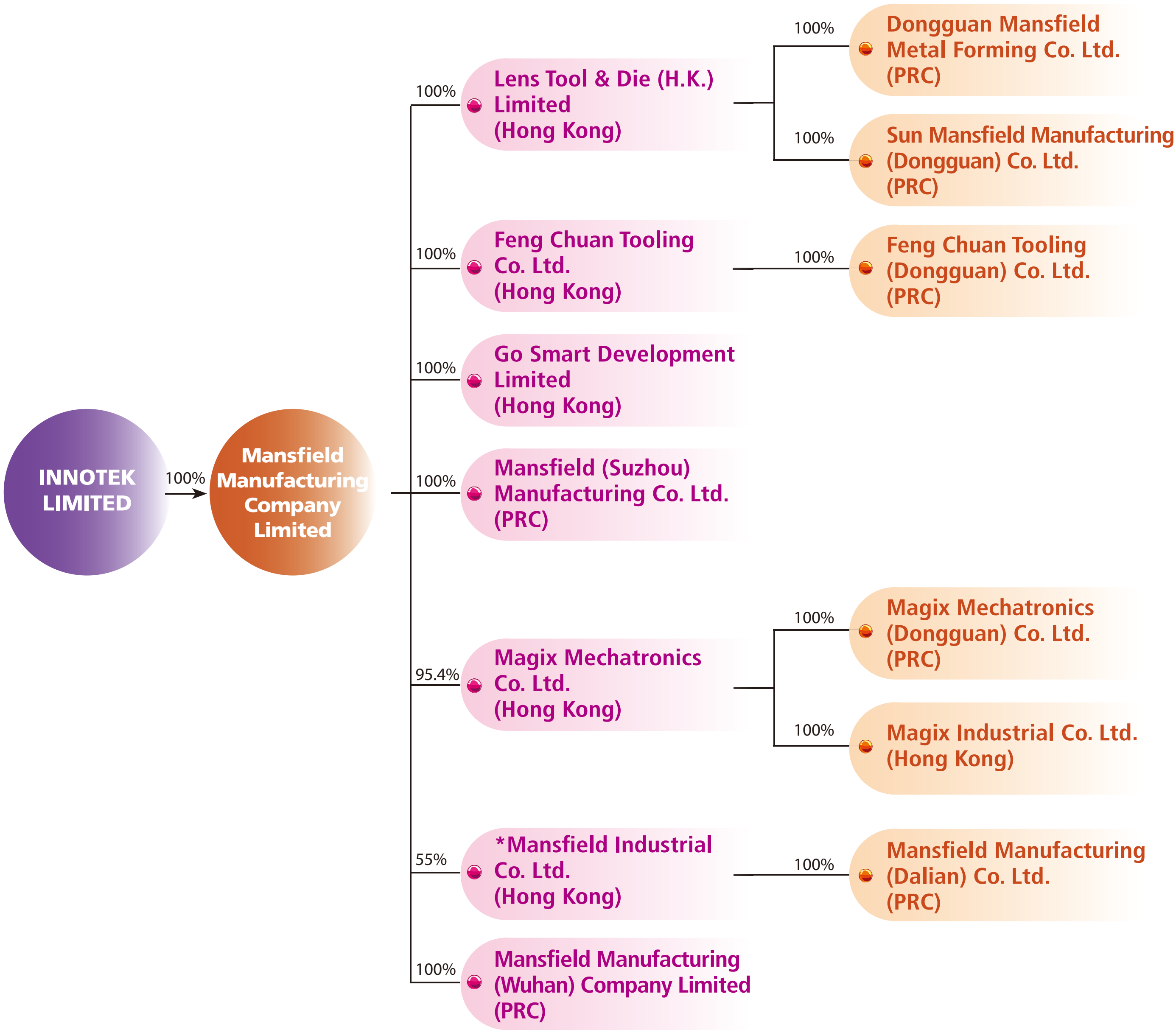
He is presently Director and Managing Partner of JP Asia Capital Partners Pte. Ltd. and also sits on the board of Dialog Semiconductor PLC (UK), SMRT Corporation Ltd and Exploit Technologies Pte. Ltd. Besides his board role, Peter has advisory function in SPRING Policy Advisory Committee – GOE, the National University of Singapore BTech Program, and is also a member of the International Evaluation Panel, Competitive Research Program for the Singapore National Research Foundation. He is also an advisor to MIR Investment Management Pty Ltd, and SolarEdge Technologies, Inc. in Israel. Peter holds a Graduate Diploma in Management Studies (Distinction) from the University of Chicago and an MBA Degree from Golden Gate University, San Francisco, USA. In accordance with the Articles of Association of the Company, Mr. Peter Tan was re-elected as a Director of the Company at the 2009 AGM and is due for re-election at this year's AGM.

SENIOR MANAGEMENT

Mr. Josiah Ang Lien Peng

Mr. Josiah Ang Lien Peng is the President of Mansfield Manufacturing Company Limited, Hong Kong. Josiah graduated from Oklahoma City University, USA with Degree in Business Administration. He also holds a Diploma in Production Technology from the German-Singapore Institute. Josiah has more than 26 years of experience in the precision/contract manufacturing industry including metal stamping and tooling business in the PRC. Josiah's experience spans across different functions in the manufacturing industry ranging from design engineering, project management, sales development, operations management to taking charge of the overall operations of an organization. His last appointment was Managing Director of Perlos (Guangzhou) Electronic Components Co. Ltd. in Guangzhou, China. Before joining Perlos, Josiah was the Managing Director in the Shanghai Business Development and Engineering Office of Wuxi MI Technologies Co. Ltd. Prior to that, Josiah spent 9 years with Hi-P International Limited as the Managing Director for its Wireless Business Unit and Computing Business Unit with stamping/tooling/plastic production operations in Shanghai, Tianjin, Guangzhou and Thailand.

CORPORATE STRUCTURE



* A sale and purchase agreement was entered into on 20 February 2012 for the disposal by Mansfield Manufacturing Company Limited of its 55% interest in Mansfield Industrial Co. Ltd. subject to approval by shareholders of the Company at the Extraordinary General Meeting of the Company to be held on 27 April 2012. Please refer to the Company's Circular dated 12 April 2012 for more information.

TEAMWORK

- Zero tolerance for political behaviour
- Be vested in the success of our subordinates, peers and superiors
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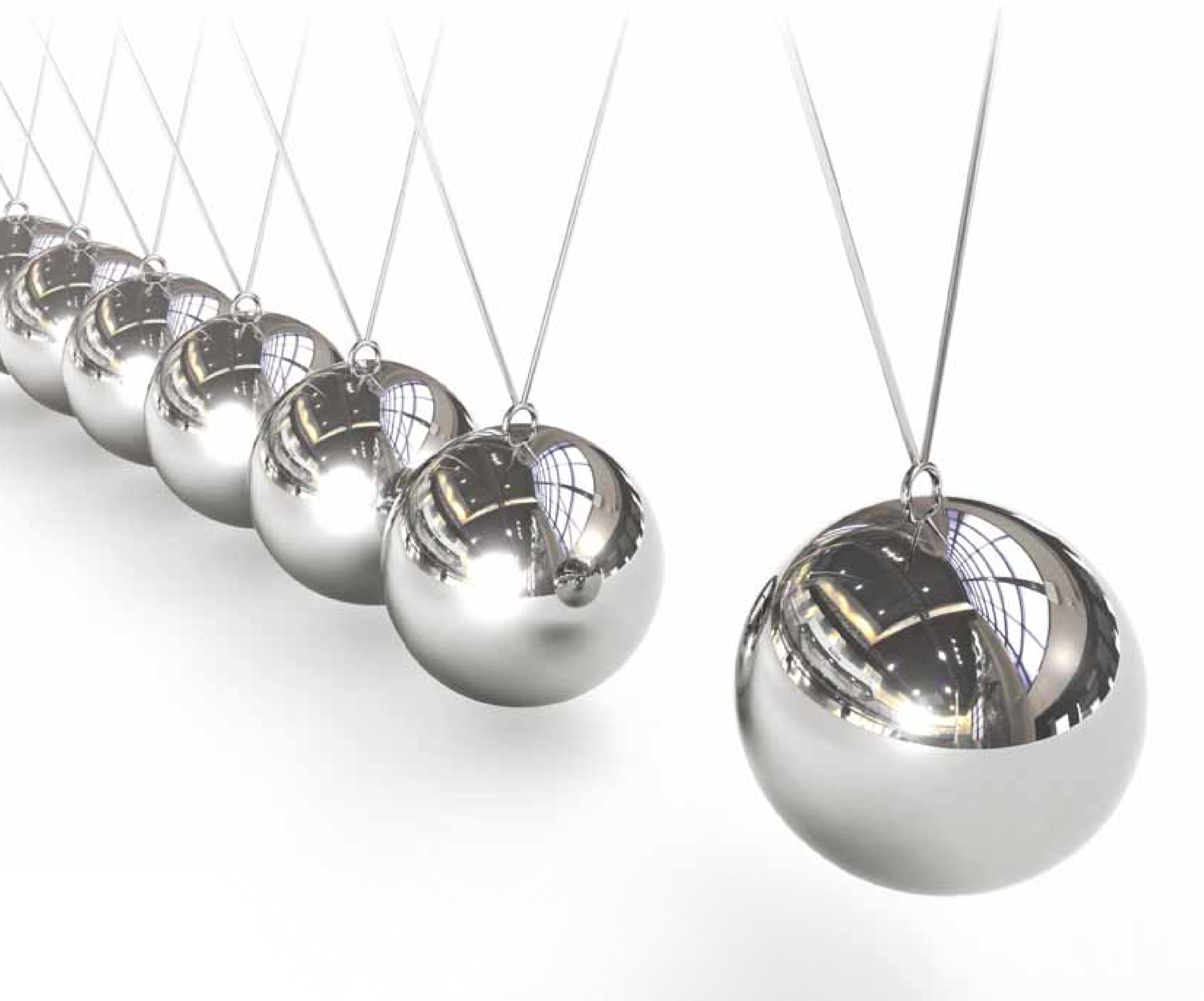

COMMITMENT

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- Continuous customer satisfaction – embrace the customers and suppliers as our partners
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FINANCIAL HIGHLIGHTS

For the year (S$ in thousands)	2008	2009	2010	2011*
Total Turnover	421,559	361,473	415,926	**312,088**
Operating Profit/(Loss)	5,462	9,534	23,823	**(1,416)**
Profit/(Loss) Before Tax and non-controlling interests	(92)	10,062	24,579	**1,697**
Profit/(Loss) After Tax and non-controlling interests attributable to members of the Company	(7,031)**	7,591	17,770	**(886)**
AT YEAR-END (S$ in thousands)				
Shareholders Equity	206,877	200,334	193,970	**190,580**
PPE, Investment Property and prepaid land lease payment	127,529	109,190	102,175	**100,506**
Total Debt	65,477	42,792	32,880	**24,540**
Less cash and cash equivalents	(93,058)	(109,278)	(89,458)	**(56,056)**
Net borrowings/(cash)	(27,581)	(66,486)	(56,578)	**(31,516)**
PER SHARE (Singapore cents)				
Profit/(Loss) After Tax & non-controlling Interests	(3.0)	3.3	7.8	**(0.4)**
Net Tangible Assets	88.6	85.8	85.2	**84.4**
Gross dividends (cents)	10	5	5	**5**
Cash & cash equivalents per share	40	47	36	**25**
Net cash per share	12	28	25	**14**
RATIOS				
Operating Profit to Turnover	1.3%	2.6%	5.7%	**(0.5%)**
Profit/(Loss) Before Tax and NCI to Turnover	(0.0%)	2.8%	5.9%	**0.5%**
Profit/(Loss) After Tax and NCI to Turnover	(1.7%)	2.1%	4.3%	**(0.3%)**
Net gearing/(net cash)	(13.3%)	(33.2%)	(29%)	**(0.2)**
Current Ratio	1.7	2.0	1.7	**1.62**

* Exclude Exerion Precision Technology, which was disposed in February 2012, now classified as discontinued operations
** Profit/ (Loss) includes the following one-time gains: includes one-time loss of S$8.6 million which is 3.66 cents per share

Corporate Governance Report

InnoTek Limited ("InnoTek" or the "Company") continually strives to maintain high standards of corporate governance within the Company and its subsidiaries (the "Group") by promoting corporate performance and accountability to enhance long term shareholder value.

InnoTek uses the Code of Corporate Governance 2005 (the "Code") as its benchmark for its corporate governance policies and practices. This report ("Report") has been structured in accordance with the sequence of principles and guidelines as set out in the Code.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Effective Board to lead and control the company

The Board is responsible to oversee the business, performance and affairs of the Group. Management 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 key functions of the Board are as follows:

- Acts 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;

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

- Reviews and evaluates management performance and ensures that management is capable of executing its responsibilities;

- Acts as an advisor to senior management;

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

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

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

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

- Approving of investment and divestment proposals;

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

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

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

Corporate Governance Report

Financial and other matters that require the Board's approval are set out in the Group's Financial Procedures Manual ("FPM"). All policies and procedures on financial matters including approval limits and authorities are clearly defined in the FPM. Other matters specifically reserved to the Board for decision include strategic planning, material acquisitions and disposals of assets, annual budget, capital expenditure, share issuances, share buy-backs and dividends. To facilitate effective management, certain functions have been delegated by the Board to Board committees namely, the Executive Committee, the Audit Committee, the Nominating Committee and the Remuneration Committee.

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, outside of the scheduled Board meetings. 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 was held in 2011. The number of Board committee meetings as well as Board members' attendance thereat is set out below:

	Board	**Board Exco**	**Audit Committee**	**Remuneration Committee**	**Nominating Committee**
No. of Meetings Held	**4**	**5**	**4**	**3**	**1**
	Attended	**Attended**	**Attended**	**Attended**	**Attended**
Robert S. Lette	4/4	5/5	4/4	3/3	1/1
Yong Kok Hoon	4/4	5/5	4/4	3/3	1/1
Prof. Low Teck Seng	4/4	NA	4/4	3/3	1/1
Peter Tan Boon Heng	4/4	5/5	4/4	3/3	1/1

Board Executive Committee ("EXCO")

The EXCO comprises the following Board members:

Mr. Robert S. Lette (Chairman)
Mr. Yong Kok Hoon
Mr. Peter Tan Boon Heng

The EXCO was formed in September 2008 to assume the duties and responsibilities of the Chief Executive Officer of the Company.

In 2011, the EXCO met five times to provide the overall direction of the Group and to review, with management, and recommend to the Board the overall corporate strategy, objectives and policies of the Group, and monitor their implementation.

Corporate Governance Report

Training for Directors

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

Board Composition and Guidance

Principle 2: Strong and independent Board

The Board comprises four directors, three of whom are independent non-executive directors. The Board is able to exercise objective judgment on corporate affairs independently, in particular from Management, as there is a strong and independent element on the Board, with independent Directors making up 75% of the Board.

The Board comprises the following members:–

Mr. Robert S. Lette (Chairman)	Non-Executive and Independent
Mr. Yong Kok Hoon	Executive and Non-Independent
Prof. Low Teck Seng	Non-Executive and Independent
Mr. Peter Tan Boon Heng	Non-Executive and Independent

Profiles of the directors are set out on pages 10 and 11 of this Annual Report.

The Nominating Committee is responsible for reviewing the independence of each Director based on the guidelines set out in the Code. For the financial year ended 31 December 2011, the Non-Executive Directors 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 Board considers its current Board structure, size and composition appropriate for the Group's present operations. Non-Executive directors constructively challenge and help develop proposals on strategy and review the performance of Management. With the core competencies of members of the Board in various fields of finance, business, industry and strategic planning, their stature, and wealth of international business experience, the Company is well positioned to chart new frontiers for the InnoTek Group. The Directors actively participate and engage Management in setting goals and objectives for the Company and the Group and monitor the reporting of performance.

Corporate Governance Report

Composition of Board and Board Committees

Director	Board membership	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee
Robert S. Lette	Non-Executive Chairman	Chairman	Member	Chairman	Member
Yong Kok Hoon	Managing Director	Member	–	–	–
Low Teck Seng	Independent Director	–	Chairman	Member	Member
Peter Tan Boon Heng	Independent Director	Member	Member	Member	Chairman

Chairman and Chief Executive Officer

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

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

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

Currently the Company does not have a CEO. The duties of a CEO is carried out by the Executive Committee.

Mr. Yong Kok Hoon appointed as Managing Director of the Company on 7th January 2010 assumes most, if not all, the executive responsibility for the Group's businesses. The Managing Director has full executive responsibilities and oversees the daily running of the Group's operations and is responsible to execute strategies and policies recommended by the Executive Committee and adopted by the Board.

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 2011.

There are three members in the NC. Members of the NC are Non-Executive Directors, all of whom, including the Chairman, are independent. The Chairman is not directly associated with a substantial shareholder.

Corporate Governance Report

Members of the NC are:

Mr. Robert S. Lette	Chairman
Prof. Low Teck Seng	Member
Mr. Peter Tan Boon Heng	Member

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 takes into account the circumstances set forth in Guideline 2.1 of the Code and any other salient factors. The NC has endorsed the independence status of all the Non-executive directors.

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

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

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

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

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.

In the assessment of the contribution of each individual director to the effectiveness of the Board, 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.

Corporate Governance Report

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 decision.

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

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

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

REMUNERATION MATTERS

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

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

Mr. Peter Tan Boon Heng	Chairman
Prof. Low Teck Seng	Member
Mr. Robert S. Lette	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.

Corporate Governance Report

The principal responsibilities of the RC include the following:

- advise the Board of Directors on compensation theory and practice, as well as best practice with regard to non-cash compensation and trends;
- review Management's appraisal on current market situation as it relates to compensation and Management's recommendation of the overall aggregate adjustments to be made at the annual review of compensation for all staff, Management and Directors, including stock options and other equity incentive schemes;
- recommend to the Board compensation packages for senior management, non-executive directors and Managing Director;
- responsible for the grant of options and other equity incentives, if any, to Directors, Management and staff based on the recommendations by the Management;
- oversee the implementation of remuneration policies within InnoTek Group and ensure that no director participates in decisions on his own remuneration; 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 Senior 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.

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 other Board Committees.

The remuneration of Non-Executive Directors is set at a competitive level, appropriate to their level of contribution, taking into account attendance and time spent, their participation and contribution and their respective responsibilities.

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.

Corporate Governance Report

The RC is assigned the responsibility of administering both plans in accordance with the rules of the respective plan, to determine and approve the list of grantees of the share options, the date of grant and the price thereof. During the year, no options were granted to employees of the Group.

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 2011 is as follows:

Directors' Remuneration	Fee	Salary	Bonus	Other Benefits	Total
	(%)	(%)	(%)	(%)	(%)
$500,000 to below $750,000					
Mr. Yong Kok Hoon	–	76	13	11	100
Below $250,000					
Mr. Robert S. Lette	100	–	–	–	100
Prof. Low Teck Seng	100	–	–	–	100
Mr. Peter Tan Boon Heng	100	–	–	–	100

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

Key Management Executives' Remuneration	Fee	Salary	Bonus	Other Benefits	Total
	(%)	(%)	(%)	(%)	(%)
$250,000 to below $500,000					
Mr. Josiah Ang Lien Peng	–	80	–	20	100
Mr. Jos Willaert	–	78	3	19	100
Below $250,000					
Mr. Bart Konter	–	79	3	18	100
Mr. Ip Chi Chung	–	86	–	14	100
Ms. Quek Siew Hoon	–	87	7	6	100

No key officer or employee of the Company and its subsidiaries during the financial year was an immediate family member of a director or the CEO whose remuneration exceeded S$150,000 during the year.

Corporate Governance Report

The Company does not have any long-term incentive scheme apart from the existing InnoTek Employees' Share Option Plan and InnoTek Employees' Share Option Scheme II. Details of the share option plans are set out in the Directors' Report.

ACCOUNTABILITY & AUDIT

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

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

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

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

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

The Audit Committee ("AC") comprises members who are non-executive, independent and the Board is satisfied that members of the AC are appropriately qualified to discharge their responsibilities. The Chairman and members of the AC are:

Prof. Low Teck Seng	Chairman
Mr. Robert S. Lette	Member
Mr. Peter Tan Boon Heng	Member

The AC met four times during the year under review. The Managing Director, Corporate Controller, Internal Audit Director, 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. This meeting enable the auditors to raise issues encountered in the course of their work directly to the AC.

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

The responsibilities of the AC include the following:

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

– review the independence and objectivity of the external auditor, their appointment, reappointment and audit fee;

Corporate Governance Report

– consider the audit scope and plan of the external auditors 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;

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

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

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

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

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

The AC has reviewed all non-audit services provided by the external auditors to the Company and is satisfied that the extent of such services provided will not prejudice the independence and objectivity of the external auditors. The amount paid and payable to external auditors for audit and non-audit services fees were $504,475 and $255,520, 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 2012.

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

Principle 12 – Sound system of internal controls to safeguard the shareholders' investments and the company's assets
Principle 13 – Establishment of an internal audit function that is independent of the functions it audits

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

Corporate Governance Report

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

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

The Group has an Internal Audit Director ("IAD") who is a member of the Institute of Internal Auditors Inc. ("IIA") and the Institute of Certified Public Accountant of Singapore. The IAD is assisted by suitably qualified staff at the Group's subsidiaries in China and Hong Kong. The AC is of the view that the IAD has adequate resources to perform his functions and has to the best of his ability, maintained his independence from the activities that he and his team audit. The IAD subscribes to, and is guided by the standards for the professional practice of Internal Auditing developed by the IIA 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 IAD 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.

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

Although the IAD reports directly to the AC, administratively he reports to the Executive Committee and the Managing Director on a regular basis.

Based on the reviews conducted, discussions with auditors, and the Management's responses to the auditors' recommendations for improvements to the system of internal controls, the Board and the AC are of the opinion that, in the absence of any evidence to the contrary, the internal controls and risk management processes are adequate to meet the needs of the Company in its current business environment.

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.

Corporate Governance Report

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

All cases reported are treated confidentially and objectively investigated. Results of the investigation would not be disclosed or discussed with anyone other than those who have a legitimate right to know and appropriate remedial measures are taken where warranted.

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

COMMUNICATION WITH SHAREHOLDERS

Principle 14 – Regular, effective and fair communication with Shareholders

The Company strives to convey to 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. Dialogues are held with investors, analysts, fund managers and the press. The Company monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis.

Price-sensitive information is first publicly released through SGXNET, either before the Company meets with any investors or analysts or simultaneously with such meetings. All shareholders of the Company receive the annual report, and notice of AGM, which is held within four months after the close of the financial year. The notice is also advertised in the newspapers. The annual report is also available on the Company's corporate website, www.innotek.com.sg.

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

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

Resolutions are, as far as possible, structured separately and may be voted on independently. All polls are conducted in the presence of independent scrutineers.

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

ADDITIONAL INFORMATION

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 quarterly financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements.

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

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

INTERESTED PERSON TRANSACTION POLICY

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

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

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
VQBN Holdings Pte Ltd	S$40,857	None

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

Corporate Governance Report

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.

STATEMENT OF COMPLIANCE

The Board of Directors confirms that during the financial year ended 31 December 2011, the Company has complied with its policies and practices based on the Code of Best Practices on Securities Transactions and the Code of Corporate Governance 2005.

Ernst & Young in Hong Kong are the Group auditors of Mansfield Manufacturing Company Limited ("Mansfield Group"). They have audited the Mansfield Group accounts which include all the subsidiaries in Note 4 to the Financial Statements.

RISK MANAGEMENT

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

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

Corporate Governance Report

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

1. **Industry and customer risk**

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

2. **Under utilization of production capacity**

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

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

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

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

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

Corporate Governance Report

5. Exposure to credit risks

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

6. Foreign exchange exposure

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

7. Liquidity risk

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

8. Changes in the political, social and economic conditions

The Group's manufacturing facilities are located mainly in China and Europe. Any unfavorable changes in the political, social, legal, regulatory and economic conditions in these countries 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.

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of InnoTek Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2011.

DIRECTORS

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

Robert Sebastiaan Lette (Chairman)
Yong Kok Hoon
Low Teck Seng
Peter Tan Boon Heng

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

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

	Direct interest		Deemed interest	
Name of Director	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
Ordinary shares of the Company				
Yong Kok Hoon	1,040,000	1,040,000	–	–
Low Teck Seng	100,000	100,000	120,000	120,000
Robert Sebastiaan Lette	40,000	40,000	–	–

Options to subscribe for ordinary shares in the Company

Director	At beginning of the year	At end of the year	Exercise Price per Share	Date of Grant
Yong Kok Hoon	50,000	50,000	$0.69*	8 March 2004

* Granted at a 20% discount

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2012.

Directors' Report

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES (cont'd)

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

DIRECTORS' CONTRACTUAL BENEFITS

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

SHARE OPTIONS

(1) InnoTek Limited – Employees' Share Option Plan

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

(b) InnoTek Employees' Share Option Scheme II ("Scheme II") was approved by shareholders at the Annual General Meeting on 30 April 2008.

Scheme II succeeded the Plan which expired in 2006.

(2) Both the Plan and Scheme II are administered by the Remuneration Committee whose members are:

Peter Tan Boon Heng (Chairman)
Robert Sebastiaan Lette
Low Teck Seng

(3) As at the end of the financial year, details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the InnoTek Employees' Share Option Plan are as follows:

Director	Aggregate options granted since commencement of Plan	Aggregate options cancelled since commencement of Plan	Aggregate options exercised since commencement of Plan	Aggregate options outstanding as at end of financial year
Yong Kok Hoon	2,146,000	(856,000)	(1,240,000)	50,000

Directors' Report

SHARE OPTIONS (cont'd)

(4) The unissued ordinary shares of the Company under the Plan as at 31 December 2011 comprises:

Date of Grant	No. of Options Granted	No. of Options Exercised	No. of Options Cancelled	No. of Options Outstanding	Subscription Price Per Share	Exercise Period
8 Mar 2004	5,098,000	1,952,000	2,921,000	225,000	S$0.69*	8/3/2006 to 8/3/2014

* Granted at a discount, therefore vesting date is two years after Date of Grant.

(5) The options under the Plan may be exercised only after the first anniversary of the Date of Grant of options with the exception of options granted at a discount. The options are vested in four equal instalments with the first 25% of the options granted exercisable on the first anniversary of the Date of Grant.

(6) During the financial year, no option was granted under Scheme II.

No options have been granted to Non-Executive Director of the Company, controlling shareholders of the Company or their associates, or parent group employees.

No director or employee has received 5% or more of the total number of options available under the Plan and Scheme II.

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

AUDIT COMMITTEE

The Audit Committee comprises three board members, all of whom are Non-Executive Independent Directors. The members of the Audit Committee as at the date of this report are:

Low Teck Seng (Chairman)
Robert Sebastiaan Lette
Peter Tan Boon Heng

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

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

Directors' Report

AUDIT COMMITTEE (cont'd)

The Audit Committee also reviewed the first quarter results, the half-year interim results, the third quarter results, the final consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2011 as well as the auditors' report thereon, and the impact of the various new accounting standards on the operating results and financial position of the Company and of the Group.

In addition, the Audit Committee reviewed the Interested Person Transaction for the financial year ended 31 December 2011 and reviewed all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence of the auditors and to obtain confirmation of independence of the auditors.

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

AUDITORS

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

On behalf of the Board,

Robert Sebastiaan Lette
Director

Yong Kok Hoon
Managing Director

Singapore
23 March 2012

Statement by Directors

We, Robert Sebastiaan Lette and Yong Kok Hoon, being two of the directors of InnoTek Limited, do hereby state that, in the opinion of the directors:

(i) the accompanying balance sheets, statements of changes in equity, consolidated statement of comprehensive income and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and of the results of the business, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

On behalf of the Board,

Robert Sebastiaan Lette
Director

Yong Kok Hoon
Managing Director

Singapore
23 March 2012

Independent Auditors' Report

To the Members of InnoTek Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of InnoTek Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 42 to 121, which comprise the balance sheets of the Group and the Company as at 31 December 2011, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Independent Auditors' Report

To the Members of InnoTek Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Ernst & Young LLP

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

23 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

		Group	
		2011	2010
	Note	$'000	$'000
Continuing operation			
Revenue	5	312,088	375,242
Cost of sales		(268,658)	(303,049)
Gross profit		43,430	72,193
Other items of income			
Interest income	6	201	173
Other income	7	11,419	10,529
Other items of expense			
Selling and distribution		(5,588)	(9,606)
Administrative expense		(43,400)	(46,429)
Finance cost	8	(486)	(634)
Other expenses	9	(3,879)	(5,048)
Profit before taxation and non-controlling interest			
From continuing operation	10	1,697	21,178
Tax expense	11	(1,667)	(4,117)
Profit from continuing operation, net of tax		30	17,061
Discontinued operation			
Profit from discontinued operation, net of tax	12	1,484	3,401
Profit for the year		1,514	20,462
Other comprehensive income/(expense)			
Foreign currency translation		7,160	(8,096)
Impairment loss transferred to profit or loss		1,125	–
Net loss on fair value changes of available-for-sale financial assets		–	(1,125)
Other comprehensive income, net of tax		8,285	(9,221)
Total comprehensive income for the year		9,799	11,241

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	Group 2011 $'000	Group 2010 $'000
Profit for the year attributable to:			
Owners of the Company			
(Loss)/profit from continuing operations, net of tax		(886)	14,499
Profit from discontinued operations, net of tax		1,422	3,271
		536	17,770
Non-controlling interest:			
Profit from continuing operations, net of tax		916	2,562
Profit from discontinued operations, net of tax		62	130
		978	2,692
Profit for the year		1,514	20,462
Total comprehensive income attributable to:			
Owners of the Company		8,234	8,963
Non-controlling interests		1,565	2,278
		9,799	11,241
Attributable to owners of the Company			
Total comprehensive income from continuing operations, net of tax		6,484	5,950
Total comprehensive income from discontinued operations, net of tax		1,750	3,013
		8,234	8,963
Earning per share (cents)			
Basic – continuing operation	13(a)	(0.39)	6.32
discontinued operation	12	0.63	1.43
		0.24	7.75
Diluted – continuing operation	13(a)	(0.39)	6.32
discontinued operation	12	0.63	1.43
		0.24	7.75

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

Balance Sheets
As at 31 December 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Non-current assets					
Property, plant and equipment	14	81,252	76,258	157	223
Investment property	15	14,442	20,883	–	–
Prepaid land lease payment	16	4,812	5,034	–	–
Intangible assets	17	507	508	20	20
Investment in subsidiary	18	–	–	47,061	47,061
Investment in associate	19	–	375	–	–
Other investments	20	13,125	17,259	13,125	17,259
Deferred tax assets	21	1,324	1,139	–	–
Deposit paid for purchase of property, plant and equipment		9,427	997	–	–
Other receivables	23	1,882	2,013	–	–
		126,771	124,466	60,363	64,563
Current assets					
Inventories	22	30,360	34,491	–	–
Trade and other receivables	23	74,063	95,039	850	382
Tax recoverables		408	93	–	–
Prepayments	24	782	405	–	–
Loan to subsidiary	25	–	–	20,024	11,629
Cash and bank balances	26	56,056	89,458	30,057	42,008
		161,669	219,486	50,931	54,019
Assets of disposal group classified as held for sale	12	43,623	–	–	–
		205,292	219,486	50,931	54,019
Total assets		332,063	343,952	111,294	118,582
Current liabilities					
Provisions	27	1,387	2,283	–	–
Tax payable		1,863	4,985	1,521	1,367
Loans and borrowings	28	21,189	22,937	–	–
Trade and other payables	29	83,964	100,632	617	655
		108,403	130,837	2,138	2,022
Liabilities directly associated with disposal group classified as held for sale	12	18,670	–	–	–
		127,073	130,837	2,138	2,022
Net current assets		78,219	88,649	48,793	51,997
Non-current liabilities					
Deferred tax liabilities	21	1,160	518	50	50
Loans and borrowings	28	3,351	9,943	–	–
		4,511	10,461	50	50
Total liabilities		131,584	141,298	2,188	2,072
Net assets		200,479	202,654	109,106	116,510
Share capital	30(a)	98,021	98,021	98,021	98,021
Treasury shares	30(b)	(12,482)	(11,860)	(12,482)	(11,860)
Retained earnings		104,347	116,768	23,439	31,338
Other reserves		(1,794)	(8,959)	128	(989)
Reserve of disposal group classified as held for sale	12	2,488	–	–	–
		190,580	193,970	109,106	116,510
Non-controlling interests		9,899	8,684	–	–
Total Equity		200,479	202,654	109,106	116,510

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

Statement of Changes in Equity

For the year ended 31 December 2011

2011 Group	Note	Equity, total $'000	Equity attributable to owners of the Company, total $'000	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Reserve of disposal group classified as held for sale $'000	Other reserves, total $'000	Fair value adjustment reserve $'000	Foreign currency translation reserve $'000	Employee share option reserve $'000	Non-controlling interests $'000
			Attributable to owners of the Company									
Opening balance at 1 January 2011		202,654	193,970	98,021	(11,860)	116,768	–	(8,959)	(1,125)	(7,970)	136	8,684
Profit for the year		1,514	536	–	–	536	–	–	–	–	–	978
Other comprehensive expense												
Foreign currency translation		7,160	6,573	–	–	–	525	6,048	–	6,048	–	587
Impairment loss transferred to profit or loss		1,125	1,125	–	–	–	–	1,125	1,125	–	–	–
Other comprehensive loss for the year, net of tax		8,285	7,698	–	–	–	525	7,173	1,125	6,048	–	587
Total comprehensive income for the year		9,799	8,234	–	–	536	525	7,173	1,125	6,048	–	1,565
Contributions by and distributions to owners												
Reserve attributable to disposal group classified as held for sale		–	–	–	–	(1,963)	1,963	–	–	–	–	–
Expiry of employee share option		–	–	–	–	8	–	(8)	–	–	(8)	–
Purchase of treasury shares	30(b)	(622)	(622)	–	(622)	–	–	–	–	–	–	–
Dividends on ordinary shares	40	(11,352)	(11,352)	–	–	(11,352)	–	–	–	–	–	–
Total contributions by and distributions to owners		(11,974)	(11,974)	–	(622)	(13,307)	1,963	(8)	–	–	(8)	–
Changes in ownership interests in subsidiaries that do not result in a loss of control												
Dilution of non-controlling interest in a subsidiary	4	–	350	–	–	350	–	–	–	–	–	(350)
Total changes in ownership interests in subsidiaries		–	350	–	–	350	–	–	–	–	–	(350)
Total transactions with owners in their capacity as owners		(11,974)	(11,624)	–	(622)	(12,957)	1,963	(8)	–	–	(8)	(350)
Closing balance at 31 December 2011		200,479	190,580	98,021	(12,482)	104,347	2,488	(1,794)	–	(1,922)	128	9,899

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

Statement of Changes in Equity

For the year ended 31 December 2011

			Attributable to owners of the Company								
2010 Group	Note	Equity, total $'000	Equity attributable to owners of the parent, total $'000	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserves, total $'000	Fair value adjustment reserve $'000	Foreign currency translation reserve $'000	Employee share option reserve $'000	Non-controlling interests $'000
Opening balance at 1 January 2010		207,239	200,334	96,991	(7,028)	107,135	3,236	–	(288)	3,524	6,905
Profit for the year		20,462	17,770	–	–	17,770	–	–	–	–	2,692
Other comprehensive expense											
Foreign currency translation		(8,096)	(7,682)	–	–	–	(7,682)	–	(7,682)	–	(414)
Net loss on fair value changes of available-for-sale financial		(1,125)	(1,125)	–	–	–	(1,125)	(1,125)	–	–	–
Other comprehensive loss for the year, net of tax		(9,221)	(8,807)	–	–	–	(8,807)	(1,125)	(7,682)	–	(414)
Total comprehensive income for the year		11,241	8,963	–	–	17,770	(8,807)	(1,125)	(7,682)	–	2,278
Contributions by and distributions to owners											
Share option expense	32	37	37	–	–	–	37	–	–	37	–
Exercise of employee share options	30(a)	605	605	1,030	–	–	(425)	–	–	(425)	–
Expiry of employee share options	32	–	–	–	–	3,000	(3,000)	–	–	(3,000)	–
Purchase of treasury shares	30(b)	(4,832)	(4,832)	–	(4,832)	–	–	–	–	–	–
Dividends on ordinary shares	40	(11,408)	(11,408)	–	–	(11,408)	–	–	–	–	–
Total contributions by and distributions to owners		(15,598)	(15,598)	1,030	(4,832)	(8,408)	(3,388)	–	–	(3,388)	–
Changes in ownership interests in subsidiaries that do not result in a loss of control											
Acquisition of non-controlling interests	4	(228)	271	–	–	271	–	–	–	–	(499)
Total changes in ownership interests in subsidiaries		(228)	271	–	–	271	–	–	–	–	(499)
Total transactions with owners in their capacity as owners		(15,826)	(15,327)	1,030	(4,832)	(8,137)	(3,388)	–	–	(3,388)	(499)
Closing balance at 31 December 2010		202,654	193,970	98,021	(11,860)	116,768	(8,959)	(1,125)	(7,970)	136	8,684

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

Statement of Changes in Equity
For the year ended 31 December 2011

2011 Company	Note	Equity, total $'000	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserves, total $'000	Employee share option reserve $'000	Fair value adjustment reserve $'000
Opening balance at 1 January 2011		116,510	98,021	(11,860)	31,338	(989)	136	(1,125)
Profit for the year		3,445	–	–	3,445	–	–	–
Other comprehensive income for the year, net of tax		1,125	–	–	–	1,125	–	1,125
Total comprehensive income for the year		4,570	–	–	3,445	1,125	–	1,125
<u>Contributions by and distributions to owners</u>								
Expiry of employee share options		–	–	–	8	(8)	(8)	–
Purchase of treasury shares	30(b)	(622)	–	(622)	–	–	–	–
Dividends on ordinary shares	40	(11,352)	–	–	(11,352)	–	–	–
Total transactions with owners in their capacity as owners		(11,974)	–	(622)	(11,344)	(8)	(8)	–
Closing balance at 31 December 2011		109,106	98,021	(12,482)	23,439	128	128	–
Opening balance at 1 January 2010		133,255	96,991	(7,028)	39,768	3,524	3,524	–
Profit for the year		(1,147)	–	–	(22)	(1,125)	–	(1,125)
Other comprehensive income for the year, net of tax		–	–	–	–	–	–	–
Total comprehensive income for the year		(1,147)	–	–	(22)	(1,125)	–	(1,125)
<u>Contributions by and distributions to owners</u>								
Share option expense	32	37	–	–	–	37	37	–
Exercise of Employee Share Option Plan	30(a)	605	1,030	–	–	(425)	(425)	–
Expiry of employee share options	32	–	–	–	3,000	(3,000)	(3,000)	–
Purchase of treasury shares	30(b)	(4,832)	–	(4,832)	–	–	–	–
Dividends on ordinary shares	40	(11,408)	–	–	(11,408)	–	–	–
Total transactions with owners in their capacity as owners		(15,598)	1,030	(4,832)	(8,408)	(3,388)	(3,388)	–
Closing balance at 31 December 2010		116,510	98,021	(11,860)	31,338	(989)	136	(1,125)

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

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Profit before tax from continuing operations		1,697	21,178
Profit before tax from discontinued operations		1,484	3,401
Profit before tax		3,181	24,579
Adjustments for:			
Share of results of associates		(26)	(83)
Depreciation of property, plant and equipment		15,737	17,534
Amortisation of intangible assets		239	34
Amortisation of prepaid land lease payments		123	97
Loss/(gain) on disposal of property, plant and equipment		48	(134)
Gain on disposal of other investment		(1,799)	(554)
Impairment loss on investment securities		2,625	–
Other payables written off		–	(177)
Impairment loss of property, plant and equipment		–	121
Impairment loss of property, plant and equipment written back		–	(3,319)
Impairment loss of prepaid land lease payment written back		–	(175)
(Gain)/loss from fair value adjustment of investment property		(4,103)	662
Share options expense		–	37
Allowance for doubtful debts		582	1,452
Allowance for doubtful debts written back		(665)	(2,806)
Bad debts written-off		–	133
Provision for severance benefits		453	838
Interest expense		661	810
Interest income		(201)	(173)
Dividend income from investment securities		(1,104)	–
Allowance for obsolete inventories		549	760
Unrealised exchange loss/(gain)		2,429	(2,107)
Operating cash flows before changes in working capital		18,729	37,529
Increase in trade and other receivables		9,771	(2,571)
Increase in inventories		(10,566)	(4,781)
Increase in trade and other payables		(1,265)	8,677
Decrease in prepayment		(53)	21
Decrease in provision		(1,457)	(401)
Cash flows generated from operations		15,159	38,474
Interest paid		(661)	(810)
Interest received		201	173
Taxes paid		(4,412)	(2,690)
Net cash flows from operating activities		10,287	35,147

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 $'000	2010 $'000
Cash flows from investing activities			
Acquisition of property, plant and equipment		(19,785)	(7,525)
Additions to prepaid land lease payment		–	(4,680)
Additions to investment property		(170)	(349)
Proceeds from sale of property, plant and equipment		76	249
Proceeds from sale of other investment		4,433	554
Deposit paid for property, plant and equipment		(8,430)	(997)
Additions to intangible assets		(231)	(417)
Acquisition of minority interest		–	(228)
Investment in quoted shares		–	(15,750)
Dividend from investment securities		1,104	–
Net cash used in investing activities		(23,003)	(29,143)
Cash flows from financing activities			
Dividends paid on ordinary shares by the Company		(11,352)	(11,408)
Purchase of treasury shares		(622)	(4,832)
Proceeds from issuance of ordinary shares		–	605
Proceeds from loan and borrowings		(470)	1,142
Repayment of loans and borrowings		(6,612)	(8,438)
Net repayment of finance lease		(28)	(180)
Net cash used in financing activities		(19,084)	(23,111)
Net decrease in cash and cash equivalents		(31,800)	(17,107)
Effect of exchange rate changes on cash and cash equivalents		428	(1,863)
Cash and cash equivalents at beginning of year		86,573	105,543
Cash and cash equivalents at end of year	26	55,201	86,573

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

Notes to Financial Statements

31 December 2011

1. CORPORATE INFORMATION

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

The registered office and principal place of business of the Company is located at 1 Finlayson Green #15-02, Singapore 049246.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared on a historical cost basis except for investment properties and available-for-sale financial assets that have been measured at their fair values.

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2013
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013

Except for the Amendments to FRS 12, Amendments to FRS 11 and revised FRS 28 and FRS 112, the directors expect that the adoption of the standards and interpretations 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 the Amendments to FRS 12, Amendments to FRS 1, FRS 11 and revised FRS 28 and FRS 112 are described below.

Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets

The Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets are effective for annual periods beginning on or after 1 January 2012.

The Amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40 Investment Property, including investment property acquired in a business combination and subsequently measured using the fair value model. For the purposes of measuring deferred tax, the Amendments introduce a rebuttable presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

The Group provides for deferred tax liabilities for its investment properties on the basis that the carrying amount of the investment properties will be recovered through use. Upon adoption of the Amendments to FRS 12, there is a presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. Accordingly, there will be no deferred tax liability on investment properties in Singapore as there is no capital gains tax in Singapore. The Group expects the adoption of Amendments to FRS 12 to result in a decrease in deferred tax liabilities of the Group and a corresponding increase in retained earnings upon initial application of the amendments.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures*

FRS 111 and the revised FRS 28 are effective for financial periods beginning on or after 1 January 2013.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies proportionate consolidation for its joint ventures. Upon adoption of FRS 111, the Group expects the change to equity accounting for these joint ventures will affect the Group's financial statements presentation.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

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 Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(a) Basis of consolidation (cont'd)

Basis of consolidation from 1 January 2010 (cont'd)

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

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

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

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

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

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

(b) Business combinations

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

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

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(b) Business combinations (cont'd)

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 accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) 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.

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 accounting policy for goodwill is set out in Note 2.10. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 Transactions with non-controlling interests

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

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

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 determined.

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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which 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.

(b) Consolidated financial statements

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

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

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Property, plant and equipment

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

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

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

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the end of the reporting period. 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.

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

2.9 Prepaid land lease payment

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.10 Intangible assets

(a) Goodwill

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 each of 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.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Intangible assets (cont'd)

(a) Goodwill (cont'd)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) 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 subsequently amortised over the useful economic life and assessed for impairment whenever there is an induction 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.

(c) 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.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 to sell 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 to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Notes to Financial Statements
31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

2.12 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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

2.13 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Associates (cont'd)

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

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 its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2.14 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.

Subsequent measurement

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

(a) 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.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Financial assets (cont'd)

(b) Available-for-sale financial assets

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

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

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

De-recognition

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

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.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Impairment of financial assets

The Group assesses at each end of the reporting period 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 incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

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

To determine whether there is objective evidence that an impairment loss on financial assets has 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.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Impairment of financial assets (cont'd)

(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 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 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. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

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

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.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits. These also include bank overdrafts that form an integral part of the Group's cash management.

2.17 Inventories

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

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

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

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

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

2.18 Provisions

Provisions are recognised when the Company 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.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 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:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. 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.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities 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.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Borrowing costs

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Employee benefits

(a) Defined contribution plans

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

Pension schemes

The Group 's subsidiaries participate in a defined contribution Mandatory Provident Fund retirement benefits scheme ("the "MPF 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 payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employee contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland china are required to participate in a central pension 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 income statement as they become payable 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 accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.21 Employee benefits (cont'd)

(c) Termination benefit

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(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 ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. The cost is recognised in the profit or loss, with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

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

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Leases

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

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

(a) As lessee

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

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

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

(b) As lessor

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

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Revenue

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

(a) Sale of goods

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

(b) Dividend income

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

(c) Interest income

Interest income is recognised as interest accrues 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.

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

- Where the deferred tax 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;

- In respect of 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 by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if 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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Notes to Financial Statements
31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

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 balance sheet date.

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(c) Sales tax

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

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

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

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

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issue expenses

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

2.27 Treasury shares

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

2.28 Contingencies

A contingent liability is:

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

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

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

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

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

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

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.29 Non-current assets held for sale and discontinued operations

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

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

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

2.30 Related parties

A related party is defined as follows:

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

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate of the other entity (or an associate of a member of a group of which the other entity is a member);
- (iii) The entity is controlled or jointly controlled by a person identified in (a);
- (iv) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to Financial Statements

31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.31 Government grants

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) 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 and deferred tax liabilities as at 31 December 2011 were $1,863,000 (2010: $4,985,000) and $1,160,000 (2010: $518,000) respectively. The carrying amounts of the Company's tax payable and deferred tax liabilities as at 31 December 2011 were $1,521,000 (2010: $1,367,000) and $50,000 (2010: $50,000) respectively.

(b) Useful lives of plant and equipment

The costs of machinery and equipment for the Group's manufacturing activities are depreciated on a straight-line basis over the useful lives of the machinery and equipment. Management estimates the useful lives of the machinery and equipment to be within 1 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's machinery and equipment at 31 December 2011 is stated in Note 14 to the financial statements.

Notes to Financial Statements

31 December 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

(c) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loan and receivable at the balance sheet date is disclosed in Note 23 to the financial statements.

(d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Definite life non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Long service payment

The Group implemented a long service payment ("LSP") in certain of its subsidiaries. The amount of the provision 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 carrying amount of the Group's provision for long service payment as at 31 December 2011 was $1,387,000 (2010: $2,283,000).

(f) 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 32.

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

The Group records impairment loss on available-for-sale investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of "significant" or "prolonged" requires judgment. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 December 2011, the amount of impairment loss recognised for available-for-sale financial assets was $2,625,000 (2010: Nil).

Notes to Financial Statements

31 December 2011

4. GROUP COMPANIES

The subsidiary and associated companies as at 31 December 2011 are:

Name of company	Country of incorporation	Principal activities	Cost of investments by the Company 2011 $'000	Cost of investments by the Company 2010 $'000	Effective interest held by the Group 2011 %	Effective interest held by the Group 2010 %
Subsidiary companies						
Directly held by the Company						
Mansfield Manufacturing Company Limited ("Mansfield")[1]	Hong Kong	Metal stamping and sub-assembly of stamped components, tooling and die making	47,061	47,061	100.00	100.00
			47,061	47,061		
Indirectly held through subsidiary companies						
Mansfield						
Go Smart Development Limited[1]	Hong Kong	Property investment and trading of electrical appliances	#	#	100.00	100.00
Lens Tool & Die (H.K.) Limited[1]	Hong Kong	Property investment	#	#	100.00	100.00
Magix Mechatronics Company Limited[1]	Hong Kong	Sale of assembly components	#	#	95.40 (a)	90.00
Feng Chuan Tooling Company Limited[1]	Hong Kong	Sale of precision tools and dies	#	#	100.00	100.00
Feng Chuan Tooling (Dongguan) Company Limited[2]	People's Republic of China	Manufacturing of precision tools and dies	#	#	100.00	100.00
Mansfield (Suzhou) Manufacturing Company Limited[2]	People's Republic of China	Metal stamping, tooling and die making	#	#	100.00	100.00

Notes to Financial Statements
31 December 2011

4. GROUP COMPANIES (cont'd)

Name of company	Country of incorporation	Principal activities	Cost of investments by the Company 2011 $'000	Cost of investments by the Company 2010 $'000	Effective interest held by the Group 2011 %	Effective interest held by the Group 2010 %
Subsidiary companies (cont'd)						
Indirectly held through subsidiary companies (cont'd)						
Magix Mechatronics (Dongguan) Company Limited[2]	People's Republic of China	Assembly of components	#	#	95.40 (a)	90.00
Dongguan Mansfield Metal Forming Company Limited[2]	People's Republic of China	Metal stamping, tooling and die making	#	#	100.00	100.00
Magix Industrial Company Limited[1]	Hong Kong	Assembly of components	#	#	95.40 (a)	90.00
Mansfield Industrial Company Limited[1*]	Hong Kong	Investment holding	#	#	55.00	55.00
Mansfield Manufacturing (Dalian) Company Limited[2*]	People's Republic of China	Metal stamping	#	#	55.00	55.00
Exerion Precision Technology Holdings BV[1*]	The Netherlands	Investment holding	#	#	91.70	91.70
Exerion Precision Technology Ulft BV[1*]	The Netherlands	Electrical appliance sub-assembly	#	#	91.70	91.70
Exerion Precision Technology Olomouc CZ s.r.o.[1*]	Czech Republic	Electrical appliance sub-assembly	#	#	91.70	91.70

Notes to Financial Statements

31 December 2011

4. GROUP COMPANIES (cont'd)

Name of company	Country of incorporation	Principal activities	Cost of investments by the Company 2011 $'000	Cost of investments by the Company 2010 $'000	Effective interest held by the Group 2011 %	Effective interest held by the Group 2010 %
Subsidiary companies (cont'd)						
Indirectly held through subsidiary companies (cont'd)						
Sun Mansfield Manufacturing (Dongguan) Company Limited[2]	People's Republic of China	Metal stamping, tooling and die making	#	#	100.0	100.0
Mansfield Manufacturing (Wuhan) Company Limited[2**]	People's Republic of China	Metal stamping	#	–	100.0	–
Associated company						
Indirectly held through subsidiary companies						
Wong Exerion Precision Technology Sdn Bhd[3]	Malaysia	Electrical appliance sub-assembly	#	#	44.90	44.90

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 Audited by other firms

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

* These subsidiaries are classified as disposal groups held for sales as at 31 December 2011. (See Note 12 for details)

** Newly incorporated indirectly wholly-owned subsidiary on 18 October 2011.

(a) In 2011, the Group increase the paid-up capital Magix Mechatronics Co. Limited by cash injection of $11.7 million (HK$70 million) to cater for capital expenditure of its wholly-owned subsidiary, Magix Mechantronics (Dongguan) Co. Ltd. As a result, the Group's effective interest in Magix Mechatronics Co. Limited increased from 90.0% to 95.4%.

Notes to Financial Statements

31 December 2011

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	
	2011	2010
	$'000	$'000
Interest income from banks	201	173

7. OTHER INCOME

	Group	
	2011	2010
	$'000	$'000
Rental income	1,263	846
Sample recharge	638	1,635
Dividend Income	1,104	–
Other payables written off	–	177
Gain on disposal of property, plant and equipment	–	134
Gain on disposal of other investment	1,799	554
Impairment loss of property, plant and equipment written back	–	3,319
Impairment loss of prepaid land lease payment written back	–	175
Fair value gains on investment properties	4,103	–
Write-back of allowance for doubtful debts	665	2,806
Government grants	720	–
Others	1,127	883
	11,419	10,529

Government grants have been received for research activities in the PRC. The government grants released have been deducted from the research and development costs to which they related. There are no unfulfilled conditions or contingencies relating to these grants.

Notes to Financial Statements

31 December 2011

8. FINANCE COSTS

	Group	
	2011	2010
	$'000	$'000
Interest expense		
– Bank loans and borrowings	486	634

9. OTHER EXPENSES

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

	Group	
	2011	2010
	$'000	$'000
Fair value loss of investment property	–	662
Expenses related to aborted merger and acquisition projects	424	–
Impairment loss of property, plant and equipment	–	121
Impairment loss on investment securities	2,625	–
Allowance for doubtful trade receivables	565	1,452
Bad debts written off	–	133
Net foreign exchange loss	265	2,680
	3,879	5,048

10. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax from continuing operations

	Group	
	2011	2010
	$'000	$'000
Audit fees:		
– Auditors of the Company	83	83
– Other auditors	425	492
Non-audit fees:		
– Auditors of the Company	176	11
– Other auditors	84	241
	768	827

Notes to Financial Statements

31 December 2011

10. PROFIT BEFORE TAX (cont'd)

	Group 2011 $'000	Group 2010 $'000
Inventories recognised as an expense in cost of sales	165,868	192,457
Depreciation of property, plant and equipment	15,295	16,790
Amortisation of intangible assets	239	34
Amortisation of prepaid land lease payments	123	97
Employee benefit expense:		
(excluding directors' remuneration – Note 33(b))		
Wages and salaries	63,456	68,978
Share option expense	–	37
Pension scheme contributions	2,856	2,413
Long service payment	453	838
Allowance for inventory obsolescence	525	519

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 2011 $'000	Group 2010 $'000
Current continuing operations		
Singapore	203	158
Foreign	919	6,519
Over provision for current income tax in respect of previous years	(122)	(469)
	1,000	6,208
Deferred		
Origination and reversal of temporary differences	667	(2,091)
Income tax expense recognised in the profit or loss	1,667	4,117

Notes to Financial Statements

31 December 2011

11. INCOME TAX EXPENSE (cont'd)

Relationship between tax expense and accounting profit

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2011 and 31 December 2010 are as follows:

	Group	
	2011	2010
	$'000	$'000
Profit before tax from continuing operations	1,697	21,178
Profit before tax from discontinued operation (Note 12)	1,484	3,401
Accounting profit before tax	3,181	24,579
Tax expense at the domestic rates applicable to profits in the countries where the Group operates	796	4,043
Adjustments:		
Income not subject to taxation	(692)	(1,345)
Non-deductible expenses	1,293	1,895
Effect of change in tax rate	–	(30)
Effect of withholding tax on distributable profits	49	579
Tax losses not recognised	87	43
Benefits from previously unrecognised tax losses	(117)	(739)
Over provision of tax in prior years	(122)	(469)
Share of results of associate	–	(14)
Others	373	154
Tax expense recognised in the profit or loss	1,667	4,117

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

The corporate income tax rate applicable to the Company was 17% for the years of assessment 2012 and 2011.

Certain subsidiaries of the Group established in the People's Republic of China ("PRC") were exempted from PRC corporate income tax ("CIT") for their first two profit-making years of operations and thereafter are eligible for a 50% relief from PRC CIT for the following three years under the PRC tax laws.

For the companies operating in PRC and the Netherlands, corporate taxes have been calculated on the estimated assessable profits for the year at the rate ranging from 12.5% to 25% (2010: 11% to 25%) and ranging from 19% to 25% (2010: 20% to 25.5%), respectively.

Notes to Financial Statements
31 December 2011

11. INCOME TAX EXPENSE (cont'd)

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

As at 31 December 2011, the Group had unutilised tax losses of approximately $365,000 (2010: $547,000) 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.

12. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 5 August 2011, the Group signed a memorandum of understanding ("MOU") with Retnok Holding B.V. ("Retnok"), a 8.3% minority shareholder of Exerion Precision Technology Holding B.V. ("Exerion", together with its subsidiaries, the "Exerion Group") and Alliancecorp Manufacturing Sdn. Bhd. ("ACM"), an independent third party, to acquire the Group's entire 91.7% equity interest in the Exerion for an aggregate consideration of $5.4 million (EUR 3.3 million). In the opinion of directors, the disposal of Exerion, which engages in the frame manufacturing, is in the long term interest of the Group to focus on its core expertise of precision components and sub-assembly, and also to strengthen the Group's liquidity and cash position in order to provide the Group with added financial flexibility to pursue its growth plans.

Subsequent to the end of the reporting period, on 20 February 2012, the Group and Retnok entered into a sale and purchase agreement (the "Exerion SPA") with ACM for the sale of 30,731 shares (representing 42.7%) and 6,002 shares (representing 8.3%) in Exerion held by the Group and Retnok respectively, to ACM. In addition, on the same date, the Group entered into a shareholders' agreement and an option agreement (the "Option Agreement") with ACM for the sale of the remaining 35,291 shares in the Exerion, which represents 49% equity interest. Under the Option Agreement, ACM will be granted a call option, exercisable from the date of the option agreement up to and including 31 March 2014, to require the Group to sell all of the remaining Exerion's shares to ACM; and the Group will be granted a put option, exercisable from 1 April 2014 to 30 April 2014, to require ACM to purchase all of the remaining Exerion's shares.

As at 31 December 2011, the assets and liabilities related to the Exerion Group have been presented in the consolidated statement of financial position as "Assets of disposal groups classified as held for sale" and "Liabilities directly associated with disposal groups classified as held for sale". In addition, since the Group will cease its frame manufacturing business upon completion of the above transactions, the results of the Exerion Group are presented separately on profit or loss as "Profit from a discontinued operation, net of tax".

Notes to Financial Statements

31 December 2011

12. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (cont'd)

(a) Income Statement disclosures for discontinued operations:

The results of Exerion for the year ended 31 December are as follows:

	12 Months Ended 31 December	
	2011	2010
	$'000	$'000
Revenue	37,631	40,684
Expenses	(35,999)	(37,190)
Profit from operations	1,632	3,494
Finance costs	(174)	(176)
Share of results of associate	26	83
Profit from discontinued operation, before and after tax	1,484	3,401
Non-controlling interests	(62)	(130)
Profit after tax and non-controlling interest	1,422	3,271

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

The sale will be taken place over two tranches, of which the first sale of 3,600,000 shares, representing 36% of the Group's equity interest in the MICL Group, amounting to $5.8 million (HK$36 million) is expected to be completed before 30 April 2012. Upon completion of the first sale, the MICL Group will cease to be a subsidiary of the Group. The second tranche of sale relates to 1,900,000 shares, representing 19% of the Group's equity interest in the MICL Group. The consideration is $3.1 million (HK$19 million) which is expected to be completed before 31 December 2014.

As at 31 December 2011, the assets and liabilities related to the MICL Group have been presented in the consolidated statement of financial position as "Assets of disposal groups classified as held for sale" and "Liabilities directly associated with disposal groups classified as held for sale".

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12. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (cont'd)

(b) Balance sheet disclosures for disposal groups classified as held for sale

	2011		
	Exerion Group (Discontinued Operation) $'000	MICL Group $'000	Total $'000
Assets			
Property, plant and equipment	907	10,013	10,920
Prepaid land lease payment	–	1,946	1,946
Inventories	11,579	2,395	13,974
Trade and other receivables	6,744	4,897	11,641
Prepayment	–	98	98
Other long term receivables	–	74	74
Investment in associate	394	–	394
Cash and short-term deposits	49	4,527	4,576
Assets of disposal group classified as held for sale	19,673	23,950	43,623
Liabilities:			
Trade and other payables	(9,179)	(5,310)	(14,489)
Loans and borrowings*	(3,878)	–	(3,878)
Tax payable	–	(103)	(103)
Deferred tax liabilities	–	(200)	(200)
Liabilities directly associated with disposal group classified as held for sale	(13,057)	(5,613)	(18,670)
Net assets directly associated with disposal group classified as held for sale	6,616	18,337	24,953
Reserve:			
Translation reserve	64	461	525
Other reserves	271	1,692	1,963
Reserve of disposal group classified as held for sale	335	2,153	2,488

* Including bank overdraft amounting to $2,874,000.

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12. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (cont'd)

(c) Cashflow disclosures

The cash flows attributable to Exerion are as follows:

	12 Months Ended 31 December	
	2011	2010
	$'000	$'000
Operating	(238)	153
Investing	–	(208)
Financing	(131)	(153)
Net cash outflows	(369)	(208)

(d) Profit per share disclosures

	Group	
	2011	2010
	$'000	$'000
Profit per share from discontinued operation attributable to owners of the Company (cents per share)		
Basic	0.63	1.43
Diluted	0.63	1.43

The basic and diluted profit per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit and share data are presented in the tables in Note 13 (a).

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13. EARNINGS PER SHARE

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

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

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

	Group	
	2011	**2010**
	$'000	**$'000**
Profit attributable to owners of the Company	536	17,770
Less: Profit from discontinued operation, net of tax	(1,422)	(3,271)
(Loss)/profit from continuing operations, net of tax	(886)	14,499
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share ('000)*	226,481	229,255

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

(b) Shares options granted to employees under the existing employee share option plans that have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

(c) 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.

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14. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land & buildings $'000	Machinery and equipment $'000	Tools and dies $'000	Furniture fittings, and office equipment $'000	Motor vehicles $'000	Leasehold improve-ments $'000	Construction in-progress $'000	Total $'000
Cost								
At 1 January 2010	30,501	115,479	2,174	17,227	1,024	40,869	2,879	210,153
Additions	–	5,308	–	537	387	124	3,714	10,070
Transfer to investment property (Note 15)	(15,688)	(481)	(10)	–	–	(1,154)	(2,689)	(20,022)
Disposals	–	(752)	(418)	(607)	(200)	(933)	–	(2,910)
Exchange differences	(1,331)	(9,152)	(322)	(1,532)	(133)	(2,731)	(438)	(15,639)
At 31 December 2010 and 1 January 2011	13,482	110,402	1,424	15,625	1,078	36,175	3,466	181,652
Additions	24	4,124	–	529	148	1,407	11,937	18,169
Transfer from investment property (Note 15)	8,331	–	–	–	–	2,033	–	10,364
Attributable to disposal group classified as held for sale (Note 12)	(8,279)	(6,730)	(1,353)	(3,235)	(248)	(191)	–	(20,036)
Reclassification	7,521	(288)	–	568	–	–	(7,801)	–
Disposals	–	(693)	–	(329)	(80)	(169)	–	(1,271)
Exchange differences	1,094	3,698	(71)	241	37	1,377	393	6,769
At 31 December 2011	22,173	110,513	–	13,399	935	40,632	7,995	195,647
Accumulated depreciation and impairment loss								
At 1 January 2010	5,570	59,297	1,497	13,078	597	24,579	579	105,197
Provision/(reversal) for impairment	(2,799)	121	–	–	–	–	(520)	(3,198)
Charge for the year	715	9,340	258	1,546	192	5,459	–	17,510
Transfer to investment property (Note 15)	(1,247)	(481)	(10)	–	–	(543)	–	(2,281)
Disposals	–	(637)	(418)	(607)	(200)	(933)	–	(2,795)
Exchange differences	35	(5,483)	(246)	(1,215)	(47)	(2,024)	(59)	(9,039)
At 31 December 2010 and 1 January 2011	2,274	62,157	1,081	12,802	542	26,538	–	105,394
Charge for the year	721	9,021	118	1,189	179	4,509	–	15,737
Attributable to disposal group classified as held for sale (Note 12)	(476)	(4,441)	(1,129)	(2,754)	(178)	(138)	–	(9,116)
Reclassification	–	(549)	–	549	–	–	–	–
Disposals	–	(639)	–	(314)	(44)	(150)	–	(1,147)
Exchange differences	93	2,028	(70)	194	21	1,261	–	3,527
At 31 December 2011	2,612	67,577	–	11,666	520	32,020	–	114,395
Net book value								
At 31 December 2011	19,561	42,936	–	1,733	415	8,612	7,995	81,252
At 31 December 2010	11,208	48,245	343	2,823	536	9,637	3,466	76,258

Notes to Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Leasehold improve-ments S$'000	Computer $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Cost					
At 1 January 2010	67	56	42	–	165
Additions	3	–	12	205	220
At 31 December 2010 and 1 January 2011	70	56	54	205	385
Additions	–	–	1	–	1
At 31 December 2011	70	56	55	205	386
Accumulated depreciation					
At 1 January 2010	11	56	22	–	89
Charge for the year	23	–	18	32	73
At 31 December 2010 and 1 January 2011	34	56	40	32	162
Charge for the year	24	–	11	32	67
At 31 December 2011	58	56	51	64	229
Net book value					
At 31 December 2011	12	–	4	141	157
At 31 December 2010	36	–	14	173	223

Assets held under finance leases

The carrying amount of machinery and equipment held under finance leases as at 31 December 2011 was approximately $4,000 (2010: $67,000).

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

Impairment of assets

No reversal or impairment loss was recognised during the year in FY 2011 and FY 2010.

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15. INVESTMENT PROPERTY

	Group 2011 $'000	Group 2010 $'000
Balance sheet:		
At 1 January	20,883	–
Transfer (to)/from property, plant and equipment (Note 14)	(10,364)	17,741
Transfer (to)/from prepaid land lease payments (Note 16)	(1,588)	3,775
Additions	170	349
Gain/(loss) from fair value adjustments recognised in profit or loss	4,103	(662)
Exchange differences	1,238	(320)
At 31 December	14,442	20,883
Income statement:		
Rental income from investment property	897	463
Direct operating expenses (including repairs and maintenance) arising from rental generating property	126	123

Valuation of investment property

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

Certain of the Group's property, plant and equipment and prepaid land lease payments were revaluated upon transfer from investment property on 11 August 2011 by BMI Appraisals, independent professionally qualified valuers, at $10.4 million and $1.6 million respectively, on an open market value basis using the depreciated replacement cost approach.

The Group's investment property was revalued on 31 December 2011 by BMI Appraisals, independent professional qualified valuers, at $14.4 million on a open market value basis using the depreciated replacement cost approach. The investment property is leased to third parties under operating leases, further summary details of which are included in Note 35 to the financial statements.

As at the end of the reporting period, the Group is in the process of obtaining the land use right certificate for a piece of land located in Mainland China from the relevant government authorities. The directors of the Company consider that the relevant land use right certificate will be obtained upon the full payment of the purchase consideration in accordance with the terms of the land acquisition agreements.

Description and Location	Existing use	Tenure	Unexpired lease term
Industrial complex located in Hedong Industrial Zone, Xiang Xin East Road, Yiantian Village, Fenggang Town, Dongguan City, Guangdong Province, The PRC	Factory	Leasehold	50 years

Notes to Financial Statements

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16. PREPAID LAND LEASE PAYMENTS

	Group 2011 $'000	Group 2010 $'000
Cost		
At 1 January	5,753	5,098
Addition	–	4,680
Transfer to assets included in a disposal group classified as held for sale (Note 12)	(2,068)	–
Transfer from/(to) investment property (Note 15)	1,588	(3,775)
Exchange differences	323	(250)
At 31 December	5,596	5,753
Accumulated amortisation and impairment loss		
At 1 January	608	769
Amortisation for the year	123	121
Transfer to assets included in a disposal group classified as held for sale (Note 12)	(81)	–
Reversal of impairment	–	(175)
Exchange differences	23	(107)
At 31 December	673	608
Carrying amount at 31 December	4,923	5,145
Current portion included in prepayments (Note 24)	(111)	(111)
	4,812	5,034
Amount to be amortised:		
– Not later than one year	111	111
– Later than one year but not later than five years	446	450
– Later than five years	4,366	4,584
	4,923	5,145

The Group has 3 (2010: 4) separate plots of leasehold land in People's Republic of China (PRC) and Hong Kong. The leasehold land is transferable and has remaining tenures ranging from 36 to 47 (2010: 37 to 50) years.

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17. INTANGIBLE ASSETS

Group	Club memberships $'000	Computer software $'000	Total $'000
Cost			
Balance 1 January 2010	157	–	157
Addition	20	397	417
Exchange differences	(12)	(1)	(13)
At 31 December 2010 and 1 January 2011	165	396	561
Addition	–	231	231
Write off	–	(152)	(152)
Exchange differences	1	18	19
At 31 December 2011	166	493	659
Accumulated amortisation and impairment loss			
Balance 1 January 2010	19	–	19
Charge for the year	–	34	34
At 31 December 2010 and 1 January 2011	19	34	53
Charge for the year	–	239	239
Write off	–	(147)	(147)
Exchange differences	–	7	7
At 31 December 2011	19	133	152
Net book value			
At 31 December 2011	147	360	507
At 31 December 2010	146	362	508

Notes to Financial Statements

31 December 2011

17. INTANGIBLE ASSETS (cont'd)

Company	Club memberships $'000
Cost	
Balance 1 January 2010	19
Addition	20
At 31 December 2010 and 1 January 2011	39
Addition	–
At 31 December 2011	39
Accumulated amortisation	
Balance 1 January 2010, 31 December 2010 and 1 January 2011	19
Amortisation	–
At 31 December 2011	19
Net book value	
At 31 December 2011	20
At 31 December 2010	20

18. INVESTMENT IN SUBSIDIARY

	Company	
	2011 $'000	2010 $'000
Investment in subsidiary, at cost	47,061	47,061

Please see Note 4 for details of subsidiary.

19. INVESTMENT IN ASSOCIATE

	Group	
	2011 $'000	2010 $'000
Unquoted shares at cost	–	291
Share of post-acquisition profit	–	83
Exchange differences	–	1
	–	375

The Group has an associated company, Wong Exerion Precision Technology Sdn Bhd as at 31 December 2010. The associate was classified to disposal group held for sale as at 31 December 2011. Please see Note 4 and 12 for details.

Notes to Financial Statements

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19. INVESTMENT IN ASSOCIATE (cont'd)

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2010 $'000
Assets and liabilities:	
Total assets	1,023
Total liabilities	(258)
Results:	
Revenue	1,439
Profit for the year	168

20. OTHER INVESTMENTS

	Group and Company	
	2011 $'000	2010 $'000
Available-for-sale financial assets:		
Unquoted shares at cost	–	2,634
Quoted shares at fair value:	13,125	14,625
	13,125	17,259

The Company has a 10% equity interest in Daylight Solutions Inc. based in California (United States). The principal activities of Daylight Solutions Inc. include developing, manufacturing and selling unique molecular detection and imaging instrumentation that offers significant advancement in the areas of medical diagnostics, homeland security, military applications and industrial controls. This investment was disposed off in November 2011 at a consideration of $4.4 million. A gain on disposal of $1.8 million was recorded in the profit or loss.

On 23 November 2010, the Company acquired 15 million units in the Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT"), at $1.05 per unit.

As of 31 December 2010, a decrease in fair value of $1.1 million was recognised based on Sabana REIT's closing market price of $0.975.

During the year ended 31 December 2011, as it was determined that the decrease in fair value of Sabana REIT to be prolonged, an impairment of investment amounting to $2.6 million was recognised as of 31 December 2011. Impairment loss was calculated based on Sabana REIT's closing market price of $0.875.

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21. DEFERRED TAX

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

	2011 $'000	2010 $'000
Deferred tax assets	1,324	1,139
Deferred tax liabilities	(1,160)	(518)
	164	621

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

	Foreign income not remitted $'000	Withholding taxes $'000	Provisions for various expenses $'000	Depreciation allowance in excess of related depreciation $'000	Total $'000
At 1 January 2010	(91)	–	–	(1,401)	(1,492)
Deferred tax credited/(charged) to the income statement during the year (Note 11)	41	(264)	1,055	1,259	2,091
Exchange realignment	–	14	(47)	55	22
At 31 December 2010 and 1 January 2011	(50)	(250)	1,008	(87)	621
Deferred tax credited/(charged) to the income statement during the year (Note 11)	–	52	40	(759)	(667)
Transfer to liabilities associated with the assets classified as held for sale	–	200	–	–	200
Exchange realignment	–	(2)	14	(2)	10
At 31 December 2011	(50)	–	1,062	(848)	164

Deferred tax liabilities

Company

	Foreign income not remitted	
	2011 $'000	2010 $'000
At 31 December	50	50

Notes to Financial Statements

31 December 2011

21. DEFERRED TAX (cont'd)

Unrecognised temporary differences relating to investment in subsidiaries

At 31 December 2011 and 31 December 2010, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the subsidiary of the Group, as the Group has no liability to additional tax should such amounts be remitted.

Tax consequences of proposed dividends

There are no income tax consequences (2010: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statement (Note 40).

22. INVENTORIES

	Group	
	2011	2010
	$'000	$'000
Finished goods	13,507	11,243
Work-in-progress	8,007	11,161
Raw materials	8,846	12,087
Total inventories at lower of cost and net realisable value	30,360	34,491

During the year, the Group wrote down approximately $525,000 (2010: $519,000) of inventories as expenses in the profit or loss.

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	59,229	74,104	–	–
Amount due from subsidiary	–	–	786	319
Other debtors	2,176	2,688	10	9
Deposits	12,658	18,247	54	54
	74,063	95,039	850	382
Loan to subsidiary (Note 25)	–	–	20,024	11,629
	74,063	95,039	20,874	12,011
Other receivables (non-current):				
Deposits	1,882	2,013	–	–
Total trade and other receivables (current and non-current)	75,945	97,052	20,874	12,011
Add: Cash and bank balances (Note 26)	56,056	89,458	30,057	42,008
Total loans and receivables	132,001	186,510	50,931	54,019

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23. TRADE AND OTHER RECEIVABLES (cont'd)

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 2011 and 31 December 2010 are as follows:

	Group	
	2011 $'000	2010 $'000
United States Dollar	32,115	48,337
Renmimbi	21,507	18,214

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

Included in trade receivables are amount due from non-controlling interests of subsidiaries of $9,037,000 (2010: $13,212,000). The amount is unsecured, interest-free and sales were made according to the published selling price and condition offered to the major customers of the Group.

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 2011, an allowance of doubtful debts of $565,000 (2010: $1,452,000) was recognised in the profit or loss subsequent to a debt recovery assessment performed on trade receivables as at year end.

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23. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group	
	2011	2010
	$'000	$'000
Movement in allowance accounts:		
At 1 January	(714)	(2,495)
Impairment loss related to disposal group	9	–
Charge for the year	(565)	(1,452)
Bad debt written off against provision	47	291
Write back	665	2,806
Exchange differences	(10)	136
At 31 December	(568)	(714)

The above represents a provision for individually impaired trade receivables whose carrying values aggregate $568,000 (2010: $714,000) 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. The Group does not hold collateral or other credit enhancements over these balances.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $9,012,000 (2010: $6,870,000) 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	
	2011	2010
	$'000	$'000
Trade receivables past due:		
Less than 30 days	6,541	3,819
30 to 60 days	1,127	1,175
61 to 90 days	330	291
91 to 120 days	239	804
More than 120 days	775	781
	9,012	6,870

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24. PREPAYMENTS

	Group	
	2011	2010
	$'000	$'000
Current:		
Prepaid land lease payments (Note 16)	111	111
Other prepayments	671	294
	782	405

25. LOANS TO SUBSIDIARY

Loans to subsidiary disbursed by the Company are unsecured, repayable within 1 year and are to be settled in cash. Interest bearing loans bear interest ranging from 2.00% to 2.60% (2010: 1.04% to 2.44%) per annum. The loans are to be settled in cash and are repayable on demand.

26. CASH AND BANK BALANCES

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash and bank balances	26,885	55,624	885	8,174
Short term deposits	29,171	33,834	29,172	33,834
	56,056	89,458	30,057	42,008
Bank overdrafts (Note 28)	(2,557)	(2,885)	–	–
Cash and cash equivalents attributable to continuing operation	53,499	86,573	30,057	42,008
Add:				
Cash and cash equivalent attributable to discontinuing operation	1,702	–	–	–
	55,201	86,573	30,057	42,008

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26. CASH AND BANK BALANCES (cont'd)

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0% to 1.31% (2010: 0.01%) per annum. 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 0.11% (2010: 0.18%) per annum.

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
United States dollar	12,829	29,048	4,656	237

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

Bank overdrafts are repayable on demand and have a weighted average effective interest rate of 3.9% (2010: 3.8%) per annum.

27. PROVISIONS

	Group Provision for long service payment $'000
At 1 January 2010	2,000
Arose during the year	838
Utilised during the year	(401)
Exchange differences	(154)
At 31 December 2010 and 1 January 2011	2,283
Arose during the year	453
Utilised during the year	(1,458)
Exchange differences	109
At 31 December 2011	1,387

The Group has 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.

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28. LOANS AND BORROWINGS

	Weighted average effective interest rate (p.a.)	Maturity	Group 2011 $'000	Maturity	2010 $'000
Current:					
Obligations under finance lease, secured (Note 31)	8.3% to 10%	2012	1	2012	30
Bank loans – secured	HIBOR/LIBOR + 1% to 1.85%/ PRIBOR + 2.5%	2012	10,459	2012	8,793
Trust receipts	HIBOR + 1.5% to 1.81%/ SIBOR + 1.5%	2012	8,172	2012	11,229
Bank overdrafts (Note 26)	HK prime rate 6.7/ EURIBOR + 1.5	On demand	2,557	On demand	2,885
			21,189		22,937
Non-Current:					
Obligations under finance lease, secured (Note 31)	10 to 17.5%	N/A	–	2012-2013	25
Bank loans – secured	HIBOR/LIBOR + 1.85%	2013	3,351	2012-2013	9,918
			3,351		9,943
Total loans and borrowings			24,540		32,880

The bank overdrafts, amounts owing to bankers and bank loans are secured by corporate guarantees of approximately $45,728,000 (2010: $45,127,000) from the Company.

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 14). These obligations are denominated in Czech Koruna and Euros.

Bank loans

Included a bank loan drawdown in September 2008 on a 5-year term loan of $16.5 million (HK$100.0 million) granted on 29 July 2008. The loan is repayable on 10 quarterly instalments of $1.7 million (HK$10.0 million) commencing 2.5 years after first drawdown.

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29. TRADE AND OTHER PAYABLES

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Trade and other payables:				
Trade payables	57,898	65,913	–	–
Other payables	9,075	13,400	–	–
Accrued operating expenses	13,495	16,598	617	655
Advance payment from customers	3,496	4,721	–	–
Total trade and other payables	83,964	100,632	617	655
Add: Loans and borrowings (Note 28)	24,540	32,880	–	–
Less: Advance payment from customers	(3,496)	(4,721)	–	–
Total financial liabilities carried at amortised cost	105,008	128,791	617	655

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 2011 and 31 December 2010 is as follows:

	Group 2011 $'000	Group 2010 $'000
United States Dollar	20,831	26,423
Renmimbi	24,700	26,591

30. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company 2011 No. of shares '000	2011 $'000	2010 No. of shares '000	2010 $'000
Issued and fully paid:				
At 1 January	246,656	98,021	243,468	96,991
Issued for cash (Note 32)	–	–	3,188	1,030
At 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 32) under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

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30. SHARE CAPITAL AND TREASURY SHARES (cont'd)

(b) Treasury shares

	Group and Company			
	2011		2010	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
At 1 January	19,615	11,860	10,061	7,028
Acquired during the year	1,808	622	9,554	4,832
At 31 December	21,423	12,482	19,615	11,860

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

The Company acquired 1,808,000 (2010: 9,554,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $622,000 (2010: $4,832,000) and this was presented as a component within shareholders' equity.

31. FINANCE LEASE COMMITMENTS

The Group has finance leases for certain item of plant and equipment (Note 14). These leases are classified as finance leases and have a remaining lease term of one year. The average discount rate implicit in the leases is 6.65% (2010: 10.5%) per annum. These leases have terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group by entering into these leases.

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

	Group			
	2011		2010	
	Minimum Payments $'000	Present value of payments $'000 (Note 28)	Minimum payments $'000	Present value of payments $'000 (Note 28)
Within one year	1	1	34	30
After one year but not more than five years	–	–	27	25
Total minimum lease payments	1	1	61	55
Less: Amounts representing finance charges	–	–	(6)	–
	1	1	55	55

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32. 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.

(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 succeeded the Plan which expired in 2006.

The Plan and Scheme II 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 2011 can be found under the Section "Options" of the Directors' Report.

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

	2011		2010	
	No.	WAEP($)	No.	WAEP($)
Outstanding at beginning of year	240,000	0.69	7,211,000	0.69
Forfeited during the year	(15,000)	0.69	(79,000)	0.69
Voluntarily surrendered[3]	–	–	(3,704,000)	1.11
Exercised during the year[1]	–	–	(3,188,000)	0.19
Outstanding at end of year[2]	225,000	0.69	240,000	0.69
Exercisable at end of year	225,000	0.69	240,000	0.69

(1) No options (2010: 3,188,000) were exercised in year 2011.

(2) The range of exercise prices for options outstanding at the end of the year was $0.69 (2010: $0.69). The weighted average remaining contractual life for these options is 3 years (2010: 4 years).

(3) In 2010, key management personnel voluntarily surrendered over 1,042,000 options with prices ranging from $0.97 to $1.23.

(4) No share option was granted in year 2011 and 2010.

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33. 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	
	2011	**2010**
	$'000	**$'000**
Sale of finished goods to a company related to a director of a subsidiary	10,294	33,152
Sale of finished goods to minority shareholders	47,731	47,789
Provision of services	(42)	(42)
Purchase of motor vehicle from a director	–	(205)

Company related to a director of a subsidiary

One of the directors of a subsidiary of Mansfield Group is also a director of a company to which the subsidiary has sold goods relating to office automation and television parts.

(b) Compensation of key management personnel

	Group	
	2011	**2010**
	$'000	**$'000**
Directors' fees	317	317
Short-term employee benefits	3,497	4,125
Central provident fund contributions	202	193
Employee share option plan expense	–	15
Total compensation paid to key management personnel	4,016	4,650
Comprise amounts paid to:		
– Directors of the Company	950	1,106
– Other key management personnel	3,066	3,544
	4,016	4,650

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

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33. RELATED PARTY TRANSACTIONS (cont'd)

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

Interest of key management personnel in employee share option plan

At 1 January 2011, the key management personnel held options to purchase ordinary shares of the Company under the InnoTek Employees' Share Option Plan (the "Plan") (Note 32) as follows:

- 102,000 (2010: 102,000) ordinary shares at a price of $0.69 (2010: $0.69) each, exercisable between 8 March 2008 and 8 March 2014.

During the year ended 31 December 2011:

- these key management did not exercise any options during 2011. In 2010, 924,000 options were exercised at $0.19 by these key management personnel with a total consideration received of $175,000 in cash.

- In 2010, these key management personnel voluntarily surrendered over 1,042,000 options with prices ranging from $1.23.

34. DIRECTORS' REMUNERATION

Number of directors in remuneration bands:

	2011	2010
$500,000 and above	1	1
$250,000 to $499,999	–	–
Below $250,000	3	3
	4	4

35. COMMITMENTS AND CONTINGENCIES

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

	Group	
	2011	2010
	$'000	$'000
Commitments in respect of purchase of property, plant and equipment	9,258	12,549

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35. COMMITMENTS AND CONTINGENCIES (cont'd)

(b) The Company and its subsidiaries have issued corporate guarantees amounting to approximately $45.8 million (2010: $45.1 million) in favour of certain financial institutions for banking facilities extended to the subsidiaries in the Group, of which $13.8 million (2010: $17.7 million) was utilised as at 31 December 2011.

(c) Operating lease commitments – As lessee

The Group leases certain properties and motor vehicles under lease agreements that are non-cancellable within a year. Leases for properties are negotiated for various terms up to 45 years (2010: 46 years) and those for motor vehicles are leased for 1 year (2010: 2 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within one year	9,632	8,880	288	53
After one year but not more than five years	17,766	18,901	79	–
More than five years	10,222	11,162	–	–
	37,620	38,943	367	53

(d) Operating lease commitments – As lessor

The Group leases its investment property (Note 13 to the financial statements) under operating lease arrangements, with lease negotiated for term of six years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants failing due as follows:

	2011	2010
	$'000	$'000
Within one year	1,206	873
In the second to fifth years, inclusive	3,816	3,824
After 5 years	–	330
	5,022	5,027

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36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Determination of fair value

Quoted equity instruments (Note 20): Fair value is determined directly by reference to their published market bid price at the end of the reporting period.

(b) 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, non-current other receivables (Note 23 and 29), loan to subsidiary (Note 25) and loans and borrowings (Note 28)

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

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36. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(c) 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	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Finance lease repayable after				
1 year but within 5 years	1	61	1	55

Determination of fair value

The fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of leasing arrangements at the end of the reporting period.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of financing.

It is, and has been throughout the year under review, the Group's and the Company's policy that no trading in derivative instruments shall be undertaken.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

The main risks arising from the Group's and the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and market risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

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 and cash and cash equivalents. The Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 3 months from the balance sheet date. The Group's policy is to obtain the most favourable interest rates available without increasing its exposure to foreign currency.

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

	Group		Company	
	Strengthened/ (weakened) %	Increase/ (decrease) in profit before tax $'000	Strengthened/ (weakened) %	Increase/ (decrease) in profit before tax $'000
2011				
Hong Kong dollar	1	172	1	–
Singapore dollar	1	411	1	411
United States dollar	1	180	1	81
Hong Kong dollar	(1)	(172)	(1)	–
Singapore dollar	(1)	(411)	(1)	(411)
United States dollar	(1)	(180)	(1)	(81)
2010				
Hong Kong dollar	1	262	–	–
Singapore dollar	1	338	1	338
United States dollar	1	288	1	162
Hong Kong dollar	(1)	(262)	–	–
Singapore dollar	(1)	(338)	(1)	(338)
United States dollar	(1)	(288)	(1)	(162)

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Foreign currency risk

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

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

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances (mainly in USD) amount to $12,829,000 and $4,656,000 (2010: $29,048,000 and $237,000) for the Group and the Company respectively.

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

Group	2011 Strengthened/ (weakened) %	2011 Increase/ (decrease) in profit before tax $'000	2010 Strengthened/ (weakened) %	2010 Increase/ (decrease) in profit before tax $'000
United States dollar	5.0	(244)	5.0	(7,450)
	(5.0)	244	(5.0)	7,450
Renminbi	5.0	28	5.0	95
	(5.0)	(28)	(5.0)	(95)

Company	2011 Strengthened/ (weakened) %	2011 Increase/ (decrease) in profit before tax $'000	2010 Strengthened/ (weakened) %	2010 Increase/ (decrease) in profit before tax $'000
United States dollar	5.0	(244)	5.0	(10)
	(5.0)	244	(5.0)	10

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without specific approval of the Vice President of Marketing and Operations Department.

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

Credit risk concentration profile

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 23 to the financial statements.

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.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity risk (cont'd)

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

Group	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2011				
Financial assets:				
Trade and other receivables	74,631	1,882	–	76,513
Cash and short-term deposits	56,056	–	–	56,056
Total undiscounted financial assets	130,687	1,882	–	132,569
Financial liabilities:				
Finance lease payables	1	–	–	1
Loans and borrowings	21,378	3,378	–	24,756
Trade payables	57,898	–	–	57,898
Financial liabilities included in other payables and accruals	22,570	–	–	22,570
Total undiscounted financial liabilities	101,847	3,378	–	105,225
Total net undiscounted financial assets/(liabilities)	28,840	(1,496)	–	27,344
2010				
Financial assets:				
Trade and other receivables	95,753	2,013	–	97,766
Cash and short-term deposits	89,458	–	–	89,458
Total undiscounted financial assets	185,211	2,013	–	187,224
Financial liabilities:				
Finance lease payables	34	27	–	61
Loans and borrowings	23,192	10,092	–	33,284
Trade payables	65,913	–	–	65,913
Financial liabilities included in other payables and accruals	29,998	–	–	29,998
Total undiscounted financial liabilities	119,137	10,119	–	129,256
Total net undiscounted financial assets/(liabilities)	66,074	(8,106)	–	57,968

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity risk (cont'd)

Company	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2011				
Financial assets:				
Cash and short-term deposits	30,057	–	–	30,057
Other receivables	850	–	–	850
Loan to subsidiary	20,024	–	–	20,024
Total undiscounted financial assets	50,931	–	–	50,931
Financial liabilities:				
Financial liabilities included in other payables and accruals	617	–	–	617
Total undiscounted financial liabilities	617	–	–	617
Total net undiscounted financial assets	50,314	–	–	50,314
2010				
Financial assets:				
Cash and short-term deposits	42,008	–	–	42,008
Other receivables	382	–	–	382
Loan to subsidiary	11,629	–	–	11,629
Total undiscounted financial assets	54,019	–	–	54,019
Financial liabilities:				
Financial liabilities included in other payables and accruals	655	–	–	655
Total undiscounted financial liabilities	655	–	–	655
Total net undiscounted financial assets	53,364	–	–	53,364

Market risk

Market price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in the market prices (other than interest or exchange rates). The Company is exposed to equity price risk arising from its investment in (Real Estate Investment Trusts) REITS, quoted in Singapore Exchange Securities Trading Limited (SGX-ST). These REITS are classified as long term investments.

The Company's objective is to manage investment returns with high and steady dividends yields.

At the end of the reporting period, the investment is valued at its closing price of $0.875 (2010: $0.975). If the FTSE-ST Real Estate Investment Trust Index had been 2% (2010: 2%) higher/lower with all other variables held constant, the Group's profit would have been S$263,000 (2010: $293,000) higher/lower.

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38. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.

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

	Group and Company	
	2011	**2010**
	$'000	**$'000**
Loans and borrowings (Note 28)	24,540	32,880
Less: Cash and bank balances (Note 26)	(56,056)	(89,458)
Net cash	(31,516)	(56,578)
Equity attributable to the equity holders of the Parent	190,580	193,970
Gearing ratio	*	*

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

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39. SEGMENT INFORMATION

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

I. The precision components and sub-assembly segment offers components for office automation machines like copier, printer and other electrical and electronic products. This segment also provides die making services to manufacturers of such equipment.

II. The frame manufacturing segment specializes in the engineering, design and manufacturing of complex metal frame structures and module for customers in the office automation, industrial and medical industries. This segment has been discontinued as of 31 December 2011.

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

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

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

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

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39. SEGMENT INFORMATION (cont'd)

The following table presents revenue and results information regarding the Group's reportable operating segments for the years ended 31 December 2011 and 2010:

	Mansfield													
	Precision components and sub-assembly		Frame (Discontinued operation)		Adjustments and eliminations		Total (Continuing Operations)		Corporate and others		Elimination		Per consolidated financial statement	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:														
External customer	312,088	375,242	37,631	40,685	(37,631)	(40,685)	312,088	375,242	–	–	–	–	312,088	375,242
Inter-segment	1,426	1,818	–	–	(1,426)	(1,818)	–	–	–	–	–	–	–	–
Total revenue	313,514	377,060	37,631	40,685	(39,057)	(42,503)	312,088	375,242	–	–	–	–	312,088	375,242
Results:														
Management fees	–	–	–	–	–	–	–	–	438	627	(438)	(627)	–	–
Inter-segment interest income	110	113	–	–	(110)	(113)	–	–	345	224	(345)	(224)	–	–
External Interest Income	165	76	–	–	–	–	165	76	36	97	–	–	201	173
Dividend Income	–	–	–	–	–	–	–	–	1,104	–	–	–	1,104	–
Gain on disposal of investment	–	–	–	–	–	–	–	–	1,799	554	–	–	1,799	554
Fair value gain on investment property	4,103	–	–	–	–	–	4,103	–	–	–	–	–	4,103	–
Impairment loss on property, plant and equipment, net written back	–	3,319	–	–	–	–	–	3,319	–	–	–	–	–	3,319
Write-back on allowance for doubtful debts	100	2,806	–	–	–	–	100	2,806	–	–	–	–	100	2,806
Other income	4,112	3,607	–	66	–	–	4,112	3,673	–	4	–	–	4,112	3,677
Total other income	8,590	9,921	–	66	(110)	(113)	8,480	9,874	3,722	1,506	(783)	(851)	11,419	10,529
Finance cost	(831)	(858)	(174)	(176)	174	176	(831)	(858)	–	–	345	224	(486)	(634)
Depreciation and amortisation	(15,590)	(16,906)	(442)	(745)	442	745	(15,590)	(16,906)	(67)	(14)	–	–	(15,657)	(16,920)
Share of profit/(loss) associates	–	–	26	83	(26)	(83)	–	–	–	–	–	–	–	–
Impairment loss on investment securities	–	–	–	–	–	–	–	–	(2,625)	–	–	–	(2,625)	–
Segmental profit/ (loss) before tax	3,586	23,729	1,484	3,401	(1,484)	(3,401)	3,586	23,729	(1,889)	(2,551)	–	–	1,697	21,178
Segment assets	268,968	267,981	19,279	16,009	–	–	288,247	283,990	43,422	59,587	–	–	331,669	343,577
Investment in associate company	–	–	394	375	–	–	394	375	–	–	–	–	394	375
Total assets	268,968	267,981	19,673	16,384	–	–	288,641	284,365	43,422	59,587	–	–	332,063	343,952
Segment liabilities	116,341	126,397	13,056	12,830	–	–	129,397	139,227	2,188	2,071	–	–	131,585	141,298

Notes to Financial Statements

31 December 2011

39. SEGMENT INFORMATION (cont'd)

The following table presents revenue and information regarding the Group's geographical segments for the years ended 31 December 2011 and 2010:

	Hong Kong/PRC		Singapore		Europe (Note 13(a))		Elimination		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:										
Sales to external customer	312,088	375,242	–	–	37,631	40,685	(37,631)	(40,685)	312,088	375,242
Inter-segment sales	1,426	1,818	–	–	–	–	(1,426)	(1,818)	–	–
Total sales	313,514	377,060	–	–	37,631	40,685	(39,057)	(42,503)	312,088	375,242
Management fees	–	–	438	627	–	–	(438)	(627)	–	–
Intercompany interest income	110	113	345	224	–	–	(455)	(337)	–	–
External interest income	165	76	36	97	–	–	–	–	201	173
Fair value gain on investment property	4,103	–	–	–	–	–	–	–	4,103	–
Impairment loss on property, plant and equipment, net written back	–	3,319	–	–	–	–	–	–	–	3,319
Gain on disposal of investment	–	–	1,799	554	–	–	–	–	1,799	554
Dividend income	–	–	1,104	–	–	–	–	–	1,104	–
Write-back on allowance for doubtful debts	100	2,806	–	–	–	–	–	–	100	2,806
Other income	4,112	3,607	–	4	–	66	–	–	4,112	3,677
Total other income	8,590	9,921	3,722	1,506	–	66	(893)	(964)	11,419	10,529
Other segment information:										
Segment assets	268,968	267,981	43,422	59,587	19,279	16,009	–	–	331,669	343,577
Investment in associates	–	–	–	–	394	375	–	–	394	375
Total assets	268,968	267,981	43,422	59,587	19,673	16,384	–	–	332,063	343,952

Note 13(a) – The subsidiary in Europe is Exerion and classified as discontinued operation.

Notes to Financial Statements

31 December 2011

40. DIVIDENDS ON ORDINARY SHARES

	Group and Company	
	2011	2010
	$'000	$'000
Declared and paid during the year:		
Dividends on ordinary shares		
Final tax exempt (one-tier) dividend for 2011: 5.0 cents per share	11,352	11,408
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares		
Final tax exempt (one-tier) dividend for 2011: 5.0 cents per share	11,197	11,352

41. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) On 20 February 2012, the Group and Retnok entered into a sale and purchase agreement with Alliancecorp Manufacturing Sdn. Bhd. ("ACM") to dispose of the Group's interest in the Exerion Group. Further details are set out in Note 12 to the financial statements.

(b) On 20 February 2012, the Group entered into a sale and purchase agreement with Mr Xia Lurong to dispose of the Group's interest in the MICL Group. Further details are set out in Note 12 to the financial statements.

42. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors on 23 March 2012.

Statistics of Shareholdings

As at 23 March 2012

No. of issued shares	–	246,656,428
No. of issued shares (excluding treasury shares)	–	223,952,428
No./Percentage of Treasury Shares	–	22,704,000 (9.20%)
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 – 999	9	0.36	1,223	0.00
1,000 – 10,000	1,441	57.85	7,803,174	3.48
10,001 – 1,000,000	1,023	41.07	62,337,576	27.84
1,000,001 AND ABOVE	18	0.72	153,810,455	68.68
TOTAL	**2,491**	**100.00**	**223,952,428**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	68,988,045	30.80
2	UNITED OVERSEAS BANK NOMINEES PTE LTD	21,244,000	9.49
3	CITIBANK NOMINEES SINGAPORE PTE LTD	15,287,086	6.83
4	DBS NOMINEES PTE LTD	11,952,114	5.34
5	MAYBANK KIM ENG SECURITIES PTE LTD	6,347,300	2.83
6	COMCRAFT INTERNATIONAL S.A.	4,421,000	1.97
7	HONG LEONG FINANCE NOMINEES PTE LTD	4,178,000	1.87
8	DBSN SERVICES PTE LTD	3,710,900	1.66
9	OCBC SECURITIES PRIVATE LTD	2,940,010	1.31
10	PHILLIP SECURITIES PTE LTD	2,681,000	1.20
11	ESTATE OF GOPALA ACHUTA MENON, DECEASED	2,472,000	1.10
12	SING INVEST & FINANCE NOMINEES PTE LTD	1,852,000	0.83
13	MAYBAN NOMINEES (S) PTE LTD	1,600,000	0.71
14	THIAN YIM PHENG	1,470,000	0.66
15	UOB KAY HIAN PTE LTD	1,266,000	0.57
16	DB NOMINEES (S) PTE LTD	1,208,000	0.54
17	LIM HO KEE	1,153,000	0.51
18	YONG KOK HOON	1,040,000	0.46
19	SBS NOMINEES PTE LTD	1,000,000	0.45
20	LEE SEAK SUNG @ LEE SEAK SONG	807,000	0.36
	TOTAL	**155,617,455**	**69.49**

Statistics of Shareholdings

As at 23 March 2012

Percentage of Shareholding in Public's Hands

Based on information available to the Company as of 23 March 2012, approximately 55.94% 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

As at 23 March 2012 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]	–	–	83,382,300	37.23
Trustee of Chandaria Trust I[2]	–	–	83,832,300	37.43
Gazelle Capital Pte Ltd[3]	–	–	13,542,000	6.05
Lim Teck-Ean[4]	–	–	13,542,000	6.05
Lim Su-Lynn[5]	–	–	13,542,000	6.05

Notes:

(1) Advantec Holding SA is deemed to be interested in 83,382,300 Shares held through the following:

(i) HSBC (Singapore) Nominees Pte Ltd in respect of 63,382,300 shares; and

(ii) UOB Bank Nominees Pte Ltd in respect of 20,000,000 shares.

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

(3) Gazelle Capital Pte. Ltd. is deemed to be interested in 13,542,000 Shares held through the following:

(i) OCBC Securities Private Ltd in respect of 2,900,000 shares;

(ii) Maybank Kim Eng Securities Pte. Ltd in respect of 5,000,000 shares;

(iii) UOB Kay Hian Pte. Ltd. in respect of 1,642,000 shares; and

(iv) Hong Leong Finance Limited in respect of 4,000,000 shares.

(4) Lim Teck-Ean is deemed to be interested in 13,542,000 shares held by Gazelle Capital Pte. Ltd.

(5) Lim Su-Lynn is deemed to be interested in 13,542,000 shares held by Gazelle Capital Pte. Ltd.

Notice Of Annual General Meeting

INNOTEK LIMITED

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

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of INNOTEK LIMITED ("**Company**") will be held at The Casuarina Suite A, Level 3, Raffles Hotel, 1 Beach Road, Singapore 189673 on Friday, 27 April 2012 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax-exempt (one-tier) dividend of 5 cents per share for the year ended 31 December 2011 (2010: 5 cents per share). **(Resolution 2)**

3. (i) To re-elect Mr. Yong Kok Hoon (Executive Director) who is retiring by rotation in accordance with Article 103 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **(Resolution 3)**

   (ii) To re-elect Mr. Peter Tan Boon Heng (Non-Executive and Independent Director) who is retiring by rotation in accordance with Article 103 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **(Resolution 4)**

   Subject to his re-appointment, Mr. Peter Tan Boon Heng who is considered an independent director, will be re-appointed as Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee.

4. To approve the payment of Directors' fees of S$317,000 for the year ended 31 December 2011 (2010: S$317,000). **(Resolution 5)**

5. To re-appoint Ernst & Young LLP as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. **Authority to Allot and Issue New Shares**

   That pursuant to Section 161 of the Companies Act, Chapter 50 ("**Companies Act**") and Rule 806 of the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**"), the Directors of the Company 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

INNOTEK LIMITED
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Company Registration No. 199508431Z

(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 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 was 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 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 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 shares (excluding treasury shares) shall be based on the total number of issued 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 7)**

Notice Of Annual General Meeting

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

8. Authority to Offer and Grant Options and to Allot and Issue New Shares in Accordance with the Provisions of the Share Plans

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 Plan and/or the InnoTek Employees' Share Option Scheme II ("**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 8)**

9. Proposed Renewal of the Share Purchase Mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Percentage (as defined in item 9(c) below), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as defined in item 9(c) below), whether by way of:

(i) market purchase(s) on the SGX-ST and/or any other securities exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally ("**Share Purchase Mandate**");

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

(i) the date on which the next Annual General Meeting of the Company is held; and

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held;

Notice Of Annual General Meeting

INNOTEK LIMITED
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(c) in this Resolution:

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

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares stating therein the purchase price (which shall not be more than the Maximum Price calculated on the basis below) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"**Maximum Percentage**" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share, 110% of the Average Closing Price of the Shares; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

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

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

By Order of the Board

Linda Sim Hwee Ai
Company Secretary
Singapore, 12 April 2012

Notice Of Annual General Meeting

INNOTEK LIMITED

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

Explanatory Notes:

(i) Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company 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 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) Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, 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.

(iii) Resolution 9 proposed in item 9 above, is to renew the mandate to permit the Company to purchase or acquire issued ordinary shares in the capital of the Company on the terms and subject to the conditions of the Resolution.

The Company may use internal sources of funds, or a combination of internal resources and external borrowings, to finance the purchase or acquisition of its shares. The amount of funding required for the Company to purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of shares purchased or acquired and the price at which such shares were purchased or acquired and whether the shares purchased or acquired are held in treasury or cancelled.

The financial effects of the purchase or acquisition of such shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial accounts of the Company and its subsidiary for the financial year ended 31 December 2011, based on certain assumptions, are set out in paragraph 2.6 of the Letter to Shareholders dated 12 April 2012, which is enclosed together with the Annual Report 2011.

Notes:

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

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 1 Finlayson Green #15-02 Singapore 049246 not less than 48 hours before the time appointed for holding the Annual General Meeting.

Notice Of Annual General Meeting

INNOTEK LIMITED

(Incorporated in the Republic of Singapore)
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NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 10 May 2012 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 9 May 2012 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 9 May 2012 will be entitled to the proposed first and final dividend.

The proposed first and final dividend, if approved at the Annual General Meeting to be held on 27 April 2012, will be paid on 22 May 2012.

By Order of the Board

Linda Sim Hwee Ai
Company Secretary

Singapore, 12 April 2012

Share Purchase Mandate

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

Directors:	**Registered Office:**
Robert S. Lette (Non-Executive Chairman)	1 Finlayson Green
Yong Kok Hoon (Executive Director)	#15-02
Low Teck Seng (Non-Executive Director)	Singapore 049246
Peter Tan Boon Heng (Non-Executive Director)	

12 April 2012

To: The Shareholders of InnoTek Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF INNOTEK LIMITED ("COMPANY")

1. BACKGROUND

1.1 AGM

We refer to (a) the notice of annual general meeting ("**Notice of AGM**") set out at pages 124 to 129 of the annual report of the Company dated 12 April 2012 ("**Annual Report**"), in relation to the annual general meeting to be held on 27 April 2012 ("**AGM**"); and (b) the Resolution 9 as set out therein.

1.2 Letter

The purpose of this Letter is to provide shareholders of the Company ("**Shareholders**") with information relating to, and to explain the rationale for, the proposed renewal of the Share Purchase Mandate (as defined in paragraph 1.4 below), and to seek their approval in relation thereto at the AGM.

The details of the Share Purchase Mandate are set out at paragraph 2 of this Letter.

1.3 SGX-ST

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

Share Purchase Mandate

1.4 Proposed Renewal of the Share Purchase Mandate

It is a requirement under the Companies Act, Chapter 50 ("**Companies Act**") that a company that wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders at a general meeting. A share purchase mandate ("**Share Purchase Mandate**") authorising the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") was first approved by Shareholders at the extraordinary general meeting held on 1 November 2007 and subsequently renewed at each annual general meeting of the Company including the last annual general meeting held on 28 April 2011 ("**2011 AGM**").

The Share Purchase Mandate was expressed to take effect on the date of the passing of Resolution 8 at the 2011 AGM and to expire on the date of the forthcoming annual general meeting. Accordingly, the directors of the Company ("**Directors**") are proposing to seek Shareholders' approval for the renewal of the Share Purchase Mandate at the AGM.

As at 30 March 2012, being the latest practicable date prior to the printing of this letter ("**Latest Practicable Date**"), the Company had purchased or acquired an aggregate of 22,704,000 Shares by way of Market Purchases (as defined in paragraph 2.2.3 below) pursuant to the Share Purchase Mandate approved by Shareholders at the 2011 AGM. As at the Latest Practicable Date, 22,704,000 Shares purchased or acquired by the Company were held as treasury shares ("**Treasury Shares**").

2. SHARE PURCHASE MANDATE

2.1 Rationale for the Share Purchase Mandate

The Directors and management are constantly seeking to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Company and the Company and its subsidiaries taken as a whole ("**Group**"). A share purchase at the appropriate price level is one of the ways through which the return on equity of the Group and the Company may be enhanced. Share purchases or acquisitions ("**Share Purchases**") provide the Company with an easy mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. Share Purchases also allow the Directors to exercise control over the share structure of the Company and may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the earnings per Share ("**EPS**") and/or the net tangible asset ("**NTA**") per Share of the Company.

During the period when the Share Purchase Mandate is in force, the Share Purchase Mandate will give the Directors the flexibility to purchase or acquire Shares if and when the circumstances permit. The Share Purchase Mandate will also give the Company the opportunity to purchase or acquire Shares when such Shares are undervalued, to help mitigate short-term market volatility and to offset the effects of short-term speculation. The Share Purchase Mandate will also allow the Directors to effectively manage and minimise the dilution impact (if any) associated with share option schemes and performance share plans.

Share Purchase Mandate

While the Share Purchase Mandate would authorise Share Purchases of up to 10% of the issued share capital of the Company as at the date of the AGM if the Share Purchase Mandate is approved, Shareholders should note that Share Purchases pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised and no Share Purchases would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company or the Group.

2.2 Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on the Share Purchase Mandate, if renewed at the AGM, are the same as those previously approved by Shareholders at the 2011 AGM and, for the benefit of Shareholders, are summarised below.

2.2.1 <u>Maximum Number of Shares</u>

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased by the Company is limited to that number of Shares representing not more than 10% of the issued Shares as at the date of the annual general meeting at which the renewal of the Share Purchase Mandate is approved. Any Shares which are held in treasury will be disregarded for purposes of computing the 10% limit.

Purely for illustrative purposes, based on 223,952,428 issued Shares as at the Latest Practicable Date (which excludes the 22,704,000 Treasury Shares held by the Company as at the Latest Practicable Date) and assuming no further Shares are issued or repurchased and held as Treasury Shares, on or prior to the AGM, the purchase by the Company of up to the maximum limit of 10% of its issued Shares (excluding the 22,704,000 Treasury Shares) will result in the Share Purchases of 22,395,243 Shares.

2.2.2 <u>Duration of Authority</u>

Share Purchases may be made, at any time and from time to time, on and from the date of the AGM, at which the renewal of the Share Purchase Mandate is approved, up to the earliest of the date on which:

(i) the next annual general meeting of the Company is held or required by law to be held;

(ii) Share Purchases have been carried out to the full extent mandated; or

(iii) the authority contained in the Share Purchase Mandate is varied or revoked.

2.2.3 <u>Manner of Share Purchases</u>

Share Purchases may be made by way of:

(a) on-market purchases ("**Market Purchases**") transacted on the SGX-ST and/or on any other securities exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"), through one or more duly licensed stockbrokers appointed by the Company for such purpose; and/or

Share Purchase Mandate

(b) off-market purchases otherwise than on a securities exchange, in accordance with an equal access scheme ("**Off-Market Purchases**").

The Directors may impose such terms and conditions, which are consistent with the Share Purchase Mandate, the listing rules ("**Listing Rules**") of the listing manual ("**Listing Manual**") of the SGX-ST and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

(i) offers for the Share Purchases shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;

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

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

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

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

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

In addition, pursuant to the Listing Rules and the Companies Act, in making an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document or notice to all Shareholders which must contain at least the following information:

(i) the terms and conditions of the offer;

(ii) the maximum number of Shares or the maximum percentage of ordinary issued share capital authorised to be purchased or acquired;

(iii) the maximum price which may be paid for the Shares;

(vi) the date on which the Share Purchase Mandate is to expire, being a date that must not be later than the date on which the next annual general meeting of the Company is or is required by law to be held, whichever is earlier;

(v) the sources of funds to be used for the Share Purchases including the amount of financing and its impact on the Company's financial position;

(vi) the period and procedures for acceptances;

(vii) the reasons for the proposed Share Purchases;

Share Purchase Mandate

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

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

(x) details of any Share Purchases made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the Share Purchases, where relevant, and the total consideration paid for the Share Purchases; and

(xi) whether the Shares purchased by the Company will be cancelled or kept as Treasury Shares.

2.2.4 Maximum Purchase Price

The purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors and must not exceed:

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

(b) in the case of an Off-Market Purchase, 110% of the Average Closing Price of the Shares,

in each case, ("**Maximum Price**").

For the purpose of this Letter:

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

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

2.3 Status of Purchased Shares

Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as Treasury Shares. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company, which are cancelled and not held as Treasury Shares.

Share Purchase Mandate

2.4 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Some of the key provisions on Treasury Shares under the Companies Act are summarised below.

2.4.1 Maximum Holdings

The number of Shares held as Treasury Shares cannot at any time exceed 10% of the total number of issued Shares.

2.4.2 Voting and Other Rights

The Company will not have the right to attend or vote at meetings and to receive any dividends in respect of the Treasury Shares.

However, the allotment of Shares as fully paid bonus shares in respect of Treasury Shares is allowed. A subdivision or consolidation of any Treasury Share into Treasury Shares of a smaller amount is also allowed so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before.

2.4.3 Disposal and Cancellation

Where Shares are held as Treasury Shares, the Company may at any time:

(a) sell the Treasury Shares for cash;

(b) transfer the Treasury Shares for the purposes of or pursuant to an employees' share scheme;

(c) transfer the Treasury Shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the Treasury Shares; or

(e) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after such usage and the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

Share Purchase Mandate

2.5 Source of Funds

Under the Companies Act, Share Purchases by the Company may be made out of the Company's capital or distributable profits provided that:

(a) the Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business during the period of 12 months immediately following the date of purchase; and

(b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the Share Purchases become less than the value of its liabilities (including contingent liabilities).

The Company will use its internal resources and/or external borrowings to finance its Share Purchase.

Where the consideration paid by the Company for the Share Purchase is made out of distributable profits, such consideration (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the Share Purchase is made out of capital, the Company shall reduce the amount of its share capital by the total amount of the purchase price paid by the Company for the Shares but the amount available for the distribution of cash dividends by the Company will not be reduced. Where the Share Purchase is made out of both the capital and the profits of the Company, the Company shall reduce the amount of its share capital and profit proportionately by the total amount of the purchase price.

Where the Share Purchase is financed through internal resources, it will reduce the cash reserves of the Group and the Company, and thus the current assets and shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the Share Purchase is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

However, the Directors do not propose to exercise the Share Purchase Mandate to such an extent as would have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

Share Purchase Mandate

2.6 Financial Effects

The financial effects on the Company and the Group arising from Share Purchases which may be made pursuant to the Share Purchase Mandate will depend on factors such as the aggregate number of Shares purchased, the purchase prices paid at the relevant time, how the Share Purchase is funded, whether the Shares purchased or acquired are held as Treasury Shares or immediately cancelled on purchase or acquisition as well as how the Shares if held as Treasury Shares, are subsequently dealt with by the Company in accordance with section 76K of the Companies Act.

Accordingly, it is not possible for the Company to calculate or quantify the actual impact of purchases that may be made pursuant to the Share Purchase Mandate on the NTA and EPS.

2.6.1 Illustrative Financial Effects

Based on the audited accounts of the Company and the Group for the financial year ended 31 December 2011 ("**FY2011**") (please refer to pages 42 to 121 of the Annual Report), the Company has distributable reserves of approximately S$23,439,000 to effect Market Purchases. However, for illustrative purposes only, and based on the assumptions that:

(i) the Company purchases 22,395,243 Shares representing 10% of its issued share capital as at the Latest Practicable Date;

(ii) the aforesaid 22,395,243 Shares are purchased at S$0.53 per Share, being a price representing 105% of the Average Closing Price as at the Latest Practicable Date; and

(iii) the Company has sufficient funds to purchase the Shares as at 1 January 2011,

the impact of the Share Purchase pursuant to the Share Purchase Mandate on the Group's and the Company's audited financial statements for the financial year ended 31 December 2011 would be as set out below.

Share Purchase Mandate

For purposes of this illustration, it is assumed that the Company is using only internal sources to finance the Share Purchase.

	Group		Company	
	Before Share Purchase[1] S$'000	After Share Purchase[2] S$'000	Before Share Purchase[1] S$'000	After Share Purchase[2] S$'000
As at 31 December 2011				
Shareholders' Funds	190,580	178,711	109,106	97,237
NTA	190,073	178,204	109,086	97,217
Current Assets	205,292	193,423	50,931	39,062
Current Liabilities	127,073	127,073	2,138	2,138
Working Capital	78,219	66,350	48,793	36,924
Total Borrowings	24,540	24,540	–	–
Number of Shares ('000)				
Issued and Paid-up Share Capital (Net of Treasury Shares)	223,952	201,557	223,952	201,557
Weighted Average Number of Issued and Paid-up Shares	226,481	204,086	226,481	204,086
Financial Ratios				
NTA per Share (cents)	84.9	88.4	48.7	48.2
Gearing Ratio[3]	(0.17)	(0.11)	(0.28)	(0.19)
Current Ratio (times)	1.62	1.52	23.8	18.3
EPS (cents)	0.2	0.2	1.5	1.7

Notes:

(1) The NTA per Share and EPS was calculated based on 223,952,428 Shares in issue at the Latest Practicable Date and weighted average number of Shares in issue of 226,481,129 for FY2011 respectively before adjusting for the Share Purchase.

(2) The NTA per Share and EPS was calculated based on 201,557,185 Shares in issue at the Latest Practicable Date and weighted average number of Shares in issue of 204,085,887 for FY2011 respectively after adjusting for the Share Purchase.

(3) The gearing ratio is based on net cash which was total borrowings less cash and cash equivalent at the end of FY2011.

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As at 31 December 2011, the Group and the Company had cash and cash equivalent balances of S$56,056,000 and S$30,057,000 respectively. As illustrated above, the Share Purchase will have the effect of reducing the working capital of the Group and the Company as at 31 December 2011 from S$78,219,000 to S$66,350,000 and S$48,793,000 to S$36,924,000 respectively. The Share Purchase will increase the NTA of the Group as at 31 December 2011 from 84.9 cents to 88.4 cents and reduce the Company's NTA from 48.7 cents to 48.2 cents. It is assumed that the Share Purchase is funded through internal funds.

Assuming that the Share Purchase had taken place on 1 January 2011, the consolidated basic EPS of the Group for FY2011 would remain at 0.2 cents while the EPS of the Company for FY2011 would increase from 1.5 cents to 1.7 cents.

Shareholders should note that the financial effects set out in this section are purely for illustrative purposes only and are in no way indicative of the Company's real financial position or a forecast of the Group's and the Company's financial figures.

2.7 Tax Implications

Under Section 10J of the Income Tax Act, Chapter 134, a company which buys back its own shares using its distributable profits is regarded as having paid a dividend to the shareholders from whom the shares are acquired. There will be no tax implications to the Company when it uses its contributed capital to buy back its Shares.

Shareholders should note that the foregoing is not to be regarded as advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or the tax implications of Share Purchases by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

2.8 Listing Rules and Listing Status

The Listing Rules specifies that a listed company shall report all Share Purchases to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the market day following the day of the Share Purchase; and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second market day after the close of acceptances of the offer. Such announcement shall include, *inter alia*, details of the total number of Shares purchased, the number of Shares cancelled, the purchase price per Share or the highest and lowest prices paid for such Shares (as applicable), the consideration (including stamp duties and clearing charges paid or payable for the Shares and the number of issued Shares (excluding Treasury Shares) after purchase, in the form prescribed under the Listing Rules.

While the Listing Manual does not expressly prohibit any Share Purchase by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed Share Purchase, the Company will not undertake any Share Purchase pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, to comply with Rule 1207(19) of the Listing Manual, the Company

Share Purchase Mandate

will not purchase or acquire any Shares through Market Purchases during the period of two weeks immediately preceding the announcement of the Company's financial statements for each of the first three quarters of its financial year and the period of one month immediately preceding the announcement of the Company's annual (full-year) results.

The Listing Manual requires a listed company to ensure that at least 10% of its shares are in the hands of the public. The "public", as defined under the Listing Rules, are persons other than the Directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates (as defined in the Listing Rules) of such persons.

As at the Latest Practicable Date, approximately 125,278,128 of the issued Shares are in the hands of the public (as defined above), representing 55.94% of the issued share capital of the Company. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate and all such Shares purchased are held by the public, the number of Shares in the hands of the public would be reduced to 102,882,886 Shares, representing 51.04% of the reduced share capital of the Company.

Accordingly, the Company is of the view that there is sufficient number of Shares held by public Shareholders which would permit the Company to undertake Share Purchases through Market Purchases to the full 10% limit and the number of Shares remaining in the hands of the public will not fall to such a level as to:

(i) adversely affect the listing status of the Shares on the SGX-ST;

(ii) cause market illiquidity; or

(iii) adversely affect the orderly trading of the Shares.

2.9 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any Share Purchase by the Company are set out below.

2.9.1 Obligation to make a Take-over Offer

Under the Take-over Code, a person will be required to make a general offer for a public company if:

(i) he acquires 30% or more of the voting rights of the company; or

(ii) he holds between 30% and 50% of the voting rights of the company and he increases his voting rights in the company by more than 1% in any six-month period.

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If, as a result of any Share Purchase by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in the change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

2.9.2 Persons Acting in Concert

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

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

(a) the following companies:

(i) a company;

(ii) the parent company of (i);

(iii) the subsidiaries of (i);

(iv) the fellow subsidiaries of (i);

(v) the associated companies of any of (i), (ii), (iii) or (iv);

(vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and

(vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and

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

For this purpose, ownership or control of at least 20% but not more than 50% of the equity share capital of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a Share Purchase by the Company are set out in Appendix 2 to the Take-over Code.

Share Purchase Mandate

2.9.3 Effect of Rule 14 and Appendix 2

In general terms, the effect of Rule 14 and Appendix 2 to the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of Share Purchases by the Company, the voting rights in the Company of such Directors and their concert parties:

(i) increase to 30% or more; or

(ii) in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

In calculating the percentages of voting rights of such Directors and their concert parties, Treasury Shares shall be excluded.

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

Purely for illustrative purposes, on the basis of 223,952,428 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the AGM, not more than 22,395,243 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate, if so approved by Shareholders at the AGM.

Further assuming that:

(i) the Share Purchase Mandate is validly and fully exercised prior to the AGM of the Company;

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

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

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

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

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

Share Purchase Mandate

Substantial Shareholders	Before Share Purchase No. of Shares	%	After Share Purchase No. of Shares	%
Advantec Holding SA	83,382,300	37.23	83,382,300	41.37
Trustee of Chandaria Trust I	83,832,300	37.43	83,832,300	41.59
Gazelle Capital Pte Ltd	13,542,000	6.05	13,542,000	6.72
Lim Teck-Ean	13,542,000	6.05	13,542,000	6.72
Lim Su-Lynn	13,542,000	6.05	13,542,000	6.72

* Please refer to paragraph 3(b) below for additional details on the substantial Shareholders' shareholdings in the Company.

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

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

2.10 Information on Prior Share Purchases in the last 12 months

In the last 12 months immediately preceding the Latest Practicable Date, the Company purchased or acquired 3,089,000 Shares by way of Market Purchases pursuant to the Share Purchase Mandate approved by Shareholders at the 2011 AGM. The highest and lowest price paid was S$0.515 and S$0.31 per Share respectively and the total consideration for all purchases was S$1,271,605.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

(a) Directors

The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:

Directors	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Robert S. Lette	40,000	0.02	–	–
Yong Kok Hoon	1,040,000	0.46	–	–
Low Teck Seng(1)	100,000	0.04	120,000	0.05

Note:

(1) Low Teck Seng is deemed to be interested in 120,000 Shares held through his wife, Ang Gek Hoon Ann.

Share Purchase Mandate

(b) **Substantial Shareholders**

The interests of the Substantial Shareholders in the Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Advantec Holding SA(1)	–	–	83,382,300	37.23
Trustee of Chandaria Trust I(2)	–	–	83,832,300	37.43
Gazelle Capital Pte. Ltd.(3)	–	–	13,542,000	6.05
Lim Teck-Ean(4)	–	–	13,542,000	6.05
Lim Su-Lynn(5)	–	–	13,542,000	6.05

Notes:

(1) Advantec Holding SA is deemed to be interested in 83,382,300 Shares held through the following:

(i) HSBC (Singapore) Nominees Pte Ltd in respect of 63,382,300 Shares; and

(ii) UOB Bank Nominees Pte Ltd in respect of 20,000,000 Shares.

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

(3) Gazelle Capital Pte. Ltd. is deemed to be interested in 13,542,000 Shares held through the following:

(i) OCBC Securities Private Ltd in respect of 2,900,000 Shares;

(ii) Maybank Kim Eng Securities Pte. Ltd in respect of 5,000,000 Shares;

(iii) UOB Kay Hian Pte. Ltd. in respect of 1,642,000 Shares; and

(iv) Hong Leong Finance Limited in respect of 4,000,000 Shares.

(4) Lim Teck-Ean is deemed to be interested in 13,542,000 Shares held by Gazelle Capital Pte. Ltd.

(5) Lim Su-Lynn is deemed to be interested in 13,542,000 Shares held by Gazelle Capital Pte. Ltd.

4. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. The Directors recommend that Shareholders vote in favour of Ordinary Resolution 9 relating to the proposed renewal of the Share Purchase Mandate as set out in the Notice of AGM in pages 126 to 128 of the Annual Report.

Share Purchase Mandate

5. ANNUAL GENERAL MEETING

The AGM will be held on Friday, 27 April 2012 at 9.30 a.m. at The Casuarina Suite A, Level 3, Raffles Hotel, 1 Beach Road, Singapore 189673.

6. ACTION TO BE TAKEN BY SHAREHOLDERS

6.1 Appointment of Proxies

Shareholders who are unable to attend the AGM and who wish to appoint a proxy to attend and vote on their behalf are requested to complete, sign and return the proxy form ("**Proxy Form**") in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company by 9.30 a.m. on 25 April 2012, not later than 48 hours before the time set for the AGM. The completion and lodgment of the Proxy Form by a Shareholder does not preclude him from attending and voting in person at the AGM if he so wishes. In such event, the relevant Proxy Form will be deemed to be revoked.

6.2 When Depositor regarded as Shareholder

A Depositor (as defined in Section 130A of the Companies Act) shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register (as defined in Section 130A of the Companies Act) at least 48 hours before the AGM.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading.

Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

Share Purchase Mandate

8. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 1 Finlayson Green #15-02 Singapore 049246 during normal business hours from the date of this Letter up to (and including) the date of the AGM:

(a) the Memorandum and Articles of Association of the Company; and

(b) the Annual Report of the Company for the financial year ended 31 December 2011.

Yours faithfully
For and on behalf of the
Board of Directors of
InnoTek Limited

Robert S. Lette
Chairman

INNOTEK LIMITED

Company Registration No. 199508431Z
(Incorporated In The Republic Of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____ (Name)

Of ____ (Address)

Being a member/members of INNOTEK LIMITED ("**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 to vote for me/us on my/our behalf and, if necessary, demand for a poll at the 16th Annual General Meeting of the Company to be held at The Casuarina Suite A, Level 3, Raffles Hotel, 1 Beach Road, Singapore 189673 on Friday, 27 April 2012 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 Meeting:

No.	**Resolutions relating to:**	**For**	**Against**
	Ordinary Business		
1	Directors' Report and Accounts for the year ended 31 December 2011		
2	Payment of proposed first and final dividend		
3	Re-election of Mr. Yong Kok Hoon		
4	Re-election of Mr. Peter Tan Boon Heng		
5	Approval of Directors' fees amounting to S$317,000		
6	Re-appointment of Ernst & Young LLP as Auditors		
	Special Business		
7	Authority to allot and issue new shares		
8	Authority to offer and grant options and to allot and issue new shares in accordance with the provisions of the Share Plans		
9	Renewal of Share Purchase Mandate		

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

Dated this __________ day of ____________ 2012

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

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

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

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

4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 1 Finlayson Green #15-02 Singapore 049246 not less than 48 hours before the time appointed for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor 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 either under its seal or under the hand of an officer or attorney duly authorised.

6. 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, Chapter 50 of Singapore.

General:

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

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CORPORATE INFORMATION

REGISTERED OFFICE
1 Finlayson Green #15-02
Singapore 049246
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. Yong Kok Hoon
Prof. Low Teck Seng
Mr. Peter Tan Boon Heng

COMPANY SECRETARIES
Ms. Linda Sim Hwee Ai
Ms. Ong Swee Ling
(Appointed on 16 November 2011)
Ms. Marilyn Tan Lay Hong
(Resigned on 16 November 2011)

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

EXECUTIVE COMMITTEE
Mr. Robert Sebastiaan Lette, Chairman
Mr. Yong Kok Hoon
Mr. Peter Tan Boon Heng

AUDIT COMMITTEE
Prof. Low Teck Seng, Chairman
Mr. Peter Tan Boon Heng
Mr. Robert Sebastiaan Lette

NOMINATING COMMITTEE
Mr. Robert Sebastiaan Lette, Chairman
Prof. Low Teck Seng
Mr. Peter Tan Boon Heng

REMUNERATION COMMITTEE
Mr. Peter Tan Boon Heng, Chairman
Mr. Robert Sebastiaan Lette
Prof. Low Teck Seng

AUDITORS
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Audit Partner-in-charge:
Mr. Nagaraj Sivaram (since 2007)

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corpn
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
DBS Bank Ltd.

INNOTEK Limited

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