



**Aligning Resources,
Creating Opportunities**

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Our Mission/ Vision

To provide our customers with products and services of the highest quality and to deliver the necessary operating and financial performance to enhance shareholder value. To achieve these goals, InnoValues will continue its focus on delivering excellence in performance, flexibility and technology, and exceeding customers' expectations in quality, delivery and services.



*"FY 2002 was a year when we expanded our capacity significantly
and made credible inroads into new markets."*

Corporate Profile

Innovalues Precision's expertise is in the manufacturing of customized precision machined parts and components, and assembly of rubber rollers, electronics and mechanical devices. These products are mainly used in office automation equipment, hard disk drive (HDD) and automotive parts. The Group's capabilities include the manufacturing of ultra-high precision parts and have high volume manufacturing capacity.

Established in 1997 by founders Mr Goh Leng Tse and Mr Hein Ke Long, Innovalues Precision has grown aggressively through customer diversification and regionalization. From humble beginnings, the Group

has become a major supplier of high precision parts and components and is listed on the Singapore Exchange, SESDAQ since March 2001. Some of our major customers include multi-national corporations such as Hewlett-Packard, Celestica, Flextronics, Epson, Minebea and Océ-Nederland.

Headquartered in Singapore, the Group has operations in Singapore, Malaysia, Thailand and China. Today, our total staff strength exceeds 1,000 and we occupy manufacturing space of more than 20,000 sq m.

CORPORATE FACTS

<i>Established</i>	April 1997
<i>Products/Services</i>	Manufacturer of high precision turned parts and components, metal components machining, EN Plating services, assembly of rubber rollers and mechanical devices.
<i>Manufacturing Processes</i>	CNC Autolathes, Machining Centres, Centreless Grinding, EN Plating, Super-finishing.
<i>Capabilities</i>	Ultra-high precision manufacturing (± 0.001 mm tolerance); High volume manufacturing facilities.
<i>Manufacturing Sites</i>	<p>Malaysia:</p> <p>Innovalues Precision Sdn Bhd Area : 5,100 sqm</p> <p>Innovalues Precision (Kluang) Sdn Bhd Area : 3,200 sqm</p> <p>Innovalues Precision Microtech Sdn Bhd Area : 1,500 sqm</p> <p>Innovalues Technology Sdn Bhd Area : 800 sqm</p> <p>China:</p> <p>Innovalues Precision (Shanghai) Co., Ltd. Area : 1,200 sqm</p> <p>Innovalues Industry (Shanghai) Co., Ltd. Area : 4,100 sqm</p> <p>Thailand:</p> <p>Innovalues Precision (Thailand) Ltd. Area : 3,800 sqm</p>
<i>Industries Supported</i>	Office Automation (printers, copiers), Hard Disk Drives, Automotive, Oil & Gas Process Industry, Telecommunications, Home Appliances,
<i>Accreditations & Accolades</i>	<p>ISO9001/2000</p> <p>QS9000 (Thailand)</p> <p>FORBES GLOBAL Best Under A Billion 200 Companies for 2002</p> <p>SMART INVESTOR Most Admired SESDAQ Companies 2002</p>



"We will continue to run a tight ship in managing costs, and focus on improving and enhancing our operational efficiencies."

Chairman's Statement



Dear Shareholders

"Growth" was our keynote for FY2002. The encouraging signs of an economic upturn prompted us to invest approximately S\$15 million for FY2002 to expand our production facilities in Thailand, Malaysia and China. With expanded production capacity we were positioned well to meet strong demand from our customers in all key industrial sectors. As a result, our revenue grew 133% from \$27.8 million the previous year to reach a record level of \$64.3 million.

Even more satisfying than rapid growth in sales revenue, we were able to deliver to you net earnings of \$11.0 million for FY2002, a growth of 192% compared to the previous year. It gives me great pleasure to announce that the Board of Directors has recommended a second and final dividend of 2.0 cents

per ordinary share. Together with the interim dividend of 1.0 cent paid during the year, our total dividend payout for FY2002 amounts to 3.0 cents a share.

Review of Performance

FY2002 was a year of strong performance for Innovalues Precision Group. It was a year when we expanded our capacity significantly and made credible inroads into new markets. During the year, we commissioned our first plant in Pudong, Shanghai. As a result, we registered a significant jump of 1,246% in sales revenue to the China market from a low base of \$0.2 million in FY2001 to \$3.3 million in FY2002. We expect the China market to continue its growth in terms of revenue in the coming years.

Chairman's Statement

Sales to our key existing markets in Singapore, Malaysia and Thailand also achieved strong growth of 108%, 220% and 107% respectively with strong demand for machined parts in office automation equipment and hard disk drives. During the year, we expanded our operations in Malaysia, which included a new plant to assemble and produce printer rollers for Hewlett Packard. In July 2002, we commissioned a second plant in Thailand to support the growing demand of our customer, Minebea.

As a result of the increase in revenue, the Group's net profit for FY2002 grew 192% from \$3.8 million to \$11.0 million. The strong performance was the result of the economies of scale achieved and the improved efficiencies of the Group's operations. Our Singapore, Thailand and Malaysian operations continued their good performance. Our China plant, which started operations in April 2002, incurred a marginal loss due to start-up costs. We expect our existing China operation to be profitable in 2003.

Due to changing market conditions and an apparent shift of manufacturing focus by multinational companies to the Far East, our plans to establish a representative office in Mexico in FY2002 has been deferred. We felt that our resources would be more wisely deployed by continuing to focus on opportunities in the Far East .

Looking Ahead

The business environment ahead continues to remain challenging. The slowdown in the world electronics industry may have some adverse influence on the Group's performance and this is further exacerbated by political and military tension in the Middle East and Korea. It is against this backdrop that we feel, is the right time for us to lay a stronger foundation.

FY2003 will herald a new phase of development for the company. We will critically examine our processes, systems and resources to find better ways to produce cutting edge, top quality and customized products and solutions for our customers, in line with our strong belief to give the best value to them. This is necessary to develop the company into a leading Asian multi-national player.

To do this, we will streamline our operations to achieve maximum efficiency, hire additional top talents for strategic functions and adopt "best practice" standards for our operations. Most importantly, we will rally support from our people to share in our vision and meet the challenges ahead.



In addition, we will establish manufacturing partnerships with global leaders and expand into new sectors including automotive and oil & gas industries. We will continue our aggressive sales and marketing efforts to expand our existing markets as well as make inroads into new ones.

The demand for machined parts supporting the hard disk drive industry is expected to be strong. To meet this expected growth in demand, the Group is budgeting an investment of S\$5 million to further expand its capacity in Thailand. We also plan to increase our China capacity with a second plant in Songjiang, Shanghai, budgeted to cost S\$5 million to add on to our first facility in Pudong, Shanghai.

Barring unforeseen circumstances, we are confident that the Group's operations will continue to be profitable in the year ahead.

Acknowledgements

On behalf of the Board, I would like to thank our shareholders for your confidence and support. I would also like to thank our customers, suppliers and business associates for their continued contributions toward our growth.

Our corporate achievements this past year would not have been possible without the commitment, dedication and hard work put in by our team of dedicated professionals. Thank you for your contributions.

Goh Leng Tse
Chairman

Board Of Directors



GOH LENG TSE (Chairman and Managing Director)

Mr. Goh is a member of the Audit Committee, Remuneration Committee and Nomination Committee of Innovalues Precision Ltd.

Mr. Goh founded Innovalues Precision Limited in April 1997 and was appointed Director on 25 April 1997. He has more than 16 years experience in the precision turned-parts industry and has worked for NMB Singapore Pte Ltd and TNH Metal Pte Ltd. Mr. Goh holds a Diploma in Business Management from the Singapore Institute of Management.

As at 31 December 2002, Mr. Goh holds 15,156,000 shares (including deemed interest) in Innovalues Precision, representing 19.68% of the Company's total shares issued.



KOH BOON HWEЕ (Non-Executive Director)

Mr. Koh joined Innovalues Precision Ltd's Board of Directors as Non-Executive Director on 9 July 2002. One of Singapore's most prominent business leaders, Mr. Koh holds a Bachelor of Science (Mechanical Engineering), First Class Honours degree from Imperial College, University of London and a Masters in Business Administration (with Distinction) from Harvard Business School. His current appointments include Executive Director of Mediarling Ltd and Chairman of Singapore Airlines Ltd. He also sits on the Board of Directors of Norelco Centreline Holdings Ltd and BroadVision Inc. His involvement in non-profit organizations include appointments as Chairman of the Nanyang Technological University Council and Member of the Singapore Business Federation. Mr. Koh was previously the Chairman of Singapore Telecommunications Ltd, Omni Industries Ltd and Internet Technology Group. He was also the Managing Director of Hewlett Packard Singapore from 1985 to 1990 and Executive Chairman of the Wuthelam Group from 1991 to 2000.

As at 31 December 2002, Mr. Koh holds 7,000,000 shares (including deemed interest) in Innovalues Precision, representing 9.1% of the Company's total shares issued.



HEIN KE LONG (Executive Director)

Mr. Hein was appointed as Innovalues Precision Ltd's Executive Director on 24 June 1998 and was last re-elected on 30 June 2000. His primary responsibilities are marketing and business development. A well-experienced and hands-on person, Mr. Hein was the Executive Director of TNH Metal Pte Ltd from 1981 to 1993, before rising to Managing Director, a position he held until 1997. He has amassed more than 23 years of experience in the precision engineering industry.

As at 31 December 2002, Mr. Hein holds 9,035,000 shares (including deemed interest) in Innovalues Precision, representing 11.73% of the Company's total shares issued.



ONG TIAK BENG (Non-Executive Director)

Mr. Ong is a member of the Audit Committee

Mr. Ong Tiak Beng was appointed as Innovalues Precision Ltd's Non-Executive Director on 20 May 1997 and was last re-elected on 16 May 2002. With more than 14 years experience in the precision engineering industry, Mr. Ong provides valuable support, insights and business contacts to the Group. He holds a Bachelor of Science in Industrial Engineering and Management. Mr. Ong is also our consultant in research, feasibility studies and technical advisory services.

As at 31 December 2002, Mr. Ong holds 13,000,000 shares (including deemed interest) in Innovalues Precision, representing 16.88% of the Company's total shares issued.



CHOW KOK KEE (Independent Director)

Mr. Chow is the chairman of the Audit Committee and the Nominating Committee. He is also a member of the Remuneration Committee.

Mr. Chow was appointed as Innovalues Precision Ltd's Independent Director on 9 February 2001 and was last re-elected on 30 May 2001. Mr. Chow is currently the Managing Director of ACTA Investment & Services Pte Ltd which provides business and financial related services to companies. He also holds directorships in other Singapore listed companies namely, Singapore Food Industries Ltd, Sing Lun Holdings Ltd, Meiban Group Ltd, Thai Village Holdings Ltd, PCA Technology Ltd, Chosen Holdings Ltd, Tuan Sing Holdings Ltd, NM Holdings Ltd and Oakwell Engineering Ltd. Within the last 3 years, he was director of TMC International Holdings Ltd. Mr Chow worked in the government administrative service for 6 years from 1976, holding management positions in the Ministries of Defence and Education, before joining DBS Bank in 1982. He has 15 years of extensive experience in the financial services industry. A Colombo Plan scholar, he holds a first class honours Bachelor of Engineering degree and a Bachelor of Commerce degree from the University of Newcastle, Australia, and an MBA degree from the National University of Singapore. Mr Chow is a Member of the Institute of Engineers, Australia; an Associate of the Institute of Chartered Secretaries and Administrators, United Kingdom, and a Fellow of the Singapore Institute of Directors.

As at 31 December 2002, Mr. Chow holds 20,000 shares (including deemed interest) in Innovalues Precision, representing 0.03% of the Company's total shares issued.



ONG SIM HO (Independent Director)

Mr. Ong is the Chairman of the Remuneration Committee. He is also a member of the Audit Committee and Nomination Committee.

Mr. Ong was appointed as Innovalues Precision Ltd's Independent Director on 9 February 2001 and was last re-elected on 30 May 2001. He is an advocate and solicitor, and he practiced law in Khattar Wong & Partners before deciding to establish his own practice in 2001. He practices mainly revenue and corporate law. Prior to joining the legal practice, he was a Senior Tax Officer and Legal Officer in the IRAS. Mr. Ong holds a Bachelor in Accountancy and a Bachelor of Laws (Honours) degrees. He holds directorships in AP Oil International Ltd and Unidux Electronics Ltd. Within the last three years, he was a Director of Green World Holdings Ltd.

As at 31 December 2002, Mr. Ong holds 100,000 shares (including deemed interest) in Innovalues Precision, representing 0.13% of the Company's total shares issued.

Board of Directors

Mr Goh Leng Tse (*Managing Director*)
Mr Hein Ke Long (*Executive Director*)
Mr Ong Tiak Beng (*Non-Executive Director*)
Mr Koh Boon Hwee (*Non-Executive Director*)
Mr Chow Kok Kee (*Independent Director*)
Mr Ong Sim Ho (*Independent Director*)

Audit Committee

Mr Chow Kok Kee (*Chairman*)
Mr Ong Sim Ho
Mr Ong Tiak Beng
Mr Goh Leng Tse

Nominating Committee

Mr Chow Kok Kee (*Chairman*)
Mr Ong Sim Ho
Mr Goh Leng Tse

Remuneration Committee

Mr Ong Sim Ho (*Chairman*)
Mr Chow Kok Kee
Mr Goh Leng Tse

Company Secretaries

Tan Siok Kheng, ACIS, LL.B. (Hons) (London)
Soh Wai Kong, CPA

Registered Office

Blk 9 Kallang Place #07-08/10 Singapore 339154
Tel: (65) 6298 2374 Fax: (65) 6298 2375 Website: <http://www.innovalue.com>

Auditors

Chio Lim & Associates
Certified Public Accountants
18 Cross Street #08-01 China Square Central Singapore 048423 Tel: (65) 6533 7600

Share Registrar and Share Transfer Office

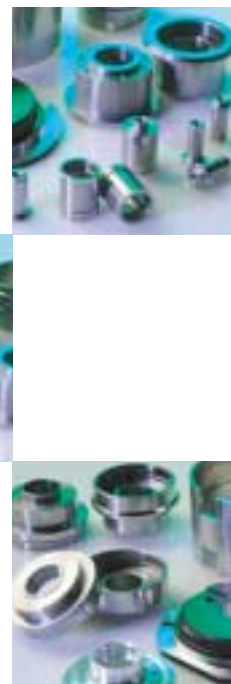
Lim Associates (Pte) Ltd
10 Collyer Quay #19-08 Ocean Building Singapore 049315

Principal Banker

The Development Bank of Singapore Limited
6 Shenton Way DBS Building Tower One Singapore 068809

Oversea-Chinese Banking Corporation Limited
65 Chulia Street OCBC Centre Singapore 049513

United Overseas Bank Limited
80 Raffles Place UOB Plaza Singapore 048624



Management

Staff Profile

Mr Lim Tee Hoon

is our Group Financial Controller. He joined Innovalues Precision Limited in January 2001 and is responsible for managing all financial aspects of our Group. Mr Lim has more than 20 years experience in finance and accounting, having graduated with a Professional Accounting Degree from the Chartered Institute of Management Accountants (UK) in 1982. He is an Associate Member of the Institute. Mr Lim was UMBC Finance Sdn Bhd's accountant (1982 to 1989), Lingo Technology Pte Ltd's Finance Manager (1989 to 1991) and Gemini Electronics (S) Pte Ltd's Finance Manager (1991 to 1993). In 1993, Mr Lim took a partnership stake in Electcom Resources Pte Ltd, which, traded in electronic components. He divested his interests in Electcom Resources in 1995 due to poor business sentiments. Between 1995 and 1998, he was the Financial Controller of Conion Electronics (S) Pte Ltd and Richgold Industries Pte Ltd. He was Omni Electronics (S) Pte Ltd's VP of Finance (1998 to 2001) before joining Innovalues Precision.

Mr Ong Kin Hock

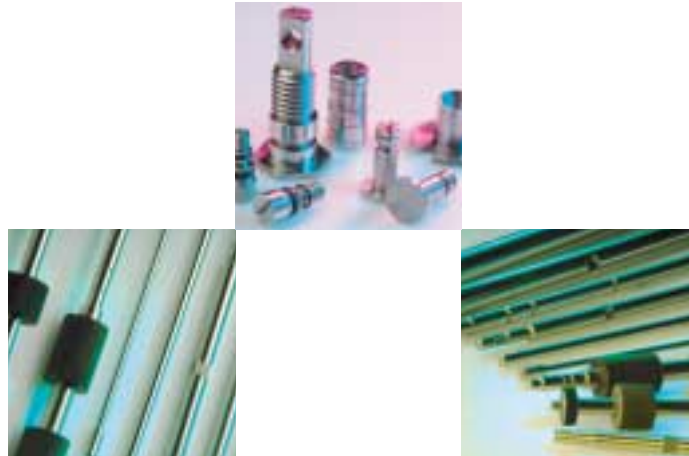
is a Director and General Manager of Innovalues Precision (Kluang) Sdn Bhd. He joined Innovalues in April 2000 and is credited for establishing our manufacturing facilities in Kluang. He is responsible for the overall management of Innovalues Precision (Kluang) Sdn Bhd. Mr Ong has more than 14 years' experience in the precision engineering industry. He worked for 10 years, from 1988 to 1998 as Superpro Precision Engineering Sdn Bhd's Operations Manager. Additionally, he worked for 2 years with Okida Enterprise Sdn Bhd. Mr Ong holds a GCE "O" level certificate.

Mr Poom-Manee Santibhop

is a Director and General Manager of Innovalues Precision (Thailand) Ltd. Appointed on 30 March 2000, Mr Santibhop's responsibilities include the setting up of our facilities in Thailand and the general management of the operations of Innovalues Precision (Thailand). He holds a diploma in Engine Mechanical Engineering from the Bangkok Engineering College and a Certificate in Mechanical Power Technology from the Bangkok Technical Institute. His specialised training includes courses in basic aircraft mechanical engineering at Air America Inc. He previously worked as Production Manager in Hana Semiconductors Co. Ltd as Production Manager (1985 to 1990), as Senior Manufacturing Manager in GSS/Array Technology Co. Ltd (1990 to 1993) and as Technical Sales Manager in Specialty Tech Corporation Ltd (1993 to 1995). Prior to joining Innovalues, he established Antibbs Technologies Limited Partnership to supply clean room products, spring contact probe, connectors and stainless steel fabrication to the semi-conductor industry in Thailand.

Mr Pung Tong Seng

is our Business Director and is responsible for Innovalues Precision Limited's marketing and business development functions since joining us in June 2000. He holds an MSc in Total Quality Management from the Sheffield Hallam University. Mr Pung has about 20 years experience in the electronics industry. Between 1984 and 1997, Mr Pung was a Senior Supplier Quality Engineer with Micropolis (S) Ltd, a manufacturer of hard disk drive storage products. Mr Pung's key responsibilities at Micropolis included supplier selection, failure analysis, establishing process management plans and performing supplier review and audits. He left



Micropolis in 1997 to join Iomega Pacific Pte Ltd ("Iomega") which manufactures and markets the Zip®, Jaz®, and Klik!™ brand of drives and disks. Mr Pung left Iomega in May 2000 prior to taking up his responsibilities in Innovalues Precision.

Mr. Sim Hon Heng

is our General Manager in Innovalues Precision Sdn Bhd and he is responsible for the overall operations in our plant in Pasir Gudang, Johor. He joined Innovalues Precision Limited in July 2002. He holds a BE in Industrial Engineering from the University of Newcastle and a MSBA in Operations Management from the University of Rochester. Mr Sim has about 20 years of experience in QA, sales, marketing and operations. He started his career in 1988 as a QA engineer in Singapore Technologies group of companies where he rose to the position of Marketing Manager in its industrial property operations. In 1995, he joined Drake Far East as the Senior Business Development Manager before heading its datacom subsidiary, Datacom Cables Technologies between 1997 and 2000. Prior to joining Innovalues Precision Limited, Mr Sim was managing a dotcom and the regional distribution of datacom cabling products.

Mr. Seah Chean Teng

is our General Manager in Innovalues Precision (Shanghai) Co., Ltd. Mr Seah earned his MBA in Finance from Indiana University. He also holds a

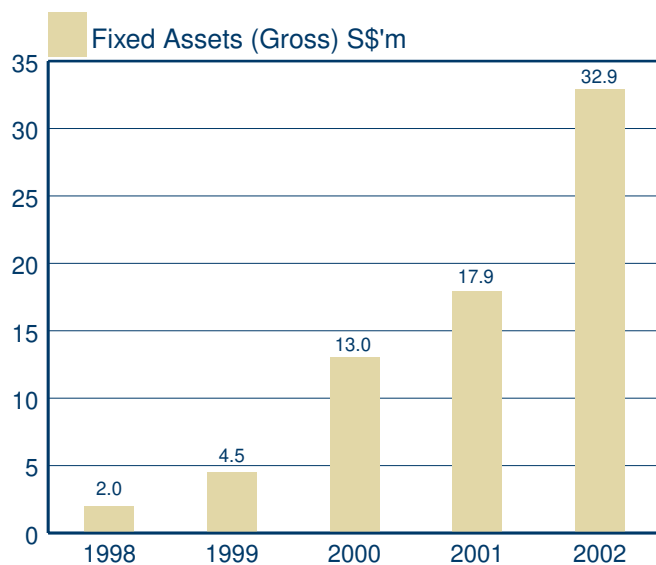
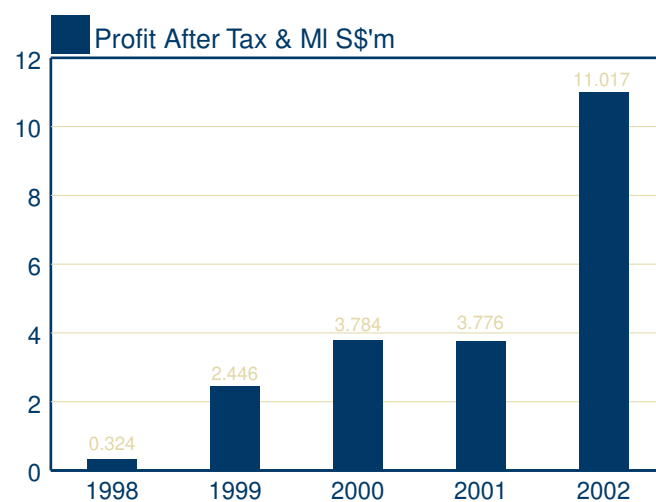
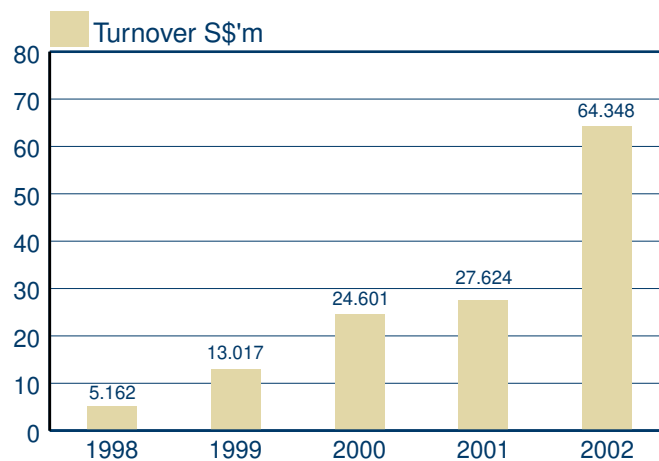
Bachelor of Science degree and a diploma in mechanical engineering.

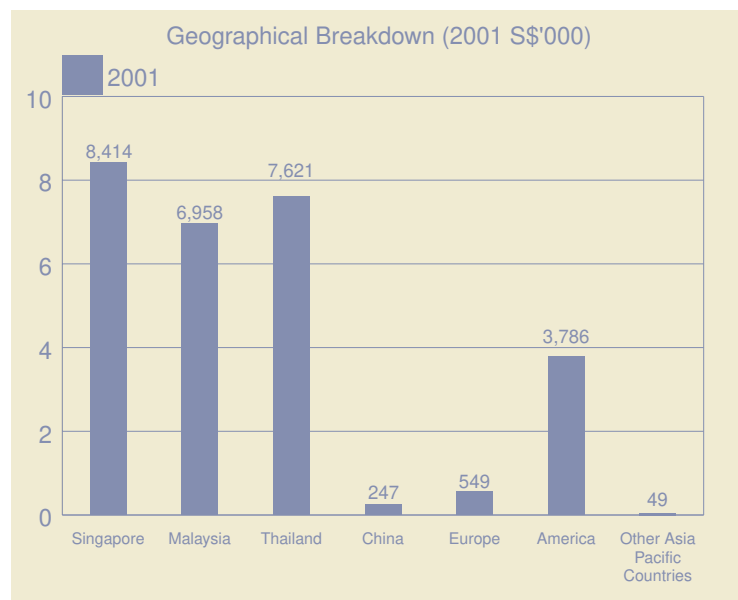
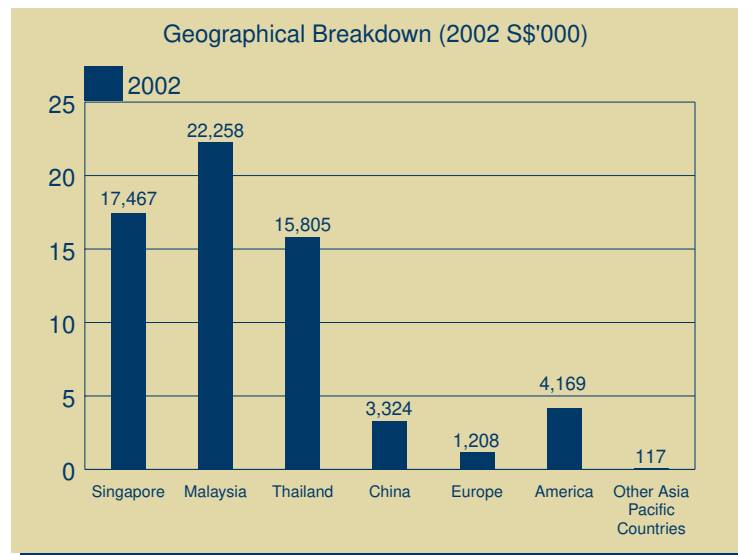
Prior to joining Innovalues in August 2001, he was a Director in Ernst and Young (E&Y) Consulting Singapore, specializing in manufacturing and distribution. Before joining E&Y, Mr Seah spent six years heading various subsidiaries within the Provisions Suppliers Corporation Ltd Group, a major food retail and manufacturing company in Southeast Asia, rising to Executive Director of its Malaysian subsidiary in Kuala Lumpur.

Mr. Tay Yan Lim

is our Director and General Manager of Innovalues Microtech Sdn Bhd. He joined Innovalues Precision Group in March 2000 and is responsible for the establishment and overall management of Innovalues Microtech Sdn Bhd, our in-house Electroless Nickel plating facility in Malaysia. Mr. Tay holds a Diploma in Total Quality Management from Ngee Ann Polytechnic and has about 25 years of working experience in special processes. He previously worked for Sundstrand Pacific Pte Ltd, a leading aerospace manufacturer of Constant Speed Drive, and Ordnance Development & Engineering Pte Ltd. In 1988, he ventured into a partnership, Metall-Treat Pte Ltd.

Financial Highlights







*"The Group's net profit of FY 2002 grew by 192%
from \$3.8 million to \$ 11.0 million."*

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Statement On Corporate Governance

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control of the Company.

The Board consists of 6 members, comprising two independent non-executive directors, two non-executive directors and two executive directors. Together, the directors bring a wide range of business, legal and financial experience relevant to the Group.

Goh Leng Tse	Managing Director
Hein Ke Long	Executive Director
Ong Tiak Beng	Non-Executive Director
Loo Tian Sze, Melvin	Non-Executive Director (resigned 16 May 2002)
Koh Boon Hwee	Non-Executive Director (appointed 9 July 2002)
Chow Kok Kee	Independent Director
Ong Sim Ho	Independent Director

The Board meets regularly to discuss and address Board matters. The Company's Articles of Association provide for the Board to convene meetings via teleconferencing and electronic means. During the year 2002, the Board met 5 times. The details of attendance by individual Directors in year 2002 are as follows:

	Number of meetings held while a member	Number of meetings attended
Goh Leng Tse	5	5
Hein Ke Long	5	3
Ong Tiak Beng	5	3
Loo Tian Sze, Melvin	4	4
Koh Boon Hwee	1	1
Chow Kok Kee	5	4
Ong Sim Ho	5	5

The Board is entrusted with the responsibility of the overall management of the Company. The principal functions of the Board are:

- Approving policies, strategies and financial objectives of the Company and monitoring the performance of Management.
- Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance.
- Approving nominations of Board directors, committee members and key personnel.
- Approving annual budgets, funding requirements, expansion programs, capital investments, major acquisitions and divestments proposals.

The Company has adopted internal guidelines setting forth matters, such as annual budget and transactions relating to investment, financing, legal and corporate secretarial which require the Board's approval. The Board will review the guidelines on a periodic basis to ensure their relevance to the operations of the Company.

Statement On Corporate Governance

The Board's Conduct of its Affairs (cont'd)

The Company has adopted an orientation program for new directors which includes the introduction of the Board members and key management staff, presentations by the Managing Director and Group Financial Controller on the Company, its business, governance practices, key strengths and strategies. The new director will also be given a tour of the Company's plants both in Singapore and overseas and briefed on the technical aspects of its operations.

Board members are also encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as directors. The Company works closely with professionals to provide its directors with changes to relevant laws, regulations and accounting standards.

Board Composition And Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision.

The Company endeavours to maintain a strong and independent element on the Board. As at the date of this report, one-third of the Board members are independent directors. The independent directors have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company. The Nominating Committee ("NC") has reviewed and determined that the said directors are independent. The independence of each director is reviewed annually by the NC.

The Board is of the opinion that its current size of 6 Board members is both effective and efficient. This conclusion was drawn after taking into consideration the nature and size of operations and the statistics drawn from the Singapore Board of Directors Survey 2001 on Board composition published by the Singapore Institute of Directors.

Together, the Board members possess a balanced field of core competencies such as accounting, finance, business and management experiences to lead the Company. Details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

Chairman And Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the Company – the working of the Board and the executive responsibility of the Company's business – which will ensure a balance of power and authority, such that no one individual represents a consideration concentration of power.

The Chairman and Managing Director of the Company is Mr. Goh Leng Tse. The Board, after careful consideration, is of the opinion that the need to separate the roles of the Chairman and Managing Director is not necessary for the time being. The presence of a strong independent element and the participation of the non-executive as well as independent directors ensure that the Chairman and Managing Director does not have unfettered powers of decision. This has been reflected in Board and Committee meetings where the independent directors and non-executive directors have participated actively in the decision making.

Statement On Corporate Governance

The Board's Conduct of its Affairs (cont'd)

The Chairman's duties and responsibilities includes :-

- a) scheduling of meetings to enable the Board to perform its duties responsibly;
- b) preparing the agenda of meetings;
- c) ensuring the proper conduct of meetings and accurate documentation of the proceedings;
- d) ensuring the smooth and timely flow of information between the Board and Management;
- e) ensuring compliance with internal policies and guidelines of the Company.

In addition to the above duties, the Chairman will assume duties and responsibilities as may be required from time to time.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

The Nominating Committee ("NC") is established comprising of 3 members, the majority of whom are non-executive independent directors.

Chairman: Chow Kok Kee
Member: Ong Sim Ho
Member: Goh Leng Tse

The NC is established for the purposes of ensuring that there is a formal and transparent process for all Board appointments. It has adopted written terms of reference defining its membership, administration and duties. As the committee is newly constituted, one meeting was held in the beginning of year 2003 and attended by all members.

The duties of the NC are as follows:

- a) To make recommendations to the Board on all Board appointments, including development of a set of criteria for director appointments, which includes the qualifications of a director; ability to exercise sound business judgment, relevance to the Company and the industry and appropriate personal qualities;
- b) To re-nominate directors having regard to the director's contribution and performance (e.g. attendance, participation and critical assessment of issues deliberated upon by the Board) including, if applicable, as an independent director;
- c) To determine annually whether or not a director is independent;
- d) To decide how the Board's performance may be evaluated and propose objective performance criteria, such as return on equity ("ROE"), economic value added ("EVA") to the Board; and
- e) To assess the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board.

Statement On Corporate Governance

Board Membership (cont'd)

The Articles of Association of the Company currently require one-third of the directors to retire and subject themselves to re-election by the shareholders in every Annual General Meeting. In addition, all directors of the Company (other than the Managing Director) shall retire from office at least once every three years. The Company has not adopted the guideline for the retirement of the Managing Director once in every three years.

The NC has reviewed the contributions by Mr Chow Kok Kee, Mr Ong Sim Ho and Mr Koh Boon Hwee who sit on boards of various companies. The NC is of the view that all three Directors have adequately discharged their duties effectively in meetings.

The details of the Board members' qualifications and experience including the year of initial appointment and election are presented in this Annual Report under the heading "Board of Directors".

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC has adopted a process for assessing the performance of the Board as a whole instead of individual assessment. The NC has recommended both quantitative and qualitative indicators to measure the Board's performance.

The quantitative indicators include the share price performance which is benchmarked against the Singapore Straits Times index and five other stocks listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") in similar industry, return on equity, revenue and profit growth.

The qualitative indicators include degree of compliance with the code of corporate governance, transparency in terms of disclosures and the feedback from regulated authorities and investors.

ACCESS TO INFORMATION

Access To Information

Principle 6: In order to fulfil their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board is furnished with Board papers prior to any Board meeting. These papers are issued in sufficient time to enable the Directors to obtain additional information or explanations from the Management, if necessary. The Board papers include minutes of the previous meeting, reports relating to investment proposals, budgets, financial results announcements, reports from committees, internal and external auditors.

The Directors may communicate directly with the Management team and the Company Secretary on all matters whenever they deem necessary. The Company Secretary attends all Board meetings and is responsible for recording the proceedings.

Statement On Corporate Governance

Access To Information (cont'd)

The Company currently does not have a formal procedure for Directors to seek independent and professional advice for the furtherance of their duties. However, directors may, on a case-to-case basis, propose to the Board for such independent and professional advice, the cost of which may be borne by the Company.

The Company has a transparent policy wherein directors are welcomed to request further information or informal discussions and make recommendations on any aspects of the Company's operations or business issues.

REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") is established comprising of 3 members, the majority of whom are non-executive independent directors.

Chairman: Ong Sim Ho
Member: Chow Kok Kee
Member: Goh Leng Tse

Mr Chow Kok Kee has human resource experience and is knowledgeable in the field of executive compensation. In addition, the RC may seek professional advice where necessary.

The RC is established for the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual directors. The overriding principle is that no director should be involved in deciding his own remuneration. It has adopted written terms of reference that defines its membership, roles and functions and administration. As the committee is newly constituted, one meeting was held in year 2002 and attended by all members.

The duties of the RC are as follows:

- a) To review and recommend to the Board in consultation with senior management a framework of remuneration for executive directors, chief executive officer ("CEO") and senior management staff;
- b) To review the remuneration packages of all managerial staff that are related to any of the executive directors or CEO; and
- c) To recommend to the Board in consultation with senior management and the Chairman of the Board, the Executive's and Employees' Share Option Schemes or any long term incentive scheme.

Level of Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

Statement On Corporate Governance

Level of Mix of Remuneration (cont'd)

The Company has approved the remuneration framework for executive directors and senior management staff on recommendation by the RC. The framework will cover directors' fees, basic salaries, allowances, bonuses, options and benefits in kind. In developing the framework, the RC has taken into consideration factors, such as the Company's performance, the economic scenario, market practices and the individual's contributions to the organization.

The RC has adopted a framework to remunerate the non-executive directors based on their appointments and roles in respective committees. The framework includes a basic fee and additional fee for each chairmanship held in the respective committees.

While the remuneration frameworks are not subject to shareholders' approval, the remuneration of the non-executive directors will be tabled at the forthcoming AGM for shareholders' approval.

The RC has reviewed existing service agreements made between the Company and the executive directors. Additional information is disclosed in the section on principle 9 of this Corporate Governance Statement.

The Company has adopted an employee share option scheme known as the "Innovalues Group Share Option Scheme 2001" ("the Scheme"). The Scheme, which forms an integral component of its compensation plan, is designed to reward and retain eligible participants whose services are vital to the Group's well being and success.

Under the rules of the Scheme, executive and non-executive directors and employees of the Group are eligible to participate. Controlling shareholders or their associates are also eligible to participate in the Scheme subject to the approval of independent shareholders' in the form of a separate resolution for each participant. Further, independent shareholders' approval will also be required in the form of a separate resolution for each grant of options and the terms thereof to each participant who is a controlling shareholder or an associate of a controlling shareholder.

The total number of shares over which options may be granted pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company at any time and from time to time during the existence of the Scheme. Based on the issued share capital as at 31 December 2002, 15% of issued share capital of the Company would amount to 11,550,000 shares.

The valuation of options granted is fixed at the price ("Market Price") equal to the average of the last dealt price for a share on the SGX-ST for the period of 5 consecutive market days immediately prior to the relevant offer date. The Company has the discretion to either set the exercise price for options granted at the Market Price or set the exercise price for options granted at a discount not exceeding 20% of the Market Price but in no event shall the exercise price per share be less than its par value.

Options granted with the exercise price set at Market Price shall only be exercisable by a grantee after the first anniversary of the offer date in accordance with the terms and vesting period as enumerated in Clause 9 ("Option period and Exercise of Options") of the Scheme.

Options granted with the exercise price set at a discount to Market Price shall only be exercisable by a grantee after the second anniversary of the offer date in accordance with the terms and vesting period as enumerated in Clause 9 ("Option period and Exercise of Options") of the Scheme

Statement On Corporate Governance

Level of Mix of Remuneration (cont'd)

The schedule below shows options granted by the Company as at 31 December 2002.

Offer Date	Options Granted	Exercise Price	Outstanding Options	Remarks
05/06/2002	2,370,000	S\$0.87	2,370,000	Exercise price set at Market Price
30/10/2002	540,000	S\$1.10	540,000	Exercise price set at Market Price

For the financial year ended 31 December 2002, the RC held one meeting during which it reviewed the Group's Share Option Scheme 2001 and the Management's proposal on options to be granted. The meeting was attended by all members.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedures for setting remuneration, in the Company's annual report.

Remuneration of Directors

Remuneration Band up to S\$250,000

Name	Fixed Salary/ Fees	Variable	Other Benefits/Fees
Ong Tiak Beng	23%	-	77%
Koh Boon Hwe	100%	-	-
Loo Tian Sze	100%	-	-
Chow Kok Kee	100%	-	-
Ong Sim Ho	100%	-	-

Remuneration Band from S\$500,001 to S\$750,00

Hein Ke Long	67%	32%	1%
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Remuneration Band from S\$750,001 to S\$1,000,000

Goh Leng Tse	52%	47%	1%
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The Company has granted options to the following directors :-

Goh Leng Tse	180,000
Hein Ke Long	180,000
Ong Tiak Beng	180,000
Koh Boon Hwee ¹	-
Loo Tian Sze, Melvin ²	-
Chow Kok Kee	120,000
Ong Sim Ho	120,000

1. Mr Koh Boon Hwee joined the Company after the options were granted.

2. Mr Loo Tian Sze, Melvin resigned as a director with effect from 16 May 2002.

Statement On Corporate Governance

Remuneration of Top Executives

Remuneration Band up to S\$250,000

Name	Fixed Salary/ Fees	Other Variable	Benefits/ Fees
Lim Tee Hoon	87%	13%	-
Seah Chean Teng	89%	11%	-
Pung Tong Seng	87%	13%	-
Sim Hon Heng	100%	-	-
Tay Yan Lim	89%	11%	-
Poom Manee Santibhop	86%	14%	-
Ong Kin Hock	80%	20%	-

The Company confirmed that the remuneration of all top executives are below S\$250,000.

The Company has granted options to the following top executives :-

Lim Tee Hoon	120,000
Seah Chean Teng	120,000
Pung Tong Seng	120,000
Sim Hon Heng ³	-
Tay Yan Lim	120,000
Poom Manee Santibhop	120,000
Ong Kin Hock	120,000

3. Mr Sim Hon Heng joined the Company after the options were granted.

The Company had entered into a Service Agreement with Mr. Goh Leng Tse and Mr. Hein Ke Long on 9 February 2001 which was renewed automatically in January 2003 pursuant to the terms of the Agreement. The Agreement shall continue for an indefinite period unless terminated in writing by either party.

Amongst other clauses in the Service Agreement, both Mr. Goh Leng Tse and Mr. Hein Ke Long shall be paid a fixed monthly salary, an annual wage supplement of an amount equal to 1 month of the last drawn salary and an incentive bonus. The incentive bonus shall be payable if the audited consolidated profit before tax of the Group excluding incentive bonus and extraordinary items but after minority interests for the preceding year exceeds S\$2 million.

The RC is in the process of reviewing the entire service agreements of the two executive directors.

For the financial year ended 31 December 2002, there were no employees who are immediate family members of a director or the Managing Director.

The Board has not included a remuneration report in this Annual Report, as suggested by guidance note 9.5 of the Code. The Board is of the view that matters which are required are sufficiently disclosed in this report and in the financial statements of the Company.

Statement On Corporate Governance

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board is accountable to the shareholders while the Management is accountable to the Board.

For the financial performance reporting via the MASNET announcement to SGX-ST and the Annual Report to the shareholders, the Board has a responsibility to present a fair assessment of the Group's financial position including the prospects of the Group.

The Board ensures that the Management maintains a sound system of internal control to safeguard the shareholders' investment and the Group's assets.

The Management will provide all members of the Board with a monthly management report and monthly financial statements and Board papers are given prior to any Board meeting to facilitate effective discussion and decision making.

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The Audit Committee comprises of 4 members, the majority of whom are non-executive directors of which two are independent directors.

Chairman: Chow Kok Kee
Member: Ong Sim Ho
Member: Ong Tiak Beng
Member: Goh Leng Tse

The Chairman, Mr Chow Kok Kee, has many years of experience in financial services. The other members of the AC possess experience in finance, legal and business management. At least two members have the appropriate accounting or related financial management experience or expertise.

The Board is of the opinion that the members of the AC have sufficient financial management and expertise and experience in discharging their duties.

The role of the AC is to assist the Board with discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records and develop and maintain effective systems of internal control.

In accordance with the terms of reference adopted by the AC on 27 March 2001, the AC shall review, appraise and report to the Board on:

- a) The discussion with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit.
- b) The review with external auditors, their evaluation of the system of internal controls, the Management Letter and Management's response therefrom.
- c) The discussion of problems and concerns, if any, arising from the interim and final audits and any matters that the external auditors may wish to discuss with the AC in the absence of the Management.

Statement On Corporate Governance

Audit Committee (cond't)

- d) The review of the independence of the external auditors and nomination of their re-appointment as auditors of the Company.
- e) The review of the internal audit program including the scope and results of the internal audit.
- f) The review of interested person transactions (as defined in the Chapter 9 of the Listing Manual of SGX-ST)
- g) The review of quarterly and full year financial results and recommendation to the Board for release to the SGX-ST via MASNET.
- h) Any other functions that are requested by the Board, as may be required by statute or the Listing Manual.

In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any director or executive director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly.

The AC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board.

The AC has met once with the external auditors, without the presence of Management during the year.

During the year, the AC met 2 times and the details of attendance were as follows:

	Number of meetings held while a member	Number of meetings attended
Goh Leng Tse	2	2
Ong Tiak Beng	2	0
Chow Kok Kee	2	2
Ong Sim Ho	2	2

Internal Control/Internal Audit

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' interests. Effective internal controls not only refer to financial controls but include business risk assessment and response, operational and compliance controls among others.

The Company has developed its own risk management framework which identifies, reviews and monitors different categories of risks including financial, operational, market, regulatory and human related, and how such risks can be addressed by instituting control measures. In implementing this framework, it recognized that although the external auditors would focus their attention on financial risks, this mechanism must be supplemented by the appointment of suitably qualified internal auditors who are accepted practitioners in internal auditing. These appointed auditors will do internal auditing at the various geographical locations in which the Company is presently operating.

Statement On Corporate Governance

Internal Control/Internal Audit (cont'd)

The Company has appointed an independent consulting firm to review the operations of its subsidiaries in Malaysia and Thailand.

The consultant will report directly to the Chairman of the AC. Their main function is to carry out an assessment on the effectiveness of the Group's risk and control processes. The objectives are as follows :-

- a) To identify major risks and contributing factors;
- b) To measure these risks;
- c) To prioritize these risks;
- d) To develop internal control processes to address controllable risks
- e) To identify and evaluate major accounting and internal control weaknesses.

The findings of the Internal Controls review were compiled and categorized into Strategic Risks, People Risks, Financial Risks, Operational Risks, Information and Decision-Making Risks and External Risks. The reports were subsequently tabled at the AC meeting.

The AC evaluates the findings of the external and internal auditors on the Company's internal controls annually. The Board believes that, in the absence of any evidence to the contrary, the system of internal control maintained by the Company's management and that was in place throughout the financial year and up to the date of this report provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

The Board, having reviewed the findings of the Internal Controls Review is of the opinion that the Group's existing accounting and internal controls are adequate and satisfactory.

The Company is still in various stages of implementing its internal control policies and to date, the Board is satisfied that there is no major non-compliance issues.

The AC is aware that internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control. Accordingly, the Company has outsourced its internal audit function to an independent consulting firm.

The internal auditors will report directly to the Chairman of the AC although they will also report administratively to the Managing Director. The main function of the internal auditors is to review the effectiveness and quality of the systems of control of the Company and this is performed with impartiality, proficiency and due professional care. The internal audit function is independent of the activities or operations of the Company.

Prior to the commencement of the internal audit, the AC will discuss with the internal auditors as to the scope of the internal audit, including deliverables expected by the AC. This is to ensure that major areas of weakness are identified and addressed.

Since the implementation of the internal audit, the AC is satisfied that the internal audit on systems and controls are adequate in view of the current nature and scope of operations of the Company. The AC will continue to assess the adequacy of internal audit function annually.

Statement On Corporate Governance

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

The Company endeavours to communicate regularly, effectively and fairly with its shareholders.

The Company will be adopting quarterly results reporting with effect from this year. The results are published via MASNET and are usually followed by a news release which is available on the website. Annual reports are also available on the Company's website.

Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period and are available on the Company's website. The Company does not practice selective disclosure. For example, the presentation slides used at analyst meetings are posted concurrently in the Company's website and announced on MASNET.

The Company communicates with its shareholders through its investor relations website http://www.wallstraits.com/companygallery/gallery_innovalues.asp and a corporate website <http://www.innovalues.com>. In addition, the Company has engaged a public relations firm to assist in its communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

Annual reports and notices of AGM are sent to all shareholders. The notice is also published in the local newspapers and made available on the MASNET. At the AGM, the shareholders are given the opportunity to express their views and raise any queries regarding the Company.

Each item of special business included in the notice of meeting will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions.

In addition, the Chairman of the respective committees and the external auditors will be present at the AGM to address any queries from the shareholders.

SECURITIES TRADING CODE

The Company has devised and adopted its own internal Code of Conduct on dealing in the securities of the Company. The Code was modeled on the Best Practices Guide in the Listing Manual of the SGX-ST. This code will provide guidance to the Group's directors and employees on their dealings in its securities. Officers of the Group are required to confirm their compliance with the Code of Best Practices annually.

The Company has complied with the principles of the Best Practices Guide in the Listing Manual in the financial year.

Statement On Corporate Governance

ADDITIONAL DISCLOSURES

Interested person transactions policy

The Company has adopted internal guidelines in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions in 2001. The main objective is to ensure that all interested person transactions are conducted on arm's length basis and on normal commercial terms.

Pursuant to the Interested Persons Transactions Mandate (2002), the Company purchased toolings from Deston Precision Engineering Pte Ltd amounting to S\$40,966. These transactions were reviewed by the AC in accordance with its internal guidelines and the Listing Manual of the SGX-ST.

ADDITIONAL DISCLOSURE

Remuneration paid to controlling shareholders and their associates

The Company has undertaken to disclose the total remuneration paid to the controlling shareholders and their associates in its Prospectus dated 21st February 2001. Total remuneration paid to these controlling shareholders for the year under review amounted to S\$1,537,586.

Report of the Directors

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the financial year ended 31 December 2002.

1. DIRECTORS AT DATE OF REPORT

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

Goh Leng Tse

Hein Ke Long

Ong Tiak Beng

Chow Kok Kee

Ong Sim Ho

Koh Boon Hwee (Appointed on 9 July 2002)

2. PRINCIPAL ACTIVITIES

The principal activities of the company are those of manufacturing, assembly, sub-assembly of precision turned machining parts, components and electronic and mechanical devices.

The principal activities of the subsidiaries are disclosed in notes to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

3. RESULTS FOR THE FINANCIAL YEAR

	<u>Group</u>	<u>Company</u>
	\$'000	\$'000
Net profit for the year	11,448	2,943
Minority interests	(431)	—
Profit attributable to shareholders	11,017	2,943
Accumulated profits at beginning of year	7,827	3,609
Dividends paid (Note 22)	(1,527)	(1,460)
Accumulated profits at end of year	<u>17,317</u>	<u>5,092</u>

4. MATERIAL TRANSFERS TO OR FROM RESERVES OR PROVISIONS

During the financial year, there were no material transfers to or from reserves and provisions other than those disclosed in the attached financial statements.

5. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There were no acquisitions or disposals of subsidiaries during the financial year except as follows:

The company acquired the remaining shares in its 51% owned Malaysian subsidiary, Innovalues Microtech Sdn Bhd on 28 March 2002. The total consideration for the remaining 49% or 110,250 ordinary shares of RM 1 each of the issued and paid-up capital of this subsidiary was \$679,300. The net tangible assets of the subsidiary at this date were \$921,909. As at that date, Innovalues Microtech Sdn Bhd became a wholly owned subsidiary of the company.

Report of the Directors

5. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (cont'd)

The company incorporated a wholly-owned subsidiary in Malaysia known as Innovalues Technologies Sdn Bhd on 26 July 2002. The paid up capital of this subsidiary was RM 2.

The company incorporated a subsidiary known as Innovalues Industry (Shanghai) Co., Ltd in the People's Republic of China ("PRC") in accordance with the relevant regulations of the PRC in relation to a wholly-owned foreign company. The structure of the wholly-owned foreign company is such that the company's registered capital of US\$3,000,000 (approximately \$5,202,000) is to be fully contributed within two years from the date of obtaining a business registration license. The license was obtained on 27 June 2002. As at 31 December 2002, the total capital contributed amounted to \$797,550 (US\$450,000).

The company incorporated a wholly-owned subsidiary in Singapore known as Emulex Pte Ltd on 21 February 2002. The paid up capital of this subsidiary is \$20,000.

6. ISSUE OF SHARES AND DEBENTURES

On 27 March 2002, the company issued 3,500,000 new ordinary shares of \$0.05 each for a cash consideration of \$0.50 each by way of a placement issue. The proceeds were used for the expansion of the group's production facilities in Thailand, Malaysia and PRC. The new shares will rank pari passu in all respects with the existing shares of the company. Allotment and the issue of the placement shares was approved by the Singapore Exchange ("SGX") on 27 March 2002.

The company's subsidiary, Innovalues Precision (Thailand) Ltd, increased its registered share capital from Thai Baht 30 million (300,000 ordinary shares of Thai Baht 100 each) to Thai Baht 100 million (1,000,000 ordinary shares of Thai Baht 100 each) on 25 February 2002. During the year, there was an additional issue of 700,000 new shares of Thai Baht 100 each at par. The total paid up capital for this issue amounted to Thai Baht 30 million (42.86% paid up) and it included a loan to this subsidiary of Thai Baht 27 million (equivalent to \$1,134,410) which was capitalised into 630,000 shares of Thai Baht 100 each at par.

During the year, the company contributed US\$380,015 (\$685,000) towards the registered capital of its subsidiary, Innovalues Precision (Shanghai) Co., Ltd. The proceeds were used as working capital.

No debentures were issued.

7. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate except for the options mentioned below.

Report of the Directors

8. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Singapore Companies Act, Cap 50 except as follows:

<u>Name of directors</u>	<u>At beginning of year</u>	<u>At end of year</u>	<u>As at 21 January 2003</u>
	<u>Shares of \$0.05 each</u>	<u>Shares of \$0.05 each</u>	<u>Shares of \$0.05 each</u>
Goh Leng Tse	19,535,000	15,156,000	15,156,000
Hein Ke Long	10,500,000	9,035,000	9,035,000
Ong Tiak Beng	14,000,000	13,000,000	13,000,000
Chow Kok Kee	20,000	20,000	20,000
Ong Sim Ho	20,000	100,000	100,000
Koh Boon Hwee	—	7,000,000	7,000,000

By virtue of section 7 of the Singapore Companies Act, Cap 50, the above directors of the company are deemed to have an interest in the share capital of the subsidiaries at the relevant dates.

9. DIVIDENDS

Dividends paid or declared since the end of the company's last financial year were as follows:

A final dividend of \$0.015 per ordinary share less tax on the ordinary shares of the company amounting to \$859,950 in respect of the previous year and included in the previous report of the directors.

An interim dividend of \$0.01 per ordinary share less tax on the ordinary shares of the company amounting to \$600,600 was paid in respect of the financial year just ended.

The directors of the company now recommend that a final dividend be paid at \$0.02 per ordinary share less tax amounting to \$1,201,200 for the financial year just ended on the ordinary shares of the company.

10. ACTIONS RELATING TO BAD AND DOUBTFUL DEBTS

Before the income statement and the balance sheet were made out, the directors of the company took reasonable steps to ascertain that proper action had been taken in relation to the writing off of and the making of provision for bad and doubtful debts of the company and have satisfied themselves that all known bad debts if any of the company have been written off and that where necessary adequate provision has been made for doubtful debts.

At the date of this report, the directors of the company are not aware of any circumstances which would render amounts if any written off or the amount of provision for bad and doubtful debts for the group of companies in the consolidated financial statements of the company inadequate to any substantial extent.

Report of the Directors

11. ACTIONS RELATING TO CURRENT ASSETS

Before the income statement and the balance sheet were made out, the directors of the company took reasonable steps to ascertain that any current assets of the company which were unlikely to realise in the ordinary course of business their book values have been written down to their estimated realisable values or were adequately provided for.

At the date of this report, the directors of the company are not aware of any circumstances which would render the value attributable to current assets in the consolidated financial statements misleading.

12. CHARGES ON ASSETS AND EXISTENCE OF CONTINGENT LIABILITIES AFTER YEAR END DATE

At the date of this report:

- a) there does not exist any charge on the assets of the company or any corporation in the group which has arisen since the end of the financial year which secures the liability of any other person except for those disclosed in the notes to the financial statements; and
- b) there does not exist any contingent liability of the company or any corporation in the group which has arisen since the end of the financial year except for those disclosed in the notes to the financial statements.

13. ABILITY TO MEET OBLIGATIONS

No contingent or other liability of the company or any corporation in the group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors of the company, will or may substantially affect the ability of the company or any corporation in the group to meet its obligations as and when they fall due.

14. OTHER CIRCUMSTANCES AFFECTING FINANCIAL STATEMENTS

At the date of this report, the directors of the company are not aware of any circumstances not otherwise dealt with in the report or consolidated financial statements which would render any amount stated in the financial statements of the company and the consolidated financial statements misleading.

15. UNUSUAL ITEMS DURING THE YEAR

In the opinion of the directors of the company, the results of the operations of the company and of the group have not been substantially affected by any item, transaction or event of a material and unusual nature during the financial year except for those disclosed in the notes to the financial statements.

16. UNUSUAL ITEMS AFTER YEAR END DATE

In the opinion of the directors of the company, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of the report which would affect substantially the results of the operations of the company and of the group for the financial year in which this report is made except for those disclosed in the notes to the financial statements.

17. CONTRACTUAL BENEFITS OF DIRECTORS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Singapore Companies Act, Cap 50, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

Report of the Directors

18. OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted except as follows:

The company has an employee share option scheme known as the “Innovalues Group Share Option Scheme 2001” (the “Scheme”). The Scheme, which forms an integral component of its compensation plan, is designed to reward and retain eligible participants whose services are vital to its well being and success. It provides eligible participants who have contributed to the success and development of the company with an opportunity to participate and also increase the dedication and loyalty of these participants and motivate them to perform better.

Under the rules of the Scheme, all directors and employees of the company are eligible to participate in the Scheme. Controlling shareholders or their associates are also eligible to participate in the Scheme subject to the approval of independent shareholders in the form of separate resolutions for each participant. Further, independent shareholders' approval is also required in the form of separate resolutions for each grant of options and the terms thereof, to each participant who is a controlling shareholder or his associate.

The total number of shares over which options may be granted shall not exceed 15% of the issued share capital of the company at any time.

A Scheme Committee is charged with the administration of the Scheme in accordance with the rules of the Scheme. The Scheme Committee consists of 3 directors appointed by the board of directors of the company. The number of options to be offered to a participant shall be determined at the discretion of the Scheme Committee who shall take into account criteria such as the rank, performance, seniority, potential for future development and length of service of the participant provided that: - (a) the total number of shares which may be offered to any participant during the entire operation of the Scheme (including adjustments under the rules) shall not exceed 25% of the shares in respect of which the company may grant options; (b) the aggregate number of shares which may be offered to participants who are controlling shareholders and their associates during the entire operation of the Scheme (including adjustments under the rules) shall not exceed 25% of the shares in respect of which the company may grant options; and (c) the number of shares which may be offered to each participant who is a controlling shareholder or his associate during the entire operation of the Scheme shall not exceed 10% of the shares in respect of which the company may grant options.

The exercise price for each share in respect of which an option is exercisable shall be determined by the Scheme Committee at its absolute discretion and fixed by the Committee at:- (a) where the options are offered to a grantee prior to the date of the listing and quotation of the shares, a price equal to the price per share offered to the public at the initial public offering of the shares, that is \$0.35; (b) where the options are offered after the listing date (i) a price (the “Market Price”) equal to the average of the last dealt prices for a share on the SGX-ST for the period of five (5) consecutive Market Days immediately prior to the relevant offer date but not less than its par value; or (ii) a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20 percent of the Market Price but not less than its par value.

Report of the Directors

18. OPTIONS TO TAKE UP UNISSUED SHARES (cont'd)

Options must be exercised before the expiry of 6 years from the date of the offer or such earlier date as may be determined by the Scheme Committee. There are special provisions dealing with the lapsing or permitting the earlier exercise of options under certain circumstances including termination, bankruptcy, and death of the participant.

Activities under the Scheme are as follows:

<u>Date of grant</u>	<u>Balance at 01.01.2002</u>	<u>Granted</u>	<u>Balance at 31.12.2002</u>	<u>Exercise price</u>	<u>Exercise period</u>
05.06.2002	–	2,370,000	2,370,000	\$0.87	06.06.2003 to 04.06.2008
25.11.2002	–	540,000	540,000	\$1.10	26.11.2003 to 24.11.2008
	–	2,910,000	2,910,000		

The following table summarises information about director stock options outstanding at 31 December 2002:

<u>Participants</u>	<u>Grants in 2002</u>	<u>Grants from start of scheme to end of 2002</u>	<u>Exercised/ lapsed from start of scheme to end of 2002</u>	<u>Balance at 31.12.2002</u>
<u>Directors and controlling shareholders of the company</u>				
Mr Goh Leng Tse	180,000	180,000	–	180,000 ^(a)
Mr Ong Tiak Beng	180,000	180,000	–	180,000 ^(a)
Sub-total	360,000	360,000	–	360,000
<u>Directors of the company</u>				
Mr Hein Ke Long	180,000	180,000	–	180,000 ^(a)
Mr Chow Kok Kee	120,000	120,000	–	120,000 ^(b)
Mr Ong Sim Ho	120,000	120,000	–	120,000 ^(b)
Total	780,000	780,000	–	780,000

Report of the Directors

18. OPTIONS TO TAKE UP UNISSUED SHARES (cont'd)

^(a) Exercise price of \$1.10. Exercise period from 26 November 2003 to 24 November 2008.

^(b) Exercise price of \$0.87. Exercise period from 6 June 2003 to 4 June 2008.

No participant has received 5% or more of the total number of the options available under the Scheme.

The following table summarises information about employee and director stock options outstanding at 31 December 2002:

<u>Exercise price</u>	<u>Number outstanding</u>	<u>Number exercisable</u>	<u>Weighted average remaining life (years)</u>
\$0.87	2,370,000	2,370,000	5.42
\$1.10	540,000	540,000	5.95
	2,910,000	2,910,000	5.52

19. OPTIONS EXERCISED

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares except as indicated in paragraph 18 above.

20. UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option except as indicated in paragraph 18 above.

21. AUDIT COMMITTEE

The members of the audit committee at the date of this report are :

Chow Kok Kee (Chairman)

Goh Leng Tse

Ong Sim Ho

Ong Tiak Beng

The audit committee performs the functions specified by section 201B of the Companies Act, Cap. 50, and the Listing Manual and the Best Practices Guide of the SGX. For the financial year ended 31 December 2002, the audit committee held 2 meetings. It met with the company's external and internal auditors to discuss the scope of their work and the results of their examination and evaluation of the company's internal accounting control system. It also met to review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors and the volume of non-audit services provided to the company, to seek a balance for maintenance of objectivity and value for money.

Report of the Directors

21. AUDIT COMMITTEE (cont'd)

The audit committee also reviewed the following :

- assistance provided by the company's officers to the external auditors;
- financial statements of the company and the group prior to their submission to the directors of the company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX). The audit committee has explicit authority to investigate any matter within the remit, full access to and co-operation from management. It is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The audit committee recommends the re-appointment of Chio Lim & Associates as the company's auditors at the forthcoming annual general meeting.

22. AUDITORS

The auditors, Chio Lim & Associates, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Goh Leng Tse
Director

Hein Ke Long
Director

10 April 2003

Statement of Directors

STATEMENT OF DIRECTORS

In the opinion of the directors, the accompanying financial statements are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2002 and of the results and changes in equity of the company and of the group and of the cash flows of the group for the financial year then ended and 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 DIRECTORS

Goh Leng Tse
Director

Hein Ke Long
Director

10 April 2003

Auditors Report To The Members of Innovalues Precision Limited

We have audited the accompanying financial statements of Innovalues Precision Limited and of the group as at 31 December 2002 set out on pages 41 to 70. These financial statements are the responsibility of the company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the accompanying financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap 50 ("the Act") and Singapore Statements of Accounting Standard and interpretations of those standards and so as to give a true and fair view of:
 - i) the state of affairs of the company and of the group as at 31 December 2002 and of the results and changes in equity of the company and of the group and cash flows of the group for the financial year then ended; and
 - ii) the other matters required by section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;
- b) the accounting and other records and the registers required by the Act to be kept by the company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of the subsidiaries are indicated in Note 7 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that are consolidated with the financial statements of the company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of the subsidiary incorporated in Singapore did not include any comment made under section 207 (3) of the Act.

Chio Lim & Associates
Certified Public Accountants

Partner in charge of audit: Peter Jacob
Effective from financial year ended 31 December 2001

Singapore
10 April 2003

Balance Sheets

as at 31 December 2002

		<u>Group</u>		<u>Company</u>	
	<u>Notes</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets:					
Cash and cash equivalents	3	7,890	2,069	3,683	804
Trade receivables	4	12,643	8,224	9,161	6,185
Other receivables and prepayments	5	1,531	797	6,166	10,740
Inventories	6	6,042	3,518	900	955
Total current assets		28,106	14,608	19,910	18,684
Non-current assets:					
Investments in subsidiaries	7	—	—	5,066	1,750
Plant and equipment	8	26,974	14,930	876	562
Goodwill	9	134	—	—	—
Total non-current assets		27,108	14,930	5,942	2,312
Total assets		55,214	29,538	25,852	20,996

See accompanying notes to financial statements.

Balance Sheets

as at 31 December 2002

		<u>Group</u>		<u>Company</u>	
	<u>Notes</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
		\$'000	\$'000	\$'000	\$'000
LIABILITIES AND EQUITY					
Current liabilities:					
Trade payables and accrued liabilities	10	8,482	4,476	5,180	3,882
Other payables	11	2,505	803	750	449
Short-term borrowings	12	5,737	4,618	4,046	4,223
Income tax payable		1,268	908	1,014	751
Current portion of long-term borrowings	13	1,598	—	—	—
Current portion of finance leases	14	2,347	1,223	415	343
Total current liabilities		21,937	12,028	11,405	9,648
Non-current liabilities:					
Long-term borrowings	13	3,299	—	—	—
Finance leases	14	3,130	1,487	439	503
Deferred tax	21	230	149	61	113
Total non-current liabilities		6,659	1,636	500	616
Minority interests		589	533	—	—
Capital and reserves:					
Issued capital	15	3,850	3,675	3,850	3,675
Reserves		22,179	11,666	10,097	7,057
Total equity		26,029	15,341	13,947	10,732
Total liabilities and equity		55,214	29,538	25,852	20,996

See accompanying notes to financial statements.

Income Statements

year ended 31 December 2002

		<u>Group</u>		<u>Company</u>	
	<u>Notes</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
		\$'000	\$'000	\$'000	\$'000
REVENUE	16	64,348	27,624	64,136	23,924
Cost of sales		(41,588)	(19,690)	(54,734)	(20,822)
GROSS PROFIT		22,760	7,934	9,402	3,102
Other operating income	17	39	138	174	81
Distribution costs		(1,210)	(741)	(515)	(408)
Administrative expenses		(6,299)	(3,613)	(4,072)	(2,323)
Other credits / (charges)	18	(1,359)	1,251	(1,007)	1,423
PROFIT FROM OPERATIONS		13,931	4,969	3,982	1,875
Finance costs	19	(516)	(464)	(43)	(65)
PROFIT BEFORE INCOME TAX	20	13,415	4,505	3,939	1,810
Income tax expense	21	(1,967)	(434)	(996)	(193)
NET PROFIT FOR THE YEAR		11,448	4,071	2,943	1,617
Minority interests		(431)	(295)	—	—
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		11,017	3,776	2,943	1,617
Basic earnings per share (cents)	30	14.53	5.32		
Fully diluted earnings per share (cents)	30	14.52	5.32		

See accompanying notes to financial statements.

Statements of Changes In Equity

year ended 31 December 2002

Group	Share Capital \$'000	Share Premium ⁽¹⁾ \$'000	Translation Reserve ⁽¹⁾ \$'000	Accumulated Profits \$'000	Total \$'000
As at 31 December 2000	830	–	175	6,531	7,536
Net profit for the year	–	–	–	3,776	3,776
Issue of ordinary shares	770	4,580	–	–	5,350
Expenses arising from share issue	–	(1,132)	–	–	(1,132)
Issue of bonus shares	2,075	–	–	(2,075)	–
Dividends paid (Note 22)	–	–	–	(405)	(405)
Foreign currency translation differences ⁽²⁾	–	–	216	–	216
As at 31 December 2001	3,675	3,448	391	7,827	15,341
Net profit for the year	–	–	–	11,017	11,017
Issue of ordinary shares	175	1,575	–	–	1,750
Expenses arising from share issue	–	(18)	–	–	(18)
Dividends paid (Note 22)	–	–	–	(1,527)	(1,527)
Foreign currency translation differences ⁽²⁾	–	–	(534)	–	(534)
As at 31 December 2002	3,850	5,005	(143)	17,317	26,029

Company	Share Capital \$'000	Share Premium ⁽¹⁾ \$'000	Accumulated Profits \$'000	Total \$'000
As at 31 December 2000	830	–	4,472	5,302
Net profit for the year	–	–	1,617	1,617
Issue of ordinary shares	770	4,580	–	5,350
Expenses arising from share issue	–	(1,132)	–	(1,132)
Issue of bonus shares	2,075	–	(2,075)	–
Dividends paid (Note 22)	–	–	(405)	(405)
As at 31 December 2001	3,675	3,448	3,609	10,732
Net profit for the year	–	–	2,943	2,943
Issue of ordinary shares	175	1,575	–	1,750
Expenses arising from share issue	–	(18)	–	(18)
Dividends paid (Note 22)	–	–	(1,460)	(1,460)
As at 31 December 2002	3,850	5,005	5,092	13,947

The application of the share premium account is governed by sections 69-69F of the Companies Act.

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the company.

⁽¹⁾ Unrealised and not available for distribution as cash dividends.

⁽²⁾ The foreign currency translation differences are not recognised in the income statement.

See accompanying notes to financial statements.

Consolidated Cash Flow Statement

year ended 31 December 2002

	Group	
	2002	2001
	\$'000	\$'000
Cash flows from operating activities		
Profit before income tax	13,415	4,505
Adjustments for :		
Depreciation	3,466	1,969
Amortisation of goodwill	44	–
Interest expense	516	464
Interest income	(14)	(33)
Loss on disposal of plant and equipment	108	35
Unrealised foreign exchange adjustment	1,207	(834)
Cash flows from operations before changes in working capital	18,742	6,106
Working capital changes, excluding changes relating to cash		
Inventories	(2,524)	(989)
Trade receivables	(4,419)	154
Other receivables and prepayments	(758)	(303)
Trade and other payables and accrued liabilities	2,691	821
	(5,010)	(317)
Cash generated from operating activities	13,732	5,789
Interest paid	(516)	(464)
Income tax paid	(1,502)	(1,138)
Interest received	14	33
Dividends paid	(1,460)	(405)
Net cash from operating activities	10,268	3,815
Cash flows from investing activities		
Purchase of plant and equipment (see note below)	(10,326)	(3,354)
Proceeds from disposal of plant and equipment	300	192
Investment in subsidiary	(630)	–
Net cash used in investing activities	(10,656)	(3,162)
Cash flows from financing activities		
Finance lease obligations	(1,740)	(880)
Increase/(decrease) in borrowings	6,016	(2,680)
Net proceeds from issue of shares	1,732	4,218
Dividends to minority interests	(67)	–
Net cash from financing activities	5,941	658
Net effect of exchange rate changes in consolidating foreign subsidiaries	268	(380)
Net increase in cash	5,821	931
Cash at beginning of the year (Note 3)	2,069	1,138
Cash at end of the year (Note 3)	7,890	2,069

Note:

The group acquired plant and equipment costing \$4,506,000 (2001 : \$1,846,000) through finance leases during the year.

See accompanying notes to financial statements.

Notes to Financial Statements

31 December 2002

1. GENERAL

The company is incorporated in Singapore. The financial statements are expressed in Singapore dollars. They are drawn up in accordance with the provisions of the Singapore Companies Act, Cap 50 and Singapore Statements of Accounting Standard and related interpretations of those standards. The financial statements were approved and authorised for issue to the shareholders by the board of directors on 10 April 2003.

The company's principal activities are those of manufacturing, assembly, sub-assembly of precision turned machining parts, components and electronic and mechanical devices.

The subsidiaries' principal activities are disclosed in Note 7 to the financial statements.

The company is listed on the SGX-ST Dealing and Automated Quotation System ("SESDAQ").

The registered office address of the company is 9 Kallang Place #07-08/09 Singapore 339154.

The company is domiciled in Singapore.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION – The financial statements are prepared in accordance with the historical cost convention.

BASIS OF CONSOLIDATION – The consolidation accounting method is used for the consolidated financial statements which include the financial statements made up to 31 December each year of the company and of those companies in which it holds, directly or indirectly through subsidiaries, over 50 percent of the shares and voting rights. All significant intercompany balances and transactions have been eliminated on consolidation. The results of subsidiaries acquired or disposed of during the financial year are consolidated from the respective dates of acquisition or up to the dates of disposal.

GOODWILL – Goodwill or negative goodwill arising on acquisition is based on the purchase method. Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis following an assessment of its foreseeable life and it is amortised over 3 years.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

SUBSIDIARIES – In the company's own financial statements, the investments in subsidiaries are carried at cost less any provision for impairment in value which is other than temporary.

Notes to Financial Statements

31 December 2002

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

REVENUE RECOGNITION – Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction (including future costs) can be measured reliably. Revenue from rendering of services that are of short duration is recognised when the services are completed. Interest revenue is recognised on a time-proportion basis using the effective interest rate. Dividend revenue is recognised when the shareholders right to receive the dividend is legally established.

INVENTORIES – Inventories are measured at the lower of cost (first in first out method) and net realisable value.

FOREIGN CURRENCY TRANSACTIONS – Transactions in foreign currencies are recorded in Singapore dollars at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances carried at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement.

FOREIGN CURRENCY FINANCIAL STATEMENTS – Assets and liabilities of self-sustaining subsidiaries denominated in currencies other than Singapore dollars are translated at the year end rates of exchange and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are accumulated in a separate component of shareholders' equity until the disposal of the subsidiary.

INCOME TAX – The income taxes are accounted using the asset and liability method which requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised.

NON-CURRENT ASSETS – Non-current assets, such as plant and equipment and investments are reviewed for impairment whenever events or changes in circumstances indicate that the net book value of these assets may not be recoverable. Impairment losses are determined based on the difference between fair value, which would generally approximate estimated future cash flows discounted at the company's cost of capital or where appropriate the sale value, and net book value.

ACCOUNTING ESTIMATES – The preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Results could differ from those estimates.

BUSINESS RISKS AND UNCERTAINTIES – The group is subject to a number of risks including the development and marketing of unproven products, the need to maintain adequate financing, better capitalised competitors and dependence on essential personnel. The industry is characterised by rapid technological developments, frequent products introductions, evolving industry standards, changes in customer requirements and short product life cycles. Significant technological changes or the emergence of competitive products with new capabilities could adversely affect the business plan and operating results of the group.

Notes to Financial Statements

31 December 2002

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

CREDIT RISK ON FINANCIAL ASSETS – Financial assets that potentially subject the company to concentrations of credit risk consist principally of cash, cash equivalents and trade and other accounts receivable. The directors believe that the financial risks associated with these financial instruments are minimal. The company places its cash with high credit quality institutions. The company performs ongoing credit evaluation of its customers' financial condition and maintains provision for doubtful receivables based upon the expected collectibility of all receivables.

OTHER RISKS ON FINANCIAL INSTRUMENTS – The group monitors its interest, foreign exchange risks, and changes in fair values from time to time and any gains and losses are included in the income statement. The group is exposed to interest rate price risk for financial instruments with a fixed interest rate and to interest rate or cash flow risk for financial instruments with a floating interest rate that is reset as market rates change. The group is also exposed to changes in foreign exchange rates and liquidity of businesses. The group utilises forward contracts or other arrangements to minimise these risks but it does not utilise forward contracts or other arrangements for trading or speculative purposes. At 31 December 2002, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

FAIR VALUE OF FINANCIAL INSTRUMENTS – The carrying values of cash, accounts receivables, other current assets, short-term borrowings, accounts payables and other current liabilities approximate their fair market values due to the short-term maturity of these instruments. The fair market value of long-term debt was not determined because the book value approximates the market value.

RETIREMENT BENEFITS COSTS – Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. Contributions made to government managed retirement benefit plans such as the Central Provident Fund which specifies the employer's obligations are dealt with as defined contribution retirement benefit plans.

DEPRECIATION – Depreciation is provided on gross carrying amounts in equal annual instalments over the estimated useful lives of the assets. The annual rates of depreciation are as follows :

Plant & equipment – 10% – 33 $\frac{1}{3}$ %

Fully depreciated assets still in use are retained in the financial statements.

FINANCE LEASES – A finance lease is recognised as an asset and as a liability in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased assets or, if lower, at the present value of the lease payments based on the interest rate implicit in the lease. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are allocated to each lease term so as to produce a constant rate of charge on the remaining balance of the obligations. The assets are depreciated as owned depreciable assets.

LIABILITIES AND PROVISIONS – A liability and provision is recognised when there is 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 a reliable estimate can be made of the amount of the obligation.

CASH – Cash for the cash flow statement includes cash and cash equivalents less bank overdrafts.

Notes to Financial Statements

31 December 2002

3. CASH AND CASH EQUIVALENTS

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	7,705	1,959	3,683	804
Fixed deposits	185	110	—	—
	<u>7,890</u>	<u>2,069</u>	<u>3,683</u>	<u>804</u>

Analysis of the above amounts by currency :

	\$'000	\$'000	\$'000	\$'000
Chinese Renminbi	125	—	—	—
Malaysian Ringgit	1,845	728	—	—
Singapore Dollar	667	406	643	203
Thai Baht	1,600	334	—	—
United States Dollar	3,653	601	3,040	601
	<u>7,890</u>	<u>2,069</u>	<u>3,683</u>	<u>804</u>

The fixed deposits of subsidiaries amounting to \$185,000 (2001: \$110,000) have been pledged to obtain bankers' guarantees.

4. TRADE RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Outside parties	12,643	8,374	8,516	5,208
Less: Provision for doubtful debts	—	(150)	—	(150)
Subsidiaries (Note 7)	—	—	645	1,127
	<u>12,643</u>	<u>8,224</u>	<u>9,161</u>	<u>6,185</u>
Movement in provision:				
Balance at beginning of year	150	150	150	150
Bad debts written off	(150)	—	(150)	—
Charge to income statement	—	—	—	—
Balance at end of year	<u>—</u>	<u>150</u>	<u>—</u>	<u>150</u>

Notes to Financial Statements

31 December 2002

4. TRADE RECEIVABLES (cont'd)

Analysis of the above amounts by currency:

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Malaysian Ringgit	451	344	—	—
Singapore Dollar	162	148	137	148
Thai Baht	2,697	2,822	—	—
United States Dollar	9,333	4,910	9,024	6,037
	<u>12,643</u>	<u>8,224</u>	<u>9,161</u>	<u>6,185</u>

The amounts due from subsidiaries are unsecured, interest free and without fixed repayment terms.

The average credit period taken by customers is about 60 days. A provision is made for estimated irrecoverable amounts from customers. This provision is determined by reference to past default experience. The directors consider that the carrying amount of trade receivables approximates their fair value.

Concentration of customers:

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Top 1 customer	2,690	2,730	—	—
Top 2 customer	1,302	—	1,302	—

5. OTHER RECEIVABLES AND REPAYMENTS

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Deposits	414	341	5	192
Other receivables	452	57	58	25
Prepayments	665	399	15	12
Subsidiaries (Note 7)	—	—	6,088	10,511
	<u>1,531</u>	<u>797</u>	<u>6,166</u>	<u>10,740</u>

Notes to Financial Statements

31 December 2002

5. OTHER RECEIVABLES AND REPAYMENTS (cont'd)

Analysis of the above amounts by currency :

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Chinese Renminbi	415	13	—	—
Malaysian Ringgit	651	299	504	1,908
Singapore Dollar	79	229	330	329
Thai Baht	386	256	—	—
United States Dollar	—	—	5,332	8,503
	<u>1,531</u>	<u>797</u>	<u>6,166</u>	<u>10,740</u>

The amounts due from subsidiaries are unsecured, interest free with no fixed repayment terms.

The directors consider that the carrying amount of other receivables and prepayments approximates their fair value.

6. INVENTORIES

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Finished goods	1,657	1,281	755	900
Less: Provision for inventories	(52)	(155)	—	(101)
Work-in-progress at cost	1,308	722	—	4
Raw materials at cost	3,129	1,670	145	152
	<u>6,042</u>	<u>3,518</u>	<u>900</u>	<u>955</u>
Movement in provision:				
Balance at beginning of year	155	—	101	—
Charge to income statement	—	155	—	101
Amount written off	(103)	—	(101)	—
Balance at end of year	<u>52</u>	<u>155</u>	<u>—</u>	<u>101</u>

7. INVESTMENTS IN SUBSIDIARIES

	<u>Company</u>	
	<u>2002</u>	<u>2001</u>
	\$'000	\$'000
Unquoted equity shares at cost	<u>5,066</u>	<u>1,750</u>
Fair values based on net book values of subsidiaries	<u>17,046</u>	<u>6,447</u>

The net book values of the subsidiaries are used as the fair values as it is impracticable to determine a reliable fair value for the unlisted equity shares by other methods.

Notes to Financial Statements

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7. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost in books of company		Percentage of equity held by the company	
	2002	2001	2002	2001
	\$'000	\$'000	%	%
Innovalues Precision Sdn Bhd ⁽¹⁾ Malaysia Manufacture and sale of precision machined parts, components and sub-assemblies	211	211	100	100
Innovalues Microtech Sdn Bhd ⁽¹⁾ Malaysia Electroless plating	730	51	100	51
Innovalues Precision (Kluang) Sdn Bhd ⁽¹⁾ Malaysia Manufacture and sale of precision machined parts, components and sub-assemblies	145	145	100	100
Innovalues Technologies Sdn Bhd ⁽¹⁾ Malaysia Assembly of rollers	— ⁽⁴⁾	—	100	—
Innovalues Precision (Thailand) Limited ⁽²⁾ Thailand Manufacture and sale of precision machined parts, components and sub-assemblies	2,268	1,134	90	90
Innovalues Precision (Shanghai) Co., Ltd ⁽³⁾ People's Republic of China ("PRC") Manufacture and sale of precision machined parts, components and sub-assemblies	894	209	100	100
Innovalues Industry (Shanghai) Co., Ltd ⁽³⁾ People's Republic of China ("PRC") Precision engineering and manufacture of turned parts	798	—	100	—
Emulex Pte Ltd Singapore Trading in machine tools and accessories	20	—	100	—
	5,066	1,750		

⁽¹⁾ Audited by Horwath Wong & Co., a member firm of Horwath International of which Chio Lim & Associates, Singapore, is a member.

⁽²⁾ Other auditors. Audited by Ernst & Young Office Limited, Bangkok, Thailand.

⁽³⁾ Audited by Horwath China Shanghai CPA Ltd, Shanghai, PRC, a member firm of Horwath International of which Chio Lim & Associates, Singapore, is a member.

⁽⁴⁾ Cost of investment is less than \$1,000.

7. INVESTMENTS IN SUBSIDIARIES (cont'd)

The company acquired the remaining shares in its 51% owned Malaysian subsidiary, Innovalues Microtech Sdn Bhd on 28 March 2002. The total consideration for the remaining 49% or 110,250 ordinary shares of RM 1 each of the issued and paid-up capital of this subsidiary was \$679,300. As at that date, Innovalues Microtech Sdn Bhd became a wholly owned subsidiary of the company.

The company incorporated a wholly-owned subsidiary in Malaysia known as Innovalues Technologies Sdn Bhd on 26 July 2002. The paid up capital of this subsidiary was RM 2.

The company's subsidiary, Innovalues Precision (Thailand) Ltd, increased its registered share capital from Thai Baht 30 million (300,000 ordinary shares of Thai Baht 100 each) to Thai Baht 100 million (1,000,000 ordinary shares of Thai Baht 100 each) on 25 February 2002. During the year, there was an additional issue of 700,000 new shares of Thai Baht 100 each at par. The total paid up capital for this issue amounted to Thai Baht 30 million (42.86% paid up) and it included a loan to this subsidiary of Thai Baht 27 million (equivalent to \$1,134,410) which was capitalised into 630,000 shares of Thai Baht 100 each at par.

During the year, the company contributed the remaining US\$380,015 (\$685,000) towards the registered capital of its subsidiary, Innovalues Precision (Shanghai) Co., Ltd, of US\$500,000.

The company incorporated a subsidiary known as Innovalues Industry (Shanghai) Co., Ltd in the People's Republic of China ("PRC") in accordance with the relevant regulations of the PRC in relation to a wholly-owned foreign company. The structure of the wholly-owned foreign company is such that the company's registered capital of US\$3,000,000 (approximately \$5,202,000) is to be fully contributed within two years from the date of obtaining a business registration license. The license was obtained on 27 June 2002. As at 31 December 2002, the total capital contributed amounted to \$797,550 (US\$450,000).

The company incorporated a wholly-owned subsidiary in Singapore known as Emulex Pte Ltd on 21 February 2002. The paid up capital of this subsidiary is \$20,000.

Notes to Financial Statements

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8. PLANT AND EQUIPMENT

<u>Group</u>	<u>Plant and equipment</u> \$'000
Cost:	
As at beginning of year	18,255
Currency alignment	(1,352)
Additions	16,720
Disposals	(567)
As at end of year	33,056
Depreciation:	
As at beginning of year	3,325
Currency alignment	(549)
Depreciation for the year	3,466
Disposals	(160)
As at end of year	6,082
Depreciation for last year	1,969
Net book value:	
As at beginning of year	14,930
As at end of year	26,974
 <u>Company</u>	 <u>Plant and equipment</u> \$'000
Cost:	
As at beginning of year	798
Additions	648
Disposals	(196)
As at end of year	1,250
Depreciation:	
As at beginning of year	236
Depreciation for the year	210
Disposals	(72)
As at end of year	374
Depreciation for last year	150
Net book value:	
As at beginning of year	562
As at end of year	876

Motor vehicles costing \$364,000 (2001: \$335,000) are held in trust by certain directors of the company.

Notes to Financial Statements

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9. GOODWILL

	Group 2002 \$'000
Cost :	
Arising from acquisition of subsidiary	178
At end of year	<u>178</u>
Accumulated amortisation:	
Amortisation for the year	44
At end of year	<u>44</u>
Net book value:	
At end of year	<u><u>134</u></u>

10. TRADE PAYABLES AND ACCRUED LIABILITIES

	Group		Company
	2002 \$'000	2001 \$'000	2002 \$'000
Outside parties	6,582	3,337	1,985
Subsidiaries (Note 7)	—	—	1,945
Related parties (Note 25)	—	8	5
Accrued liabilities	1,900	1,131	1,245
	<u>8,482</u>	<u>4,476</u>	<u>5,180</u>
			<u>3,882</u>

Analysis of the above amounts by currency:

	\$'000	\$'000	\$'000	\$'000
Chinese Renminbi	42	—	—	—
Japanese Yen	—	970	—	—
Malaysian Ringgit	2,588	2,047	—	—
Singapore Dollar	1,718	624	2,023	1044
Thai Baht	1,014	357	8	—
United States Dollar	3,120	478	3,149	2,838
	<u>8,482</u>	<u>4,476</u>	<u>5,180</u>	<u>3,882</u>

The amounts due to subsidiaries and the related parties are unsecured, interest free and without fixed repayment terms.
The average credit period taken to settle payables is about 57 days.

Notes to Financial Statements

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11. OTHER PAYABLES

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Purchase of plant and equipment	2,505	617	616	271
Director	–	165	–	157
Related party (Note 25)	–	–	134	–
Others	–	21	–	21
	<u>2,505</u>	<u>803</u>	<u>750</u>	<u>449</u>

Analysis of the above amounts by currency:

	\$'000	\$'000	\$'000	\$'000
Chinese Renminbi	52	–	–	–
Japanese Yen	660	–	–	–
Malaysian Ringgit	739	221	–	–
Singapore Dollar	353	226	134	171
Thai Baht	85	78	–	–
United States Dollar	616	278	616	278
	<u>2,505</u>	<u>803</u>	<u>750</u>	<u>449</u>

The advances from the director are unsecured, interest free and without fixed repayment terms.

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12. SHORT-TERM BORROWINGS

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Bank overdraft	22	—	—	—
Bank loans	4,392	2,676	3,990	2,676
Bills payable to banks	1,323	1,942	56	1,547
	<u>5,737</u>	<u>4,618</u>	<u>4,046</u>	<u>4,223</u>

Analysis of the above amounts by currency:

	\$'000	\$'000	\$'000	\$'000
Chinese Renminbi	173	—	—	—
Japanese Yen	1,268	1,942	—	1,547
Malaysian Ringgit	228	—	—	—
Singapore Dollar	2,000	2,676	2,000	2,676
Thai Baht	55	—	33	—
United States Dollar	2,013	—	2,013	—
	<u>5,737</u>	<u>4,618</u>	<u>4,046</u>	<u>4,223</u>

Certain of the bank loans, overdrafts and other credit facilities of the subsidiaries are secured by a corporate guarantee given by the company.

The bank loans and overdraft are at interest rates varying from 3.43% to 7.50% (2001 : 6.10%) per annum.

The fair value of short-term borrowings was not determined because the book values approximate the market values.

13. LONG-TERM BORROWINGS

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
The borrowings are repayable as follows:				
Bank loans				
Amounts due within a year	1,598	—	—	—
Total current portion	<u>1,598</u>	<u>—</u>	<u>—</u>	<u>—</u>
Due within 2 to 5 years	3,899	—	—	—
Total non-current portion	<u>3,299</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>4,897</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes to Financial Statements

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13. LONG-TERM BORROWINGS (cont'd)

Analysis of the above amounts by currency:

	\$'000	\$'000	\$'000	\$'000
Thai Baht	4,897	—	—	—

The bank loans of the group are analysed as follows:-

- a four-year bank loan of Thai Baht 66,000,000 is repayable in 35 equal monthly instalments of Thai Baht 1,800,000 each and a final instalment of Thai Baht 3,000,000 commencing from 2002. It is secured by a corporate guarantee given by the company. Interest on this bank loan was charged at 6.25% per annum.
- a four-year bank loan of Thai Baht 70,000,000 is repayable in 35 equal monthly instalments of Thai Baht 2,000,000 each commencing from 2002. It is secured by a corporate guarantee given by the company. Interest on this bank loan was charged at 6.25% per annum.

The fair value of long-term borrowings was not determined because the book values approximate the market values.

14. OBLIGATIONS UNDER FINANCE LEASES

<u>Group</u>	<u>Minimum</u>	<u>Finance</u>	<u>Present</u>
<u>2002</u>	<u>Payments</u>	<u>Charges</u>	<u>Value</u>
	\$'000	\$'000	\$'000
Minimum lease payments payable:			
Due within one year	2,688	(341)	2,347
Due within 2 to 5 years	3,328	(230)	3,098
Due after 5 years	38	(6)	32
Total	6,054	(577)	5,477

Net book value of plant and equipment under finance leases 7,111

<u>Group</u>	<u>Minimum</u>	<u>Finance</u>	<u>Present</u>
<u>2001</u>	<u>Payments</u>	<u>Charges</u>	<u>Value</u>
	\$'000	\$'000	\$'000
Minimum lease payments payable:			
Due within one year	1,402	(179)	1,223
Due within 2 to 5 years	1,597	(120)	1,477
Due after 5 years	12	(2)	10
Total	3,011	(301)	2,710

Net book value of plant and equipment under finance leases 3,047

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14. OBLIGATIONS UNDER FINANCE LEASES (cont'd)

The lease obligations of the group are denominated in the following currencies:

	2002 \$'000	2001 \$'000
Malaysian Ringgit	4,575	1,844
Singapore Dollar	854	846
Thai Baht	48	20
	<u>5,477</u>	<u>2,710</u>

<u>Company</u>	Minimum	Finance	Present
<u>2002</u>	<u>Payments</u>	<u>Charges</u>	<u>Value</u>
	\$'000	\$'000	\$'000
Minimum lease payments payable:			
Due within one year	448	(33)	415
Due within 2 to 5 years	455	(48)	407
Due after 5 years	38	(6)	32
Total	<u>941</u>	<u>(87)</u>	<u>854</u>

Net book value of plant and equipment under finance leases 598

<u>Company</u>	Minimum	Finance	Present
<u>2001</u>	<u>Payments</u>	<u>Charges</u>	<u>Value</u>
	\$'000	\$'000	\$'000
Minimum lease payments payable:			
Due within one year	380	(37)	343
Due within 2 to 5 years	553	(60)	493
Due after 5 years	12	(2)	10
Total	<u>945</u>	<u>(99)</u>	<u>846</u>

Net book value of plant and equipment under finance leases 292

It is the group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 to 7 years. The rates of interest for finance leases ranged between 5% to 10% (2001 : 5% to 12%) during the year. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the lease obligations approximate their carrying amount. The obligations under finance leases are secured by the lessor's charge over the leased assets. Certain finance lease facilities of the group are covered by corporate guarantees given by the company.

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15. ISSUED CAPITAL

	<u>Group & Company</u>	
	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>
Authorised :		
1,000,000,000 ordinary shares of \$0.05 each	50,000	50,000
Issued and fully paid:		
77,000,000 (2001 : 73,500,000 ordinary shares of \$0.05 each)	3,850	3,675

On 27 March 2002, the company issued 3,500,000 new ordinary shares of \$0.05 each for a cash consideration of \$0.50 each by way of a placement issue. The proceeds were used for the expansion of the group's production facilities in Thailand, Malaysia and PRC. The new shares will rank pari passu in all respects with the existing shares of the company. Allotment and the issue of the placement shares was approved by SGX on 27 March 2002.

OPTIONS

The company has an employee share option scheme known as the "Innovalues Group Share Option Scheme 2001" (the "Scheme"). The Scheme, which forms an integral component of its compensation plan, is designed to reward and retain eligible participants whose services are vital to its well being and success. It provides eligible participants who have contributed to the success and development of the company with an opportunity to participate and also increase the dedication and loyalty of these participants and motivate them to perform better.

Under the rules of the Scheme, all directors and employees of the company are eligible to participate in the Scheme. Controlling shareholders or their associates are also eligible to participate in the Scheme subject to the approval of independent shareholders in the form of separate resolutions for each participant. Further, independent shareholders' approval is also required in the form of separate resolutions for each grant of options and the terms thereof, to each participant who is a controlling shareholder or his associate.

The total number of shares over which options may be granted shall not exceed 15% of the issued share capital of the company at any time.

A Scheme Committee is charged with the administration of the Scheme in accordance with the rules of the Scheme. The Scheme Committee consists of 3 directors appointed by the board of directors of the company. The number of options to be offered to a participant shall be determined at the discretion of the Scheme Committee who shall take into account criteria such as the rank, performance, seniority, potential for future development and length of service of the participant provided that: - (a) the total number of shares which may be offered to any participant during the entire operation of the Scheme (including adjustments under the rules) shall not exceed 25% of the shares in respect of which the company may grant options; (b) the aggregate number of shares which may be offered to participants who are controlling shareholders and their associates during the entire operation of the Scheme (including adjustments under the rules) shall not exceed 25% of the shares in respect of which the company may grant options; and (c) the number of shares which may be offered to each participant who is a controlling shareholder or his associate during the entire operation of the Scheme shall not exceed 10% of the shares in respect of which the company may grant options.

Notes to Financial Statements

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15. ISSUED CAPITAL (cont'd)

The exercise price for each share in respect of which an option is exercisable shall be determined by the Scheme Committee at its absolute discretion and fixed by the Committee at:- (a) where the options are offered to a grantee prior to the date of the listing and quotation of the shares, a price equal to the price per share offered to the public at the initial public offering of the shares, that is \$0.35; (b) where the options are offered after the listing date (i) a price (the "Market Price") equal to the average of the last dealt prices for a share on the SGX-ST for the period of five (5) consecutive Market Days immediately prior to the relevant offer date but not less than its par value; or (ii) a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20 per cent of the Market Price but not less than its par value.

Options must be exercised before the expiry of 6 years from the date of the offer or such earlier date as may be determined by the Scheme Committee. There are special provisions dealing with the lapsing or permitting the earlier exercise of options under certain circumstances including termination, bankruptcy, and death of the participant.

Activities under the Scheme are as follows:

<u>Date of Grant</u>	<u>Balance at 01.01.2002</u>	<u>Granted</u>	<u>Balance at 31.12.2002</u>	<u>Exercise Price</u>	<u>Exercise Period</u>
05.06.2002	—	2,370,000	2,370,000	\$0.87	06.06.2003 to 04.06.2008
25.11.2002	—	540,000	540,000	\$1.10	26.11.2003 to 24.11.2008
	—	2,910,000	2,910,000		

The following table summarises information about director stock options outstanding at 31 December 2002:

<u>Participants</u>	<u>Grants in 2002</u>	<u>Grants from start of scheme to end of 2002</u>	<u>Exercised/ lapsed from start of scheme to end of 2002</u>	<u>Balance at 31.12.2002</u>
<u>Directors and controlling shareholders of the company</u>				
Mr Goh Leng Tse	180,000	180,000	—	180,000 ^(a)
Mr Ong Tiak Beng	180,000	180,000	—	180,000 ^(a)
Sub-total	360,000	360,000	—	360,000
<u>Directors of the company</u>				
Mr Hein Ke Long	180,000	180,000	—	180,000 ^(a)
Mr Chow Kok Kee	120,000	120,000	—	120,000 ^(b)
Mr Ong Sim Ho	120,000	120,000	—	120,000 ^(b)
Total	780,000	780,000	—	780,000

Notes to Financial Statements

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15. ISSUED CAPITAL (cont'd)

^(a) Exercise price of \$1.10. Exercise period from 26 November 2003 to 24 November 2008.

^(b) Exercise price of \$0.87. Exercise period from 6 June 2003 to 4 June 2008.

No participant has received 5% or more of the total number of the options available under the Scheme.

The following table summarises information about employee and director stock options outstanding at 31 December 2002:

<u>Exercise price</u>	<u>Number outstanding</u>	<u>Number exercisable</u>	<u>Weighted average remaining life (years)</u>
\$0.87	2,370,000	2,370,000	5.42
\$1.10	540,000	540,000	5.95
	2,910,000	2,910,000	5.52

16. REVENUE

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Sale of goods	64,348	27,624	64,136	23,924

17. OTHER OPERATING INCOME

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Dividend income-subsiary	—	—	165	—
Interest income	14	33	9	31
Other income	25	105	—	50
	39	138	174	81

18. OTHER CREDITS / (CHARGES)

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Amortisation of goodwill	(44)	—	—	—
Bad debts written off	(15)	—	(2)	—
(Loss)/gain on disposal of plant and equipment	(108)	(35)	19	(31)
Preliminary expenses written off	(141)	—	—	—
Foreign exchange adjustments	(1,051)	1,286	(1,024)	1,454
	(1,359)	1,251	(1,007)	1,423

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19. FINANCE COSTS

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Interest expense	516	464	43	65

20. PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges/(credits):

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration:				
Auditors of the company – current year	24	18	24	18
– under-provision in prior year	2	–	2	–
Other auditors – current year	40	23	–	–
– under/(over) provision in prior year	–	(2)	–	–
Non-audit fees – auditors of the company	11	5	11	5
– other auditors	–	10	–	–
Directors' fees – directors of the company	140	105	140	105
– other directors	–	18	–	–
Directors' remuneration				
– directors of the company	1,383	731	1,383	731
– other directors	362	344	–	–
Consultancy fees paid to a director	81	51	81	51
Depreciation expense	3,466	1,969	210	150
Provision for inventories	–	155	–	101
Raw materials used	21,671	9,718	–	25
Changes in inventories of finished goods and work-in-progress	(962)	(449)	149	(87)

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21. INCOME TAX

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Current	1,879	489	1,048	255
Deferred	88	(55)	(52)	(62)
Total income tax expense	1,967	434	996	193

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 22.0 % (2001: 24.5 %) to profit before income tax as a result of the following differences:

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Income tax expense at the statutory rate	2,951	1,103	867	443
Non-allowable/(taxable) items	272	(127)	206	(145)
Under/(over) provision in prior year	5	(245)	(69)	(79)
Reinvestment allowances	(893)	(154)	—	—
Tax exemptions	(1,016)	(242)	(12)	(26)
Effect of different tax rates in different countries	649	107	—	—
Other items less than 3% each	(1)	(8)	4	—
	1,967	434	996	193

There are no income tax consequences of dividends to shareholders of the company.

The net deferred tax amount in the balance sheet is as follows :

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities				
Excess of net book value of plant and equipment	230	73	61	37
Foreign exchange adjustments	—	76	—	76
Total deferred tax liabilities	230	149	61	113

The movement for the year in the group's deferred tax position was as follows:

Balance at beginning of year	149	199	113	175
Plant and equipment	157	(126)	24	(138)
Foreign exchange adjustments	(76)	76	(76)	76
Balance at end of year	230	149	61	113

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22. DIVIDENDS

	<u>Group & Company</u>	
	<u>2002</u>	<u>2001</u>
	\$'000	\$'000
Dividends paid during the year:		
2001 Interim dividend of \$0.80 per share less 25.5% tax	—	405
2001 Final tax dividend of \$0.015 per share less 22% tax	860	—
2002 Interim dividend of \$0.01 per share less 22% tax	600	—
	<u>1,460</u>	<u>405</u>
2002 Interim dividend paid to minority interests	67	—
	<u>1,527</u>	<u>405</u>

In respect of the current year, the directors propose that a final dividend of \$0.02 per ordinary share less tax amounting to \$1,201,200 be paid to shareholders after the annual general meeting on 26 May 2003. This dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements. The proposed dividend for 2002 is payable in respect of all shares in issue at the date of these financial statements, including the new shares issued or to be issued after the year end date.

23. STAFF COSTS (EXCLUDING DIRECTORS)

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Staff costs	5,165	2,954	1,557	1,148
Contributions to defined contribution plan	620	340	233	138
Staff benefits	64	28	64	28
Total staff costs	<u>5,849</u>	<u>3,322</u>	<u>1,854</u>	<u>1,314</u>

24. NUMBER OF EMPLOYEES

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Number of employees at end of year (including directors)	<u>1,152</u>	<u>479</u>	<u>41</u>	<u>31</u>

Notes to Financial Statements

31 December 2002

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and or directors or management. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements.

Significant related party transactions :

	<u>Group & Company</u>	
	<u>2002</u>	<u>2001</u>
	\$'000	\$'000
Purchases	41	16

26. OPERATING LEASE COMMITMENTS

At the balance sheet date, the commitments in respect of operating leases with a term of more than one year were as follows :

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Within 1 year	886	145	60	85
Within 2 - 5 years	1,561	48	17	82
Rental expense for the year	611	408	73	105

Operating lease payments represent rentals payable by the group for certain of its rented factory properties. The lease rental terms are negotiated for an average term of three years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage. Such increases are not included in the above amounts.

27. CAPITAL EXPENDITURE COMMITMENTS

Estimated amounts committed for future capital expenditure but not provided for in the financial statements :

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Purchase of plant and equipment	1,742	4,136	116	4,136

At the balance sheet date, the company had outstanding capital investment commitments amounting to approximately \$4,404,000 (US\$2,550,000) in respect of commitments to take up shares in foreign subsidiaries (Note 7).

Notes to Financial Statements

31 December 2002

28. CONTINGENT LIABILITIES

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Bankers guarantees (Note 3)	210	110	—	—
Guarantees for subsidiaries' finance lease facilities	—	—	4,623	1,864
Guarantees for subsidiaries' banking facilities	—	—	7,500	4,723
Letters of credit (Note 12)	50	648	—	648

29. DIRECTORS REMUNERATION AND FEES

The number of directors of the company whose remuneration and fees fall between the following ranges are as follows :

	<u>Company</u>	
	<u>2002</u>	<u>2001</u>
Below \$250,000	4	4
\$250,000 - \$499,999	—	2
\$500,000 - \$999,999	2	—
Total	6	6

30. EARNINGS PER SHARE

The basic earnings per share is calculated based on the group profit after income tax and minority interests of \$11,017,000 (2001 : \$3,776,000) and the weighted number of ordinary shares in issue during the year of 75,833,333 (2001 : 70,933,333).

The fully diluted earnings per share is calculated based on the group profit after income tax and minority interests of \$11,017,000 (2001 : \$3,776,000) and the weighted number of ordinary shares in issue during the year of 75,864,401 (2001 : 70,933,333) assuming all the 2,910,000 (2001 : Nil) options are converted into ordinary shares.

31. CHANGES AND ADOPTION OF ACCOUNTING STANDARDS

For the year ended 31 December 2002, the new following accounting standards were adopted for the first time :

SAS 12/FRS 12 Income Taxes (effective from 1 April 2001).

Revision to SAS 26/FRS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries (effective from 1 July 2001).

SAS 30/FRS 34 Interim Financial Reporting (effective from 1 October 2001).

Adoption of the above standards has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation. However, none of these amendments has affected the results for the current or prior periods.

Notes to Financial Statements

31 December 2002

32. SEGMENT REPORTING

Business Segments : For management purposes, the group is organised into two operating divisions – precision turned parts and plating. The precision turned parts segment relates to the manufacturing of customised precision turned parts and components such as printer shafts, rod carriages and sliders, pins and sleeves. The plating segment relates to the business of plating metal parts and components with materials such as nickel, zinc, silver or gold.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets consist principally of cash and cash equivalents, receivables, inventories and plant and equipment. Segment liabilities include trade payables and accrued liabilities, borrowings, income tax payable and finance lease creditors. Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment directly attributable to each segment.

Geographical segments: The group operates in five principal geographical areas, Singapore, Malaysia ,Thailand, North and South America and PRC.

In presenting information on the basis of geographical segments, segment revenue is based on the countries where the customers are located. Segment assets are based on the geographical location of the assets.

Business Segments

2002

Group revenue and results

	<u>Precision turned parts</u>	<u>Plating</u>	<u>Elimination</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
Total revenue	64,348	4,446	(4,446)	64,348
Segment results	22,760	1,238	(1,238)	22,760
Other income and other credits / (charges)	(1,318)	(2)	–	(1,320)
Corporate expenses	(7,301)	(208)	–	(7,509)
Profit from operations	14,141	1,028	(1,238)	13,931
Finance costs	(503)	(13)	–	(516)
Profit before income tax	13,638	1,015	(1,238)	13,415
Income tax expense	(1,750)	(217)	–	(1,967)
Net profit for the year	11,888	798	(1,238)	11,448

Notes to Financial Statements

31 December 2002

32. SEGMENT REPORTING (cont'd)

Business Segments

2002

Group revenue and results

	<u>Precision turned parts</u>	<u>Plating</u>	<u>Elimination</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
Group assets and liabilities				
Segment assets	52,789	2,425	–	55,214
Segment liabilities	27,570	1,026	–	28,596
Other information				
Capital expenditure	16,034	686	–	16,720
Depreciation expense	3,257	209	–	3,466

Business Segments

2001

Group revenue and results

Total revenue	27,624	2,637	(2,637)	27,624
Segment results	7,934	816	(816)	7,934
Other income and other credits / (charges)	1,396	(7)	–	1,389
Corporate expenses	(4,176)	(178)	–	(4,354)
Profit from operations	5,154	631	(816)	4,969
Finance costs	(452)	(12)	–	(464)
Profit before income tax	4,702	619	(816)	4,505
Income tax expense	(270)	(164)	–	(434)
Net profit for the year	4,432	455	(816)	4,071

Notes to Financial Statements

31 December 2002

32. SEGMENT REPORTING (cont'd)

Business Segments

2001

Group revenue and results

	<u>Precision turned parts</u>	<u>Plating</u>	<u>Elimination</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000

Group assets and liabilities

Segment assets	28,833	705	—	<u>29,538</u>
Segment liabilities	12,838	826	—	<u>13,664</u>

Other information

Capital expenditure	4,540	274	—	4,814
Depreciation expense	1,831	138	—	1,969

Geographical Segments

	<u>Revenue by geographical market</u>	
	<u>2002</u>	<u>2001</u>
	\$'000	\$'000
Singapore	17,467	8,414
Malaysia	22,258	6,958
Thailand	15,805	7,621
North and South America	4,169	3,786
PRC	3,324	247
Others	1,325	598
Total	<u>64,348</u>	<u>27,624</u>

	<u>Carrying amount of segment assets</u>		<u>Additions to plant and equipment</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	\$'000	\$'000	\$'000	\$'000
Singapore	13,309	7,598	780	200
Malaysia	22,058	11,990	9,204	3,444
Thailand	14,935	9,327	5,276	714
PRC	4,912	623	1,460	456
Total	<u>55,214</u>	<u>29,538</u>	<u>16,720</u>	<u>4,814</u>

Statistics of Shareholders

as at 3 April 2003

INFORMATION ON SHAREHOLDINGS as at 3 APRIL 2003

Authorised share capital : SGD 50,000,000
 Issued and fully paid : SGD 3,850,000
 Number of shares : 77,000,000
 Class of shares : ordinary shares of SGD 0.05
 Voting rights : one vote per share

DISTRIBUTION OF SHAREHOLDINGS

<u>Size of Shareholders</u>	<u>No. of Shareholders</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
1 - 999	0	0.00	0	0.00
1,000 - 10,000	499	74.81	2,471,000	3.21
10,001 - 1,000,000	156	23.39	10,074,000	13.08
1,000,001 and above	12	1.80	64,455,000	83.71
TOTAL	667	100.00	77,000,000	100.00

Shareholding held by the public

Based on the information available to the Company as at 3 April 2003, approximately 24% of the issued ordinary shares of the Company are held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Statistics of Shareholders

as at 3 April 2003

TOP TWENTY SHAREHOLDERS

Twenty largest shareholders

No.	Name	No. of Shares	%
1.	Goh Leng Tse	13,350,000	17.34
2.	Ong Tiak Beng	12,000,000	15.58
3.	Teo Jok Chang	9,207,000	11.96
4.	Zhihui Investments Pte Ltd	7,000,000	9.09
5.	Hein Ke Long	6,735,000	8.75
6.	Morgan Stanley Asia (S'pore) Securities Pte Ltd	4,722,00	6.13
7.	Hong Leong Finance Nominees Pte Ltd	3,542,000	4.60
8.	Loo Tian Sze Melvin	2,700,000	3.51
9.	Citibank Nominees S'pore Pte Ltd	1,550,000	2.01
10.	DBS Vickers Securities (S) Pte Ltd	1,482,000	1.92
11.	Raffles Nominees Pte Ltd	1,143,000	1.48
12.	HL Bank Nominees (S) Pte Ltd	1,024,000	1.33
13.	United Overseas Bank Nominees Pte Ltd	727,000	0.94
14.	Koh Beow Ko	528,000	0.69
15.	UOB Kay Hian Pte Ltd	505,000	0.66
16.	OCBC Securities Pte Ltd	436,000	0.57
17.	Lim & Tan Securities Pte Ltd	431,000	0.56
18.	DBS Nominees Pte Ltd	427,000	0.55
19.	Hia Cher Bee	369,000	0.48
20.	Oversea-Chinese Bank Nominees Pte Ltd	315,000	0.41
TOTAL		68,193,000	88.56

Substantial shareholders

Name	Direct Interest No. of Shares	% of Shares	Deemed Interest No. of Shares	% of Shares
Goh Leng Tse	15,156,000	19.68	—	—
Ong Tiak Beng	13,000,000	16.88	—	—
Teo Jok Chang	9,227,000	11.98	—	—
Hein Ke Long	9,035,000	11.73	—	—
Koh Boon Hwee ¹	—	—	7,000,000	9.09
Kenrich Partners Pte Ltd ²	—	—	4,607,000	5.98

1) Being indirect interest of 7,000,000 shares held in Innovalues Precision Limited, by virtue of his shareholding of 50% in the total issued share capital of Zhihui Investments Pte Ltd.

2) Being indirect interest of 4,607,000 shares held in Innovalues Precision Limited, by virtue of Kenrich Partners Pte Ltd interest in Roadrunner Fund.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2003 Annual General Meeting of the shareholders of the Company will be held on Monday, 26 May 2003 at 18 Cross Street 8th Floor China Square Central Singapore 048423 at 10.00 a.m. to transact the following businesses :

AS ORDINARY BUSINESS

- | | |
|--|--------------|
| 1. To receive the audited financial statements of the Company and Reports of the Directors and Auditors for the year ended 31 December 2002. | Resolution 1 |
| 2. To declare a final dividend of 2 cents per ordinary share net of tax for the year ended 31 December 2002. | Resolution 2 |
| 3. To re-elect the following directors retiring pursuant to the Company's Articles of Association : | |
| Koh Boon Hwee (Article 90) | Resolution 3 |
| Chow Kok Kee (Article 106) | Resolution 4 |
| Hein Ke Long (Article 106) | Resolution 5 |
| [Mr Chow Kok Kee will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and Nominating Committee. Mr Chow Kok Kee is an independent director.] | |
| 4. To approve the Directors' fees for the year ended 31 December 2002 | Resolution 6 |
| 5. To re-appoint the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. | Resolution 7 |

AS SPECIAL BUSINESS

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

- | | |
|--|--------------|
| 6. "That pursuant to Section 161 of the Companies Act, Cap. 50, authority be and is hereby given to the Directors to issue shares in the Company (whether by way of rights, bonus or otherwise) 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 provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per cent (50%) of the issued share capital of the Company at the time of passing of this resolution of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20 per cent (20%) of the issued share capital of the Company at the time of passing of this resolution and unless revoked or varied by the Company in general meeting, such authority shall continue 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." | Resolution 8 |
|--|--------------|

[See Explanatory Note (i)]

Notice of Annual General Meeting

7. "That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the Innovalues Group Share Option Scheme 2001 ("the Scheme"), and pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of ordinary shares in the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of ordinary shares to be issued pursuant to the Scheme shall not exceed 15 per cent of the total issued share capital of the Company at any time and from time to time."

Resolution 9

[See Explanatory Note (ii)]

8. And to transact any other business which may be properly transacted at an Annual General Meeting.

Explanatory Notes:

- (i) The authority for Directors to issue shares, if passed, shall, unless revoked or varied by the Company in general meeting, remain in force until the conclusion of the next Annual General Meeting. The percentage of issued share capital is based on the Company's issued capital after adjusting for new shares arising from the exercise of employee share options in issue at the time the proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.
- (ii) The Ordinary Resolution proposed in item 7 above, if passed, will empower the Directors of the Company to offer and grant options under the Scheme and to allot and issue shares pursuant to the exercise of options under the Scheme, subject to the terms of the resolution.

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed on 9 June 2003 for the purpose of determining shareholders' entitlements to the proposed final dividend of 2 cents per ordinary share net of tax in respect of the financial year ended 31 December 2002 ("the Proposed Dividend").

Duly completed transfer received by the Company's Registrar, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building Singapore 049315 up to 5.00 p.m. on 6 June 2003 will be registered before entitlements to the Proposed Dividend is determined. The Proposed Dividend, if approved by shareholders at the Annual General Meeting will be paid on 18 June 2003.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with shares at 5.00 p.m. on 6 June 2003 will be entitled to the Proposed Dividend.

In respect of shares in Securities Accounts with CDP, the said dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to such holders of shares in accordance with its practice.

BY ORDER OF THE BOARD

Soh Wai Kong
Company Secretary

Singapore
Date: 30 April 2003

Note:

- a) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- b) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 9 Kallang Place #07-08/09 Singapore 339154 not less than 48 hours before the meeting.
- c) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.
- d) In the case of joint shareholders, all holders must sign the form of proxy.

PROXY FORM

(IMPORTANT: PLEASE READ NOTES OVERLEAF)

Important:

1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.

2. The Proxy form is, therefore not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I / We _____

of _____

being a member(s) of INNOVALUES PRECISION LIMITED (the "Company") hereby appoint

NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the 2003 Annual General Meeting of the Company to be held at 18 Cross Street 8th Floor China Square Central Singapore 048423 on Monday, 26 May 2003 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any matter arising at the Meeting.

NO.	RESOLUTIONS RELATING TO	FOR	AGAINST
1.	Directors' Report and Audited Accounts for the year ended 31 December 2002		
2.	Declaration of a Final Dividend of 2 cents per ordinary share net of tax for the year ended 31 December 2002		
3.	Re-election of Mr Koh Boon Hwee as Director		
4.	Re-election of Mr Chow Kok Kee as Director		
5.	Re-election of Mr Hein Ke Long as Director		
6.	Approval of Directors' fees for the year ended 31 December 2002		
7.	Re-appointment of Auditors		
8.	Authority to issue shares pursuant to Section 161 of the Companies Act, Cap. 50		
9.	Authorise Directors to offer and grant options and issue shares in accordance with the Innovalues Group Share Option Scheme 2001		

Signed this _____ day of _____ 2003

Total Number of Shares Held: _____

Signature(s) of Member(s) / Common Seal



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), 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.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
4. Should you desire your proxy to vote on the resolutions set out in the Notice of Meeting and summarised above, please indicate with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.
5. The instrument appointing a proxy or proxies, together with the power of attorney or such other authority (if any) under which it is signed or notorially certified thereof, must be deposited at the registered office of the Company at 9 Kallang Place #07-08/09 Singapore 339154 not less than 48 hours before the time set for holding the Annual General Meeting.
6. 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 members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register at 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

AFFIX
STAMP
HERE

Company Secretary
INNOVALUES PRECISION LIMITED
Blk 9, #07-08/10
Kallang Place
Singapore 339154

INNOValues Precision Limited

Blk 9 Kallang Place #07-08/10 Singapore 339154

Tel: (65) 6298 2374 Fax: (65) 6298 2375

Website: <http://www.innovalues.com>