

INNO *Values* **Precision**

Precision in Engineering Excellence

Our Mission

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 on exceeding customers' expectations in quality, delivery and service.

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Chairman's Statement



[The last 12 months saw exciting growth for our Group. Turnover for the Group rose by 89% to S\$24.6 million, passing the S\$20 million mark for the first time. This increase was on the back of strong orders from our customers fuelled by buoyant economic growth in the region. During the year, we saw the inclusion of Minebea, HP Mexico and its CMs, Fuji Xerox as our customers.]

Introduction

Credit must be given where it is due. Our sterling performance for the Financial Year 2000 was attributable to the hard work and dedication of an inspired team striving for excellence in all their endeavors. In our short 4-year history, we achieved commendable growth, both in sales revenue and net profitability, charting a compounded annual growth rate of 270% and 360% over the last four years respectively, albeit from a low base. Today, we are confident of becoming a major regional player in the precision engineering industry especially for turned parts and components.

The successful public listing of InnoValues Precision on the second board of the Singapore Exchange Securities Trading Limited ("SGX") in March 2001 marked a milestone in the history of our Group. Our Board believes that going public will help the Group realize its long-term growth plans and we thank our investors for their confidence in the Group as we can now put in our best efforts to enhance their shareholder value.

Review of performance

The last 12 months saw the Group post strong revenue and profitability growth. Turnover for the Group rose by 89% to S\$24.6 million, passing the S\$20 million mark for the first time. This increase was on the back of strong orders from our customers fuelled by buoyant economic growth in the region. During the year, we saw the inclusion of Minebea, HP Mexico and its CMs, and Fuji Xerox as our customers.

The Group also registered satisfactory growth of 57% in its full year net earnings from S\$2.4 million in 1999 to S\$3.8 million for the year. Earnings per share rose from 4.21 cents to 6.51 cents and the Net Tangible Asset backing per share also rose from 6.31 cents to 12.28 cents (based on pre-invitation enlarged share capital of 58,100,000 shares).

On the operations front, we expanded regionally into Thailand and, at the same time, increased our capacity in Malaysia. Year 2000 saw the setting up of Innovalues Thailand and Innovalues Kluang (Malaysia), both turned part factories equipped with more than 100 machines. During the year, we also started the operations of Innovalues Microtech in Johor, Malaysia, catering to Electroless Plating. In total, we invested more than S\$8 million on the expansion of our capacity and capability thus bringing our total operations area occupied to close to 7,000 sq. meters.

We are pleased with the overall performance of the Group, which was in line with the estimates made during the Group's recent IPO. However, we shall remain vigilant in order to stay ahead of the competition. Prudence will continue to be our guiding principle as we strive to maintain growth in the current business environment, which will be more uncertain given the expected slowdown in the world electronics industry.



Chairman's Statement

Our Challenges Ahead

Moving forward, despite the unfavorable economic outlook, prospects for the Group remain good in the current year. This is largely attributable to the strong network of clients built up over the years and the continuing efforts of the Group devoted toward upgrading technical skills and acquiring high value-added equipment. The Group's operations in Singapore and Malaysia are expected to continue to contribute to the current year's performance and our Thailand operations should be profitable for FY2001.

To improve its performance, the Group will continue to implement cost control measures and enhance Company-wide productivity. We will continue to carry out process improvement and technical development works, such as improving machining processes and methodologies, exploring various methods of organizing workflow and shortening production processes to increase production efficiency.

The Office Automation segment is a stable and growing segment and will continue to be our key area of focus and main revenue driver for the current year. The Computer Peripherals & CD-ROM segment is also expected to contribute significantly towards the Group's revenue this year. Other segments that we are aggressively targeting include the Automotive and Telecommunications segments.

As our business expands, we see a pressing need for regional expansion to support our key MNC customers. Our expansion into Thailand is beginning to yield results in terms of revenue, potential customers as well as technological advancements. The Group is also currently exploring further regional expansion, especially to China and Mexico, to support its customers there. It also plans to capitalize on other potential opportunities in these regions and use these as a launch pad to new markets.

As a newly listed company, it is the prerogative of Innovalues to quickly establish good corporate governance in line with the Best Practices guidelines set by the SGX. In this regard, the board will strive to put in place policies and practices to embody corporate performance and enhanced accountability, in order to promote corporate transparency and long term shareholder value.



Acknowledgements

We are deeply grateful to our customers, suppliers and business associates whose continued support over the years has brought us thus far. However, at the core of the Group's achievements, also lies a dedicated team of professionals whose hard work, dedication and creativity have contributed significantly to the quantum growth of the Group. Their tireless efforts to continuously deliver quality products and high service standards have gained the trust and confidence of our customers.

We sincerely appreciate the support of our shareholders and the investing public for the success of our IPO and public listing amid these uncertain economic conditions. We now look forward to achieving the expectations of all in the coming year.

Goh Leng Tse

Chairman

Innovalues Precision's expertise is in the manufacturing of customized precision turned parts and components. Although the application of the products that we manufacture can be used in a wide spectrum of industries, the current products that we manufacture are used mainly in the Office Automation, Computer Peripherals & CD-ROM and Automotive industries.

The founders, Mr. Goh Leng Tse and Mr. Hein Ke Long, started the company in April 1997. Today, the company has grown exponentially and has operations in Singapore, Malaysia and Thailand. Total operating area occupied today adds up to 7,000 sq meters with a capacity of over 200 machines.

We are currently serving a host of multi-national companies including Hewlett Packard, Solectron, Omni Electronics, Flextronics, Minebea, Epson, Fuji-Xerox, Oce Nederland and TRW, whose confidence and support have helped us grow over the years. Our commitment is to continue to provide quality products and services at competitive cost.

Our strengths lie in our engineering knowledge and experience and our close relationships with our customers and suppliers. We have invested in modern high-end high-precision machinery and equipment and we are committed to non-stop quality and cost improvement efforts. Our current engineering capabilities and know-how has enabled us to produce parts with specifications of below 1 micron tolerance. Our flexible mode is also a plus point with both our customers and suppliers.

Besides manufacturing, we also provide auxiliary service of complete turnkey and management services, design for manufacturing solutions and engineering consultation. We are responsive to our customers' needs and are dedicated to keep pace of the changing needs of our customers.

Board of Directors

Goh Leng Tse (Managing Director)
Hein Ke Long (Executive Director)
Loo Tian Sze, Melvin (Non-Executive Director)
Ong Tiak Beng (Non-Executive Director)
Chow Kok Kee (Independent Director)
Ong Sim Ho (Independent Director)

Audit Committee

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

Company Secretary

Tan Siok Kheng, ACIS, LL.B. (Hons) (London)

Registered Office

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

Tel : 2982374

Fax : 2982375

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

Auditors

Chio Lim & Associates
Certified Public Accountants
95 South Bridge Road #07-28
Pidemco Centre
Singapore 058717

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



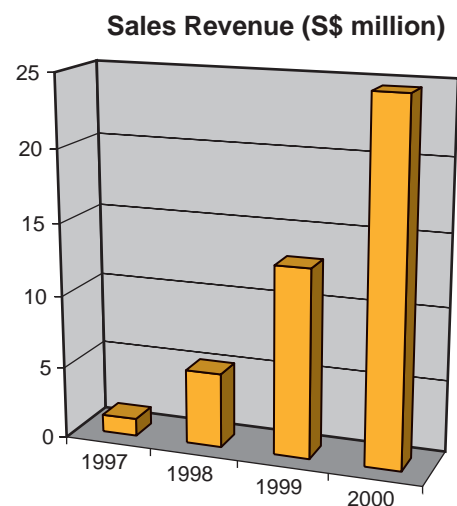
In FY 2000, Group turnover jumped by more than 89% to a record high S\$24.6 million compared to S\$13.0 million achieved in 1999.

Nature of Business

For the Financial Year 2000, the principal activities of the Group remain those of manufacturer, assembly, sub-assembly of precision machining parts, components and electronics and mechanical devices. Our main customers include major multi-national corporations such as Hewlett Packard, Minebea, Omni Electronics, Solectron and Flextronics. The application of the products manufactured such as printer shafts, rod carriages, rollers, pins, sleeves, spindle motor hubs and plungers are used mainly in the Office Automation, Computer Peripherals & CD-ROM and Automotive Industries.

Review of Performance

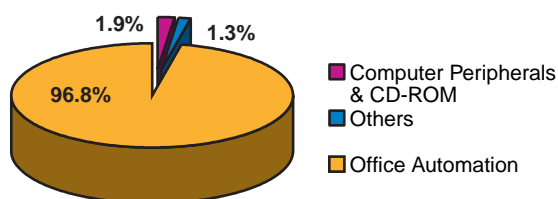
The Group recorded sales turnover of S\$24.6 million, an increase of 89% compared to S\$13.0 million achieved in FY1999. The significant improvement in sales turnover was achieved on the back of strong orders from our existing customers as well as sales to new customers fuelled by the buoyant economic growth in the region.



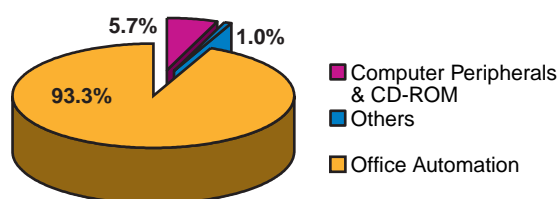
Business Review

Analysis of sales turnover by segments showed improvement in all areas, with Office Automation segment recording an increase of S\$10.4 million compared to FY1999, whilst Computer Peripherals & CD-ROM charted an increase of S\$1.2 million.

Sales Revenue By Product Segment FY 1999

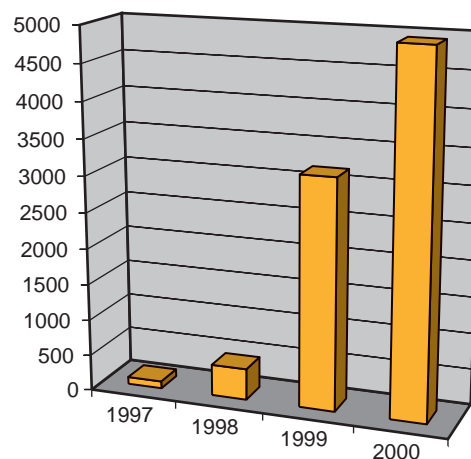


Sales Revenue By Product Segment FY 2000

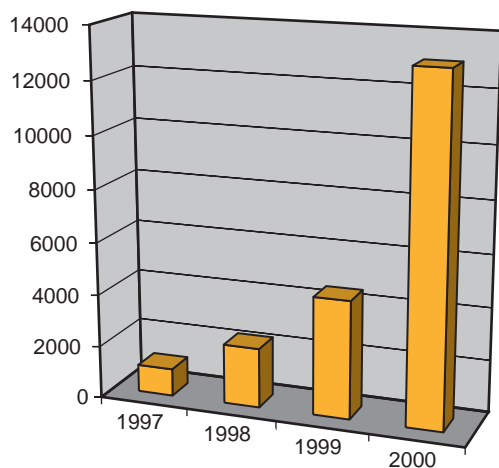


Net profit before tax for the year amounted to S\$4.9 million, an increase of 55.2% compared to FY1999. The Group saw profitability improvements in the Office Automation and “Other” segments but incurred a loss of S\$0.57 million in the Computer Peripherals & CD-ROM segment. This was due to the start-up costs in the Group’s Thailand operations. Net profit after tax rose 54.7% to S\$3.8 million compared to S\$2.4 million in FY1999.

Profit Before Tax (S\$'000)



Fixed Assets (S\$'000)



Investments and Expansion

During the year, the Group invested more than S\$8.0 million in the expansion of its capacity bringing the total cost of investment in fixed assets to S\$13.0 million. The expansion saw the set up of Innovalues Kluang (Malaysia) and Innovalues Thailand, both turned parts factories and also the commencement of operations of Innovalues Microtech, catering to Electroless Plating. These expansions and investments are also in line with the strategy to enhance our precision engineering capabilities with the acquisition of very high-end CNC precision lathes, grinders and polishers capable of producing parts with very tight specifications.

Quality Management Systems

The Group has always been committed to delivering quality products and service to our customers. Our Quality Management Systems cover all critical stages of our manufacturing value chain, encompassing supplier qualification and management, purchasing, engineering, sales, marketing and logistics support. As a testimony to our quality processes, both Innovalues Singapore as well as Innovalues Sdn Bhd has attained ISO 9002 certification. We are currently preparing our operations in Thailand to receive the same certification in the next financial year.



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Nurturing our Talents

At Innovalues, we recognise that our people are our most important assets. As such, we have always placed emphasis on nurturing our talents. Training and development programmes are provided on an ongoing basis throughout the Group. In addition, we provide financial assistance to qualified employees to attend relevant evening courses through full or partial sponsorships. Besides training in Singapore, our engineers are sent overseas to undergo relevant training not available in Singapore.

Environmental Management System

In the year under review, the Group continued to aggressively promote environmental protection and encourage conservation of resources in all its activities. We have phased out all usage of ozone-depleting substances from our manufacturing processes and use only chemicals approved by the Ministry of Environment in Singapore and the Department of Environment in Malaysia.

At Innovalues Microtech, we have installed a fume exhaust system at its plant to treat fumes emitted during its EN plating operations. Effluence produced after the plating process is also treated appropriately before being discharged into the drainage system. In the current year, the Group will continuously improve its environmental management system and conserve resources in its activities. We are working towards achieving ISO14001 certification for our operations.

Marketing & Business Development

Innovalues will continue to nurture the strong working relationships that we have built with our existing clients. Our marketing and business development team will constantly monitor market trends and formulate marketing strategies to spur the future development of our business in the ever-changing market place.

Board of Directors



Board of Directors From Left to Right

Hein Ke Long – Executive Director

Chow Kok Kee – Independent Director

Goh Leng Tse – Managing Director

Loo Tian Sze, Melvin – Non Executive Director

Not in Picture

Ong Tiak Beng – Non Executive Director

Ong Sim Ho – Independent Director

**Management Team From Left to Right**

Hoon Eel An – Director & GM, Innovalues Sdn Bhd

Richard Lim – Group Financial Controller

Poom-Manee Santhibhop – Director & GM, Innovalues Thailand

Soh Wai Kong – Group Accountant

Ong Kin Hock – Director & GM, Innovalues Kluang

Tay Yan Lim – Director & GM, Innovalues Microtech

Steven Pung – Business Manager

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