

Innovating the future with InnoValues



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 service.



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"We are hence very much on track towards our aim of becoming a major regional player in the precision industry for turned parts and components."



CORPORATE PROFILE



“From its humble beginnings, the company went public in just four years and has expanded exponentially through aggressive customer acquisition and regionalisation.”

Established in April 1997, Innovalues Precision's expertise is in the manufacturing and assembly of customized precision machining parts, components, electronics and mechanical devices. These products are mainly used in the Office Automation, Hard Disk Drives and Automotive industries.

The founders, Mr Goh Leng Tse and Mr Hein Ke Long, started the company as a four-man operation. From its humble beginnings, the company went public in just four years and has expanded exponentially through aggressive customer acquisition and regionalisation.

In the four years leading up to our public listing, we have charted a compounded annual growth rate of 270 per cent in sales revenue and 360 per cent in net profitability. The successful public listing of Innovalues Precision on the second board of the Singapore Exchange Securities Trading Limited in March 2001 marked a milestone in the history of our Group. The Group strongly believes that going public will help us realise our long term growth plans.

Our customers include major multi-national companies such as Hewlett-Packard, Solectron, Omni Electronics, Flextronics, Epson and Océ-Nederland. Our strength lies in our knowledge capability, especially in engineering experience and know-how, as well as our strong relationships with customers and suppliers. We have high volume manufacturing capabilities, with plants located in Malaysia, Thailand and China.

We now have a staff strength of more than 460, and our total factory space has also increased to 7000 square metres.

Our commitment is to continue to provide quality products to customers at competitive cost, and to become a major regional player in the precision engineering industry especially for turned parts and components.

"It is our intent to align our resources to be near our customers and their markets so that we can forge closer business partnerships."



CHAIRMAN'S STATEMENT

"Today, I am proud to say that our relentless efforts at expanding market share and our consistent delivery of quality products at competitive prices, have paid off."

Dear Shareholders

FY 2001 was a significant year for our Group. In March of that year, we made a successful listing on the Singapore Exchange. Our management continued to forge a strong foundation for future growth especially in our first year as a listed entity. With this target in mind, we started the year with aggressive marketing and sales efforts to enhance our profitability and turnover amidst a challenging and competitive marketplace.

Today, I am proud to say that our relentless efforts at expanding market share and our consistent delivery of quality products at competitive prices, have paid off. Despite a global economic slowdown, we maintained net earnings of S\$3.8 million at the close of FY 2001. At the same time, turnover jumped 12.2 per cent to S\$27.6 million over the previous year. We are hence very much on track towards our aim of becoming a major regional player in the precision industry for turned parts and components.

To share the rewards of our achievements, the Directors are pleased to recommend a final gross dividend of 1.5 cents per ordinary share, a first for the Company since its listing.

REVIEW OF PERFORMANCE

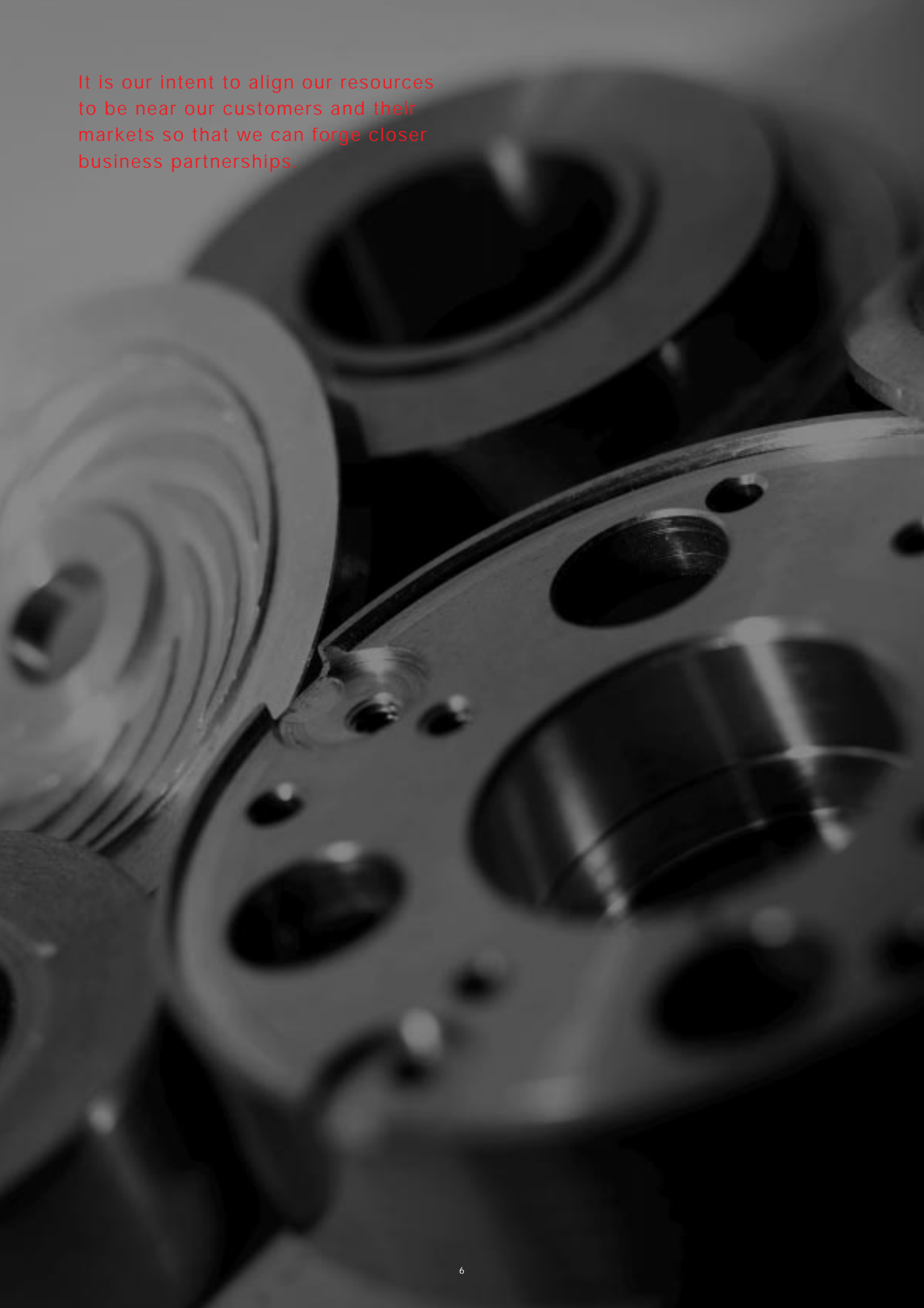
During the year under review, our manufacturing plant in Thailand contributed favourably towards the Group's performance. Set up primarily to produce ultra-high precision components for the Hard Disk Drive (HDD) industry, it reined in revenues of S\$7.4 million for the Group in 2001. With this foray into the high growth HDD industry, the Group has successfully diversified its dependence on the Office Automation segment to 69 per cent of total revenues from 94 per cent in FY 2000.

Revenue contributions from our Singapore and Malaysian operations for the year saw a reduction of 13.5 per cent compared to FY2000. This was mainly due to the effect of the global economic slowdown. Despite this reduction, the net earnings of our Singapore and Malaysian operations remained healthy.

Our marketing and sales efforts have also resulted in a more diverse customer base. Of the total revenue of S\$27.6 million in FY 2001, Hewlett Packard and its contract manufacturers accounted for 54 per cent while Minebea contributed 27 per cent. Other customers such as Epson, TRW and Océ accounted for 19 per cent. In FY 2000, it was 72 per cent, 4 per cent and 24 per cent respectively.



It is our intent to align our resources to be near our customers and their markets so that we can forge closer business partnerships.



LOOKING AHEAD

With encouraging signs of an economic upturn, the Group has planned for an investment budget of approximately S\$10 million to expand our production facilities in Thailand, Malaysia and the PRC in FY 2002. However, we will remain cautious in our developmental efforts, as we are not certain that this economic upturn is sustainable. Actual investment expenditure will very much depend on a sustained economic recovery.

Strategically, we are deploying our resources in the following areas for growth:

- Expansion of existing operations

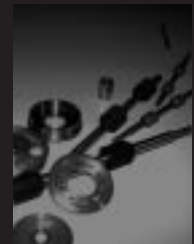
To cope with increasing demand from our customers, we have added 33 new CNC machines to the existing 40 in our Thailand plant that is clearly making strong headway in providing ultra-high precision engineering components for the HDD industry. These new CNC machines are expected to be operational in April 2002.

To take on new projects secured from a large customer, as well as to increase the capacity in our Malaysian operations, we are expected to commit approximately S\$5.5 million in 2002 for the purchase and upgrading of machineries. With this investment, our capacity in Malaysia is expected to increase by 50 per cent.

- Expansion into New Markets

On 4th December 2001, we announced the incorporation of a wholly owned subsidiary, Innovalues Precision (Shanghai) Co., Ltd. Located in Pudong, Shanghai, the new facility was set up at an initial investment of S\$1.7 million to manufacture precision turn parts for customers in Shanghai and its vicinity. This strategic move will enable us to tap into the vast market for precision turn parts in the PRC.

Looking beyond the Asia region, we are exploring potential opportunities to expand our operations into Mexico. For a start, we will set up a representative office in the second half of 2002 to better serve our existing customers, and more importantly, to be a commercial gateway to the huge US market. It is our intent to align our resources to be near our customers and their markets so that we can forge closer business partnerships.





The Group has
always been
committed to
delivering quality
products and
services to our
customers.

CHAIRMAN'S STATEMENT

- Information System

We have started work to establish our enterprise resource planning infrastructure and e-commerce system. The new system will improve operational efficiency, enhance productivity and provide better visibility and control, as well as allow our customers to conduct business with us on-line. The integrated system is targeted to be operational by second half of 2002.

The economic environment in 2002 will continue to be uncertain and volatile, yet challenging. However, I am confident that with our team of experienced directors and managers, strategic deployment of resources, and a set of well thought out and tested growth strategies, the Group will be able to achieve credible growth this year to enhance shareholders' value, barring any unforeseen circumstances.

In the meantime, we will continue our aggressive sales and marketing efforts to expand our clientele base and market share. We will also continue to run a tight-ship in managing costs, focus on improving and enhancing our operational efficiencies, and exercise prudence in seeking new related business opportunities that will enhance shareholders' returns and bring the Group to a new phase of growth.

ACKNOWLEDGMENTS

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

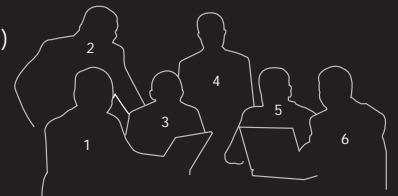


Goh Leng Tse
Chairman

BOARD OF DIRECTORS



1. Mr Ong Tiak Beng (Non-Executive Director)
2. Mr Ong Sim Ho (Independent Director)
3. Mr Goh Leng Tse (Chairman and Managing Director)
4. Mr Chow Kok Kee (Independent Director)
5. Mr Hein Ke Long (Executive-Director)
6. Mr Loo Tian Sze, Melvin (Non-Executive Director)



BOARD OF DIRECTORS-QUALIFICATIONS AND WORK EXPERIENCE

GOH LENG TSE

Chairman and Managing Director

Mr. Goh is a member of the Audit Committee, Remuneration Committee and Nominating Committee.

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

HEIN KE LONG

Executive Director

Mr. Hein was appointed as our Executive Director on 24 June 1998. He is responsible for the Group's strategic marketing and sales. Between 1981 and 1997, he was Executive Director and then Managing Director of TNH Metal Pte Ltd. Mr. Hein holds a NTC III Certificate in metal machining.

ONG TIAK BENG

Non-Executive Director

Mr. Ong is a member of the Audit Committee.

He was appointed as our Non-Executive Director on 20 May 1997. Mr Ong has more than 14 years of experience in the precision engineering industry and is currently a Director of Deston Precision Engineering Pte Ltd. He holds a Bachelor of Science Degree in Industrial Engineering and Management.

MELVIN LOO TIAN SZE

Non-Executive Director

Mr. Loo was appointed as Non-Executive Director in 17 July 1999. He is currently the Executive Director of Manufacturing Network Pte Ltd and Imemor Pte Ltd. His previous engagements includes Division Manager (Corporate Development) of Setsco Services Pte Ltd, a local testing and inspection house. He holds a Masters in Marketing and a Diploma in Mechanical Engineering.

BOARD OF DIRECTORS-QUALIFICATIONS AND WORK EXPERIENCE

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 on 9 February 2001. He is currently a Director of ACTA Investment & Services Pte Ltd (ACTA), which provides business and financial related services to companies. Mr Chow worked in the government administrative service for 6 years beginning 1976, and held management positions in the Ministries of Defence and Education, before joining DBS Bank in 1982. He has 15 years of working experience in financial services covering corporate banking, international banking, correspondent banking, finance and tax, treasury settlements, regional securities and corporate planning. In 1997, he established ACTA and became a director. A Colombo Plan scholar, he graduated from the University of Newcastle, Australia, with Bachelor of Commerce and Bachelor of Engineering (First Class Honours) degrees. He also holds a Master of Business Administration Degree from the National University of Singapore. Mr Chow is a member of the Institute of Engineers, Australia, the Institute of Chartered Secretaries and Administrators, United Kingdom, and the Singapore Institute of Directors.

ONG SIM HO

Independent Director

Mr. Ong is the chairman of the Remuneration committee as well as a member of the Audit Committee and the Nominating Committee.

Mr. Ong was appointed as our Independent Director on 9 February 2001. He is an advocate and solicitor, and he practised law in Khattar Wong & Partners before deciding to establish his own practice in 2001. He practises 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).

CORPORATE DATA

BOARD OF DIRECTORS

Mr Goh Leng Tse (Managing Director)
Mr Hein Ke Long (Executive Director)
Mr Loo Tian Sze Melvin (Non Executive Director)
Mr Ong Tiak Beng (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.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

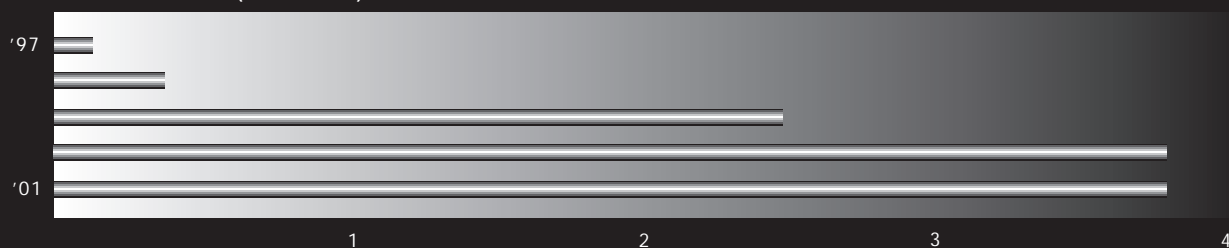
Oversea-Chinese Banking Corporation Limited
65 Chulia Street OCBC Centre Singapore 049513

United Overseas Bank Limited

80 Raffles Place
UOB Plaza Singapore 048624 Tel: (65) 6533 9898 Fax: (65) 6534 2334

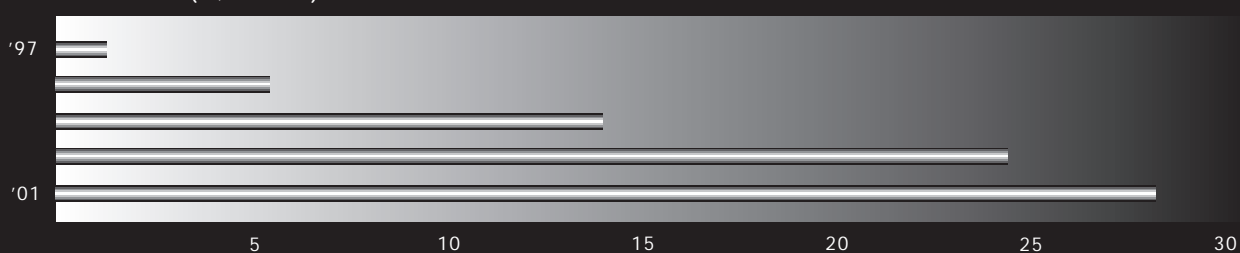
FINANCIAL HIGHLIGHTS

NET EARNINGS (S\$'Million)



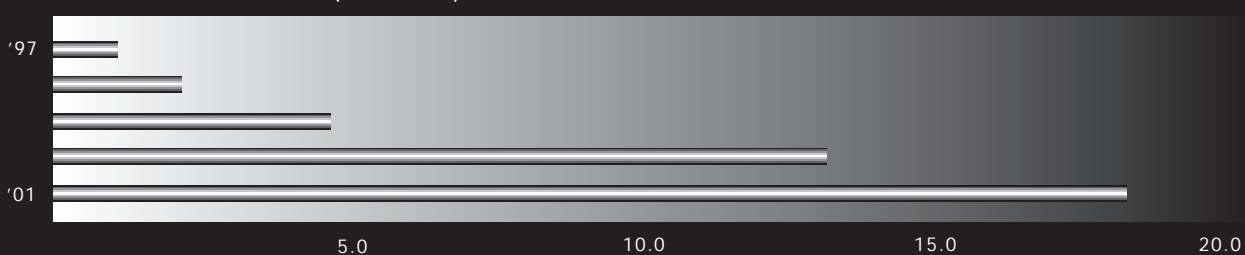
Despite a global economic slowdown, we maintained net earnings of S\$3.8 million at the close of FY 2001.

TURNOVER (S\$'Million)



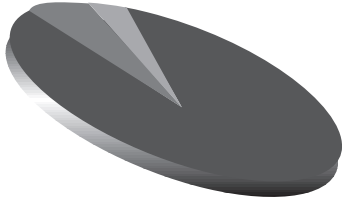
Turnover jumped 12.2 per cent to S\$27.6 million over the previous year.

FIXED ASSET AT COST (S\$'Million)

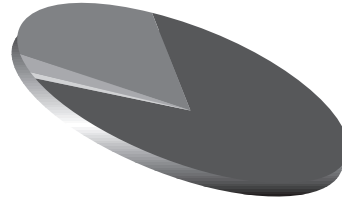
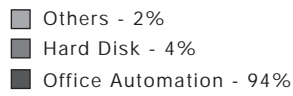


The Group has planned for an investment budget of approximately S\$10 million to expand our production facilities in Thailand, Malaysia and the PRC in FY 2002.

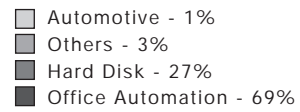
FINANCIAL HIGHLIGHTS



SALES SEGMENT - 2000

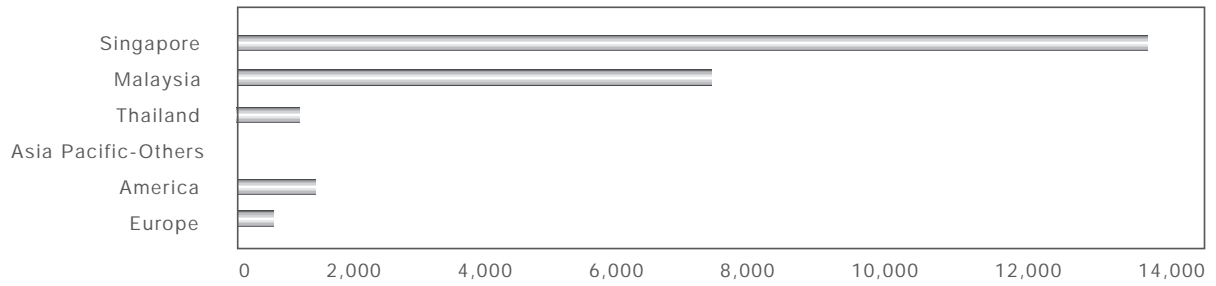


SALES SEGMENT - 2001

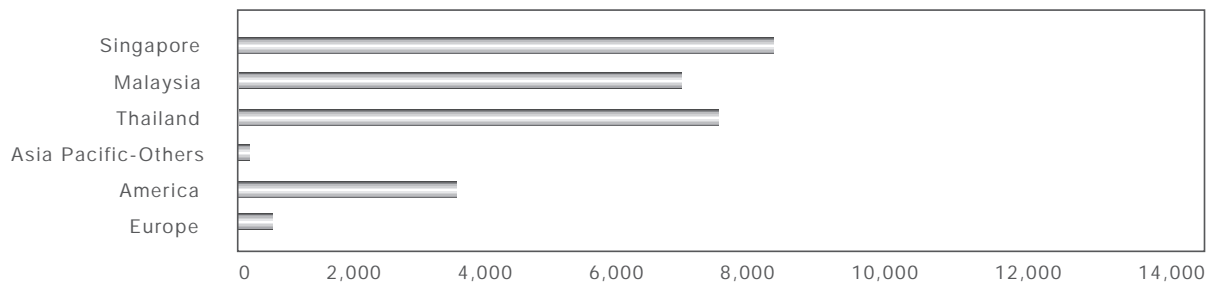


The Group has successfully diversified its dependence on the Office Automation segment to 69 per cent of total revenues from 94 per cent in FY 2000.

GEOGRAPHICAL BREAKDOWN (2000)



GEOGRAPHICAL BREAKDOWN (2001)



Sales to overseas customers, particularly in Thailand, posted a significant increase.

