

InnoTek Limited

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

InnoTek 24th ANNUAL GENERAL MEETING TO BE HELD ON 3 June 2020 RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

The Board of Directors of InnoTek Limited and together with its subsidiary, Mansfield Manufacturing Co. Ltd, would like to thank shareholders for submitting their questions in advance of our 24th Annual General Meeting (“AGM”) to be held by electronic means on 3 June 2020.

Due to the high volume of questions received resulting in overlaps in many of the questions asked, we will not be providing responses to every question received. Instead we have set out our responses to your questions through the following categories :

- (1) Operations
- (2) Finance related , Cash and other investment
- (3) Others

Please refer to our responses to the questions as set out in Appendix 1.

The questions will also be posted on our website at :

www.innotek.com.sg

By Order of the Board

Linda Sim Hwee Ai

Company Secretary

Answers to questions of InnoTek Shareholders of 24th AGM on 3 June 2020

Category	No	Questions	Response	
Operation Related	1	For the OA mass production, does it include assembly for customer as well? What is the volume of business expected, will it recover to previous years OA revenue?	OA parts production is still based on component production. The Group strives to achieve production of assembly of parts in 2020, and is currently in negotiation with major OA customers. Since the overall demand for OA is in decreasing trend (especially with the impact of this epidemic), our goal is to mitigate the OA revenue reduction by obtaining assembly of parts.	
	2	Post-pandemic, supply chains will shift to more local production for every country. How does InnoTek aim to survive and prosper in this new environment?	It is unavoidable that the production and supply chain will change after the pandemic. We will develop established domestic customers and expand the capabilities of domestic demand products while maintaining the supply relationship with overseas customers in China.	
	3	Which is the most affected product segment affected by COVID19?	OA is currently the most affected product segment.	
	4	Which product segment will the company be focusing on for FY20 and if there is any growth segment that we can look forward to?	From our existing 3 major OA / AUTO / TV product segment , TVs are relatively stable despite the impact of the pandemic . AUTO can expect sales in the Chinese market to resume.	
	5	Are there any plans to diversify beyond the 3 product segments that the company is currently engaged in	We are making efforts to strengthen market development and actively looking for new products related to our core technical capabilities.	
	6	Any plans to sell off excess buildings or factories and consolidate?	We will adjust our plans according to the actual needs of each factory by terminating the lease, or renting to external customers. There are currently no plans to sell.	
	7	(1)	What will be the utilization rate of our new factory in Thailand during the second semester of 2020?	This year production will be affected by the pandemic and will adjust to customer's production plan. The mass production of the Thai factory will gradually increase in the second half of the year. It is estimated that its utilization rate will be around 30%
		(2)	What were the underlying reasons for the delay in the commencement of mass production in the new plant in Thailand? As customers migrate their production to Southeast Asia, will the group be able to recapture all/most of the demand with the new plant in Rayong, Thailand?	Thailand missed the new product cycle which our major customer transferred to Thailand ,delaying the mass production. Our Dongguan plant continues to support the Thailand plant by shipping product to our major Thailand customer . The production capacity of the new plant is planned to meet the needs of major customers moving from China toThailand.
	8	Do we have other plans to relocate some production out of China?	We will make our overseas investment and production plans based on customer needs, and we are now conducting survey in this area.	
	9	Pg 4, Chairman Statement, "Domestic car sales have continued to slow in china while the implementation of new standards for this sector at large has affected our auto division. Once the new standards are in place, we will look forward to new production programmes". May the board elaborate on what are the new standards in china domestic car market the chairman refers to? When will the standards be implemented and how does it affect our auto projects? Have the company secured any new programmes from customers after the new standards have been rolled out?	The Chinese auto industry has implemented the new car exhaust standard "National 6 Standard " in the first half of 2019. However, the new standards for commercial vehicles (CV) were postponed to 2021 due to the sluggish demand in China. We have secured programmes for the new exhaust system but our demand has been affected by the automotive slowdown and the delay in implementing the new standards for CV.	
	10	What is the CAPEX for InnoTek in FY2020? How the CAPEX are allocated to different segments?	Economic situation for 2020 will be badly affected by the Covid-19 pandemic and our investment plan will be more cautious . Based on market conditions and feasibility of customer projects, we will prioritize projects according to customer needs and rate of return on investment.	
11	(1)	Pg 141, note 37, the revenue of the precision machining drop from \$88.8m to \$58.5m due the to completion of a sizeable commercial display project along with heat sinks. Company is actively looking for new projects in the precision machining business?	Due to changes in market demand, the commercial display project and heat sink project reached end of life in 2019 which greatly impacted the precision machining revenue in 2019. The company will continue to strengthen our technological advantages to secure new projects from our existing customers as well as develop new domestic and foreign customers.	
	(2)	Are there any positive progress of new projects secured for precision machining? Will there be further reduction in the revenue of this segments since there is a shift from metal to plastic for TV bezels under 55-inches? Will the management consider of moving along with the trends and producing plastic TV bezels?	The company's demand for large-size and high-value-added TV bezel is still a priority, and has made corresponding progress. It will be an important contributor for 2020, but the impact of the Covid19 outbreak is inevitable. Regarding the field of plastic frames, domestic competition in China is quite fierce, and not suitable for us to participate	

Answers to questions of InnoTek Shareholders of 24th AGM on 3 June 2020

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	12	Will FY20 be profitable? 1Q 2020 showed a small loss, does the management think this will be the worst quarter for FY20?	Currently China has recovered from the pandemic but countries outside China are still trying to control the spread of Covid-19 virus. It is still uncertain at this moment when the Covid-19 situation will recover in 2020. We are unable to comment that 1Q 2020 will be the worst quarter for FY20 but the company is making its best efforts to be profitable in 2020.
Finance related , Cash and Other Investments	13	Innotek being a precision manufacturing company, what is the purpose of holding debt and equity securities of up to \$28.7 million (based on Note 18 to Accounts)? In addition, the returns from these investments have been poor - the total return in FY2019 from dividends/ interest income and fair value gain is way less than 10%. The Q1 2020 results have also been drag down by this investment portfolio. Would the CEO and board consider liquidating these investments and returning capital to shareholders since the board has no expertise in this area?	InnoTek keeps a cash reserve for the following reasons: (1) with escalating rents in Dongguan, we may consider building additional owned production facilities , (2) Group is looking at overseas investments close to customers who are moving operations out of China (3) M&A strategy to acquire technology to sustain business growth. (4) Working capital and emergency requirements such as the current Covid-19 pandemic situation. In veiv of the low interest rate, the cash reserve has been invested in a discretionary portfolio managed by a professional banker under guidelines and close monitoring by the Board. Under the current uncertain environment, there is no plan to liquidate the portfolio to return capital back to shareholders.
	14	AR Page 144: Up to the date of the financial statements, the Group and Company have incurred fair value losses from the investments in quoted equity and debt instruments. The financial effects of these events, including possible impairments and fair value changes to the Group's assets cannot be reliably estimated at this date. Q1. What are the maximum and likely losses from the above investments?	The portfolio has been conservatively invested mostly into high quality bonds and some blue-chip equities. Although financial market in Q1'20 has been severely impacted by Covid-19 crisis, there are some signs of stability in Q2'20.
	15	One good and easy way to put cash to good use is share-buyback. The company's share price has been languishing at very low prices relative to the company's good balance sheet and performance. May the mgmt consider share-buyback at such under-valued prices (not to push up prices)?	There is no plan to increase the number of treasury shares as InnoTek currently is almost at the limit of the treasury shares it can hold.
Others	(1)	[pg 28] Why total remuneration for Top 5 key management executives went up from 1.23m (in 2018) to 1.72m for 2019 (increased by 0.5m or 40% (0.5/1.23)) when company's profit dropped 17.7% (3.58 / 20.239) from 20.239m to 16.658m	The main reason for the increase in the remuneration in 2019 is that the bonuses are paid based on the strong performance of previous year 2018 . We have been paying higher bonuses to motivate better performance rather than granting share options .
	16	Noted that Mr. Li Wei Ta's remuneration increased from \$250k-\$500k band to \$500-\$750k band. Qn - What is his main contribution to the company? Is he in charge of the most profitable segment in the company? (i.e. precision machining) or is he in charge of the turnaround in precision components and tooling segment? (noted profit increased from 1.72m to 7.89m)	Mr. Li Wei Ta is the Sales Director and the Deputy General Manager for precision machining, the most profitable segment of the company . He has earned a significant bonus in 2019 based on strong performance in 2018 which has increased his remuneration to just over S\$500K.
	17	Could company highlight some initiatives to improve the top line?	Please refer to Mr. Lou's message in AR 2019 in which Mr. Lou mentioned his priorities are to improve the efficiency of the entire Group and transform the corporate culture. He has been doing this since he joined and he will continue to do this going forward. Even with the Q1'20 Covid-19 pandemic, the loss was contained.
	18	Can we have a summary of balance sheet for 1QFY2020? How much cash is there on the balance sheet currently?	We will provide the balance sheet as at 30 June 2020 when we make our 2H FY20 announcement in August 2020.
	19	Is the company planning further automation in its various factories to reap additional cost efficiencies?	The Group has been introducing automation to improve efficiencies for the past few years. However with Covid-19 pandemic , spending on capital expenditure needs to be cautious and based on market condition, customer requirement and rate of return
	20	Appreciate if the board can do a presentation on the company for Shareholders esp on the business in 2019 and also how it copes with Covid pandemic A business update on Thailand also would be good (if that can be part of the update on the 3 segments OA, automotive, TV) thanks! Pl convey my appreciation to the mgt and board of directors for doing a fantastic job every year!!	Chairman will be making a presentation at AGM. This includes revenue of the 3 segments OA, Automotive and TV as shown in the Annual Report financial highlights.
	21	Can Mr. Lou share his thoughts on how he is leading the company to overcome the challenges of 2020?	Mr. Lou will be giving a speech to shareholders in AGM on the 3 June 2020. He will touch briefly on his actions going forward.