

INNOTEK LIMITED

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

Questions & Answers – 27th Annual General Meeting held on 28 April 2023

Substantive Questions	Company's Reply
S1. Teo Hee Huat	
<p>On page 32 of the Annual Report, the aggregate remuneration paid to the key management personnel is \$3,803,587. There are 5 personnel listed in the key management personnel remuneration table and their remuneration band are all less than \$250,000. Thus, this amount to at most \$2.5 million. Kindly advise the discrepancy.</p>	<p>Neal Chandaria: The key management personnel include staff in addition to the 5 whose remuneration is listed in the annual report. The \$3.8 million is for 15 key management staff, and not just for that 5 who are listed in the Annual Report.</p>
<p>Could you explain why there is a big jump in aggregate remuneration in FY2021 versus FY2022, from \$2.28 million to \$3.8 million?</p>	<p>Neal: The number of staff included in the calculation of the aggregate remuneration are different.</p> <p>Ivy: If Mr Teoh wishes to know the detailed breakdown, please write in to InnoTek's email, and we will provide the information to you accordingly.</p>
S2. Seah Chye Ann	
<p>Why was there no question published before the AGM today?</p>	<p>Ivy Neo: The Company did not receive questions from shareholders as at the cut-off date for question submission.</p> <p>Neal Chandaria: The Company have not received any advance question to which we could respond to and publish on the website. However, we are now responding to the questions which are received during the live AGM.</p>
<p>Will the Company consider buying back shares at the current price?</p>	<p>Neal Chandaria: Thank you for the question. As far as the Company's policies are concerned, we have actually proposed to have the option to buy-back shares, just now in the resolution tabled at this AGM. So, it is certainly one of the options that is being and will be considered. However, it would depend on of course on the available liquidity as well as the opportunities available to the Company during this year, to see what are the</p>

	options available for the funds that are presently with the Company.
Are there further CAPEX plan for acquisition to expand the new business segment?	Neal Chandaria: We are of course looking at acquisition opportunities. It may possibly be in new business segment, existing business segment, and also increasing our footprint in Southeast Asia in order to meet some of our customers' requirement of their China Plus One procurement policy. So, yes, we do have plans and are actively looking at such opportunity for new business segment as well as additional geography or more activities in the current geography within Southeast Asia.
Is the demand for the auto segment still the same given the recent weakness in car sales or vehicle sales in the Chinese automobile market?	<p>Lou Yiliang: The automotive market in China is indeed weak because of the adjustments in the proportion of EV cars and traditional gasoline cars. Last year, there was 27 million set of cars produced in China. Even though the economy in China was relatively weak in Q1, about 6 million sets of cars were produced. Management is confident that the production of automobiles in China will be aligned with the implementation of the Chinese government's incentive stimulus policy and the development of the global economy.</p> <p>Ukawa Masatsugu: Indeed, China managed to produce 6 million sets of cars in Q1. So, even though people generally believed the Chinese market has weakened but the EV sector is developing positively and among all the EV car makers, the highest role was achieved by BYD and TESLA. Regarding the weak market demand, we have been in contact with and have been discussing with many customers including those from Europe, US, Japan and some domestic customers in China. Basically, they all believed that during the first half of the year, they still have some inventory to consume, and they are making adjustment internally. In the second half of the year, as market begins to recover, this tier-1 autocar maker will undergo another round of development. So, they still have high expectations on us. Even though some of our orders were put off from last year's end until now, the customers have confirmed that the demand for our products is still there.</p> <p>Steven Chong: The Chinese New Year fell on January this year, so there was a period of Chinese New Year holidays, which has impacted the January production and sales numbers. However, for February this year, the sales of</p>

Chinese automobile were \$1.976 billion (almost \$2 billion), an increase of 13.1% year on year. For March, the sales number was even better, which was \$2.451 billion, an increase of 9% year on year. However, for Q1, the total sales were just above \$6 billion, which was a drop of about 6.7%. So, for the whole of Q1, you can see that there was a trend - January low, February higher, March higher, and we are hopeful that the Chinese automobile even though is in the transforming stage, will continue to be supported by policy measures by the Chinese government. We are hopeful. Thank you very much.

Xu Jinsong: Based on my understanding, the percentage of EV market is growing very fast but, for BYD, I think the Chinese market is good, but their capacity is growing too fast. The overseas market becomes increasingly significant for BYD and other EV manufacturers in China. As a result, one of the biggest challenge in the country's EV manufacturing is achieving both a stable domestic market and increasing overseas market share.

Is it fair to assume that if steel and aluminium prices have fallen, the Company will be able to make better margin on its latest product?

Neal Chandaria: Of course, this is our hope and expectation, but we also have to deal with market reality of the customers.

Lou Yiliang: The price of the material has always been one of our concerns. Since the COVID-19 control measures in China have been lifted, the China economy has been improving. However, material price and the market price are still at a high level. The market price from January to end March has been steadily increasing, as shown in the figure for Q1, but due to weak market demand, the order price of the steel is not quite aligned with the price published. We discovered that the price of steel and aluminum has decreased recently, especially the price of aluminum. Since the actual demand for this material is not as high as anticipated or introduced by the steel makers, we are pleased to see the price declining, which will undoubtedly increase our margin. However, we also need to think about how the weak market demand will affect our customers' demand in the long run. Therefore, apart from steel and aluminum, a number of indirect materials, such as chemical materials for surface treatment, have started to see a decrease in price.

Can you share more on the delay in the ramping up the Thailand operation versus the rapid scaling of the Vietnam operation?

Neal Chandaria: Thailand was the first operation set up outside China for some years by InnoTek. I think there was obviously some delay in ramping up the expertise and experience in Thailand, particularly effected by the COVID-19 restrictions and changes that took place. Customers in Thailand were, of course, cautious during the early COVID-19 period. In Vietnam, I think the operation has scaled up faster because, again, customers are probably keen to increase their activities there, and also in Vietnam, the manufacturing culture is generally stronger than in Thailand.

Lou Yiliang: The Thailand facilities has been set up for almost 5 years. Through our efforts, we are confident that we will achieve profit flow next year. In Vietnam, things are going quite well because the setting up of this facility was at the request of a customer. For the joint venture, the incorporation was also at the request of a customer, therefore it is developing well too. We have high expectations in both Vietnam and Thailand.

If Innotek were to acquire a new company or form a joint venture to expand into Southeast Asia, given its current balance sheet strength, how much is this acquisition appetite? \$50 million to \$100 million with debt? What would be the ROI to make this expansion worth acquiring? I recall InnoTek was prepared to spend \$20 million in its expansion into Weihai a couple of years ago.

Neal Chandaria: The Company has sufficient financial resources, but not unlimited resources, to be able to make equity acquisitions and/or new operations to further strengthen InnoTek's activities. Certainly, with our existing balance sheet, we are able to handle acquisitions in the region and going up to \$50 million. At this point, and for the time being, taking on debt would probably be less prudent unless we have a very high confidence level. In terms of opportunity, we are certainly actively interested in acquisitions or setting up new ventures that will allow us to build our business stronger, diversify our business geographically, produce better, and meet our customers' requirements better, which we think we can currently do within our existing balance sheet without relying on much more debt, although that may be a possible consideration if there are any exceptional opportunities. I think the kind of ROI that we expect, again leave it to the Management, but they would expect at least 15%-20% of ROI that we made, but this will be over the long term because initially, obviously, in the first couple of years, it takes time to build the business.

Lou Yiliang: We will learn from our experience in Weihai and Thailand to conduct our investment in Vietnam. For any investment in Vietnam, both time and finance will be required to start the

project. So whether we would expand our investment or do some other investment, this would depend on the demand of our customers. Even though the economic reform and opening up of Vietnam has been going on for almost 10 years, our step into Vietnam is relatively late. If there is really a good opportunity and a very attractive customer order, we will be quite interested, but we will assess very cautiously before investing.