Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: InnoTek Limited

Stock code: M14

Meeting details:
Date: 3 June 2020
Time: 9.30 .m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Would the board/management provide shareholders with better clarity on the following operational/strategic matters? Specifically:

(i) **Automobiles:** In the chairman's letter to shareholders, it was mentioned that the implementation of new standards for the auto industry has affected the group. **What are the new standards? Are there opportunities in the segment given the transition to the new standards and the supply chain disruption caused by the pandemic?**

(ii) **Office automation: 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? Does management expect the office automation business to start experiencing long-term secular decline? Do mould/tooling sales command better profit margins?**

Q2. In Note 18 (page 104 – Other investments), the group disclosed that it invested $25.5 million in quoted equity securities, quoted debt securities and structured deposits as at 31 December 2018. As at 31 December 2019, the amount increased to $28.7 million.

18. OTHER INVESTMENTS

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At fair value through profit or loss				
Equity securities (quoted)*	**7,678**	3,264	**7,678**	3,264
Debt securities (quoted)**	**–**	9,334	**–**	9,334
Structured deposits***	**4,445**	12,896	**–**	–
Investment at fair value through other comprehensive income				
Debt securities (quoted)**	**16,619**	–	**16,619**	–
	28,742	25,494	**24,297**	12,598

* Quoted equity securities are investment in shares quoted on the Singapore Stock Exchange. The Group has not elected to measure the investment in equity securities at fair value through other comprehensive income.

** Quoted debt securities are quoted bonds that are graded by credit rating companies to be investment grade.

*** Structured deposits are a combination of a fixed deposits and an investment product with principal guaranteed at maturity and where the returns can vary based on an underlying that they are linked to.

(Source: company annual report)

(i) **Can the board/audit & risk management committee ("ARMC") help shareholders understand if these investments are made in line with the group's long-term strategic direction or are these just financial investments?**

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(ii) **Has the board evaluated the reward/risk profile of the structured deposits?**

(iii) **What is the level of oversight by the board on the group's "other investments", especially quoted equity securities? How is the portfolio of "other investments" managed?**

In the announcement released by the company on SGXNet on 28 April 2020, the company reported a net loss after tax of $(1.05) million as revenue for the quarter tumbled 23.4%. The group "suffered loss from the investment portfolio following the unfavorable financial market condition".

(iv) **What was the amount of losses due to the investment portfolio?**

(v) Even after taking into account the operating lease liabilities under SFRS(I) 16 of $23.5 million, the group is in a net cash position of $24.7 million. **Would the board consider returning the excess capital that the company has used to invest in "other investments"?** That way, management can focus on the core business and not worry about the volatility in the capital markets.

Q3. As noted in the Corporate Governance report, the company's long-term incentive scheme (InnoTek Employees' Share Option Scheme 2014) which was approved and adopted at the 2014 AGM expired on 1 December 2019 (page 28).

Since 2000, the company has had the following long-term incentive schemes:

- InnoTek Employees' Share Option Plan ("Plan") started on 18 September 2000 and expired on 8 February 2006
- A subsequent plan known as InnoTek Employees' Share Option Scheme II ("Scheme II") ran from 30 April 2008 to 9 March 2014.
- InnoTek Employees' Share Option Scheme 2014 expired on 1 December 2019

Management has disclosed that, in the last few years, deserving employees were rewarded with year-end bonuses and this practice will continue until a new share option plan is adopted.

(i) **Has the remuneration committee ("RC") evaluated how effective were the Share option plans at attracting, retaining and motivating the key employees?**

(ii) **Should the RC want to put in place a long-term incentive scheme, would the RC be considering a Performance share plan (as opposed to a Share option scheme)?** A well-designed performance share plan can be more effective at aligning employees with the overall performance and the long-term vision of the company.

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)