

InnoTek Announces 1H'22 Stable Revenue of S\$84.4 Million, Despite Challenge of China's Zero-COVID Policy

S\$'000	1H'22	1H'21	Change %
Revenue	84,441	84,301	0.2
Gross Profit	11,559	17,732	(34.8)
Gross Profit Margin (%)	13.7	21.0	(7.3) ppt*
Net (Loss)/Profit before Tax	(1,645)	5,264	NM^
Net (Loss)/Profit after Tax	(1,668)	7,237	NM
(Loss)/ Earnings Per Share (Singapore cents)	(0.72)	3.17	NM

* ppt denotes percentage points

^ NM denotes Not Meaningful

SINGAPORE, 13 August 2022 – SGX Mainboard-listed **InnoTek Limited** (“InnoTek” or the “Group”) announced today that revenue for the six months ended 30 June 2022 (“1H'22”) remained stable at S\$84.4 million. The revenue from TV/Display products (“TV/Display”) and Automobile products (“Auto”) declined year-on-year, as operations of many customers were impacted by China’s Zero-OVID policy. This decline was mitigated by higher demand from Office Automation (“OA”) customers and greater momentum in the sub-assembly business, as well as new projects secured within emerging sectors such as medical devices and gaming machines.

Gross profit declined 34.8% to S\$11.6 million in 1H'22 from S\$17.7 million in 1H'21, due to steep increases in raw material prices such as steel and aluminum, rising labour costs as well as higher scrap rates for newly-launched products. Accordingly, gross profit margin declined 7.3 percentage points to 13.7% in 1H'22 compared to 21.0% a year ago.

The Group recorded net loss after tax of S\$1.7 million in 1H'22, compared to net profit of S\$7.2 million a year ago, due to the sharply lower gross profit and slightly higher administration expenses arising from rising staff costs and start-up of the Vietnam facility.

Correspondingly, loss per share for 1H'22 amounted to 0.72 Singapore cents, compared to earnings per share of 3.17 Singapore cents a year ago, while net asset value per share declined to 78.8 Singapore cents as at 30 June 2022 from 83.2 cents as at 31 December 2021.

The operating environment was very challenging in the first half of 2022 with soaring input prices arising from the Russia-Ukraine conflict and the Zero-COVID policy in China lowering 2022 second quarter GDP growth to 0.4%. However, the situation is expected to improve in the second half of 2022 with material prices moderating and relaxed control of COVID.

In Auto products, the Group expects to make a strong recovery, as many projects have resumed production, with consumer demand buoyed by the Chinese Government's stimulus measures. The Group is leveraging its track record to secure further orders within the Chinese Electric Vehicle ("EV") market. The group has established partnerships with existing EV component manufacturers as a strategic supplier.

The OA products are expected to recover gradually over the short term; however, long-term growth could be affected as customers relocate production lines out of China into Southeast Asia. In response, InnoTek has been expanding its operations to Southeast Asia and moving up the value chain into sub-assembly.

On the TV/Display front, orders and shipments are expected to recover progressively. The Group remains confident in the demand for its products, as key customers are expected to maintain their market position for large-sized high-end TVs. To maintain its competitive edge, the Group is focusing on improving its products and implementing cost savings.

The Group has also made a significant foray into emerging industries such as medical devices, 5G servers, gaming machines, and semiconductors. Having established long-term partnerships with several customers, the Group expects to see new revenue streams grow.

The Group's facility in Bac Ninh Province, Vietnam, has successfully completed the construction of its new plant in early 2022; mass production has commenced for specially designed heatsinks, and orders for TV bezels are expected within the year. Meanwhile, the Group's facility in Rayong, Thailand, is steadily increasing production for OA and Auto products; the Group is integrating internal resources to further strengthen the facility.

Overall, the Group will continue to improve quality, cost, delivery, and service ("QCDS") and implement cost control measures to remain competitive. The Group will also focus its efforts to invest in EVs and other emerging industries to sustainably grow revenue and strengthen its business.

Mr. Lou Yiliang, InnoTek's Chief Executive Officer, said: "We continue to face a challenging environment, with several headwinds ahead. Nonetheless, we continue to strengthen revenue streams from new products to capture opportunities in fresh markets, and implement cost control measures, adding resilience to InnoTek's business."

End of Release

About InnoTek Limited

Singapore Exchange Mainboard-listed InnoTek Limited is a precision metal components manufacturer serving the consumer electronics, office automation, and automotive industries. With five manufacturing facilities in the PRC, one facility in Rayong, Thailand, and one facility in Bac Ninh Province, Vietnam. The Group's wholly owned subsidiary, Mansfield Manufacturing Company Limited, provides precision metal stamping, commercial tool and die fabrications, and precision machining works to a strong and diversified base of international end customers.

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