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

RESPONSE TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERY REGARDING 2015 FULL YEAR RESULTS ANNOUNCEMENT

In response to the query raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") in its email of 10 March 2016 in connection with the Company's 2015 Full Year Results Announcement, the Board of Directors of InnoTek Limited (the "Company") wishes to clarify as follows:

SGX-ST's Query

Question 1
Please disclose aggregate value of interested person transactions conducted pursuant to general mandate in the format required under Listing Rule 907.

Answer to Question 1

Disclosure of interested person transactions under Paragraph 17 of the Full Year Results Announcement amended to the format required under Listing Rule 907 as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Anhui KM Technology Co. Ltd	800,857	N/A
Konka Precision Mould Plastic Co., Ltd	463,521	N/A

Question 2
We note that the Group recorded an impairment provision of S$4.9 million on property, plant and equipment ("PPE") for FY2015. The Company stated on page 3 that the recoverable amount of PPE was based on the higher of its fair value less cost of disposal and its value in use of the cash-generating unit.

In this regard, please disclose:
2(i) details of PPE from which impairments had been made, reasons for making such impairments;

Answer to Question 2(i):

			S$'000
(a)	Impairment made representing the write-down of underutilised equipment from a stamping component segment subsidiary and subassembly segment subsidiary that occurred in FY2015		1,205
(b)	Impairment loss representing the write-down of PPE to the recoverable amount, which was based on the higher of its fair value less costs of disposal and the value in use of the cash-generating units using a 5-year projected cash flow forecast discounted using a weighted average cost of capital rate of 14.5%. The details are as follows:		
	(i) Equipment from a stamping component segment subsidiary located in Wuhan (the recoverable amount was based on fair value less costs of disposal)	1,431	
	(ii) Leasehold improvements for unoccupied space from a subassembly segment subsidiary -Magix Dongguan (the recoverable amount was based on value in use)	2,320	3,751
			4,956

2(ii) the bases for determining the fair value and value in use of such PPE;

Answer to Question 2(ii):

The value in use of PPE was based on a 5-year projected cash flow forecast approved by management and discounted using a weighted average cost of capital (WACC) of 14.5%. The fair value of land and building was derived from external valuation and the fair value of plant and equipment was determined using estimation of its disposal value based on recent historical transactions.

2(iii) what were the procedures conducted by the Company in assessing the impairment amounts. Did the Company considered other options, including but not limited to, disposal of the relevant PPE;

Answer to Question 2(iii):

In assessing the impairment amounts, the Company determined the recoverable amount of the PPE based on the higher of its fair value less costs of disposal and the value in use of the cash-generating units which the PPE belongs to. The disposal of PPE was considered in determining the recoverable amount.

2(iv) confirmation from the Board as to whether it is satisfied with the reasonableness of the methodologies used to determine the impairments of PPE;

Answer to Question 2(iv):

The Board confirms that it is satisfied with the reasonableness of the methodologies used to determine the impairments of PPE.

2(v) whether the board had sought appropriate independent professional advice. If yes, identify the professionals and provide the Board's confirmation as to whether the professionals appointed by the Company have the necessary experience.

Answer to Question 2(v):

The board did not seek independent professional advice. The fair value of land and building was derived from independent valuation report from a professional qualified valuer. The value-in-use calculation was based on reasonable assumptions that were based on the board's evaluations of the performance of the subsidiaries historically and expectations going forward. The external auditor, Ernst & Young LLP, had reviewed the impairment assessment as part of its audit.

3. Paragraph 1(b)(ii) on page 5 states that as at 31 March 2015, the Group has breached a covenant of the bank facilities. The Company did not fulfill the requirement to maintain a "Consolidated Tangible Net Worth" of HK $ 598.0 million and the bank facilities had been cancelled following settlement.
In this regard, please confirm as to whether the Company has complied with Listing Rule 704(22).

Answer to Question 3:

According to Listing Rule 704(22), an issuer must immediately announce any breach of any loan covenants or any notice received from principal bankers or from the trustee of any debenture holders to demand payment of loans granted to the issuer or any of its subsidiaries which, in the opinion of the issuer's directors, would result in the issuer facing a cash flow problem.

The Group had in fact stated in Q1'15 announcement dated 11 May 2015 under Paragraph 1(b)(ii) that :

As at 31 March 2015, the Group has breached a covenant of the bank facilities. The Company did not fulfil the requirement to maintain a "Consolidated Tangible Net Worth" of HK$598.0 million at all time. As at the date of release of this announcement, the Company and the bank have mutually agreed to a full settlement of HK$30.5 million banking facilities by August 2015. The Company has sufficient cash to support the Group's operation in the absence of this banking facilities.

The breach of the bank's covenant did not result in the Company facing a cash flow problem. The Group had net cash balance of S$18.4 million as per Q3'15 announcement after full settlement of the banking facilities with the bank on 3 August 2015.

4. Paragraph 1 (b)(i) Note D states that Held for trading investment decrease from S$ 19 million as of 31 December 2014 to S$15 million as of 31 December 2015. The divestment was mainly due to the liquidation of a portfolio to support full settlement of banking facilities.
In this regards, please confirm as to whether the Company has complied with Listing Rule 704(17)(a)&(b), 704(18)(a)&(b).

Listing Rule 704(17) (a) & (b) and 704(18) (a) & (b) and answer to Question 4

(1) Below are the Listing Rule 704(17) (a) & (b) for any acquisition of:

(a) Shares resulting in the issuer holding 10% or more of the total number of issued shares excluding treasury shares of a quoted company;

(b) Except for an issuer which is a bank, finance company, a securities dealing company or approved financial institution, quoted securities resulting in the issuer's aggregate cost of investment exceeding each multiple of 5% of the issuer's latest audited consolidated net tangible assets. The announcement must state :-

(i) The aggregate cost of the issuer's quoted investments before and after the acquisition; and such amounts as a percentage of the latest audited consolidated net tangible assets of the issuer;
(ii) The total market value of its quoted investments before and after the acquisition; and
(iii) The amount of any provision for diminution in value of investments

(2) Below are the Listing Rule 704(18) (a) & (b) for any sale of:

(a) Shares resulting in the issuer holding less than 10% of the total number of issued shares excluding treasury shares of a quoted company;

(b) Except for an issuer which is a bank, finance company, a securities dealing company or an approved financial institution, quoted securities resulting in the issuer's aggregate cost of investment in quoted securities falling below each multiple of 5% of the issuers latest audited consolidated net tangible assets. The announcement must contain the same information as required under Rule 704(17)(b) (i) to (iii), relating to a sale instead of acquisition

(A) Answer to Question 4 relating to Listing Rule 704(17)(a) & 704(18)(a)

The Company had not acquired or disposed of 10% or more of shares resulting in the Company holding more or correspondingly, less, than 10% of the total number of issued shares excluding treasury shares of a quoted company

(B) Answer to Question 4 relating to Listing Rule 704(17)(b) & 704(18)(b)

The Company did not make an announcement under Ruling 704(17) (b) and 704(18) (b) as the Directors consider the Held for Trading investment portfolio managed by an investment manager is a discretionary portfolio management in nature. A discretionary portfolio management is defined as Investment account arrangement in which an investment manager makes the buy-sell decisions without referring to the account owner (client) for every transaction. The manager, however, must operate within the agreed upon limits to achieve the client's stated investment objectives.

By Order of the Board
Lou Yiliang
Executive Director