



GLOBAL INVACOM GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200202428H)

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
("SGX-ST") ON THE FULL YEAR RESULTS FOR FY2020**

The Board of Directors (the "**Board**") of GLOBAL INVACOM GROUP LIMITED (the "**Company**") refers to the following queries raised by the SGX-ST on 10 March 2021 and would like to provide additional information in relation to the Company's full year results for the financial year ended 31 December 2020 ("**FY2020**"), as follows:

SGX-ST's Query 1:

It is stated that inventory written off for the FY2020 is US\$2,663,000 (FY2019: US\$1,256,000). It is also stated that a write-back for inventory obsolescence of US\$3,210,000 was recorded, vis-à-vis an allowance for inventory obsolescence of US\$2,816,000 in FY2019.

- (i) Why is there a significant inventory write-off?

Company's response to Query 1(i):

In the Company's corporate and business update and profit guidance announced on 15 January 2020, the Company announced the relocation of its Shanghai manufacturing operations of Global Invacom Manufacturing (Shanghai) Co., Ltd ("**GISH**") to the Philippines.

It was also announced in the financial results dated 28 February 2020 and 1 March 2021, that following the relocation of these operations to the Philippines, the Company recorded certain impairment costs and these costs included the allowance for inventory obsolescence.

The Company has ceased its GISH manufacturing operations in July 2020 as announced in the financial results dated 13 August 2020 and 1 March 2021, following which the Group has written off the inventories which were impaired in 2019 and recorded the write-back for inventory obsolescence in 2020 accordingly.

- (ii) Please disclose the amount of inventory write-off identified as a result of discrepancies between stock counts and inventory record (i.e. missing/lost inventory).

Company's response to Query 1(ii):

Please refer to response to Query 1(i).

- (iii) Please disclose the amount of inventory write-off due to slow-moving inventory or obsolescence.

Company's response to Query 1(iii):

Please refer to response to Query 1(i).

- (iv) Please disclose the breakdown of the Company's inventory write-off by aging.

Company's response to Query 1(iv):

Please refer to response to Query 1(i).

- (v) What is the general shelf/product life of the Company's inventory?

Company's response to Query 1(v):

The general shelf/product life of the Company's inventory ranges from one to five years and depends largely on the type of the components, materials and products.

- (vi) Please opine on the reasonableness of methodologies used to determine provision/impairment.

Company's response to Query 1(vi):

The Group inventories are stated at the lower of cost and net realisable value. Reviews are made periodically by the management for excess inventories, obsolescence and decline in net realisable value below cost. The assessment requires the exercise of judgement as the allowances are made based on historical obsolescence and slow-moving history. Key factors considered include the nature of the inventory, its ageing, shelf life and turnover rate. The Group is of the opinion that the allowance for inventory obsolescence is reasonable as at 31 December 2020.

SGX-ST's Query 2:

Please explain why interest income amounted to only US\$22,000 (FY2019: US\$230,000) during the financial period ended 31 December 2020 when the Company has significant cash and bank balance amounting to US\$11,273,000 (FY2019: US\$8,912,000).

Company's response to Query 2:

The majority of the Group's cash and cash balances are in the United Kingdom bearing either zero or very low interest.

SGX-ST's Query 3:

Please provide information on the Group's inventory turnover days for FY2020 and FY2019.

Company's response to Query 3:

	FY2020	FY2019
Inventory turnover days	<u>124 days</u>	<u>95 days</u>

SGX-ST's Query 4:

Please disclose a breakdown of trade payables amounting to US\$12,509,000 as at 31 December 2020. For other payables amounting to US\$5,589,000, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

Company's response to Query 4:

Breakdown of trade payables:

	FY2020 US\$'000
Third party payables	12,509
Related party payables	-
	<u>12,509</u>

Nature and aging of other payables:

	Current US\$'000	Past due 1 to 6 months US\$'000	Past due > 6 months US\$'000	FY2020 US\$'000
Accrued operating expenses	2,231	-	-	2,231
Provision for warranty	265	-	-	265
Provision for restructuring costs	15	-	-	15
Customers advances received	2,029	-	-	2,029
GST/VAT payables	79	-	-	79
Directors fees	64	-	-	64
Other creditors	844	62	-	906
	<u>5,527</u>	<u>62</u>	<u>-</u>	<u>5,589</u>

Save as disclosed above, no counterparties are related parties.

SGX-ST's Query 5:

Please provide the reason(s) for the borrowings of US\$3,883,000 by the Group when the Group recorded a cash and cash equivalent of US\$11,273,000 as at 31, December 2020.

Company's response to Query 5:

These borrowings are for working capital purposes as the timing of the cash receipts from customers are variable the year. These borrowings have reduced from US\$8,929,000 as at 31 December 2019 to US\$3,883,000 as at 31 December 2020 as the Group continues to repay its borrowings. A minimum level of borrowings is also required to maintain the credit facility with the banks and the Group continuously monitors its level of borrowings. Further, the Group collected US\$2.9 million from a major customer in the last two weeks of December 2020, resulting in a significant increase in cash and cash equivalents as at 31 December 2020.

SGX-ST's Query 6:

Please provide the reason(s) for the significant trade payables of US\$12,509,000, taking into account the fall in Cost of Sales from US\$110,443,000 in FY2019 to US\$77,353,000 and the Group recording a cash and cash equivalent of US\$11,273,000 as at 31, December 2020.

Company's response to Query 6:

With the current COVID-19 pandemic, the management has taken precautionary steps to conserve cash resources of the Group to sustain its business operations to ensure the viability of the Group and its working requirements are met, resulting in a higher trade payables. Further, as mentioned in response to Query 2, the Group collected US\$2.9 million from a major customer in the last two weeks of December 2020, resulting in a significant increase in cash and cash equivalents as at 31 December 2020.

BY ORDER OF THE BOARD

Anthony Brian Taylor
Executive Chairman

12 March 2021