

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of **INNOTEK LIMITED** (the "Company") will be held at Basement 1, Oasia Hotel Novena, 8 Sinaran Drive, Singapore 307470 on Wednesday, 25 April 2018 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2017 together with the Auditor's Report thereon.

(Resolution 1)

2. To declare a first and final (one-tier, tax-exempt) dividend of 1.0 cent per share for the year ended 31 December 2017 (2016: 0.5 cent per share).

(Resolution 2)

3. To re-elect Mr. Lou Yiliang (Chief Executive Officer and Executive Director) who will retire in accordance with Article 103 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director of the Company.

(Resolution 3)

4. To re-elect Mr. Steven Chong Teck Sin (Non-Executive and Independent Director), who will retire in accordance with Article 103 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director of the Company.

(Resolution 4)

Subject to his re-appointment, Mr. Steven Chong Teck Sin who is considered an independent director, will be re-appointed as Chairman of the Audit & Risk Management Committee and member of the Remuneration Committee.

5. To approve the payment of Directors' fees of \$323,118 for the year ended 31 December 2017 (2016: \$360,743).

(Resolution 5)

6. To re-appoint Ernst & Young LLP as the Company's Auditor for the ensuing year and to authorise the Directors to fix their remuneration.

(Resolution 6)

7. Any other business –

Requisition under section 183 of the Companies Act, Cap. 50 by a substantial shareholder - To declare a one-tier tax-exempt dividend of 7.5 cents per share for the financial year ended 31 December 2017.

The Board of Directors do not recommend that shareholders vote in favour of the payment of the dividend.

[See Explanatory Note (i) below]

(Resolution 7)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions, with or without modifications:

8. That pursuant to Section 161 of the Companies Act, Chapter 50 ("**Companies Act**") and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**"), the directors of the Company ("**Directors**") be authorised and empowered to:

- (a) (i) allot and issue shares in the capital of the Company ("**shares**") whether by way of rights or bonus; and/or

- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force;

Provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below) of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued ordinary shares (excluding treasury shares) shall be based on the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
- (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (ii) below] **(Resolution 8)**
9. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the InnoTek Employees' Share Option Scheme II and/or the InnoTek Employees' Share Option Scheme 2014 ("Share Plans") and to allot and issue such number of ordinary shares in the capital of the Company as may be issued pursuant to the exercise of the options under the Share Plans, provided always that the aggregate number of shares to be issued pursuant to the Share Plans shall not exceed 15% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company from time to time.
[See Explanatory Note (iii) below] **(Resolution 9)**
10. To transact any other business which may arise and can be transacted at an Annual General Meeting.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 9 May 2018 for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares in the capital of the Company received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 up to 5.00 p.m. on 8 May 2018 will be registered to determine members' entitlement to the proposed first and final dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares in the Company as at 5.00 p.m. on 8 May 2018 will be entitled to the proposed first and final dividend.

The proposed first and final dividend, if approved at this annual general meeting, will be paid on 22 May 2018.

By Order of the Board

Linda Sim Hwee Ai
Company Secretary

Singapore, 3 April 2018

Explanatory Notes:

- (i) Ordinary Resolution 7 proposed in item 7 above is a requisition by Gazelle Capital Pte. Ltd. ("Gazelle"), a substantial shareholder of the Company holding 14,082,700 shares representing 6.28% of the Company's share capital. Gazelle had on 1 February 2018 submitted a requisition pursuant to their right under section 183 of the Companies Act, Cap. 50 ("section 183") for a resolution to be moved at the Annual General Meeting. The reasons for Gazelle's proposal are set out below:-

(a) No intention to utilise excess funds

The Company has not announced any plan in furtherance of any expansion or business growth which may require excess cash to be utilised. Gazelle noted that in the latest announced financial statements of the Company and its subsidiaries (the "Group") for the quarter ended 30 September 2017 (the "Financial Announcement"), it is stated that the Company's subsidiary Mansfield (Thailand) Co. Ltd. ("Mansfield Thailand") would be constructing a plant in Thailand scheduled for completion in the first half of FY2018, with production and revenue contributions expected to commence in the second half of FY2018. Until then, operational activities in Thailand will be supported from Dongguan. Revenue contribution from Mansfield Thailand is expected to gather momentum from FY2019.

There is no suggestion that this plant is a major investment that will impact in any significant manner the Company's cash reserve or that any need for cash cannot be met by the Company's expected cash generation through its ordinary course of business.

(b) Financial position

Based on the Financial Announcement, the Group has cash and cash assets of approximately \$47 million of which \$15.4 million are "held as trading financial assets". They have been so held since at least 2013. Furthermore, according to the Financial Announcement, the Company is debt-free.

(c) Improvement in financial performance

The performance of the Company has improved significantly in the past two years. For the financial year ended 31 December 2016 ("FY16"), net profit after tax increased to \$11.6 million in FY16 from a net loss after tax of \$16.3 million in the previous financial year.

For the nine months ended 30 September 2017, the Group achieved a net profit after tax of \$7.1 million despite an extraordinary increase of tax payable from \$2.9 million to \$4.7 million or a 62% increase over the previous year.

(d) Reward for loyalty

The declaration of dividends of 7.5 cents per share would reward members of the Company for their loyalty and support, and would in some measure, compensate them for the poor dividend distribution in recent years, contrary to the Company's practices in past periods.

(e) Shareholder value

This resolution will greatly enhance shareholder value to the betterment of the Company and Group, raise its profile as a stable value investment and facilitate its future expansion programs.

After careful deliberation, the Directors do not accept the proposal by Gazelle and the Company's response to Gazelle's requisition under section 183 is as follows:-

- 1) The net profit after tax ("NPAT") of \$9.8 million for 2017 is lower than the NPAT of \$11.6 million for 2016. However, despite the lower profit made by the Company in 2017, the Directors are recommending a one-tier (tax-exempt) dividend payment of 1.0 cent per share, doubling the dividend of 0.5 cent per share paid last year.
- 2) The Directors believe in a sustainable dividend policy and does not consider that 7.5 cents dividend will be sustainable.
- 3) The Company has embarked on two major projects: Mansfield Thailand and Mansfield Technology (Weihai) Co. Ltd., which require substantial capital investment in addition to start-up expenses and working capital.
- 4) The existing Group operations also require significant funding for investment in automation to improve efficiency and for working capital to finance growth.

- 5) The Board considers it will be prudent to maintain a cash reserve to enable the Group to manage unexpected events and to take advantage of business opportunities as they arise.
 - 6) The Board is very mindful of returns to shareholders and regularly reviews if excess funds are available for distribution to shareholders.
- (ii) Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors from the date of the above Annual General Meeting until the date of the next Annual General Meeting, to issue, or agree to issue shares and/or grant Instruments that might require shares to be issued on a pro rata basis to shareholders of the Company, up to an aggregate limit of 50% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company (calculated as described).
- (iii) Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors, from the date of the above Annual General Meeting until the next Annual General Meeting, to offer and grant options in accordance with the provisions of the Share Plans and to allot and issue shares as may be issued pursuant to the exercise of options under the Share Plans up to an aggregate limit of 15% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company from time to time ("15% Limit"). The 15 % Limit is calculated by including the shares which have already been allotted and issued pursuant to the exercise of options under the Share Plans.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Intermediaries such as banks and capital markets services license holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member.
3. If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the Share Registrar's office at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not later than 48 hours before the time appointed for the holding of the Annual General Meeting.
4. The instrument appointing a proxy must be signed by the appointer or his attorney duly authorized in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorized.
5. A Depositor's name must appear on the Depositor Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.