INNOTEK

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Higher Auto and TV Orders Help Lift InnoTek 2H'20 Net Profit 13.5% to S$10.1 Million Despite Pandemic; Dividend of 2.0 Singapore Cents Per Share Proposed For FY2020

S$'000	2H'20	2H'19	Change %	FY'20	FY'19	Change %
Revenue	103,487	97,394	6.3	183,192	186,721	(1.9)
Gross Profit	27,927	20,836	34.0	45,006	40,765	10.4
Gross Profit margin (%)	27.0	21.4	5.6 ppt*	24.6	21.8	2.9 ppt
Profit before Tax ("PBT")	14,351	10,235	40.2	19,224	19,355	(0.7)
Income Tax Expense	(4,217)	(1,305)	223.1	(5,356)	(2,697)	98.6
Net Profit	10,134	8,930	13.5	13,868	16,658	(16.7)
Earnings Per Share (Singapore cents)	4.48	3.95	13.4	6.13	7.36	(16.7)

** ppt denotes percentage points*

SINGAPORE, 25 February 2021 – SGX Mainboard-listed **InnoTek Limited** ("InnoTek" or the "Group") announced today a 13.5% increase in net profit for the the six months ended 31 December 2020 ("2H FY2020") to $10.1 million despite the pandemic, lifted by higher orders for its Autobmoile and TV segments.

The precision metal components manufacturer said 2HFY2020 revenue rose 6.3% to S$103.5 million from S$97.4 million as manufacturing activities in China recovered after the initial impact from COVID-19 which had led to lockdowns and business disruptions in 1HFY2020. China remains the only major economy to recover from the pandemic so far.

For the whole of FY2020 revenue declined 1.9% to S$183.2 million, reflecting the slowdown in 1HFY2020 which witnessed a reduction in orders for Office Automation (OA) products, as well as the partial shutdown of the Group's manufacturing plants. Despite the lower revenue, the PBT of S$19.2 million remained stable from FY2019 PBT of S$19.4 million. This was achieved despite the unfavourable foreign exchange loss of S$2.2 million in FY2020 due mainly to the weakening of the HK$ and US$ against RMB and S$ in FY2020 compared to a gain of S$0.7 million in FY2019. Income tax expense also increased to S$5.4 million from S$2.7 million in FY2019. As a result, net profit for FY2020 reduced by 16.7% to S$13.9 million.

Nonetheless, the Group achieved a fifth consecutive year of profitability in FY2020, reflecting the relentless efforts to improve productivity and to move up the value chain under a business transformation led by Chief Executive Officer, Mr Lou Yiliang.

FY2020 gross profit increased to S$45.0 million from S$40.8 million a year ago mainly due to efforts made to reduce outsourcing, material costs and improve automation as part of internal efficiency initiatives, as well as subsidies from the Chinese government to help domestic businesses recover from the pandemic.

Gross profit margin for the whole of FY2020 increased to 24.6% from 21.8% in FY2019, while 2H FY2020 gross profit margin increased 5.6 percentage points to 27.0% compared to 21.4% a year ago.

Earnings per share for FY2020 came to 6.13 Singapore cents, down from 7.36 Singapore cents for the previous year. Net asset value increased to 78.6 cents as at 31 December 2020 from 71.1 cents a year ago.

InnoTek has proposed a first and final dividend of 2.0 cents per share for FY2020, higher than FY2019.

The Group's Automobile sector saw a rebound in sales in 2HFY2020. The Group expects the segment to continue to grow, as China's car sales are expected to increase up to 4% year-on-year exceeding 26 million units in 2021, according to a forecast by the China Automobile Manufacturers Association.

Sale of new energy vehicles are on the rise, and the Group is focusing its efforts to expand its customer base while deepening its relationship with existing ones. China's domestic sale of new energy vehicles grew 10.9% from a year ago, and 1.8 million such vehicles – representing a 40% increase year-on-year – are expected to enter the market this year.

As countries implement stay-home measures to curb the spread of COVID-19, the Group's TV/Display segment saw increased orders for TV bezels above 55 inches on the back of demand for home entertainment. As demand is expected to weaken in 2021, the Group will continue to support its customers' bezel requirements while actively developing new customers.

While demand for OA products still remains weak, the sector recovered in 2HFY2020 compared to 1HFY2020, a trend expected to continue in 2021. The Group is committed to improving Quality, Cost, Delivery and Services to continue building trust among customers while moving up the value chain from single-part manufacturing to offer parts assembly.

The Group's factory in Rayong, Thailand, commenced commercial production of OA products in 2020. While the pandemic has dampened demand and affected production volume, the Group is looking to develop the factory to support automotive customers in Thailand for the coming year.

Mr Lou Yiliang, Chief Executive Officer of InnoTek, said: "We continue to place the health and safety of our staff as the top priority, with strict measures in place at our factories. Despite intense competition and challenges brought about by the pandemic, we have overcome them to achieve profit in FY2020."

"The good performance is a testament to the teamwork of the InnoTek family, and the capability of management to navigate the Group through the pandemic. Our proposed dividend of 2.0 cents per share is to thank shareholders for their support through this exceptionally challenging year," he added.

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 and one facility in Rayong, Thailand, 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.

For more information, visit: www.innotek.com.sg

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