

INNOTEK LIMITED

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

Page 1 of 5

RESPONSES TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED IN RELATION TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the “**Board**”) of InnoTek Limited (the “**Company**”), together with its subsidiaries (the “**Group**”) wishes to announce the following in response to the queries raised by Singapore Exchange Securities Trading Limited (“**SGX-ST**”) with respect to the Unaudited Financial Statement for the year ended 31 December 2022 (the “Financial Results”).

SGX-ST Query 1

In respect of the Group’s non-current other receivables amounting to S\$1.224 million, please disclose: -

- (i) the breakdown of the Group’s other receivables (where applicable);
- (ii) the nature of the non-current receivables; and
- (iii) the Board’s assessment of the recoverability of the non-current other receivables.

Company’s Response

The non-current other receivables comprise of rental security deposit of S\$1.224 million to the landlord for leasing factories and offices in various locations for operational purposes. This category applies to lease agreements that have a remaining period of more than one year.

The rental security deposit serves as collateral for the lease contract and is eligible for a refund at the end of the lease term, subject to the fulfillment of the agreement's conditions.

The management follows the process to assess the recoverability of non-current receivables and furnishes relevant information to the Board for review during the quarterly board meetings.

SGX-ST Query 2

It is noted that the Group’s trade and other receivables increased from S\$46.863 million as at 31 Dec 2021 to S\$54.258 million as at 31 December 2022.

Please disclose:

- a) breakdown of the Group’s trade and other receivables.
- b) aging of the Group’s trade and other receivables.
- c) (iii) details of the Group’s underlying transactions of its other receivables and the terms of the transactions.
- d) the Group’s plans to recover the trade and other receivables;
- e) The Board’s assessment of the recoverability of the trade and other receivables.

INNOTEK LIMITED

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

Page 2 of 5

Company's Response

Below is a breakdown and the explanatory notes for the trade and other receivables held by the Group.

Description		<u>FY2022</u> S\$'000	<u>FY2021</u> S\$'000
(i)	Trade receivables	48,162	41,476
(ii)	Bills receivables	1,477	1,538
(iii)	Loan to a joint venture	289	
(iv)	Other receivables	2,871	2,634
(v)	Refundable deposits	1,459	1,215
	Total Trade and Other Receivables	54,258	46,863

- (i) Trade receivables are non-interest bearing and are generally on 30 to 120 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (ii) Bills receivables have an average maturity of one to six months (2021: One to six months) from the end of the reporting period.
- (iii) Loan to a joint venture by a subsidiary of the Group is unsecured, interest-free, and repayable on demand and is expected to be settled in cash. The loan is denominated in the Chinese Renminbi ("RMB") and is expected to be repaid within the next 12 months.
- (iv) Other receivables mainly relate to sales tax receivables and other miscellaneous receivables.
- (v) Rental deposit is the refundable rental security deposit with a balance lease term of less than one year.

The table presented below displays the age analysis of the trade and bill receivables held by the Group.

Description	<u>FY2022</u> S\$'000	<u>FY2021</u> S\$'000
1 – 60 days	34,049	30,289
61 – 120 days	12,080	9,951
> 120 days	3,510	2,774
Total trade & bills receivables	49,639	43,014

The Group's credit policies ensure that key customers with good credit adhere to the agreed-upon credit period by making timely payments. In order to implement effective credit control measures, the Group evaluates customer creditworthiness based on credit evaluation results and past payment history and sets distinct credit limits for each customer accordingly. The management team monitors and maintains detailed records of trade and other receivables, and conducts regular reviews to ensure the implementation of effective accounts receivable collection measures.

The Board reviews the debtor's position at quarterly meetings to ensure healthy cash flow.

INNOTEK LIMITED

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

Page 3 of 5

SGX-ST Query 3

Please disclose a breakdown of the Group's trade and other payables amounting to S\$54.418 million as at 31 Dec 22. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

Company's Response

Below is a breakdown and the explanatory notes for the trade and other payables held by the Group.

	Description	FY2022 S\$'000
(i)	Trade payables	36,951
(ii)	Other Payables	3,012
(ii)	Accrued operating expenses	13,984
(iii)	Refundable deposits from tenants	471
	Total Trade and Other Payables	54,418

- (i) Trade and other payables are non-interest bearing and are normally settled on 30 to 120-day terms.
- (ii) Accrued operating expenses include salaries & wages, rental, water & electricity expenses, and VAT, etc.
- (iii) Refundable deposits refer to rental deposits collected from tenants.

The table presented below displays the age analysis of the other payables held by the Group.

Description	FY2022 S\$'000
Current – 90 days	2,078
90 – 365 days	743
> 5 years	191
Total Trade Payables	36,951

Other payables are balanced due to non-trade (operating expenses and VAT) vendors, including an amount of S\$12K owed to an interested party. The Company also has unclaimed dividends by shareholders totaling \$191K that have been outstanding for more than 5 years.

The Group managed the trade payables to maintain good relationships with suppliers and ensure timely payment. To achieve this, the Group has established payment terms with suppliers that are in line with industrial standards and makes payments accordingly to these terms. The Group will continue to monitor the trade payable aging to enable us to manage the trade payables efficiently and effectively.

INNOTEK LIMITED

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

Page 4 of 5

SGX-ST Query 4

Please provide the reason(s) for the significant trade and other payables of S\$54.418 million when the Group recorded cash and short-term deposits of S\$58.978 million as at 31 Dec 22.

Company's Response

The Group's trade and other payables are the results of its ongoing business operations, including payments owed to suppliers and other vendors for goods and services received but not yet paid for. The Group maintains good relationships with its suppliers and vendors by adhering to the established payment terms, which contribute to the level of trade and other payables. At year-end, the Group may accrue higher operating expenses as a result of its business activities, leading to higher trade and other payables during periods of low cash flow. However, the Group ensures the timely settlement of these payables in accordance with the established credit terms, which helps maintain healthy cash flow and good relationships with suppliers and vendors.

SGX-ST's Query 5

Please explain the increase in inventories from \$35,709,000 as at 31 Dec 2021 to \$41,771,000 as at 31 Dec 2022.

Company's Response

The breakdown of the Inventories for FY2022 and FY2021

Description	<u>FY2022</u> S\$'000	<u>FY2021</u> S\$'000
Raw materials (at cost)	7,008	6,847
Work in progress (at cost)	4,541	5,361
Finished Goods (at cost or NRV)	13,220	14,080
Capitalised contract costs - relating to the manufacturing of customers' tooling	17,002	9,421
Total Inventory	41,771	35,709

The increase in inventory is attributed to the rise in the capitalised contract cost relating to the manufacturing of customers' tooling. The Company has been engaged in the manufacturing of customers' tooling, which involves the design, development, and production of custom-built tooling for parts manufacturing, which takes several months or even years to complete. This results in a significant amount of inventory related to ongoing projects. During the period, we recorded an increase in the capitalised contract for the manufacturing of customers' tooling, leading to an increase in inventory balance. It reflects our ongoing commitment to fulfilling the needs of our customers and delivering satisfactory products and services. We closely monitor our inventory levels and take steps to manage our inventory effectively to support our operations and growth.

SGX-ST Query 6

With regard to page 18 of the unaudited financial statements for the year ended 31 December 2022 on interested parties' transactions, please disclose the nature of such

INNOTEK LIMITED

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

Page 5 of 5

interested parties' transactions (IPT) and the percentage of these interested parties' transactions compared against the net tangible asset value of the Group.

Company's Response

The Nature of the Interested Parties Transactions (IPT)

Description	FY2022 S\$'000
Rental	1,048
Sales	750
Purchase	826
Total Interested Party Transaction	2,624

Net Tangible Assets (NTA)	176,230
IPT/NTA	1.5%

The Company has established procedures to ensure that all Interested Person Transaction will be undertaken on an arms' length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties and will thus not be prejudicial to the interest of the Company and the shareholders.

The Company has adopted an internal policy in respect of any transactions with interested persons and has procedures established for the view and approval of the Company's interested person transactions.

IPT for the year is 1.5% of the net tangible assets (NTA) as shown in the table above, which is below the threshold of 3% of the group's latest audited net tangible assets as at 31 December 2022.

By Order of the Board

Ivy Neo
Finance Director
11 April 2023