

# INNOTEK LIMITED

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

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## RESPONSES TO THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES ON THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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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 financial year ended 31 December 2023 (the “**Financial Results**”).

### **SGX-ST Query 1**

*In respect of the Group's non-current other receivables amounting to S\$1,485,000, 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 to SGX-ST Query 1**

The non-current other receivables consist of rental security deposits totalling S\$1.485 million held by the landlords as collateral against the lease agreements. The rental security deposits are refundable at the conclusion of the lease terms, contingent upon meeting the conditions outlined in the lease agreements. The lease agreements relate to the factories and offices that are leased by the Group across multiple locations for its operations. The increase was attributed to a newly established factory in Vietnam. For the avoidance of doubt, this classification pertains to lease agreements with remaining periods exceeding one year.

The Company's management adheres to a structured process for evaluating the recoverability of non-current receivables and provides pertinent details to the Board for assessment during the Company's quarterly Board meetings, as the management considers appropriate.

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## **SGX-ST Query 2**

*It is noted that the Group's trade and other receivables increased from S\$54,258,000 as at 31 Dec 2022 to S\$64,554,000 as at 31 December 2023.*

*Please disclose:*

- (i) the reason for the increase in trade and other receivables;*
- (ii) breakdown of the Group's trade and other receivables;*
- (iii) aging of the Group's trade and other receivables;*
- (iv) details of the Group's underlying transactions of its other receivables and the terms of the transactions;*
- (v) the Group's plans to recover the trade and other receivables; and*
- (vi) the Board's assessment of the recoverability of the trade and other receivables.*

## **Company's Response**

- (i) The rise in trade and other receivables has resulted from the rise in sales during FY'23 compared to FY'22.
- (ii) Below is the breakdown and the explanatory notes for the trade and other receivables held by the Group: -

| <b>Description</b>                       | <b><u>FY'23</u></b> | <b><u>FY'22</u></b> |
|--|---------------------|---------------------|
|  | <b>S\$'000</b>      | <b>S\$'000</b>      |
| Trade receivables                        | 56,120              | 48,162              |
| Bills receivables                        | 3,154               | 1,477               |
| Loan to a joint venture                  | 274                 | 289                 |
| Other receivables                        | 3,878               | 2,871               |
| Refundable deposits                      | 1,128               | 1,459               |
| <b>Total Trade and Other Receivables</b> | <b>64,554</b>       | <b>54,258</b>       |

The Group's 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.

The bills receivables have an average maturity of one to six months (2022: One to six months) from the end of the reporting period.

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The 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. During the year, the Group extended the repayment date by 12 months. The loan is denominated in the Chinese Renminbi.

Other receivables mainly relate to sales tax receivables and other miscellaneous receivables.

The refundable deposit is the refundable rental security deposit for leases with a remaining lease term of less than one year.

(iii) Below is the age analysis of the trade receivables held by the Group: -

| Description                                | <u>FY'23</u>  | <u>FY'22</u>  |
|--|---------------|---------------|
|  | S\$'000       | S\$'000       |
| Current                                    | 46,265        | 40,448        |
| 1 to 30 days                               | 6,421         | 5,019         |
| 31 to 60 days                              | 1,562         | 1,391         |
| 61 to 90 days                              | 764           | 416           |
| > 90 days                                  | 1,108         | 888           |
| <b>Total trade &amp; bills receivables</b> | <b>56,120</b> | <b>48,162</b> |

(iv) The nature of other receivables are as follows: -

|                                | <u>FY'23</u> | <u>FY'22</u> |
|--------------------------------|--------------|--------------|
|                                | S\$'000      | S\$'000      |
| Sales Tax receivables          | 2,229        | 1,001        |
| Other Receivables              | 1,649        | 1,870        |
| <b>Total Other Receivables</b> | <b>3,878</b> | <b>2,871</b> |

(v) 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. 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.

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

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## SGX-ST Query 3

Please disclose a breakdown of the Group's trade and other payables amounting to S\$57,433,000 as at 31 Dec 2023 and S\$54,418 as at 31 Dec 2022. 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                           | <u>FY'23</u>  | <u>FY'22</u>  |
|---------------------------------------|---------------|---------------|
|                                       | S\$'000       | S\$'000       |
| (i) Trade payables                    | 37,252        | 36,951        |
| (ii) Other Payables                   | 4,618         | 3,012         |
| (iii) Accrued operating expenses      | 15,110        | 13,984        |
| (iv) Refundable deposits from tenants | 453           | 471           |
| <b>Total Trade and Other Payables</b> | <b>57,433</b> | <b>54,418</b> |

(i) The Group's trade and other payables are non-interest bearing and are normally settled on 30 to 120-day terms.

(ii) The nature of other payables are as follows: -

|                                     | <u>FY'23</u> | <u>FY'22</u> |
|-------------------------------------|--------------|--------------|
|                                     | S\$'000      | S\$'000      |
| Loan from non-controlling interests | 1,187        | -            |
| Other Payables                      | 3,431        | 3,012        |
| <b>Total Other Payables</b>         | <b>4,618</b> | <b>3,012</b> |

The loan from non-controlling interests is unsecured, interest-free, and repayable 12 months from the date of the loan. The loan was denominated in United States Dollars.

(iii) The Group's accrued operating expenses include, among others, (a) salaries and wages, (b) rental, (c) water and electricity expenses, and (d) value-added taxes.

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 industry standards and makes payments according to these terms. The Group will continue to monitor the trade payable aging to ensure that the Group manages the trade payables efficiently and effectively.

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## SGX-ST Query 4

With regard to page 18 of the unaudited financial statements for the year ended 31 December 2023 on interested parties' transactions, please disclose the nature of such 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 Company notes that the net tangible asset value ("NTA") of the Group as of the audited financial statements for the year ended 31 December 2022 is S\$176.2 million.

The nature of the interested parties' transactions ("IPT") and the percentage of the IPTs compared against the NTA of the Group are as follows:

| Name of Interested Person          | Nature of Relationship   | Nature of IPT   | Aggregate value of all interested person transactions during the financial period 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) | Percentage of IPT against the NTA of the Group |
|------------------------------------|--|-----------------|---|---|--|
| All Brilliant Ltd                  | Mr. Lou Yiliang, the Chief Executive Officer of the Company ("CEO"), has an indirect interest of 62.5% | Sales of goods  | \$3,565   | None  | 0.002%   |
| Wuhan Grand Mould Plastic Co. Ltd. | Mr. Lou Yiliang, the CEO, has an indirect interest of 29.61%   | Rental payments | \$1,078,543   | None  | 0.612%   |

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| Name of Interested Person             | Nature of Relationship                                       | Nature of IPT               | Aggregate value of all interested person transactions during the financial period 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) | Percentage of IPT against the NTA of the Group |
|---------------------------------------|--|-----------------------------|---|---|--|
| KunShan Grand Mould Plastic Co., Ltd  | Mr. Lou Yiliang, the CEO, has an indirect interest of 29.61% | Sales and Purchase of goods | \$133,928   | None  | 0.076%   |
| Dongguan Kange Plastic Mould Co. Ltd. | Mr. Lou Yiliang, the CEO, has an indirect interest of 29.61% | Sales and Purchase of goods | \$70,550  | None  | 0.040%   |
| Anhui KM Technology Co. Ltd.          | Mr. Lou Yiliang, the CEO, has an indirect interest of 15.1%  | Sales and Purchase of goods | \$76,725  | None  | 0.044%   |
| <b>Total IPT Value</b>                |  |                             | <b>\$1,363,311.00</b>   |   | <b>0.774%</b>                                  |

The Company has established procedures to ensure that all IPTs 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 review and approval of the Company's IPTs.

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As set out in the table above, the total value of all the IPTs entered into by the Company in 2023, as against Group's latest audited net tangible assets as at 31 December 2022 is 0.774%, which does not amount to 3% or more of the Group's latest audited NTA.

By Order of the Board of  
**InnoTek Limited**

Lou Yiliang  
Executive Director / Chief Executive Officer  
2 April 2024