

Aztech

Key Technology Enabler For
The Connected World Of Tomorrow

Annual Report
2020

Aztech Global Ltd.

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Aztech Global Ltd.

We are a key technology enabler for the connected world of tomorrow, with a focus on providing one-stop design and manufacturing services. Supported by our core strengths in R&D, design, engineering and manufacturing, our key products are IoT Devices, Data-communication products and LED lighting products.

Leveraging on our expertise, we also provide one-stop design and manufacturing services to blue chip customers, technology start-ups and other companies with innovative products.

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**Over
30 Years**
of Operating
Track Record

290
Customers Globally
>40
Countries

2,685
Employees worldwide

**4 R&D
Centres**
Singapore, Hong Kong,
Shenzhen & Dongguan

**3
Factories**
in Dongguan, PRC,
and Johor, Malaysia

Our Brands
Aztech  **Kyla**





Our Business Strengths

2020





MANAGEMENT TEAM

Committed and highly experienced management team with deep insights into the electronics industry



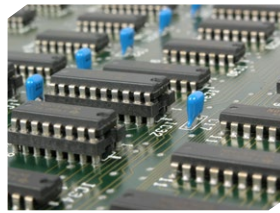
SOLID TRACK RECORD

Solid track record of over 30 years in the electronics industry and over 25 years in communication and networking technology



R&D

Strong in-house R&D and production engineering capabilities



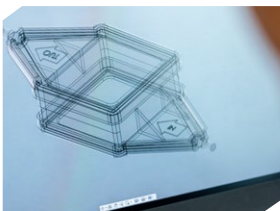
MANUFACTURING

Strong manufacturing capabilities in the PRC and Malaysia.



TECHNOLOGICAL CAPABILITIES

Key technology enabler to our customers with our strong suite of core technological capabilities.



ROBUST PRODUCTS

Robust product portfolio catering to fast growing IoT, Data-communication and LED lighting industries.



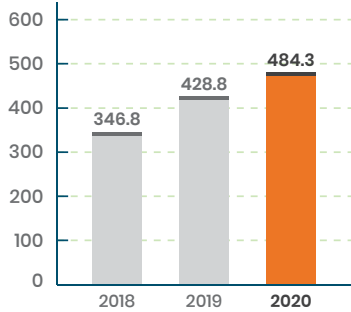
GLOBAL REACH

Globally diversified sales strategy encompassing OEM, ODM, CMS, JDM and retail channels.

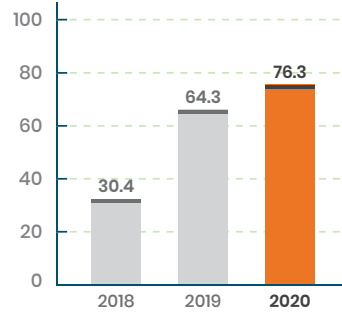
Financials at a Glance

	2018	2019	2020
Singapore Dollar	\$'000	\$'000	\$'000
Results			
Revenue	346,822	428,825	484,273
EBITDA	30,350	64,302	76,313
Net profit for the year	20,010	47,172	55,727
Assets & Liabilities			
Net current assets	35,661	663	17,962
Total assets	197,924	160,711	300,248
Total liabilities	141,816	138,012	258,625
Total borrowings	15,595	15,584	37,371
Shareholders' equity	56,108	22,699	41,623
Per Share Basis (in dollar)			
Earnings - basic*	0.03	0.02	0.09
Net asset value**	0.09	0.04	0.07
<small>*For FY2020, EPS has been computed based on the profit attributable to issued share capital of 618,720,000 Shares, EPS for FY2019 was computed after taking into account the Capital Reduction Exercise in 2019 that was undertaken by the Company in preparation for the Listing. **NAV per Share is computed based on the equity attributable to our Company's equity holders and the pre-Invitation issued share capital of 618,720,000 Shares</small>			
Ratios			
Net profit margin	5.8%	11.0%	11.5%
Current ratio	1.25	1.00	1.07
Net gearing ratio*	0.08	0.06	0.62
AR turnover (days)	76	88	83
AP turnover (days)	117	112	100
Inventory turnover (days)	48	23	52
<small>*The net gearing ratio is calculated as net borrowings divided by shareholders' funds. Net borrowings are calculated as total borrowings and lease liabilities less cash and bank balances</small>			

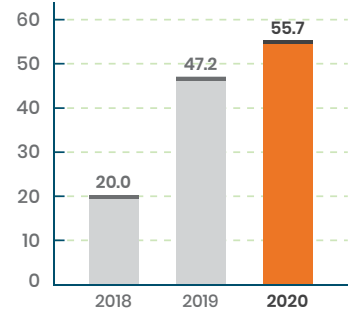
Group Turnover (\$\$m)



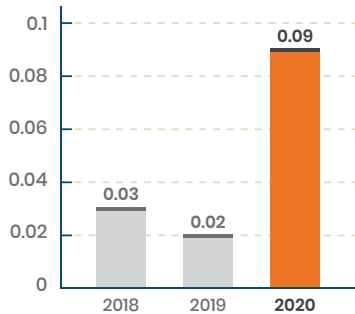
EBITDA (\$\$m)



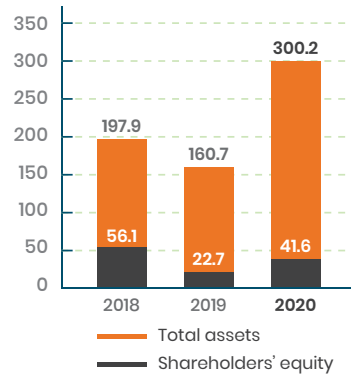
Net Profit (\$\$m)



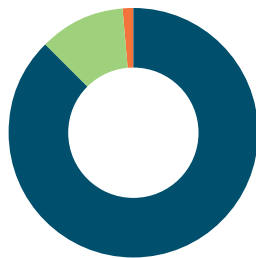
Earnings Per Share (in dollar)



Shareholders' Equity & Total Assets (\$\$m)

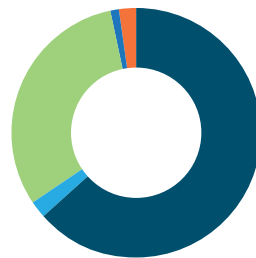


2020 Turnover by Business Segment (%)



IoT devices & Datacom products	88.40
LED products	11.43
Others	0.17

2020 Turnover by Geographical Region (%)



North America	63.65
China	2.04
Europe	31.33
Singapore	0.88
Others	2.10

Letter to Shareholders



Mr. Michael Mun
Executive Chairman
and CEO

“ The Group has stood up to the test to deliver a strong set of results for the financial year ended 31 December 2020. ”

Dear Shareholders,

2020 had been an extraordinary year for Aztech Global Ltd. (“the Group”) as we grappled with and learnt to respond to unprecedented challenges emanating from the COVID-19 pandemic. The Group, like the rest of the world, has had to adapt to the new normal.

The Group was not immune to the health, social and economic impact brought about by the outbreak. Task force at our offices and facilities were set up to manage the situation and measures were implemented to prevent the spread of the COVID-19. I am glad that the Aztech Global team had responded swiftly and resiliently to the challenges set before us, mitigating the impact of the pandemic by conserving resources, while focusing to achieve impeccable execution of customer orders during the year. The Group has stood up to the test to deliver a strong set of results for the financial year ended 31 December 2020 (“FY2020”).

Financial Performance Review

The Group had reported an 18.1% increase in net profit after tax to \$55.7 million, while its revenue grew 12.9% to \$484.3 million for FY2020. This was achieved despite disruption to its operating environment caused by COVID-19 pandemic during the first quarter of 2020 ("Q1 FY2020").

Though the pandemic had posed challenges, the team has been focusing on our strong collaborative relationship with our customers and leveraging on opportunities that our robust product portfolio and core technological capabilities can offer to the growing Internet of Things (IoT), Data-communication and LED lighting industries.

The stellar Q4 FY2020 revenue growth to \$222.0 million was driven by higher production volume and shipment of IoT and Data-communication products to customers, thus lifting the revenue contribution from this segment by a solid 46.3% to \$428.1 million. The exceptional growth was achieved following the Group's deliberate focus on the production of smart lighting products, IoT devices and data-communication products as these commanded higher profit margins and better utilisation of our manufacturing facilities.

Agility and resourcefulness of the team, together with our flexible manufacturing capability, led to an improvement in revenue mix, productivity and efficiency that lifted earnings before interest, taxation, depreciation and amortisation expenses (EBITDA) by 18.7% to \$76.3 million, and EBITDA margin added 80 basis points to 15.8% for FY2020. Profit before tax grew 21.4% to \$66.5 million, while net profit after taxation increased by 18.1% to \$55.7 million. Profit was partly negated by higher tax expenses arising

from higher pre-tax profits for FY2020 and the full utilisation of group tax relief in the previous financial year. Net profit margin, however, added 50 bps to 11.5%, and earnings per share improved to 9.00 cents¹.

Healthy Balance Sheet

The Group reported healthy cash and bank balances of \$11.5 million as at 31 December 2020. In spite of the higher working capital requirements to ensure smoother production and on-time delivery of customers' orders, its operations continued to generate sustainable cash flow of \$28.6 million for FY2020.

The increase in working capital by \$17.3 million to \$18.0 million as at 31 December 2020 arose from the need to hold and secure components to meet production requirements in January and February in view of the factory shutdown during the Chinese New Year holiday in February 2021 and the on-going global shortages of components.

Elsewhere, the Group's net asset value (NAV) per share² as at 31 December 2020 stood at a substantially higher 6.7 cents from 3.7 cents as at 31 December 2019, lifted mainly by 83.4% increase in accumulated reserves to \$41.6 million.

¹ EPS has been computed based on the profit attributable to equity holders of our Company and the share capital of 618,720,000 Shares prior to the Company's initial public offering.

² NAV per share is computed based on the equity attributable to our Company's equity holders and the pre-invitation issued share capital of 618,720,000 shares.



Letter to Shareholders *(Cont'd)*

Strategic Growth Initiatives and Business Outlook

The Group undertook a rebranding exercise to position itself as a design and manufacturing expert in the business-to-business markets under the “Aztech” brand in a commitment to focus on electronics business. The exercise also marked its successful transformation into a full fledge manufacturer with OEM, ODM, JDM and CMS solutions backed by its strong R&D capabilities spanning industrial design, electronics, mechanical, hardware, firmware and software design. Specialised engineers are deployed to ensure robustness of designs besides compliance with international standards. At the business-to-consumer space, the Group is selling products under its proprietary “Kyla” brand.

Since August 2020, the Group had commenced production at its manufacturing facility in Malaysia to cater for the expansion of its IoT Devices, Data-communication and LED lighting products. The manufacturing facility in Malaysia complements its two facilities in the PRC that strategically positions the Group for opportunities as it seeks to fortify value to customers.

The Group has recently raised net offer proceeds of \$188.6 million following its initial public offering (IPO) of 155.0 million new shares at \$1.28 a share on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”) to fund its expansion plans. The Group is exploring opportunities to expand its manufacturing facility, sales network and marketing channels as well as R&D capabilities. It remains committed to exercise prudence in the use of the net proceeds raise and will make the necessary announcement on the application of the IPO proceeds. Please refer to page 40 of the Annual Report 2020 on the use of IPO net proceeds.

Going forward, the Group remains focus on expanding its robust product portfolio catering to and capitalising on the growing IoT³, Data-communication⁴ and LED lighting⁵ industries to grow its revenue and diversify its customer revenue mix. Its ODM and JDM businesses, in particular, are expanding its smart devices for home and office applications to capture greater market share, while its R&D division has embarked on collaborative efforts with its customers to tap on the exciting growth opportunities offered by the proliferation of IoT in the healthtech industry.

With the global shortages of components unlikely to abate in the foreseeable future, the Group has been and will be working closely with its customers, suppliers and relevant partners and stakeholders to manage the situation towards ensuring smooth production and timely delivery of its customers’ orders.

³ The IoT industry is expected to continue growing at a CAGR of 20.8% to reach US\$425.2 billion by 2023 from 2019. Source: Frost & Sullivan (January 2021)

⁴ The data communication industry is forecast to continue to grow at a CAGR of 5.9% from 2019 to US\$59.0 billion in 2023. Source: Frost & Sullivan (January 2021)

⁵ The global LED Lighting market is forecast to grow at a CAGR of 4.3% from US\$67.7 billion in 2019 to US\$80.0 billion in 2023. Source: Frost & Sullivan (January 2021)

The Group's order book as at 2 January 2021 was \$270.7 million. It has since received additional orders amounting to \$228.3 million as at 21 March 2021⁶. With a strong order book and measures that have been put in place to mitigate the impact of the pandemic, the Group is cautiously optimistic of its business prospects for 2021 as it continues with its business to be the key technology enabler for its customers.

Proposed Final Dividend

In view of the strong financial results achieved for FY2020, the Board of Directors ("Board") had recommended a final dividend of 2 cents a share on a one-tier tax-exempt basis, subject to approval by the shareholders at the forthcoming Annual General Meeting ("AGM") to be held on 30 April 2021. The total estimated dividend to be paid amounts to \$15,474,400.

The Board has also approved the adoption of the Aztech Scrip Dividend Scheme ("Scheme") and the application of the Scheme to this proposed dividend. The dividend, subject to the approval by shareholders at the upcoming AGM, would be eligible for the Scheme.

While the Group currently does not have a fixed dividend policy, the Board intends to recommend dividends of at least 30.0% of net profit after tax excluding exceptional items for FY2021 and FY2022 to reward our shareholders for participating in the Group's growth.

Acknowledgment

On behalf of the Group, I would like to acknowledge and express the deepest appreciation to my fellow directors, management and staff for your efforts and commitment throughout this challenging year to deliver yet another record set of results for FY2020, and the successful listing of the Group's shares on the Mainboard of the SGX-ST on 12 March 2021.

To our valued customers, suppliers and business partners, thank you for your continuous confidence and unwavering support all these years.

Last but not least, I would like to thank our Shareholders for your confidence in the Group. We will continue to build on our business fundamentals to unlocking opportunities to enhance shareholders' value.



Michael Mun
Group Executive Chairman & CEO

⁶ The Group's order book in respect as at any particular date is subject to changes in its customers' transactions and may not be indicative of its revenue for any succeeding periods.

Board of Directors



Larry Tan

Tan Teik Seng

Michael Mun

Jeremy Mun

Christopher Huang

Michael Mun

EXECUTIVE CHAIRMAN & CHIEF EXECUTIVE OFFICER

Mr Michael Mun Hong Yew, founder of the Group, is the Executive Chairman and Chief Executive Officer of Aztech Global Ltd. He was appointed to the Board on 27 May 2009. Mr Mun is responsible for identifying and implementing business growth strategies across the Group as well as overseeing the Group's growth and operating functions. He has more than 40 years of experience in the electronics industry. He began his career in 1975 at the Singapore office of Rank O'Connors, a British consumer electronics distributor, before the founding of Aztech. Mr Mun spearheaded transformation efforts to transform the Group from a PC manufacturer to a multi-disciplinary business manufacturing, designing and selling IoT Devices and Data-communication products, LED Lighting products and other electrical products.

Jeremy Mun

EXECUTIVE DIRECTOR AND CHIEF OPERATING OFFICER

Mr Jeremy Mun Weng Hung is the Executive Director and Chief Operating Officer of the Group and was appointed to the Board on 8 August 2017. Jeremy is responsible for the day-to-day operation and management of the Group's businesses, in particular the manufacturing facilities in the PRC and Malaysia. He has been with the Group since 2002 and was previously involved in the product development and sales of LED lighting business before taking on the current role.

Jeremy holds a Bachelor of Science in Management from the University of London.

Tan Teik Seng

LEAD INDEPENDENT DIRECTOR

Mr Tan Teik Seng is the Lead Independent Director and was appointed to the Board on 19 February 2021. He is also the Chairman of the Company's Audit Committee with effect from 19 February 2021. Mr Tan currently serves as an independent non-executive director of NASDAQ-listed O2Micro International Ltd and chairs the audit committee. He is also executive director of Teleios SC Pte Ltd, a boutique executive search firm. With over 30 years of experience in the electronics industry, his previous appointments include senior managing director of Advanced Micro Devices (Singapore) Pte Ltd, where he managed the business' Singapore and regional operations.

In addition, Mr Tan held directorships in non-profit organisations. From 2015 to 2019, he was the vice chairman of the board of directors of The Helping Hand, a halfway house for the rehabilitation of ex-drug addicts. At Bizlink Centre Singapore Ltd, a non-profit organisation that provides sheltered workshop and employment placement services for the disadvantaged and disabled, he was a non-executive director from 1999 to 2013, and was the chairman of its board from 2001 to 2010.

Mr Tan holds a Bachelor in Electrical Engineering and a Master of Science in Industrial Engineering from the National University of Singapore. He is a Fellow of the Singapore Human Resource Institute and a member of the Singapore Institute of Directors.

Larry Tan

INDEPENDENT DIRECTOR

Mr Larry Tan is the Independent Director and was appointed to the Board on 19 February 2021. He is also the Chairman of the Company's Remuneration Committee with effect from 19 February 2021. Mr Tan is currently a retiree. He was recently the Asia President of Texas Instruments Singapore Private Limited from July 2007 to his retirement in July 2018. Mr Tan started his career in 1979 as a process engineer at the memory product division of Texas Instruments Singapore Private Limited before taking on few other portfolios as engineering manager, manufacturing manager as well as site quality and reliability manager. Subsequently, he assumed the role of vice president of marketing in the Asia Pacific sales and marketing division in 1991 prior to being the vice president of sales from 1993.

Mr Tan holds a Bachelor of Science with Honours Class 1 (Mechanical Engineering) from the University of Birmingham and a Master of Business Administration from Brunel University.

Christopher Huang

INDEPENDENT DIRECTOR

Mr Christopher Huang is the Independent Director and was appointed to the Board on 19 February 2021. He is also the Chairman of the Company's Nominating Committee with effect from 19 February 2021. Mr Huang is currently the managing director of CHP Law LLC and advises on various areas of law, with a focus on the legal and tax aspects of cross border commercial transactions, including transfer pricing. Prior to his founding of CHP Law LLC in April 2019, Mr Huang headed CNP Tax and Advisory Pte Ltd and the tax practice group of Colin Ng & Partners LLP. He joined Colin Ng & Partners LLP (now known as CNPLaw LLP) in April 2015 and was made a partner in 2018. He started his career as an accountant at Hastings Deering Australia Limited and has also worked as business manager at Adcomp Technology Pte Ltd, as tax associate in the transfer pricing department of PricewaterhouseCoopers and as tax lawyer at VoskampLawyers.

Mr Huang holds a dual degree in law (LL.B.) and commerce (B.Com) from the University of Queensland (Australia).

Senior Management



Pavani Nagarajah

SENIOR VICE PRESIDENT – LEGAL AND CORPORATE AFFAIRS

Pavani Nagarajah is the Senior Vice President of Legal and Corporate Affairs. She is responsible for overseeing all legal and corporate matters of our Group and also heads the investor relations and human resource departments of the Group. Pavani has been with the Group for more than 22 years. Prior to joining the Group in 1998, she was a Senior Manager, Legal at Yamaha Music (Asia) Pte Ltd in Singapore.

Pavani holds a Bachelor of Laws from the National University of Singapore.



Daniel Oh

SENIOR VICE PRESIDENT – SALES/BUSINESS DEVELOPMENT

Daniel Oh is the Senior Vice President of Sales/Business Development. He oversees the business development activities of the Group's Data-communication products and OEM/ODM/JDM/CMS products divisions. Daniel has been with the Group for more than 24 years. Prior to joining the Group in 1996, he was a sales and production manager at Trio-Tech International Pte Ltd.

Daniel holds a Diploma in Electrical Engineering from the Singapore Polytechnic and an Advance Diploma in Management Studies from the Singapore Institute of Management.



Jason Saw

SENIOR VICE PRESIDENT – BUSINESS DEVELOPMENT

Jason Saw is the Senior Vice President of Business Development. He is responsible for the business development activities of the Group's JDM/CMS products divisions, with a focus on the lighting/smart lighting sector for the international markets. Jason has been with the Group for more than 15 years. He worked as a research and development manager for Aztech Group from 1991 to 1999 before he joined Celestix Network Pte. Ltd. as a research and development manager. Jason joined the Group in 2005 where he was involved in the Group's R&D activities and was promoted to Senior Vice President of Research and Development in 2011 before his re-designation as Senior Vice President of Business Development in 2019.

Jason holds a Diploma in Electronic Engineering from Ngee Ann Polytechnic.



Annie Qian

FINANCIAL CONTROLLER

Annie Qian is the Financial Controller. She is responsible for overseeing all financial matters of the Group, including all roles and responsibilities expected of a chief financial officer of a listed company on the SGX-ST. Annie joined the Group in July 2016 as a finance manager and was subsequently promoted to Financial Controller in November 2017. Prior to joining the Group, she was a senior accountant at Dealguru Holdings Pte. Ltd., from May 2014 to June 2016. She was previously an accountant at Sheffield Offshore Services Pte Ltd from November 2013 to April 2014 and at MindChamps Singapore Pte. Limited from January 2012 to October 2013.

Annie holds a Bachelor of Science in Applied Accounting from Oxford Brookes University, and is a member of the Institute of Singapore Chartered Accountants.



Ivan Mun

VICE PRESIDENT – SALES AND MARKETING

Ivan Mun is the Vice President of Sales and Marketing. He oversees the business development activities of the Group's IoT Devices and LED lighting products divisions for the Singapore market as well as the marketing activities of the Group. Ivan has been with the Group for 15 years and was previously involved in the Group's sales activities in Hong Kong and the PRC for electronic products. He is also currently director of Aztech Innovation as well as AVS Investments.

Ivan holds a Master of Business Administration from Murdoch University.



Terence Kwong

VICE PRESIDENT – RESEARCH AND DEVELOPMENT

Terence Kwong is the Vice President of Research and Development. He oversees all research and development activities of the Group. Terence has been with the Group for more than 15 years. Prior to joining the Group, he was a senior hardware engineer at Guangdong Harvest Int'l Ltd and an assistant engineering manager at K-Tech Int'l Ltd.

Terence holds a Bachelor of Engineering in Electronic Engineering from the City University of Hong Kong.

Operations Review

The Group's operations continued to generate sustainable cash flow and achieve timely delivery of its customers' orders for FY2020 despite disruption caused by the COVID-19 pandemic during the first quarter of 2020 ("Q1 FY2020"). Travel restrictions imposed by the PRC government and the Movement Control Order by the Malaysian government to contain the pandemic led to temporary closure of the Group's manufacturing facilities in the PRC, while the new facility in Malaysia experienced delay in renovation, in turn, the commencement of the production.

The manufacturing facilities in the PRC resumed production in Q2 FY2020 while that of Malaysia commenced production in Q3 FY2020. The timely resumption of operations at its manufacturing facilities had enabled the Group to capitalise on seasonally higher orders during the last quarter of FY2020.

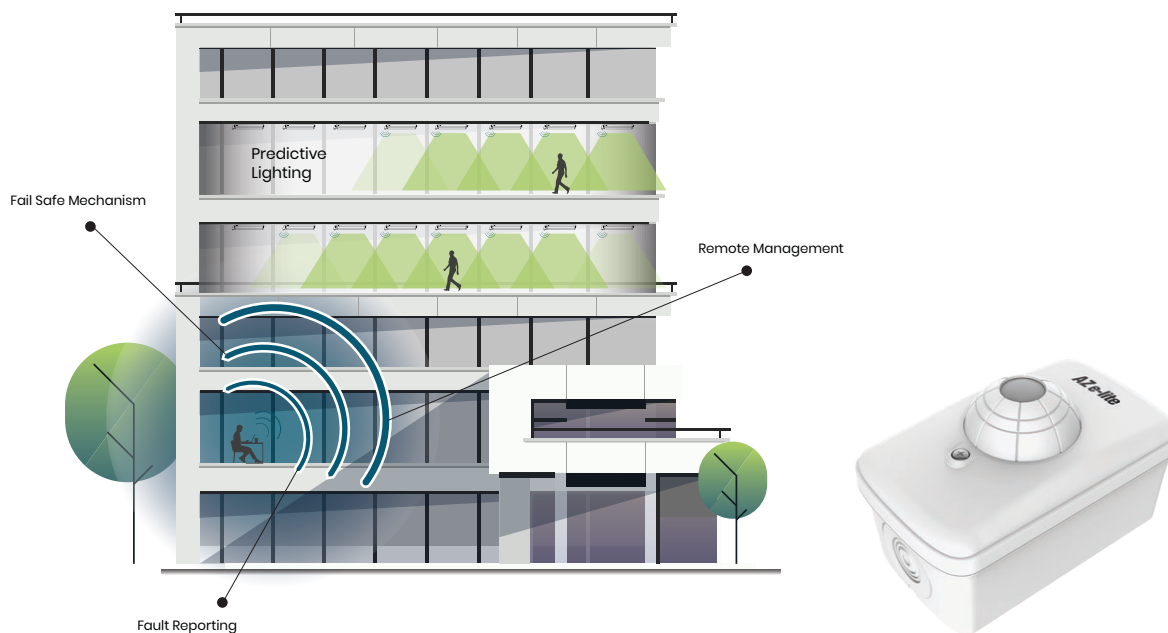
While manufacturing activities had resumed for its three facilities, the Group's operating landscape continued to face the challenges of global electronic component shortages. To meet the production requirements in January and February in view of the factory shutdown during the Chinese New Year holiday in February 2021, the Group had sourced and secured more components to enable timely delivery of customers' orders.

Meanwhile, its manufacturing facility in Malaysia is undergoing expansion and enhancement works slated for completion by H1 FY2021. This is expected to increase the total built-up area from approximately 45,500 sq ft to approximately 86,000 sq ft. The Group planned to transfer a substantial part of its production requirements for products which are of a comparatively higher value to its manufacturing facility in Malaysia, which is capable of handling up to 60% of the Group's production requirements in value terms.

In China, the blended annual capacity utilisation rate for its Dongguan facilities was 62.6% for FY2020.

Revenue for Q4 FY2020, however, reported stellar growth to \$222.0 million. The Group generally experiences higher sales in the second half of the year due to the seasonality of end consumer demand. The revenue growth in Q4 FY2020 was driven by higher production volume and shipment of IoT devices and Data-communication products to customers.





Smart Building Management with our Smart Lighting Systems

IoT Devices and Data-communication Products

The higher production volume and shipment for IoT and Data-communication products during Q4 FY2020 lifted revenue contribution from this segment by a solid 46.3% to \$428.1 million, or about 88.4% of the Group's total revenue. The exceptional growth was achieved following the Group's deliberate focus on the production of smart lighting products, IoT devices and data communication products as these commanded higher profit margins.

The Group, which has over 30 years of track record in the electronics industry and over 25 years in communication and networking technology, provides design services, manufacturing services or a combination of both to brand owners such as home security solutions providers, telecommunication companies, technology start-ups, healthtech and automotive companies with innovative products under ODM, OEM, JDM or CMS arrangement. Some of the products manufactured include smart security cameras, IoT lighting products, HomePlugs, Satellite modems, climate control mattresses, tracking device and Healthtech products.

In addition, the Group distributes a wide range of IoT Devices such as home automation products as well as data-communication products including fibre gateways, mesh routers, HomePlug devices and smart security cameras for residential and commercial applications. These are sold under proprietary "Aztech" and "Kyla" brands through its channel partners and on e-commerce platforms.

Other IoT Devices in the pipeline include smart wearables and smart energy monitoring solutions.

LED Lighting Products

The Group manufactures a wide range of LED lighting products which are used in a variety of applications for general lighting in residential, commercial and industrial lighting. It also produces LED light products for special applications such as agriculture, refrigeration and automotive industrial lighting.

Leveraging on its strong background in R&D, design, engineering and manufacturing, the Group also provide OEM, ODM, JDM and CMS services for LED lighting products to multinational corporations.

As a result of the mandatory temporary shutdown for the Group's manufacturing facilities in Q1 FY2020 due to the COVID-19 pandemic and focus on the production of smart lighting products, revenue contribution from LED lighting products decreased by 59.3% to \$55.4 million for FY2020 to account for 11.4% of the Group's revenue.

Over the years, the Group has developed smart lighting system, consisting of a network of wireless nodes with an in-built smart controller, to provide on-demand lighting to achieve high energy efficiency and reduce consumption by up to 40%, as well as to reduce light pollution and increase the life span of LED lighting.

Operations Review *(Cont'd)*



Other Electrical Products

The Group sells electrical products namely kitchen appliances and other home and living products under its “Kyla” brand across 11 product lines and more than 35 models of electrical products on its e-commerce platform and other online marketplaces. During the year under review, the Group had also entered into the distribution of 3-ply surgical mask to alleviate the supply shortages following the onslaught of the pandemic.

Revenue contribution from the segment surged from \$320,000 in FY2019 to \$830,000 in FY2020, and accounted for 0.2% of the Group’s revenue.

Our R&D Differentiator

Currently, the Group has four R&D centres in Singapore, Hong Kong and the PRC namely Shenzhen and Dongguan. It is looking to set up additional R&D centre in the PRC.

The Group believes that R&D is critical in sharpening its competitive edge, differentiating itself from competitors. According to Frost & Sullivan, the Group’s strong core capabilities in design and manufacturing had enabled it to add value to the whole production process and differentiate it as a manufacturing partner of choice from other pure-play contract manufacturers. Thus, strong R&D capabilities would be instrumental to the success of

the Group as it adapt to and evolve from customers’ expectations and market changes to remain competitive.

The Group, which will continue to make key investment in product development, intends to develop capabilities in artificial intelligence and big data. It will also explore opportunities to enter into strategic collaborations with its customers, suppliers, industry experts and/or other business partners to develop new products and technologies, as well as to enhance its manufacturing capabilities. It has recently embarked on collaborative efforts with its customers, for instance, to tap on the exciting growth opportunities offered by the proliferation of IoT in the healthtech industry.

With a strong core R&D team who are collectively equipped with a high level of technical expertise and experience in industrial design, mechanical engineering, electronics and electrical engineering as well as software and hardware designs, the Group continues to believe that the synergistic working of the R&D and manufacturing would reap resiliency and sustainability in the longer term.

Report of Corporate Governance

The Board of Directors (the “**Board**”) of Aztech Global Ltd. (“**Aztech**” or the “**Company**”) is committed to ensuring the highest standard of corporate governance and transparency. The Board has adopted the principles set out in the Code of Corporate Governance 2018 (the “**Code**”) and has put in place a set of policies, practices and processes (the “**3Ps**”) to enhance transparency and accountability as well as to protect the interest of shareholders. For the financial year ended 31 December 2020 (“**FY2020**”), Aztech’s Board of Directors is pleased to confirm that Aztech has generally adhered with the principles and guidelines of the Code.

As the Company was recently listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 12 March 2021, the Board shall endeavour to continue to review the 3Ps from time to time to ensure the Group’s corporate transparency, accountability, business integrity and performance continue to be enhanced to protect all stakeholders’ interests, as well as to ensure compliance with the Listing Manual of the SGX-ST (the “**Listing Manual**”).

BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

The Board is entrusted with the responsibility for the overall management of the Company. The Board is responsible for implementing and maintaining sound corporate governance practices for the Company, and ensuring transparency and accountability to key stakeholder groups. All Directors are expected to exercise due diligence and independent judgement, act in good faith and consider the business affairs of the Company. The Board is collectively responsible for the Group’s long-term success.

The Board is assisted by an experienced and qualified team of “Key Management Personnel” which is defined in the Code to mean “the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Company”. For the purposes of this annual report, the term Key Management Personnel is used interchangeably with the term “Management”. The particulars of each member of the Management (who are not Directors or the CEO) are set out at pages 12 and 13 of this annual report.

The principal duties of the Board include:

1. Setting the Group’s strategic goals and objectives;
2. Overseeing and monitoring Management performance and the achievement of the Group’s strategic goals and objectives;
3. Ensuring that the necessary financial and human resources are in place for the Group to meet its goals and objectives;
4. Reviewing and approving budgets and financial plans;
5. Monitoring financial performance including approving the annual and interim financial reports;
6. Overseeing and reviewing the integrity and adequacy of the Group’s internal controls and management information systems to ensure compliance with laws, regulations, directives, guidelines and the Group’s internal code of conduct;
7. Ensuring that significant risks facing the Group have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place to manage such risks;
8. Appointing the Group CEO and approving the remuneration policies and guidelines for the Board and Management;

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9. Reviewing the performance of Management and overseeing succession planning, including appointing and training directors, and mentoring Management, as well as determining and reviewing compensation levels;
10. Setting the Group's values and standards (including ethical standards) and ensuring that obligations to shareholders and others are understood and met;
11. Reporting to shareholders and establishing a communication policy, such as an investor relations programme and policy, wherever required;
12. Considering sustainability issues, e.g. environmental and social factors, as part of the strategic formulation; and
13. Assuming responsibility for corporate governance.

Independent Judgment and Conflict of Interests

The Board and the Management fully appreciate that an effective and robust board whose members engage in open and constructive debate and challenge the Management on its assumptions and proposals is fundamental to good corporate governance. The Directors have the appropriate core competencies and diversity of experience to enable them to contribute effectively. All Directors are expected to exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

Each Director is required to promptly disclose any conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Group as soon as is practicable after the relevant facts have come to his knowledge. On an annual basis, each Director is also required to submit details of his other directorships and interests in other entities for the purpose of monitoring interested persons transactions. Where a Director has a conflict of interest in relation to any matter, he will recuse himself from discussions and decisions involving the issues of conflict. In respect of certain matters, he may be permitted to participate in the discussions if the Board is of the opinion that his presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he will abstain from voting in relation to such issues of conflict.

The Board Committees

The Board has established three committees: (a) the Audit Committee, (b) the Nominating Committee and (c) the Remuneration Committee, which operate under clearly defined terms of reference.

Board Committees	Composition
Audit Committee ("AC")	3 members, all of whom are Independent Directors
Nominating Committee ("NC")	3 members, all of whom are Independent Directors
Remuneration Committee ("RC")	3 members, all of whom are Independent Directors

The Board Committees function within clearly defined terms of references and operating procedures, which will be reviewed on a regular basis taking into consideration the changes in the governance and legal environment. Any change to the terms of reference for any Board Committee requires the specific written approval of the Board. The Board Committees' key functions are summarised as follows:

	Task	Sub-committee
1.	Oversee and monitor Management's performance	Nominating Committee
2.	Monitor financial performance	Audit Committee
3.	Identification and management of significant risks	Audit Committee
4.	Succession Planning	Nominating Committee
5.	Determine and review compensation levels	Remuneration Committee

Report of Corporate Governance

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. The Board acknowledges that while the Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

Board Meetings and Attendance

The Board plans to convene scheduled meetings four (4) times a year to discuss the Group's quarterly performance and approval of budget. Special Board meetings may be convened when warranted by circumstances. Since the listing of the Company on the SGX-ST, the Board has had a total of 2 board meetings, which were attended by all members of the Board.

The Company Secretary has circulated the schedule of meetings of the Board and Board Committees, and Annual General Meeting for the whole year in advance to the Directors for them to plan their attendance. When Directors are unable to attend meetings in person, electronics means are used as permitted under Aztech's Constitution. The Board and Board Committees may also make decisions via written resolutions.

Guidelines on Matters for Board Approval

Aztech has guidelines setting out the specified transactions which require Board's approval, including matters such as the annual budgets and business plans, any alternation to the share capital of the Company or the issuance of shares, declaration of interim dividends and proposal of final dividends. The Group has established financial authorisations and approval limits for operating and capital expenditures and the acquisition and disposal of investments. All commitments to term loans and credit lines from banks require the approval of the Board. In particular, Board's approval is required for any investment, divestments or capital expenditure, in particular for the following:-

- (a) Any sale, lease, transfer or disposition (other than a mortgage) of any capital asset of the Group exceeding S\$500,000 in value;
- (b) Any investment by the Group, which is not in the ordinary course of the Group's business;
- (c) Any sale, lease or acquisition of any site or building and/or any immovable property which has any expenditure in excess of S\$500,000 per year;
- (d) Any expenditure by the Group in excess of S\$500,000 which is not in the budget;
- (e) The commencement of any new major undertaking by the Group which is not connected directly or indirectly with the business of the Group and which requires any investment in excess of S\$500,000; and
- (f) The provision of any guarantee by the Group in excess of S\$500,000 or which is not in the ordinary course of the business of the Group.

All matters which are not specifically reserved for the Board and necessary for the day-to-day management of the Company and the implementation of corporate objectives are delegated to the Management.

Orientation and Training

Prior to the listing, the Directors were briefed by the Company's external lawyers of the key disclosure and statutory obligations, relevant regulations, governance requirements and other duties and responsibilities as Directors. Upon joining the Board, the Independent Directors had an orientation to familiarise themselves with the Group's business and operations.

The Group plans to organise a tour of its key manufacturing facilities in China and Malaysia for the newly appointed Directors when travel restrictions that are in place due to the COVID-19 pandemic are lifted.

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The Group is committed to make arrangement for all Directors who do not have prior experience as directors of a public listed company in Singapore to attend courses organised by the Singapore Institute of Directors as required under the Listing Manual. Directors are updated with the latest professional development in relation to the Listing Manual, accounting standards and other applicable regulatory updates or amendments to relevant laws, rules and regulations to ensure the compliance of the same by all Directors. New releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority (“ACRA”) and news articles/reports (including analyst reports) which are relevant to the Group’s business are regularly circulated to the Directors. Management informs the Directors of upcoming conferences and seminars relevant to their roles as directors of the Company.

Access to Information

Management will provide the Board/Board Committees reports prior to the respective meetings. The reports will contain adequate and complete explanations so that the Directors are well informed prior to the meetings. At all times, the Board has separate and independent access to the Management and Company Secretary.

Budgets are discussed annually and any material variance between the projections and actual results are explained comprehensively by the finance team. The Board receives regular updates of the Group’s operational and financial performance as well as the challenges of the Group’s operations. The finance team presents financial highlights and a detailed analysis of each quarter’s performance and addresses any queries that the Board may have.

The Company Secretary ensures corporate governance practices are implemented well. She attends all Board and Committee meetings. She is accountable directly to the Board and is responsible for ensuring that Board procedures are observed and that the Company’s Constitution, relevant rules and regulations, including Companies Act, Listing Manual and the Code are complied with.

The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

The Directors, either individually or as a group, may, subject to the approval of the Chairman, take independent professional advice at the expense of the Company.

BOARD COMPOSITION AND GUIDANCE

Principle 2

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The Board comprises the following Directors:-

Name	Age	Designation
Mr Mun Hong Yew (“Michael Mun”)	71	Executive Chairman and CEO
Mr Mun Weng Hung (“Jeremy Mun”)	45	Executive Director and COO
Mr Tan Teik Seng (“TS Tan”)	66	Lead Independent Director
Mr Tan Jwee Meng (“Larry Tan”)	62	Independent Director
Mr Huang Junli Christopher (“Christopher Huang”)	35	Independent Director

The background of each director is set out in the “Board of Directors” section of this annual report.

The Company’s diversity policy endorses the principle that the Board should have a balance of skills, knowledge, experience and diversity of perspectives appropriate to its business. In reviewing Board composition and succession planning, the NC will consider the benefits of all aspects of diversity, including diversity of background, experience, gender, age and other relevant factors. These differences will be considered in determining the optimal composition of the Board and when possible should be balanced appropriately. The Board considers its current Board size appropriate for the facilitation of decision making, taking into account the nature and scope of operations of the Group. The Board comprises Directors with a broad range of commercial experience, especially in the electronics sector. As a whole, the Board brings a wide range of expertise, technical, management and legal skills and relevant experience to the Group.

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Independent Directors

In compliance with requirements of the Code, three (3) of the five (5) Directors are independent. Each of the Independent Directors has completed an independent director's declaration form and confirmed his independence. The independence of each Director has been and will be reviewed on an annual basis and as and when the circumstances require, by the NC, with reference to the guidelines as set out in the Code as well as Rules 210(5)(d)(i) and 210(5)(d)(ii) of the Listing Manual.

The Independent Directors do not have any existing business or professional relationship of a material nature with the Group, other Directors and/or Substantial Shareholders. The Independent Directors are also not related to other Directors and/or Substantial Shareholders.

The responsibilities of Independent Directors are:

1. To constructively challenge and help develop proposals on plans and strategy proposed by the Executive Directors and Management;
2. To review the performance of Management in achieving agreed goals and objectives; and
3. To discuss matters such as the Board processes, succession planning, corporate governance initiatives and the Group's performance, amongst others.

To facilitate a more effective check on Management, the Independent Directors will set aside time to meet without the presence of the Management and Executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Mr Michael Mun is the Executive Chairman ("**Chairman**") of the Board and also the Chief Executive Officer ("**CEO**") of the Company. Mr Michael Mun is responsible for the business management and day-to-day operations of the Company. He takes a leading role in developing and expanding the businesses of the Group including making major business and finance decisions. He also oversees the execution of the Company's corporate and business strategy as set out by the Board and ensures that the Directors are kept updated and informed of the Company's businesses. In addition, as the Chairman of the Board, Mr Michael Mun leads the Board discussion and also ensures that Board meetings are convened when necessary. He sets the Board's meeting agenda and ensures that Directors are provided with complete, adequate and timely information. He chairs the Board meetings and ensures that adequate time is available for discussion of all agenda items.

The Board is of the view that despite the Chairman and the CEO being the same person, the accountability and independence have not been compromised. There is sufficient element of independence in the Board with majority of the Board comprising independent directors. There is no concentration of power in one single person.

The Lead Independent Director ("**LID**") is appointed to coordinate and lead Independent Directors to provide non-executive perspective in certain matters and to provide leadership in situations where the Chairman is conflicted. The LID leads meetings with Independent Directors and provides feedback to the Chairman after such meetings. He is also available to shareholders where they have concerns and for which contact through the normal channels of the Chairman and CEO or the financial controller ("**FC**") has failed to resolve or is inappropriate.

Mr TS Tan currently serves as the LID and the tenure shall be for a period of two (2) years, after which another independent Director will be appointed as LID.

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The Board notes that Mr Michael Mun is also currently the Chairman and Group CEO of the Group's holding company, Aztech Group Ltd ("AGRP"). Mr Michael Mun also holds directorships in the other subsidiaries of AGRP (other than those held in our Group). Mr Michael Mun has informed the Board that he shall retain such position and directorships, as AGRP remains a public company with active public shareholders who look towards Mr Michael Mun's leadership of AGRP and its subsidiaries. Further, as Mr Michael Mun is the controlling shareholder of AGRP, Mr Michael Mun intends to retain his executive position in AGRP, so as to remain accountable to the minority shareholders of AGRP.

The Nominating Committee has taken into consideration the reasons for Mr Michael Mun to remain as CEO of AGRP and is of the opinion that Mr Michael Mun will be able to (i) devote sufficient time and resources to discharge his duties as our Executive Chairman and CEO and manage the affairs of our Company and (ii) manage potential conflicts of interests arising from his executive roles in both AGRP and our Company. In addition, the Nominating Committee is of the view that the potential conflicts of interests arising from Mr Michael Mun's executive roles in both AGRP and our Company are satisfactorily mitigated by steps taken by Mr Michael Mun and the Company.

The NC will conduct an annual review of the performance of Mr Michael Mun, including whether Mr Michael Mun is able to and has been adequately carrying out his duties as the Company's Executive Chairman and CEO, and make such recommendations to the Board of Directors as appropriate.

BOARD MEMBERSHIP

Principle 4

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC comprises the following members, all of whom are Independent Directors:

Mr Christopher Huang – Chairman
Mr TS Tan – Member
Mr Larry Tan – Member

The NC meets at least once a year and ensures that Directors possess the experience, knowledge and skills critical to the Group's businesses and makes recommendations to the Board on all board appointments. The NC ensures that a formal and transparent procedure for the appointment and re-nomination of directors is in place.

The principal duties of the NC include:

1. Ensuring that the Company is headed by an effective Board to lead and control the Company;
2. Reviewing and recommending the appointment of new Directors and Management and re-nomination of our directors having regard to each director's contribution, performance and ability to commit sufficient time, resources and attention to the affairs of our Group, and each director's respective commitments outside our Group including his principal occupation and board representations on other companies, if any. The NC will conduct such reviews at least once a year, or more frequently as it deems fit;
3. Determining annually, and as and when circumstances require, whether or not a director is independent;
4. Reviewing the skills required by the Board, and the size of the Board, including reviewing the directors' mix of skills, experience, core competencies and knowledge of the Group that the directors requires to function competently and efficiently;
5. Ensuring that the Company adheres to the board composition requirements, including having independent directors make up majority of the Board;
6. Where a director has multiple board representations, deciding whether the director is able to and has been adequately carrying out his or her duties as director, taking into consideration the number of listed company board representations and other principal commitments assumed by the relevant director;

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7. Determining and recommending to the Board the maximum number of listed company board representations which any director may hold and disclosing this in our Company's annual report;
8. Developing a process for evaluating the performance of the Board, its board committees and the contribution of each director;
9. Formal assessment of the effectiveness of the Board as a whole and individual director;
10. Reviewing and making recommendations on our Board's diversity policy, including qualitative and measurable quantitative objectives (where appropriate) as well as reviewing and reporting to our Board on the Company's progress towards achieving such objectives;
11. Reviewing the training and professional development programmes for the Board;
12. Reviewing and determining on an annual basis, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;
13. Approving any proposed assumption of roles outside of our Group by a legal representative of the Group's PRC-incorporated subsidiaries;
14. Overseeing and monitoring Management's performance;
15. Reviewing the Board succession plans for directors, in particular, the Executive Chairman, the CEO and Management;
16. Reviewing and approving the employment of persons related to the directors or substantial shareholders and the proposed terms of their employment;
17. Ensuring that all processes for the selection and appointment of new directors to the Board, including disclosure on the search and nomination process are disclosed; and
18. Helping the Board ensure that the Board as a whole possesses the core competencies required by the Code.

Assessment of independence of Directors

The NC shall annually review the independence of Directors and provides its views to the Board. The Board, after taking into consideration the views of the NC, is of the view that each of Mr TS Tan, Mr Larry Tan and Mr Christopher Huang is independent and that no individual or small group of individuals dominate the Board's decision-making process.

Process for selection, appointment of new directors, and re-appointment to the Board

The NC reviews the need for appointment of additional director(s) from time to time and has in place a formal process for the selection of new directors, including alternate directors, to increase transparency of the nomination process in identifying and evaluating nominees for directors. The NC will seek to identify the competence required for the Board to fulfil its responsibilities. The NC can also engage recruitment consultants or engage other independent experts to undertake research on, or assess candidates for new positions on the Board. New Directors are appointed by way of Director's resolution, after the NC has reviewed and nominated them by taking into consideration the qualification and experience of each candidate.

In accordance with the Company's Constitution, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Further, all Directors must submit themselves for re-nomination and re-appointment at least once every three (3) years. In addition, Director(s) appointed by the Board during the financial year shall only hold office until the next annual general meeting and thereafter be eligible for re-election at that annual general meeting.

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The Board has accepted the NC's recommendation to seek shareholders' approval to re-elect each of Mr Jeremy Mun, Mr TS Tan, Mr Larry Tan and Mr Christopher Huang, at the Company's forthcoming annual general meeting to be held on 30 April 2021 (the "AGM"). In making such recommendation, the NC has considered the respective Director's overall performance and contributions and each of Mr TS Tan, Mr Larry Tan and Mr Christopher Huang had abstained from the NC's deliberation in respect of their respective performance assessment and re-nomination as a Director of the Company.

The information relating to Mr Jeremy Mun, Mr TS Tan, Mr Larry Tan and Mr Christopher Huang, each of whom is standing for re-election as a Director at the AGM, as required under Rule 720(6) of the Listing Manual is set out in the appendix to this report entitled "Additional Information on Directors Seeking Re-election".

Directors' time commitment

The Company has put in place guidelines addressing competing commitments that are faced when directors serve on multiple boards. It provides that the number of listed company board representations which a Director may hold should be no more than six directorships for a Director. All Directors annually disclose their directorships in listed companies to the NC. The NC then ascertains whether or not a director with multiple board representations is able to and has been adequately carrying out his duties.

Alternate Directors

The Company does not have alternate Directors.

Key Information on Directors

The date of appointment, directorships (present and those held over the preceding three years in listed companies) and principal commitments of each Director are disclosed below:

Name of Director	Date of appointment	Directorships in Listed Companies	Past directorships in other listed companies from 1 January 2018 to 31 December 2020
Michael Mun	27 May 2009	Nil	Nil
Jeremy Mun*	8 August 2017	Nil	Nil
TS Tan	19 February 2021	O2Micro International Limited (Nasdaq listed)	Nil
Larry Tan	19 February 2021	Nil	Nil
Christopher Huang	19 February 2021	Nil	Nil

*Mr Jeremy Mun is the son of Mr Michael Mun. Further key information of Directors is disclosed at page 10 of this annual report.

BOARD PERFORMANCE

Principle 5

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board and NC shall ensure that Directors on the Board are best able to discharge their duties and responsibilities with regard to the highest standards of corporate governance. The NC assesses the performance and effectiveness of the Board as a whole, and the Board Committees and the individual directors' contributions to the effectiveness of the entire Board on an annual basis.

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Evaluation of the Board as a Whole

The process of evaluating the performance of the Board is as follows:

- (i) A Board Evaluation Questionnaire (the “Questionnaire”) for annual evaluation, which takes into consideration factors such as Board’s and of the Board Committee’s composition, proceedings and relationship with Management, is completed by the Board members and Board Committee members.
- (ii) The Company Secretary collates and presents the feedback from the completed Questionnaire to the NC.
- (iii) The NC will assess and discuss the performance of the Board as a whole and the Board Committees every year and ascertain key areas for improvement and actions to be undertaken.

Evaluation of Individual Director

Evaluation of the performance of the individual Directors will be carried out annually to assess whether each Director continues to contribute effectively and demonstrate commitment to his role as a Board and Board Committee member, whichever is applicable. The performance of the Directors is evaluated using agreed criteria, aligned as far as possible with appropriate corporate objectives. The assessment criteria include, *inter alia*, Director’s attendance, commitment of time, participation, knowledge and abilities, teamwork and overall contributions.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC comprises the following members, all of whom are Independent Directors:

Mr Larry Tan – Chairman
 Mr TS Tan – Member
 Mr Christopher Huang – Member

The RC meets at least once a year and plays a pivotal role in ensuring that the Group is able to attract, recruit, motivate and retain the best talents through competitive remuneration and robust policies. In order to minimise the risk of any potential conflict of interest, all RC members are independent directors. Each member of RC abstains from voting on any resolution in respect of his remuneration.

The RC assists the Board in establishing and implementing a framework for remuneration of Directors and Management. The RC covers all aspects of remuneration, including but not limited to Directors’ fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kind. RC reviews all proposed remuneration, including all adjustments and promotions of Executive Directors and Management. The quantum and promotion is finalised only upon approval of the RC and the endorsement of the Board. No Director is involved in deciding his own remuneration.

The principal duties of the RC include:

1. Reviewing and recommending to the Board for endorsement, a framework of remuneration for the Board and Management. The framework covers all aspect of remuneration, including but not limited to director’s fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind;
2. Ensuring the remuneration policies and systems of the Group, as approved by the Board, support the Group’s objectives and strategies, and are consistently administered and being adhered to within the Group;

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3. Reviewing and recommending to the Board, the specific remuneration packages for each Director as well as for the Management;
4. Reviewing the level and mix of remuneration and benefits policies and practices of the Company, including the long-term incentive schemes on an annual basis. The performance of the Company and that of individual employees would be considered by the RC in undertaking such reviews;
5. In the case of service agreements, reviewing the Group's obligations arising in the event of termination of the service agreements of the Executive Chairman and CEO and the Executive Directors, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous;
6. Proposing, for adoption by the Board, measurable, appropriate and meaningful performance criteria to assist in the evaluation of the performance of our Directors and Management;
7. Administering the Employee Share Option Scheme ("ESOS") in accordance with the rules of the ESOS and the Listing Manual, and recommending the same with such adjustments or modifications as it may deem necessary, to the Board, for endorsement;
8. Administering the Performance Share Plan ("PSP") in accordance with the rules of the PSP and the Listing Manual, and recommending the same with such adjustments or modifications as it may deem necessary, to the Board, for endorsement;
9. Overseeing the administration of the Long-Term Retirement Incentive Plan ("LTRP");
10. Reviewing the Group's obligations arising in the event of termination of the Executive Directors' and Management's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and
11. Reviewing the development of senior staff and assesses their strengths and development needs based on the Group's leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group.

RC members have access to advice and input from the Human Resources Department. If required, they may seek expert advice inside and outside the company. If external consultants are appointed, the RC will ensure that existing relationships, if any, between the Company and its appointed consultants will not affect the independence and objectivity of the consultants. The expense of such services shall be borne by the Company. The RC has not sought the service of any such external remuneration consultant.

LEVEL AND MIX OF REMUNERATION

Principle 7

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

The RC conducts annual review of the Executive Directors' and Management's remuneration. It ensures that their compensation packages are structured to link rewards to corporate and individual performance. RC also balances the requirement to reward and retain the said individuals and key performance indicators such as sales and profit targets, strategic requirements, investment in future growth and the individual's contribution to these objectives. The RC seeks to ensure that the level and mix of remuneration of Executive Directors and Management is competitive, relevant and appropriate in linking rewards with performance and that the amount and mix of compensation is aligned with the interests of shareholders and promotes the long-term success of the Group.

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On 1 January 2021, the Company entered into a new Service Agreement with Mr Michael Mun and Mr Jeremy Mun. The Service Agreements are for an initial period of three (3) years commencing with effect from the date of the Company's listing and shall automatically continue thereafter, unless otherwise agreed in writing between the parties to the respective Service Agreement or terminated in accordance with the respective Service Agreement. RC has reviewed the Executive Directors' Service Agreement to ensure that such agreements contain fair and reasonable termination clauses which are not overly generous.

The Director's fee for each Independent Director shall be agreed or determined by the RC. No member of the RC is involved in deliberating and deciding in respect of any remuneration, compensation or any form of benefits to be granted to him.

The Company will submit the quantum of Directors' fees to the shareholders for approval at the annual general meeting annually. The Board concurred with the RC that the proposed directors' fees for FY2021 is appropriate and not excessive, taking into consideration the level of contributions by the directors and factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the directors.

Remuneration Policy

The Executive Directors and Management consider the business from both a geographic and business segment perspective. They manage and monitor the business in these primary geographic areas: Singapore, Hong Kong, China and Malaysia, engaging in the manufacturing, distribution and/or trading of electronic products.

The Executive Directors' and Management's remuneration shall be subject to annual review by the Board and the RC and adjustments (if any), taking into account, *inter alia*, their individual contribution, the Group's performance and benchmarking to market rates.

During their appointment, if the Board shall in its absolute discretion deem fit, and subject to regulatory compliance and/or such other approvals from regulatory authorities being obtained where necessary, the Executive Directors and Management may be entitled to participate in ESOS and/or PSP, upon the terms and conditions of the said schemes.

The Executive Directors and Management shall be entitled to participate in the Company's LTRP, subject to such limits as may be set by the Board from time to time.

Remuneration Strategy and Principles for Executive Directors and Management

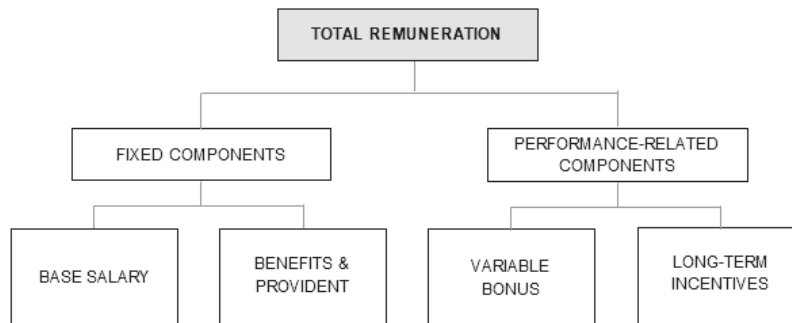
The Company's remuneration strategy is designed to attract, motivate and retain employees to drive the current and future growth of the Company. The following are the guiding principles for remuneration of Management.

Basis of Remuneration	• Link a significant proportion of remuneration to performance, both on an annual and long term basis
Aligning Remuneration to Shareholders' Interests	• Align interests between management and shareholders
Appropriate and Attractive	• Offer competitive packages to attract and retain highly experienced and talented individuals
Paying for performance	• Ensure targets are appropriately set for threshold and, target, with payment for stretch and exceptional performance levels

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Remuneration Components

The total remuneration provides an appropriate balance between fixed and performance-related components. The remuneration structure is developed to reflect the Executive Director and Management accountabilities and impact on business performance. Generally, the pay mix average ratio of Executive Directors and Management is approximately on the average 65% fixed components and 35% variable components. The key remuneration components for Executive Directors and Management are indicated in the following diagram and tables.



Fixed Components

BASE SALARY

Purpose	Reflects the job's market value while taking into account the individual's responsibilities, competencies and experience.
Linkage to Performance	Linked to each executive's sustained long-term performance.

BENEFITS & PROVIDENT

Purpose	Provisions are consistent with local market practices and legislative requirements.
Linkage to Performance	Not directly linked to performance. Aztech contributes towards the Singapore Central Provident Fund or the Hong Kong Mandatory Provident Fund, as applicable. Aztech also provides medical scheme, employee discounts, allowances and other benefits, where applicable.

Performance-Related Components

VARIABLE BONUS

Variable bonuses comprise Performance Bonus and Profit Sharing. The RC considers the overall Group, business unit and individual performance as well as relevant market remuneration benchmarks in determining the final variable bonus payments.

PERFORMANCE BONUS

Purpose	Reward short-term performance against annual targets set in for each executive.
Award Type	Cash
Linkage to Performance	Annual payout that will vary based on actual achievement against Group, business unit and individual performance targets.

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PROFIT SHARING

Purpose	Award which is conditional upon the Group achieving certain profit after tax targets.
Award Type	Cash
Linkage to Performance	An annual profit sharing arrangement calculated based on our Group's audited consolidated profit after tax for the relevant financial year that is subject to review from time to time by our RC and approved by the Board.

LONG-TERM INCENTIVES

The Company has adopted the ESOS and PSP, to provide an opportunity for employees and Directors who have contributed significantly to the growth and performance of the Group, to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services. The Company has also adopted the Long-Term Retirement Incentive Plan which forms an integral component of the Company's compensation plan and has been designed primarily to retain key employees whose services are essential to the growth and performance of the Group.

Long-term incentives comprise ESOS, LTRP and PSP.

Purpose	Reinforce the delivery of long-term growth and shareholder value to drive an ownership culture and retain key talent.		
Award Type	Aztech Employee Share Option Scheme (ESOS)	Aztech Performance Share Plan (PSP)	Long-Term Retirement Incentive Plan (LTRP)
Key Features	Recognises employees and Directors based on Company's performance and profitability	Incentivise individual performance targets achieved within the performance period	Provides certain employees with a one-time cash pay-out when they reach the minimum retirement age prescribed by law.

Note: No options or shares were awarded in FY2020 under the ESOS or PSP. LTRP has been in place since FY2019.

DISCLOSURE ON REMUNERATION

Principle 8

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The Company annually reports to shareholders on the remuneration of its Directors, CEO, Management and employees who are related family members of a Director or the CEO and whose remuneration exceeds \$50,000.

The structure of the Directors' fees is set out below:

Basic Retainer Fee as Board Member	\$40,000 per annum
Fee for Appointment as Chairman of each committee	\$10,000 per annum
Fee for Appointment as Lead Independent Director	\$10,000 per annum

Independent Directors do not receive any other fees aside from the above. The remuneration of Executive Directors will be discussed below.

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The aggregate Directors' fees paid or to be paid to Directors in the financial year ended 31 December 2020 and financial year ending 31 December 2021 are S\$60,000.00 and S\$218,222.21, respectively.

Names	FY2020 (S\$)	FY2021 (S\$)
Directors		
Mr Michael Mun	30,000.00*	40,000.00
Mr Jeremy Mun	30,000.00*	40,000.00
Mr TS Tan	–	51,833.33**
Mr Larry Tan	–	43,194.44**
Mr Christopher Huang	–	43,194.44**

*Paid by Aztech's holding company, AGRP.

**Directors' fees calculated for the period from 19 February 2021 to 31 December 2021.

CEO's Remuneration

The remuneration of the CEO (who is also an Executive Director) paid in FY2020 is set out below:

	Salary and Director's Fees	Variable Bonus and Profit Sharing	*Others-Fixed	Total
Michael Mun Hong Yew	\$977,601.58	\$1,403,626.22	\$86,640.57	\$2,467,868.37

* Contribution to the Central Provident Fund, allowances and car cost are included in the column referred to as "Others" above.

Executive Directors' Remuneration

The remuneration of Executive Directors (other than the CEO) paid in FY2020 is set out below:

Executive Directors	Salary and Director's Fees	Variable Bonus and Profit Sharing	*Others-Fixed	Total
Jeremy Mun Weng Hung	\$247,476.92	\$146,000.00	\$41,529.26	\$435,006.18

* Contribution to the Central Provident Fund, allowances and car cost are included in the column referred to as "Others" above.

Management's Remuneration

The Company's Management (who are not Directors or the CEO) are as follows:

- Annie Qian Junmin – Financial Controller
- Daniel Oh Yong Boon – Senior Vice President
Sales/Business Development
- Jason Saw Chwee Meng – Senior Vice President
Business Development
- Pavani Nagarajah – Senior Vice President
Legal and Corporate Affairs
- Terence Kwong Man Hong – Vice President
Research and Development
- Ivan Mun Weng Kai – Vice President
Sales and Marketing

Report of Corporate Governance

To maintain the confidentiality of the remuneration policies of the Company, the Board is of the view that it is in the best interest of the Company not to fully disclose the exact remuneration of each of the Management. Instead, the remuneration of Management (who are not Directors or the CEO) is disclosed in bands of \$250,000. The breakdown of their remuneration in FY2020 are as follows:

Management	Salary (%)	Variable Bonus and Profit Sharing (%)	*Others-Fixed (%)	Total (%)
Between \$250,001 and \$500,000				
Daniel Oh Yong Boon	54	36	10	100
Pavani Nagarajah	56	37	7	100
Ivan Mun Weng Kai	48	32	20	100
Up to \$250,000				
Annie Qian Junmin	60	30	10	100
Jason Saw Chwee Meng	74	10	16	100
Terence Kwong Man Hong	67	32	1	100

*Contribution to the Central Provident Fund, Hong Kong Mandatory Provident Fund allowances and car cost (if any) are included in the column referred to as "Others" above.

The total aggregate remuneration of the abovementioned Management for FY2020 is \$1,588,190.90.

All Directors and the Management are remunerated on an earned basis and there was no termination, retirement and post-employment benefits granted during FY2020.

Remuneration of Employee Who Is a Related Family Member of A Director or CEO

The remuneration of Mr Ivan Mun Weng Kai, the son of Mr Michael Mun and brother of Mr Jeremy Mun has been disclosed above.

The breakdown of the remuneration of Ms. Huang Xiaolin, the spouse of Mr Ivan Mun Weng Kai, and who holds the position of Manager, Procurement and Logistics at Aztech Technologies, in FY2020 is disclosed below:

Management	Salary (%)	Variable Bonus and Profit Sharing (%)	*Others-Fixed (%)	Total (%)
Between \$50,000 and \$100,000				
Huang Xiaolin	72	13	15	100

*Contribution to the Central Provident Fund, allowances and car cost (if any) are included in the column referred to as "Others" above.

Save as disclosed, there are no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds \$100,000 during FY2020.

The remuneration of employees who are related to our Directors, CEO or Substantial Shareholders will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these related employees will also be subject to the review and approval of our Remuneration Committee. In addition, any new employment of related employees and the proposed terms of their employment will be subject to the review and approval of our Nominating Committee. In the event that a member of our Remuneration Committee or the Nominating Committee is related to the employee under review, he will abstain from the review.

Report of Corporate Governance

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Management provides the Board with updates covering operational performance, financial results, marketing and business development and other relevant information on a regular basis as the Board may require from time to time, enabling the Board to make a balanced and informed assessment of the Company's performance, position and prospect. Any material variances between the budgeted and actual results are disclosed and explained. The Company believes that the foregoing details are adequate to give the Board an understanding of the Company's financials and actual performance.

The Board is committed to maintaining a sound system of external controls to safeguard the interest of shareholders and the Company's assets. The Board is also committed to maintaining a culture of risk awareness. The Board will commission an annual review of the adequacy and effectiveness of the Company's risk management and internal controls systems including financial, operational, compliance and information technology controls. As disclosed in the Company's prospectus dated 4 March 2021, our Audit Committee will continually review the effectiveness of the internal control procedures within our Group to ensure the adequacy and sufficiency of internal controls procedures within our Group.

For the financial year under review, the CEO, COO and FC have provided assurance to the Board that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the operations and finances and further that the Group's risk management and internal control systems are adequate and effective to address the risks that the Group considers relevant and material to its operations.

The Company has engaged Nexia TS Risk Advisory Pte. Ltd. ("**Nexia TS**") to carry out the internal audit function of the Group. In addition, the Company has an internal auditor (who handles internal audit functions at plant operations level) stationed at its plant in China, where most of its manufacturing activities took place during the financial year under review.

The Board, after making all reasonable enquiries and to the best of its knowledge and belief, with the concurrence of the AC, is of the opinion that the risk management systems and internal controls, including operational, financial, information technology and compliance controls of the Group are adequate and effective to address the financial, operational information technology and compliance risks which the Group considers relevant and material to our operations.

Management will continue to review and strengthen the Group's control environment and devote resources and expertise towards improving its internal 3Ps to maintain a high level of governance and internal controls.

The Company prohibits its officers from dealing in the Company's shares on short term considerations. They are required to observe insider trading provisions under the Securities and Futures Act of Singapore at all times even when dealing in the Company's securities in the permitted periods.

AUDIT COMMITTEE

Principle 10

The Board has an Audit Committee ("AC") which discharges its duties objectively.

The AC comprises the following members, all of whom are Independent Directors:

Mr TS Tan – Chairman
Mr Larry Tan – Member
Mr Christopher Huang – Member

Report of Corporate Governance

All members of the AC have the requisite financial management and business experience to discharge their duties competently. The Chairman, Mr TS Tan, has audit committee expertise and experience – he currently serves as an independent non-executive director of NASDAQ-listed 02Micro International Ltd and is a member of its audit committee. Mr TS Tan has been chairman of such committee since November 2010. Mr Christopher Huang started his career as an accountant at Hastings Deering Australia Limited. He has also worked as a business manager at Adcomp Technology Pte Ltd, as a tax associate in the transfer pricing department of PricewaterhouseCoopers and as a tax lawyer at VoskampLawyers.

The AC meets at least twice a year and its main responsibilities are to assist the Board in discharging its statutory and other responsibilities relating to four main areas:

- (a) Overseeing financial reporting;
- (b) Overseeing internal control and risk management systems;
- (c) Overseeing internal and external audit processes; and
- (d) Overseeing Interested Party Transactions (IPTs).

The principal duties of the AC include:

1. assisting the Board in fulfilling its responsibility for overseeing the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group;
2. reviewing and reporting to the Board significant financial reporting issues and judgements to ensure the integrity of the financial statements and any announcements relating to financial performance;
3. reviewing, with the internal and external auditors, the audit plans, scope of work, their evaluation of our system of internal controls, audit reports, their management letters and the Management's response, and the results of audits compiled by our internal and external auditors, and will review at regular intervals with the Management the implementation by the Group of the internal control recommendations made by our internal and external auditors;
4. reviewing the periodic consolidated financial statements and any formal announcements relating to the Group's financial performance before submission to the Directors for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments arising from the audit, compliance with accounting standards, compliance with the Listing Manual and any other statutory and regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of the Management, where necessary, before submission to the Directors for approval;
5. reviewing the assurance from the Executive Chairman and CEO and our FC on the financial records and financial statements of the Group;
6. reviewing the external auditors' audit plan and audit reports (including assessing and reporting to the Board the quality of the work carried out and the basis of such assessment, and evaluating the performance of the external auditors), and the external auditors' evaluation of the system of internal accounting controls, with the external auditors, as well as the assistance given by the Management to the external auditors;
7. ensuring co-ordination between the external and internal auditors and the Management and reviewing the assistance given by the Management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management, where necessary);
8. reviewing and reporting to the Board, at least annually, the risk profile of the Group, the effectiveness and adequacy of our internal control and risk management procedures addressing financial, operational, information technology and compliance risks (including the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board), and discuss issues and concerns, if any, arising from the internal audits;

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9. reviewing and discussing with our external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's results of operation, financial performance or financial position and the Management's response;
10. reviewing the adequacy and effectiveness of the Group's risk management and internal audit function and ensuring that a clear reporting structure is in place between the Audit Committee and the internal auditors;
11. ensuring that the internal audit function is adequately resourced and staffed with persons with the relevant qualification and experience, and that the internal auditors comply with the standards set by nationally or internationally recognised professional bodies;
12. ensuring that the internal audit function has unfettered access to all the Group's documents, records, properties and personnel, including the AC, and has appropriate standing within the Group;
13. reviewing our key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;
14. reviewing and approving hedging policies implemented by the Group and conducting periodic review of such policies, including review of foreign exchange transactions and hedging policies and procedures;
15. reviewing the co-operation given by the Management to our internal and external auditors, where applicable;
16. reviewing the independence and objectivity of the internal and external auditors as well as considering the appointment or re-appointment of the internal and external auditors, including approving the remuneration and terms of engagement of the internal and external auditors;
17. reviewing and approving any interested person transactions falling within the scope of Chapter 9 of the Listing Manual and reviewing procedures thereof;
18. reviewing potential conflicts of interests (if any) and setting out a framework to resolve or mitigate any potential conflicts of interests, including reviewing the adequacy of conflicts mitigating measures within the Group;
19. reviewing any actual or potential conflicts of interests that may involve the Directors as disclosed by them to the Board and exercising directors' fiduciary duties in this respect. Upon disclosure of an actual or potential conflict of interest by a Director, the AC will consider whether a conflict of interest does in fact exist. A Director who is a member of the AC will not participate in any proceedings of our AC in relation to the review of a conflict of interest relating to him. The review will include an examination of the nature of the conflict and such relevant supporting data, as the AC may deem reasonably necessary;
20. reviewing the procedures by which employees of the Group may, in confidence, report to the chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;
21. reviewing and monitoring the measures the Group has put in place in respect of the legal representatives of the PRC-incorporated subsidiaries;
22. reviewing regulatory compliance matters, at least on a quarterly basis, with a view to ensuring that adequate rectification measures are taken for past breaches as well as new initiatives implemented to mitigate and reduce the risks of future breaches;
23. assessing the performance of the FC, for the relevant period, on an annual basis to determine his or her suitability of the position;
24. on an annual basis or any other period that the AC deems fit, ensuring that trade receivables are stated at fair value and accurately recorded in the financial statements, and that credit policies are adhered to;
25. monitoring the cash flows of the Group;

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26. periodically reviewing the Group's intellectual property protection policies to ensure that the policies and/or procedures are complied with, and adequate and effective for the Group's operations;
27. reviewing transactions falling within the scope of Chapter 10 of the Listing Manual, if any;
28. undertaking such other reviews and projects as may be requested by the Directors, and reporting to the Directors its findings from time to time on matters arising and requiring the attention of the AC; and
29. undertaking generally such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time.

To effectively discharge its duties, the AC has the explicit authority to investigate any matters within its terms of reference, full access to and co-operation by the Management. It also has full discretion to invite any Director or Management to attend its meetings. Full resources are available for AC to discharge its functions properly.

The AC has full access to External Auditors and Internal Auditor and meets them at least annually without the presence of Management.

External Auditors

The AC reviews the independence of the External Auditors annually. The AC has recommended to the Board the appointment of BDO LLP as the Company's External Auditors at the forthcoming AGM. There is no disagreement between the Board and the AC regarding the selection, appointment, resignation or dismissal of external auditors.

The aggregate amount of fees paid to the External Auditors for FY2020 and a breakdown of the fees paid in total for audit and non-audit services respectively are stated below:

External Auditor Fees for FY2020	S\$'000
Audit Fees	
- Statutory audit	198
- IPO audit	110
Non-audit fee	-
Total fees paid	308

AC has reviewed all non-audit services provided by External Auditors to the Company and is of the opinion that they would not affect the independence of External Auditors as a substantial part of the non-audit fees incurred was a one-time non-recurring IPO audit fees.

Aztech confirms that it has complied with Rules 712 and 715 of the Listing Manual in relation to the appointment of auditors.

None of the AC members were previous partners or directors of the existing External Auditors and none of the AC members hold any financial interest in the External Auditors.

Internal Audit

The Company's internal audit function is outsourced to Nexia TS that reports directly to the AC. The Board is of the view that the outsourcing of the internal audit function delivers enhanced independence as well as improve the quality of the audit as Nexia TS is adequately qualified and equipped with a broad range of experience in corporate governance to discharge its duties effectively.

The Board recognises that it is responsible for maintaining a system of robust internal controls to safeguard shareholders' investment and the Company's business and assets. The AC approves the hiring, removal, evaluation and compensation of the internal auditors and reviews and approves the internal audit's plan during the AC meeting for each financial year. The AC also ensures that the internal auditors have unfettered access to all the Company's documents, records, properties and personnel including access to the AC.

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The primary functions of internal audit are to:

- (a) assess if adequate systems of internal controls are in place to protect the funds and assets of the Company and to ensure control procedures are complied with;
- (b) conduct regular internal audits on business operations with a focus on strategies, operational compliance and financial risks; and
- (c) identify and recommend improvement to internal control procedures, where required.

The Internal Auditor highlights to the AC any material non-compliance or lapses in internal controls and the measures taken to address them. The AC reviews the timeliness of actions taken by the Management to address the recommendations of the auditors.

The AC will review on an annual basis the adequacy and effectiveness of the internal audit function.

The AC is of the view that the outsourced internal audit function is independent, effective, adequately resourced, has appropriate standing within the Company and is staffed with persons with the relevant qualifications and experience, and adheres to professional standards including those promulgated by the relevant local or international recognised professional bodies.

Whistle-blowing Policy

To strengthen corporate governance and ethical business practices across all business units, a Whistle-blowing Policy has been in place by which Directors, officers and employees of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The policy defines the processes clearly to ensure that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken.

Employees are encouraged to raise serious concerns to their immediate supervisors. However, if they are not comfortable speaking with their supervisors or are not satisfied with their supervisor's response, they can approach the head of their division or the Head of Legal directly.

The Head of Legal is responsible for investigating and resolving all reported complaints and allegations concerning violations and shall advise the LID of all of his or her findings. The Head of Legal shall work with the LID to address all violations so that appropriate action may be taken against the perpetrator.

There have been no reported incidents pertaining to whistle-blowing for FY2020.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11

The Company treats all Shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives Shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company endeavours to treat all shareholders fairly and equitably, and recognise, protect and facilitate the exercise of shareholders' rights. The Board strives to give shareholders an objective, balanced and clear assessment of the Group's results. In addition to the half-year and full-year financial results announcement, the Board plans to give first quarter and third quarter results updates to shareholders to give them a balanced assessment of the Group's performance. Timely announcements on developments in the Group's businesses are disseminated to shareholders via SGXNet and the Company's website. The Company's annual report is accessible on the Company's corporate website (www.aztechglobal.com).

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Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the “Temporary Measures”), shareholders will not be allowed to attend the AGM in respect of FY2020 in person. Instead, alternative arrangements have been put in place to allow shareholders to participate in general meetings by (a) watching the general meeting proceedings via “live” webcast; (b) submitting questions in advance of general meetings; and/or (c) voting by proxy at general meetings. Please see the Company’s notice dated 15 April 2021 titled “Important Notice to Shareholders in relation to the Company’s Annual General Meeting on 30 April 2021” for details on these alternative arrangements.

Each item of special business included in the notice of the meeting is accompanied by explanation for the proposed resolution. Additional resolutions are proposed for separate issues at the meeting and the Chairman declares the number of proxy votes received for and against each resolution.

Due to the Temporary Measures, Shareholders are not able to ask questions during the “live” webcast of the general meeting. However, they may submit questions to the Company in relation to any resolution tabled for approval at the general meeting via electronic mail. All Directors are consulted to address shareholders’ substantial and relevant questions and concerns. External Auditors are also consulted to address questions on the conduct of audit and the preparation and content of the auditor’s report. The Company will endeavour to upload the answers to substantial and relevant queries on the Company’s website at <https://www.aztechglobal.com/agm> and on SGXNet prior to the general meeting.

On the same day of the general meeting, the results are released to shareholders via SGXNet. The Company Secretary prepares the minutes of the general meeting which will be published on both the Company’s website and SGXNet.

Dividends

The Company currently does not have a fixed dividend policy. The declaration and payment of future dividends may be recommended by the Directors at their discretion, after considering a number of factors deemed relevant by the Directors, including but not limited to the level of the Company’s cash and reserves, the Group’s actual and projected financial performance, the projected levels of capital expenditure, working capital requirements and investment plans, financial, regulatory or general economic conditions.

For FY2020, the Board has recommended a final dividend of S\$0.02 per ordinary share. The Company has adopted the Aztech Scrip Dividend Scheme, as announced by the Company on 30 March 2021. The Aztech Scrip Dividend Scheme will be applicable to the final dividend recommended for FY2020 and will provide eligible shareholders the opportunity to elect to receive the dividend in the form of new ordinary shares in the Company credited as fully paid, instead of cash. Please refer to the Company’s announcement dated 30 March 2021 for more details. Currently, our Directors intend to recommend dividends of at least 30.0% of our net profit after tax (excluding exceptional items) generated in FY2021 and FY2022, as we wish to reward our Shareholders for participating in our Group’s growth.

COMMUNICATION WITH SHAREHOLDERS

Principle 12

The Company communicates regularly with its Shareholders and facilitates the participation of Shareholders during general meetings and other dialogues to allow Shareholders to communicate their views on various matters affecting the Company.

Aztech places strong emphasis on strengthening relationship with its shareholders and the investment community. The Board’s policy is that all shareholders should be equally informed of all major developments impacting the Company.

Aztech has in place investor relations policy which sets out the principles and practices that Aztech applies to provide shareholders and prospective investors with information necessary to make well-informed investment decisions and to ensure a level playing field. Aztech’s website contains information such as latest news and announcements, annual report, corporate information and financial information.

The Company shall use the SGXNet platform to communicate news on major developments of the Company and its business operations and also make it available on Aztech’s corporate website at www.aztechglobal.com. All financial results and updates will be released on SGXNet. All price-sensitive information is first publicly released before the Company meets investors or analysts. The Company does not practice selective disclosure.

Report of Corporate Governance

Aztech has a dedicated investor relations team. The team has been headed by the Company Secretary and is supported by a corporate communications manager (“Corp Comm Manager”). Institutional shareholders and analysts can contact the Corp Comm Manager whose contact details are available on the Company’s corporate website at www.aztechglobal.com.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Company’s key stakeholders are those who most materially impact the Company’s strategy or are directly impacted by it. They comprise the Company’s shareholders, customers, suppliers, employees and regulators. Engagement with stakeholders provides the Company with an understanding of the matters they are most concerned with. These matters help to define the Company’s strategic priorities and guide the Company’s initiatives. The Company has regularly engaged its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve services standards, as well as to sustain business operations for long-term growth. As the Company was recently listed in March 2021, it is required to issue its first sustainability report (“First SR Report”) no later than 12 months from the end of FY2020. The Group is currently working towards issuing its First SR Report, which will set out its corporate social responsibility practices and strategy and key areas of focus in relation to the management of stakeholder relationships.

Management periodically assesses focus areas where the Company can have the greatest economic, environmental and social impact, as well as areas that are most important to its stakeholders. The Company has made efforts to seek the opinions of many stakeholders either through informal or formal means. The Company evaluates the needs and expectations of its key stakeholder groups which are significant to its value creation strategy and strive to build mutually beneficial relationships.

Stakeholders who wish to know more about the Group such as our business, industry or performance can visit the Company’s website at www.aztechglobal.com.

INTERESTED PERSON TRANSACTIONS (“IPT”)

Under Chapter 9 of the Listing Manual, an IPT means a transaction between an entity at risk (the listed company, its subsidiaries or associated companies) and an interested person (director, chief executive officer or controlling shareholder or any of their associate(s)).

In light of the provisions of the Listing Manual, Aztech has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are conducted on an arm’s length basis and are not prejudicial to the interests of the shareholders. Aztech has adopted the procedure for internal controls on IPT as follows:

1. All proposed significant IPTs are reviewed by Aztech’s finance team and the AC.
2. Aztech’s finance team also prepares the list of IPTs every quarter and submits the list to the Company’s FC for review.
3. The FC will report to the AC on a quarterly basis on any IPT.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual.

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The transactions entered into with interested persons during the financial year ended 31 December 2020 which falls under Rule 907 of the Listing Manual are:

Name of interested person	Nature of relationship	Nature of the transaction	Aggregate value of all interested person transactions during the financial year 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)
			\$' 000	\$' 000
AGRP	Substantial Shareholder	Payment of employees' remuneration by AGRP on behalf of the Group	450	–
Huuve Sdn. Bhd. ("Huuve")	Company in which AGRP has a 100% beneficial interest in.	Advance from the Group to Huuve	549	–
Huuve	Company in which AGRP has a 100% beneficial interest in.	Lease of Manufacturing facilities by Group from Huuve	265	–
AZ Marine Offshore Services Pte. Ltd. ("AMOS")	A wholly-owned subsidiary of AGRP.	Lease of warehouse by Group from AMOS	480	–
AVS Technologies Pte. Ltd ("AVST")	An associate of Mr Michael Mun in which Mr Mun has beneficial interest.	Purchase of disposable face mask by the Group from AVST	154	–
AVST		Supply of mask material, equipment and equipment parts by the Group to AVST	309	–

MATERIAL CONTRACTS

Save as disclosed in the Company's prospectus dated 4 March 2021, there was no material contract entered into by the Group involving the interests of Directors, CEO or shareholders either still subsisting at the end of FY2020 or if not then subsisting, entered into since the end of the previous financial year.

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DEALINGS IN SECURITIES

The Group has issued an internal Best Practice Code (“BPC”) that details the code of conduct on dealings in the securities to Directors and employees when they are in possession of unpublished price-sensitive information on the Company’s securities. All relevant employees have been issued with a copy of the BPC and are required to acknowledge it. The Company Secretary has conducted a briefing session to explain the essence of the BPC to the relevant employees.

Directors and employees are also reminded to be mindful of the law on insider trading and to ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act, and the Companies Act. They are also reminded not to deal in the Company’s securities on short-term considerations. Annually, the Directors and key employees are requested to issue written confirmation of their compliance with the Group’s internal code.

In accordance with Rule 1207(19) of the Listing Manual, the Group’s “black-out” policy states that Directors and employees are advised not to deal in the Company’s securities during the period commencing two weeks before the announcement of each of the Group’s quarterly financial update and during the period of one month before the announcement of each of the Group’s full year results. The black-out period ends on the date of the announcement of the relevant results. The Directors and employees are expected to observe the insider trading laws at all times even when dealing in the Company’s securities within permitted trading period.

USE OF IPO PROCEEDS

As at the date of this annual report, the status of the use of IPO proceeds is as follows:

Intended use as stated in the Company’s prospectus dated 4 March 2021 (the “Prospectus”)	Amount allocated (as disclosed in the Prospectus) (\$’000)	Amount utilised (\$’000)	Balance (\$’000)
Expansion and enhancement of the Group’s manufacturing facilities ⁽¹⁾	50,000	218	49,782
Expansion of the Group’s business through, <i>inter alia</i> , investments, mergers and acquisitions, joint ventures and/or strategic collaboration	50,000	–	50,000
Enhancement of the Group’s R&D capabilities	15,000	–	15,000
Increase sales and marketing channels for overseas markets expansion	10,000	–	10,000
Expansion of the Group’s ODM/JDM business to capitalise on opportunities in the growing IoT market	5,000	–	5,000
Working capital ⁽²⁾	58,600	4,034	54,566
Listing expenses ⁽³⁾	9,800	9,420	380
	<u>198,400</u>	<u>13,672</u>	<u>184,728</u>

(1) New equipment purchased to enhance manufacturing productivity

(2) Usage of working capital purposes comprise the payment of salary related costs

(3) Being payment for underwriting commission and offering expenses

Dated 7 April 2021

Additional Information on Directors Seeking Re-Election

	JEREMY MUN WENG HUNG	TAN TEIK SENG	LARRY TAN JWEE MENG	CHRISTOPHER HUANG JUNLI
Date of Appointment	8 August 2017	19 February 2021	19 February 2021	19 February 2021
Age	45	66	62	35
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The process for the re-nomination of director to the Board, is set out in page 23 of this annual report	The process for the re-nomination of director to the Board, is set out in page 23 of this annual report	The process for the re-nomination of director to the Board, is set out in page 23 of this annual report	The process for the re-nomination of director to the Board, is set out in page 23 of this annual report
Whether appointment is executive, and if so, the area of responsibility	Executive Jeremy Mun is responsible for the day-to-day operation and management of the Group's business. In particular, overseeing the Group's manufacturing facilities in Dong Guan (PRC) and Malaysia	Non-executive	Non-executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chief Operating Officer ("COO")	Lead Independent Director; AC Chairman; Member of AC, RC and NC	Independent Director; RC Chairman; Member of AC, RC and NC	Independent Director; NC Chairman; Member of AC, RC and NC
Professional qualifications	Bachelor of Science in Management from the University of London in 2000	Bachelor in Electrical Engineering in 1978 and Master of Science in Industrial Engineering in 1986 from the National University of Singapore Fellow of the Singapore Human Resource Institute Member of the Singapore Institute of Directors	Bachelor of Science with Honours Class I (Mechanical Engineering) from the University of Birmingham in 1979 Master of Business Administration from Brunel University in 1997	Bachelor of Law (LL.B.) and Commerce (B.Com) from the University of Queensland in 2011

Additional Information on Directors Seeking Re-Election

	JEREMY MUN WENG HUNG	TAN TEIK SENG	LARRY TAN JWEE MENG	CHRISTOPHER HUANG JUNLI
Working experience and occupation(s) during the past 10 years	Jeremy Mun has been with our Group since 2002 and was previously involved in the product development and sale activities of our Group's LED lighting business before taking on the position of COO	<ul style="list-style-type: none"> – Feb 2008 – Present: O2 Micro International Ltd (Non-executive Director) – Apr 2012 – Present: Teleios SC Pte Ltd (Director) – Aug 2017 – Dec 2019: Aztech Group Ltd (Non-executive director) – Jan 2015 – May 2017: Aztech Group Ltd (Independent Director) 	Nov 1998 - Jul 2018: Texas Instruments Singapore Pte Ltd (Managing Director from Nov 1998-Jul 2018; Asia President from Jul 2007-Jul 2018)	<ul style="list-style-type: none"> – Apr 2019 – Present: CHP Law LLC (Managing Director) – Jul 2018 – Apr 2019: Colin Ng & Partners LLP (Partner) – Apr 2015 – Jun 2018: Colin Ng & Partners LLP (Legal Executive; Associate; Senior Associate) – Mar 2013 – Mar 2015: Voskamplawyers (Associate) – Mar 2012 – Feb 2013: PWC Singapore (Tax Associate) – Jan 2011 – Jan 2012: Adcomp Technology Pte Ltd (Business Manager) – Mar 2011 – Nov 2011: Hastings Deering Australia Limited (Part-time assistant accountant)
Shareholding interest in the listed issuer and its subsidiaries	No direct interest. Indirectly as Jeremy Mun holds shares in listed issuer's substantial shareholder, AGRP.	No	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Jeremy Mun is the son of Michael Mun, our Executive Chairman and CEO, and the sibling of Ivan Mun, our Group's Vice President of Sales and Marketing	No	No	No
Conflict of interest (including any competing business)	No	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes

Additional Information on Directors Seeking Re-Election

	JEREMY MUN WENG HUNG	TAN TEIK SENG	LARRY TAN JWEE MENG	CHRISTOPHER HUANG JUNLI
Other Principal Commitments including Directorships – Past (for the last 5 years)	Executive director of: Aztech Group Ltd. AVS Projects Pte. Ltd. (struck off) AZ Marine Logistics Pte. Ltd. Kay Lee Pte. Ltd. AZ Evergreen Pte. Ltd. AVS Holding Pte. Ltd. AZ Carnation Pte. Ltd. AZ Iris Pte. Ltd. AZ Ivy Pte. Ltd. AZ Lavender Pte. Ltd. AZ Lily Pte. Ltd. AZ Marigold Pte. Ltd. AZ Marine Pte. Ltd. AZ Materials Pte. Ltd. AZ Orchid Pte. Ltd. AZ Peony Pte. Ltd. AZ Rose Pte. Ltd. AZ Sakura Pte. Ltd. AZ Sunflower Pte. Ltd. AZ Tulip Pte. Ltd. AZ United Pte. Ltd. Azfin Semiconductors Pte. Ltd. Biden Marine Pte. Ltd. Hitemco Pte. Ltd. Shiro Corporation (HK) Limited Shiro Corporation Pte. Ltd.	<ul style="list-style-type: none"> – Independent, non-executive Director of Aztech Group Ltd between January 2015 – May 2017 (as well as Chairman of RC and member of AC during that period) – Non-executive Director of Aztech Group Ltd between August 2017 to December 2019 (post-delisting) – Non-executive Director and Vice Chairman of the board of directors of The Helping Hand, a halfway house for the rehabilitation of ex-drug addicts, from 2015 to 2019. – Non-executive director of 02 Micro Pte Ltd (struck off) 	<ul style="list-style-type: none"> – Managing Director of Texas Instruments Singapore Private Limited from Nov 1998 until his retirement in Jul 2018 (was also assigned the role of Asia President from July 2007 to July 2018). – Executive director of National Semiconductor Pte Ltd (struck off) 	Joined Colin Ng & Partners LLP (now known as CNPLaw LLP) in April 2015, and was made a partner in 2018. At Colin Ng & Partners LLP, he headed its tax practice group, and CNP Tax and Advisory Pte Ltd prior to founding CHP Law LLC in April 2019.
Other Principal Commitments including Directorships – Present	Executive Director of: AVS Investments Pte. Ltd. AVS Electronics Pte. Ltd. AVS Printing Pte. Ltd. AVS Solutions Sdn. Bhd. AVS Technologies Pte. Ltd.	Serves as an independent non-executive director of NASDAQ-listed 02Micro International Ltd and is a member of its audit committee. He has been chairman of such committee since November 2010. In addition, he serves as an executive director of Teleios SC Pte. Ltd., a boutique executive search firm.	–	Managing director of CHP Law LLC and advises on various areas of law, with a focus on the legal and tax aspects of cross border commercial transactions, including transfer pricing.

Additional Information on Directors Seeking Re-Election

	JEREMY MUN WENG HUNG	TAN TEIK SENG	LARRY TAN JWEE MENG	CHRISTOPHER HUANG JUNLI
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.				
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No

Additional Information on Directors Seeking Re-Election

	JEREMY MUN WENG HUNG	TAN TEIK SENG	LARRY TAN JWEE MENG	CHRISTOPHER HUANG JUNLI
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No

Additional Information on Directors Seeking Re-Election

	JEREMY MUN WENG HUNG	TAN TEIK SENG	LARRY TAN JWEE MENG	CHRISTOPHER HUANG JUNLI
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No

Additional Information on Directors Seeking Re-Election

	JEREMY MUN WENG HUNG	TAN TEIK SENG	LARRY TAN JWEE MENG	CHRISTOPHER HUANG JUNLI
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—	No	No	No	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No

Additional Information on Directors Seeking Re-Election

	JEREMY MUN WENG HUNG	TAN TEIK SENG	LARRY TAN JWEE MENG	CHRISTOPHER HUANG JUNLI
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No	No
(v) in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No

Directors' Statement

The Directors of Aztech Global Ltd. (formerly known as Aztech Global Pte. Ltd.) (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2020, the statement of financial position of the Company as at 31 December 2020 and statement of changes in equity of the Company for the financial year ended 31 December 2020.

1. Opinion of the Directors

In the opinion of the Directors,

- (a) the consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are:

Michael Mun Hong Yew	
Jeremy Mun Weng Hung	
Christopher Huang Junli	(Appointed on 19 February 2021)
Larry Tan Jwee Meng	(Appointed on 19 February 2021)
Tan Teik Seng	(Appointed on 19 February 2021)

3. Arrangements to enable Director to acquire shares and debentures

Neither at the end of nor at any time during the financial year did there subsist any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interest in the shares or debentures of the Company or its related corporations, either at beginning or end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, except as follows:

Directors' Statement

4. Directors' interests in shares or debentures (Continued)

Name of Directors and companies in which interests are held	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
<u>The ultimate holding company</u>				
AVS Investments Pte. Ltd.# (Number of ordinary shares)	39,903,442	79,806,884 [^]	–	–
<u>The immediate holding company</u>				
Aztech Group Ltd. (Number of ordinary shares)				
Michael Mun Hong Yew	–	–	39,903,442	79,806,884 [^]
Jeremy Mun Weng Hung	300,000*	600,000* [^]	–	–

a company where Mr Michael Mun Hong Yew is a director and sole shareholder

* shares received under a share grant scheme adopted by Aztech Group Ltd. in 2017

[^] the additional share received under a scrip dividend scheme adopted by Aztech Group Ltd. on 17 April 2020

By virtue of Section 7 of the Act, Michael Mun Hong Yew is deemed to have an interest in all the related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interest as at 21 January 2021 in the shares of the Company have not changed from those disclosed as at 31 December 2020.

5. Directors' receipt and entitlement to contractual benefits

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements and the Profit Sharing Scheme ("Scheme") as described below and as disclosed in the financial statements.

Certain Directors received remuneration from related corporations in their capacity as Directors and/or executives of those related corporations.

There were certain transactions (as disclosed in Note 4 to the financial statements) with corporations in which certain Directors have an interest.

Directors' Profit Sharing Scheme

The Company has entered into the Scheme with the following Directors of the Company pursuant to the service agreements with the said Directors that were effective during the financial year under review:

Michael Mun Hong Yew
Jeremy Mun Weng Hung

Directors' Statement

5. Directors' receipt and entitlement to contractual benefits (Continued)

Directors' Profit Sharing Scheme (Continued)

For Michael Mun Hong Yew

In accordance with the Scheme, Michael Mun Hong Yew is entitled to profit share based on the amount of the audited consolidated profit after tax ("PAT"), as computed in the following manner:

- (i) When PAT is equal to or exceeds \$5 million ("Minimum Profit") but less than \$10 million, the amount shall be equal to 1.2% of the PAT;
- (ii) When PAT is equal to or exceeds \$10 million but is less than \$15 million, the amount shall be equal to 1.6% of the PAT; and
- (iii) When the PAT is equal to or exceeds \$15 million, the amount shall be 2.0% of the PAT.

For Jeremy Mun Weng Hung and other key staffs

In accordance with the Scheme, Jeremy Mun Weng Hung and others are entitled to share in the Profit Sharing Pool ("Pool"), based on the amount of PAT, as computed in the following manner:

- (i) When PAT is equal to or exceeds Minimum Profit, but less than \$10 million, the Pool shall be equal to 1.8% of the PAT;
- (ii) When PAT is equal to or exceeds \$10 million but is less than \$15 million, the Pool shall be equal to 2.4% of the PAT; and
- (iii) When the PAT is equal to or exceeds \$15 million, the Pool shall be 3.0% of the PAT.

Under the Scheme, the Board of Directors shall review and decide the actual amount payable to the above mentioned Directors and other key staffs.

For the financial year ended 31 December 2020, provision of \$2,933,181 was made pursuant to the Scheme.

6. Long-Term Retirement Incentive Plan

During the financial year ended 31 December 2019, the Group implemented a Long-Term Retirement Incentive Plan ("LTRP") for its key management staff (including the CEO and Executive Director) of the Group. Under the LTRP, the key management staff will be eligible to receive a cash payout when they reach the minimum retirement age of 62 ("Minimum Retirement Age") or elect to receive it later when they retire, if their contract is extended after the Minimum Retirement Age.

The LTRP will be part of the remuneration package for current and future key management staff, and the eligibility to participate in the plan shall be determined by the Board of Directors.

From 1 January 2020 onwards, for all eligible key management staff, the LTRP amount will be computed based on 2% of their annual salary in the relevant financial year (prorated, where applicable), provided that the profit after tax of the Group is at least \$5 million for the relevant financial year.

If a key management staff's employment ceases for any reason before he or she reaches the Minimum Retirement Age, then the full amount provided for the respective staff's LTRP payout will be forfeited.

A provision of \$888,707 (2019: \$848,165) was made for LTRP as at 31 December 2020.

Directors' Statement

7. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

Employee Share Option Scheme

The Company has implemented an Employee Share Option Scheme known as the Aztech Employee Share Option Scheme ("Share Option Scheme"). The Share Option Scheme was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 18 February 2021. No options have been granted pursuant to the Share Option Scheme as at the date of this report.

Performance Share Plan

The Company has implemented a Performance Share Plan known as the Aztech Performance Share Plan ("Performance Share Plan"). The Performance Share Plan was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 18 February 2021. No shares have been granted pursuant to the Performance Share Plan as at the date of this report.

8. Audit committee

The Audit Committee of the Company is chaired by Mr Tan Teik Seng, an Independent Non-executive Director, and includes Mr Larry Tan Jwee Meng, an Independent Non-executive Director and Mr Christopher Huang Junli, an Independent Non-executive Director. The Audit Committee has carried out its functions in accordance with section 201B(5) of the Act, including reviewing the following, where relevant, with the Executive Directors and external auditors of the Company:

- (a) assist the Board in fulfilling its responsibility for overseeing the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group;
- (b) review and report to the Board significant financial reporting issues and judgements to ensure the integrity of the financial statements and any announcements relating to financial performance;
- (c) review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal controls, audit reports, their management letters and the management's response, and the results of audits compiled by internal and external auditors, and will review at regular intervals with the management the implementation by the Group of the internal control recommendations made by internal and external auditors;
- (d) review the periodic consolidated financial statements and any formal announcements relating to the Group's financial performance before submission to the Directors for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments arising from the audit, compliance with accounting standards, compliance with the Listing Manual and any other statutory and regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of the management, where necessary, before submission to the Directors for approval;
- (e) review the assurance from the Executive Chairman and CEO and Financial Controller on the financial records and financial statements of the Group;

Directors' Statement

8. Audit committee (Continued)

- (f) review the internal and external auditors' audit plan and audit reports (including assessing and reporting to the Board the quality of the work carried out and the basis of such assessment, and evaluating the performance of the internal and external auditors), and the internal and external auditors' evaluation of the system of internal accounting controls, with the internal and external auditors, as well as the assistance given by management to the internal and external auditors;
- (g) ensure co-ordination between the external and internal auditors and the management and reviewing the assistance given by the management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);
- (h) review and report to the Board, at least annually, the risk profile of the Group, the effectiveness and adequacy of the internal control and risk management procedures addressing financial, operational, information technology and compliance risks (including the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board), and discuss issues and concerns, if any, arising from the internal audits;
- (i) review and discuss with external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's results of operation, financial performance or financial position and the management's response;
- (j) review the adequacy and effectiveness of the Group's risk management and internal audit function and ensuring that a clear reporting structure is in place between the Audit Committee and the internal auditors;
- (k) ensure that the internal audit function is adequately resourced and staffed with persons with the relevant qualification and experience, and that the internal auditors comply with the standards set by nationally or internationally recognised professional bodies;
- (l) ensure that the internal audit function has unfetter access to all our Group's documents, records, properties and personnel, including the Audit Committee, and has appropriate standing within the Group;
- (m) review the key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;
- (n) review the co-operation given by the management to the internal and external auditors, where applicable;
- (o) review the independence and objectivity of the internal and external auditors as well as consider the appointment or re-appointment of the internal and external auditors, including approving the remuneration and terms of engagement of the internal and external auditors;
- (p) review and approve any interested person transactions falling within the scope of Chapter 9 of the Listing Manual and review procedures thereof;
- (q) review any actual or potential conflicts of interests (if any) and set out a framework to resolve or mitigate any potential conflicts of interests, as well as monitor compliance with such framework;
- (r) review regulatory compliance matters, at least on a quarterly basis, with a view to ensuring that adequate rectification measures are taken for past breaches as well as new initiatives implemented to mitigate and reduce the risks of future breaches;
- (s) on an annual basis or any other period that the Audit Committee deems fit, ensure that trade receivables are stated at fair value and accurately recorded in the financial statements, and that credit policies are adhered to;
- (t) monitor the cash flows of the Group;

Directors' Statement

8. Audit committee (Continued)

- (u) periodically review the Group's intellectual property protection policies to ensure that the policies and/or procedures are complied with, and adequate and effective for the Group's operations;
- (v) review the processes and procedures for the Group's resolution of the regulatory issues pertaining to the Dongguan Land and the buildings constructed on it, including the obtaining of the Title Registration in respect of the buildings constructed on the Dongguan Land and the Certificate of Land Use Right in respect of the Dongguan Land;
- (w) review transactions falling within the scope of Chapter 10 of the Listing Manual, if any;
- (x) undertake such other reviews and projects as may be requested by the Directors, and report to the Directors its findings from time to time on matters arising and requiring the attention of the Audit Committee; and
- (y) undertake generally such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any Director and Executive Officer of the Group to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

9. Independent auditors

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

Michael Mun Hong Yew
Director

Jeremy Mun Weng Hung
Director

Singapore
6 April 2021

Independent Auditors' Report

To the Members of Aztech Global Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aztech Global Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 120, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

To the Members of Aztech Global Ltd.

KEY AUDIT MATTER	AUDIT RESPONSE
<p>1 Revenue recognition</p>	
<p>The Group derives revenue from manufacture and sale of IoT devices, Datacom products and LED lighting products. The Group's revenue was recognised at a point in time when the Group's customers obtained control of the goods and it is probable that the agreed consideration will be received.</p> <p>We have determined revenue recognition to be a key audit matter due to the volume of revenue transactions and we placed significant attention and effort on this area as part of our audit approach. Revenue recognised for the financial year is also a significant measure of the Group's financial performance.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> ■ Examined the Group's revenue recognition policy in accordance with SFRS(I) 15 Revenue from Contract with Customers, and checked that consistent revenue recognition policy is applied; ■ Reviewed revenue and receipt cycle, and performed test of controls on the key controls identified; ■ Performed revenue cut off procedures for a sample of revenue transactions, before and after the financial year, by examining relevant supporting documents such as acknowledged delivery orders/ shipping documents and invoices to evaluate whether control has passed to determine whether revenue is recognised in the appropriate financial year; ■ Performed analytical review to identify unusual trends and movements; and ■ Performed substantive test by vouching to contract/agreements, sales invoice and customer acknowledged document for the sampled transactions.
<p>Refer to Notes 2.12 and 23 of the accompanying financial statements.</p>	

Independent Auditors' Report

To the Members of Aztech Global Ltd.

KEY AUDIT MATTER	AUDIT RESPONSE
<p>2 Impairment assessment of investments in subsidiaries</p> <p>As at 31 December 2020, the carrying amount of the Company's investments in subsidiaries amounted to approximately \$76,551,000. The subsidiaries primarily engaged in manufacture and sale of IoT devices, Datacom products, and LED lighting products.</p> <p>During the financial year ended 31 December 2020, arising from indicators of impairment in investment in AZ E-Lite Pte. Ltd., Aztech Systems (Hong Kong) Limited and IOT Manufacturing Sdn. Bhd., the management carried out an impairment assessment to determine whether an impairment loss should be recognised in the financial statements.</p> <p>Management determined the recoverable amounts based on the value-in-use calculations by estimating the expected discounted future cash flows to be derived from the investments in those subsidiaries. Arising from the assessment, no impairment loss was recognised on the investments in subsidiaries during the financial year.</p> <p>We focused on the impairment assessment of investments in subsidiaries as a key audit matter owing to the significant management judgements and estimates involved in the key assumptions used in estimating the expected discounted future cash flows, such as the revenue growth rates, gross profit margin and the discount rate.</p> <p>Refer to Notes 3 and 10 to the accompanying financial statements.</p>	<p>We performed the following audit procedures, amongst others:</p> <ul style="list-style-type: none"> Reviewed management's impairment indication assessment of the subsidiaries; Discussed with management and evaluated the reasonableness of management's key assumptions and estimates in the discounted cash flows by comparing revenue growth rates, gross profit margins, and discount rates against historical data, recent trends and market outlook, including those potential impact that Covid-19 pandemic will have on the operations, as appropriate; Performed sensitivity analysis around the key assumptions, including the revenue growth rates, gross profit margin and discount rates, used in discount cash flow forecasts; Engaged our internal valuation specialist to evaluate the reasonableness of the discount rates used by the management in the value-in-use assessment for investments with indication of impairment; and Assessed the adequacy of the related disclosures made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

To the Members of Aztech Global Ltd.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

To the Members of Aztech Global Ltd.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Leong Hon Mun Peter.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
6 April 2021

Statements of Financial Position

As at 31 December 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	5	11,462	14,281	5,142	6,482
Trade receivables	6	196,962	96,728	–	–
Other receivables	7	6,829	5,429	431	3
Derivative financial instruments	8	96	–	58	–
Prepayments*		1,225	442	526	–
Inventories	9	53,704	19,053	–	–
Total current assets		270,278	135,933	6,157	6,485
Non-current assets					
Other receivables	7	–	–	939	–
Investment in subsidiaries	10	–	–	76,551	76,551
Property, plant and equipment	11	28,905	22,161	–	–
Intangible assets	12	1,065	2,617	–	–
Total non-current assets		29,970	24,778	77,490	76,551
Total assets		300,248	160,711	83,647	83,036
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	13	29,216	10,401	–	–
Lease liabilities	14	2,430	2,963	398	–
Trade payables	15	141,052	87,199	–	–
Other payables	16	62,859	25,739	42,752	37,326
Provision for retirement benefit	17	612	594	612	594
Income tax payable		16,147	8,374	–	–
Total current liabilities		252,316	135,270	43,762	37,920
Non-current liabilities					
Borrowings	13	3,818	–	–	–
Lease liabilities	14	1,907	2,220	939	–
Provision for retirement benefit	17	277	254	277	254
Deferred tax liabilities	18	307	268	–	–
Total non-current liabilities		6,309	2,742	1,216	254
Capital and reserves					
Share capital	19	15,468	15,468	15,468	15,468
Capital reserve	20	(4,670)	(4,670)	11,651	11,651
Foreign currency translation reserve	21	(2,776)	(6,963)	–	–
Statutory reserves	22	1,254	1,254	–	–
Retained profits		32,347	17,610	11,550	17,743
Total equity		41,623	22,699	38,669	44,862
Total liabilities and equity		300,248	160,711	83,647	83,036

*Included in prepayments as at 31 December 2020 are expenses of \$482,000 relating to the Company's initial public offering.

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the Financial Year Ended 31 December 2020

		Group	
	Note	2020 \$'000	2019 \$'000
Revenue	23	484,273	428,825
Other income	24	1,031	759
Changes in inventories of finished goods and work in progress, and raw materials used		(346,079)	(306,957)
Employee benefits expense	25	(43,987)	(42,739)
Amortisation and depreciation expenses	29	(8,636)	(8,602)
Other operating expenses		(14,909)	(15,565)
Loss allowance of trade receivables	6	(630)	(500)
Investment revenue	29	667	43
Other gains and losses	26	(4,053)	436
Finance costs	27	(1,160)	(914)
Profit before income tax		66,517	54,786
Income tax expense	28	(10,790)	(7,614)
Profit for the financial year	29	55,727	47,172
Other comprehensive income:			
<i>Items that may be reclassified subsequently into profit or loss</i>			
Exchange differences on translation of foreign operations		4,187	(1,285)
Other comprehensive income for the financial year, net of tax		4,187	(1,285)
Total comprehensive income for the financial year		59,914	45,887
Profit attributable to owners of the Company		55,727	47,172
Total comprehensive income attributable to owners of the Company		59,914	45,887
Earnings per share			
Basic and diluted (cents)	30	9.01	2.34

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

For the Financial Year Ended 31 December 2020

Group	Note	Share capital \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Statutory reserves \$'000	(Accumulated losses)/ Retained profits \$'000	Total equity \$'000
Balance as at 1 January 2020		15,468	(4,670)	(6,963)	1,254	17,610	22,699
<i>Total comprehensive income for the financial year</i>							
Profit for the financial year		–	–	–	–	55,727	55,727
Other comprehensive income for the financial year		–	–	4,187	–	–	4,187
Total		–	–	4,187	–	55,727	59,914
<i>Transactions with owners, recognised directly in equity</i>							
Dividends	31	–	–	–	–	(40,990)	(40,990)
Balance as at 31 December 2020		15,468	(4,670)	(2,776)	1,254	32,347	41,623
Balance as at 1 January 2019		68,468	(4,670)	(5,678)	1,254	(3,266)	56,108
<i>Total comprehensive income for the financial year</i>							
Profit for the financial year		–	–	–	–	47,172	47,172
Other comprehensive income for the financial year		–	–	(1,285)	–	–	(1,285)
Total		–	–	(1,285)	–	47,172	45,887
<i>Transactions with owners, recognised directly in equity</i>							
Reduction of share capital	19	(53,000)	–	–	–	–	(53,000)
Dividends	31	–	–	–	–	(26,296)	(26,296)
		(53,000)	–	–	–	(26,296)	(79,296)
Balance as at 31 December 2019		15,468	(4,670)	(6,963)	1,254	17,610	22,699

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

For the Financial Year Ended 31 December 2020

Company	Note	Share capital \$'000	Capital reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance as at 1 January 2020		15,468	11,651	17,743	44,862
Profit for the financial year, representing total comprehensive income for the financial year		–	–	34,797	34,797
<i>Transactions with owners, recognised directly in equity</i>					
Dividends	31	–	–	(40,990)	(40,990)
Balance as at 31 December 2020		15,468	11,651	11,550	38,669
Balance as at 1 January 2019		68,468	11,651	13,987	94,106
Profit for the financial year, representing total comprehensive income for the financial year		–	–	30,052	30,052
<i>Transactions with owners, recognised directly in equity</i>					
Reduction of share capital	19	(53,000)	–	–	(53,000)
Dividends	31	–	–	(26,296)	(26,296)
		(53,000)	–	(26,296)	(79,296)
Balance as at 31 December 2019		15,468	11,651	17,743	44,862

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December 2020

	Group	
	2020 \$'000	2019 \$'000
Operating activities		
Profit before income tax	66,517	54,786
Adjustments for:		
Amortisation of intangible assets	1,810	2,930
Depreciation of property, plant and equipment	6,826	5,672
Fair value gain on derivative financial instruments	(96)	–
Loss/(Gain) on disposal of plant and equipment	6	(78)
Interest expense	1,160	914
Interest income	(599)	(43)
Loss allowance for trade receivables	630	500
Net unrealised foreign exchange loss	2,146	2,567
Plant and equipment written off	238	255
Provision for retirement benefit	41	848
Write-down for inventories obsolescence	141	2,130
Operating cash flows before movements in working capital	78,820	70,481
Trade receivables	(100,273)	(26,264)
Other receivables	(1,400)	(11,491)
Prepayments	(783)	402
Inventories	(34,792)	23,701
Trade payables	53,938	(11,205)
Other payables	37,201	(1,718)
Cash from operations	32,711	43,906
Income tax paid	(2,976)	(1,333)
Interest paid	(1,160)	(914)
Net cash from operating activities	28,575	41,659

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December 2020

	Group	
	2020 \$'000	2019 \$'000
Investing activities		
Additions of intangible assets	(248)	(1,435)
Interest received	599	43
Proceeds on disposal of plant and equipment	142	168
Purchases of plant and equipment	(11,190)	(6,532)
Net cash used in investing activities	(10,697)	(7,756)
Financing activities		
Repayment of obligations under lease liabilities (Note A)	(2,751)	(3,133)
Proceeds from bank borrowings (Note A)	121,903	69,835
Repayments of bank borrowings (Note A)	(98,824)	(71,527)
Dividends	(40,990)	(26,296)
Net cash used in financing activities	(20,662)	(31,121)
Net change in cash and cash equivalents	(2,784)	2,782
Effects of exchange rate changes on the balance of cash held in foreign currencies	(35)	243
Cash and cash equivalents at beginning of the financial year	14,281	11,256
Cash and cash equivalents at end of the financial year	11,462	14,281

Note A Reconciliation of liabilities arising from financing activities

	← Non cash changes →					2020 \$'000
	2019 \$'000	Cash flows \$'000	Lease modification \$'000	Additions of property, plant and equipment under leases \$'000	Foreign exchange differences \$'000	
Borrowings	10,401	23,079	–	–	(446)	33,034
Lease liabilities	5,183	(2,751)	123	1,733	49	4,337

	← Non cash changes →					2019 \$'000
	2018 \$'000	Cash flows \$'000	Adoption of SFRS(I) 16 \$'000	Additions of property, plant and equipment under leases \$'000	Foreign exchange differences \$'000	
Borrowings	12,276	(1,692)	–	–	(183)	10,401
Lease liabilities	3,319	(3,133)	2,886	2,193	(82)	5,183

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

These notes form an integral part of and should be read in conjunction with these financial statements.

1. General corporate information

Aztech Global Ltd. (the “Company”) (Registration number 200909384G) is a public limited company incorporated and domiciled in Singapore with its principal place of business and registered office at 31 Ubi Road 1 #01-05 Singapore 408694.

In connection with its conversion into a public company limited by shares, the name of the Company was changed from Aztech Global Pte. Ltd. to Aztech Global Ltd. with effect from 19 February 2021. The Company was listed on the mainboard of Singapore Exchange Securities Trading Limited on 12 March 2021.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 10 of the financial statements.

The immediate and ultimate holding companies of the Company are Aztech Group Ltd and AVS Investments Pte Ltd respectively, both of which are incorporated in Singapore. Related corporations in these financial statements refer to members of the ultimate holding company’s group.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group and the Company’s first financial statements prepared in accordance with SFRS(I)s. The Group and the Company have previously prepared their financial statements in accordance with Financial Reporting Standards in Singapore (“FRSs”). As required by SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in their opening statements of financial position at 1 January 2019 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 December 2019 in these financial statements have not been restated as there are no material financial impact on the transition from FRSs to SFRS(I)s.

Items included in the financial statements of the Group and the Company are measured using the currency of the primary economic environment in which the entities operate (“functional currency”). The financial statements are presented in Singapore dollar which is the functional currency and presentation currency of the Company. The financial statements are expressed in Singapore dollar and all values are rounded to the nearest thousand (\$’000) unless otherwise indicated.

The preparation of financial statements in conformity with SFRS(I)s requires the management to exercise judgement in the process of applying the Group’s and the Company’s accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses throughout the financial year. Although these estimates are based on management’s best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies

New standards, amendments and interpretations effective from 1 January 2020

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore (“ASC”) that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group’s business activities or require accounting which is consistent with the Group’s current accounting policies.

New standards, amendments and interpretations issued but not yet effective

The following SFRS(I)s are effective for annual periods beginning on 1 January 2021 and thereafter, and have not been adopted early:

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16: *Interest Rate Benchmark Reform – Phase 2*
- Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*
- Amendments to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to SFRS(I) 1-37: *Onerous Contract – Costs of Fulfilling a Contract*
- Various Annual Improvements to SFRS(I)s 2018-2020
- Amendment to SFRS(I) 4: *Extension of the Temporary Exemption from Applying SFRS(I) 9*
- SFRS(I) 17: *Insurance Contracts*
- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*
- Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendment to SFRS(I) 16: *Covid-19-Related Rent Concessions*

Management anticipates that the adoption of the above new standards, amendments and interpretations in future periods, if applicable, will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests, if any.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Investments in subsidiaries are carried at cost less any impairment loss, in the Company's statement of financial position.

2.3 Business combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

2.4 Financial instruments

The Group recognises a financial asset or a financial liability in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets.

Amortised cost

These assets arise principally from the provision of goods to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable date about the following events:

- significant financial difficulty of the issuer or the borrower;
- breach of contract, such as default or past due event; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables (excluding deposits for land use right and value added tax receivables) and cash and cash equivalents in the statements of financial position.

Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost.

Trade and other payables (excluding customer deposits) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.13).

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

- a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.5 Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs of raw materials and finished goods are determined on a weighted average basis and include all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured goods, costs include cost of material, direct labour and an appropriate portion of manufacturing overheads.

Work-in-progress is stated at cost which comprises direct material, direct labour and other directly attributable expenses. Allowance is made for anticipated losses, if any, on work-in-progress when the possibility is ascertained.

Net realisable value is the estimated selling price at which the inventories can be realised in the ordinary course of business less costs of realisation. Where necessary, the carrying values of inventories are adjusted to the lower of cost and net realisable value to account for obsolete, slow-moving and defective inventories.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives, on the following bases:

Factory building	over the terms of lease, which are from 1.75% to 20%
Computer and office equipment	20% to 100%
Factory equipment	12.5% to 20%
Factory furniture and fittings	20%
Office furniture and fittings	20% to 33.33%
Research and development equipment and tools	20% to 33.33%
Software applications	20% to 100%
Motor vehicles	20% to 33.33%

Right-of-use assets

Leasehold properties	20% to 50%
Motor vehicles	20% to 33.33%
Factory equipment	12.5% to 20%

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2.7 Intangible assets

Internally-generated intangible assets - development expenditure

Expenditure on research activities is recognised as an expense in the financial year in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Development costs that have been capitalised as intangible assets are amortised from the commencement of the commercial production on a straight-line basis over the period of its expected benefits, which normally does not exceed 3 years. Where no internally-generated asset can be recognised, development expenditure is charged to profit or loss in the financial year in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and any accumulated impairment losses.

2.8 Impairment of non-financial assets

Property, plant and equipment, intangible assets and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.8 Impairment of non-financial assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.9 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The Group recognises the estimated liability to repair or replace products still under warranty at the end of the reporting period. This provision is estimated based on historical experience of the level of repairs and replacements.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.10 Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when the Group and the Company have a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available at the date of the end of the reporting period, rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.11 Leases

The Group as lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.11 Leases (Continued)

The Group as lessee (Continued)

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets in "Property, plant and equipment" and lease liabilities in the consolidated statement of financial position.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset. (Refer to Note 2.6 for the estimated useful lives for right-of-use assets)

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.8 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.11 Leases (Continued)

The Group as lessee (Continued)

Subsequent measurement (Continued)

After the commencement date, interest on the lease liabilities is recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards (see Note 2.13).

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The Group as lessor

When the Group is a lessor, it determines whether each lease entered is a finance or an operating lease at the lease inception date and reassessed only if there is a lease modification. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whereas, it is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the statements of financial position, which represents the lease payments owed to the head lessor.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.12 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers are fixed amounts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices.

Sale of electronics products

Revenue from the sale of electronics products is recognised at point in time when the products are delivered to the customers.

There is limited judgement needed to identify when the point of control passes to customers. There is no element of financing component in the Group's revenue transactions as customers are required to pay within a credit term of 95 days. Where the payments are received in advance, a contract liability is recognised and presented as customer deposits in "other payable".

All electronic products sold by the Group include standard warranty which requires the Group either to replace or mend the defective product during the warranty period. The warranty against defect is not accounted for as separate performance obligation.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the financial year in which they are incurred.

2.14 Retirement benefit obligations

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and the Group has no legal and constructive obligation to pay further once the payments are made.

Other long-term service benefits

The Group operates a retirement benefit plan which it offers the qualified employees an amount of benefit that an employee will receive on or after retirement, usually dependent on certain percentage of their final pay for every year of completed service and these payments are made in full after the date of retirement. The liability recognised on the statements of financial position in respect of a retirement benefit plan is the present value of the retirement benefit obligation at the reporting date. The present value of the retirement benefit obligation is determined by discounting the estimated future cash outflows using the market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.15 Employee leave entitlement

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the end of the reporting period.

2.16 Government grants

Government grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

2.17 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior financial years shall be measured at the amount expected to be paid to the taxation authorities, using the tax rates and interpretation to applicable tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the reporting period. Management evaluates its income tax provisions on periodical basis.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the financial year when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised directly outside profit or loss (either in other comprehensive income or directly in equity, respectively). In the case of a business combination, the tax effect is taken into account in calculating goodwill.

2.18 Dividends

Equity dividends are recognised when they become legally payable, interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholder.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.19 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the financial year, unless exchange rates fluctuated significantly during that financial year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities) are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that financial year, or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

Critical judgements in applying the Group's and the Company's accounting policies

In the process of applying the accounting policies, the management is of the opinion that there are no critical judgements, apart from those involving estimations (see below), that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Measurement of lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group estimates the incremental rate using observable inputs (such as market interest rates) when available and make certain entity-specific estimates (such as own credit rating, lease term, security as well as lease value) in order to reflect what the Group would have to pay.

The incremental borrowing rate applied to lease liabilities as at 31 December 2020 ranged between 2.0% and 6.2% (2019: 3.5% to 6.2%) per annum. The carrying amount of lease liabilities measured by applying incremental borrowing rate as at 31 December 2020 was \$3,260,000 (2019: \$3,225,000). If the incremental borrowing rate had been 0.5% higher or lower than management's estimates, the Group's lease liabilities would have been lower or higher by \$19,000.

Amortisation of intangible assets

The Group amortises the intangible assets, using the straight-line method, over their estimated useful life. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's intangible assets. The carrying amount of the Group's intangible assets as at 31 December 2020 was \$1,065,000 (2019: \$2,617,000).

Loss allowance of trade receivables

Trade receivables

Management determines the expected loss arising from default for trade receivables, by categorising them based on its historical loss pattern, historical payment profile, adjusted with the geographical risk and credit risk profile of customer as appropriate to reflect current conditions and estimates of future economic conditions. Loss allowance of \$630,000 (2019: \$500,000) was recognised on 31 December 2020. As at 31 December 2020, the carrying amount of trade receivables was \$196,962,000 (2019: \$96,728,000).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Estimated write-down for inventories obsolescence

At the end of the reporting period, management carries out a review on a product-by-product and on an aging basis to make estimate for obsolete and slow-moving inventory items. The management estimates the net realisable value for such inventory items based primarily on the current market conditions. During the financial year, management has written down approximately \$141,000 (2019: \$2,130,000) of its inventories to net realisable value. As at 31 December 2020, the carrying amount of inventories is \$53,704,000 (2019: \$19,053,000).

Estimated impairment in value of investment in subsidiaries

Investment in subsidiaries is tested for impairment whenever there is any indication that assets may be impaired. Determining whether investment in subsidiaries is impaired involves the consideration of the performance of the subsidiaries and the market conditions in which the subsidiaries operate in. At the end of the reporting period, the management of the Company has performed an impairment assessment of its investment in its subsidiaries. Arising from the assessment, no impairment loss was recognised on the investments in subsidiaries during the financial year. As at 31 December 2020, the carrying amount of investment in subsidiaries was \$76,551,000 (2019: \$76,551,000).

Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment over their estimated useful lives, after taking into account their estimated residual value using the straight-line method. The estimated useful life reflects the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the management's estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. As at 31 December 2020, the carrying amount of property, plant and equipment is \$28,905,000 (2019: \$22,161,000).

4. Significant related party transactions

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Some of the Group's and the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances with related parties are unsecured, interest-free and repayable within the next twelve months unless otherwise stated.

Significant intercompany transactions, other than those disclosed elsewhere in the notes are as follows:

	<u>Company</u>	
	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
With subsidiaries		
Dividends received	41,420	31,208

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

4. Significant related party transactions (Continued)

During the financial year, the Group entities entered into the following transactions with related parties:

	Group	
	2020	2019
	\$'000	\$'000
Transaction with companies in which directors have equity interests:		
Rendering of services	(334)	(5)
Receiving of services	965	891

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the financial year was as follows:

	Group	
	2020	2019
	\$'000	\$'000
<i>Directors of the Company</i>		
Short-term benefits	1,871	1,972
Post-employment benefits	47	679
	1,918	2,651
<i>Other key management personnel</i>		
Short-term benefits	1,091	1,321
Post-employment benefits	103	368
	1,194	1,689

5. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Cash at bank available on demand	6,468	7,540	148	31
Short-term deposits	4,994	6,741	4,994	6,451
Cash and bank balances	11,462	14,281	5,142	6,482

Short-term deposits bear interest of 0.4% (2019: 1% to 2.6%) per annum with tenure of 1 week (2019: 1 month).

The Group's cash at bank amounting to \$206,000 (2019: \$1,083,000) is subject to the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations. The Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

6. Trade receivables

	Group	
	2020 \$'000	2019 \$'000
Third parties	198,602	97,749
Less: Loss allowance	(1,640)	(1,021)
	196,962	96,728

Trade receivables are unsecured, non-interest bearing and generally on 30 to 95 days credit terms.

Before accepting any new customer, the Group uses both internal and external credit review systems to assess the potential customer's credit quality and defines credit limits by customer.

As at 31 December 2020, total loss allowance for trade receivables amounts to \$1,640,000 (2019: \$1,021,000), and the Group does not hold any collateral over these balances.

Movements in the loss allowance for trade receivables are as follows:

	Group	
	2020 \$'000	2019 \$'000
Balance as at 1 January	1,021	731
Allowance during the financial year	630	500
Written off during the financial year	–	(202)
Exchange difference	(11)	(8)
Balance as at 31 December	1,640	1,021

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. The lifetime expected credit loss allowance for Group's trade receivables are as follows:

	Current \$'000	1 - 30 days past due \$'000	31 - 60 days past due \$'000	More than 60 days past due \$'000	Total \$'000
2020					
<i>Non-credit impaired</i>					
Expected loss rate (%)	0.7	2.7	4.0	6.5	
Gross carrying amount					
- Trade receivables	191,857	5,831	300	614	198,602
Less: Loss allowance	(1,429)	(159)	(12)	(40)	(1,640)
	190,428	5,672	288	574	196,962
Total loss allowance	1,429	159	12	40	1,640

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

6. Trade receivables (Continued)

	Current \$'000	1 - 30 days past due \$'000	31 - 60 days past due \$'000	More than 60 days past due \$'000	Total \$'000
2019					
<i>Non-credit impaired</i>					
Expected loss rate (%)	0.9	2.6	2.8	3.2	
Gross carrying amount					
- Trade receivables	89,601	7,289	575	284	97,749
Less: Loss allowance	(809)	(187)	(16)	(9)	(1,021)
	88,792	7,102	559	275	96,728
Total loss allowance	809	187	16	9	1,021

7. Other receivables

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current				
Other receivables				
- Third parties	121	186	-	3
- Related corporations	500	-	-	-
Value added tax receivable	5,200	4,275	22	-
Deposits	292	287	11	-
Deposits for land use right	716	681	-	-
Finance lease receivables	-	-	398	-
	6,829	5,429	431	3
Non-current				
Finance lease receivables	-	-	939	-
Total other receivables	6,829	5,429	1,370	3

Other receivables from related corporations are non-trade, unsecured, interest free and repayable on demand.

Deposits for land use right relate to an amount paid for a land use right which the Group had not yet obtained the land use right certificate from the relevant China government authorities. On 29 December 2019, the Group had signed a letter of intent with a third party for the transfer of the land use right. As of the reporting date, the negotiations in relation to the disposal is pending due to travel restriction.

Finance lease receivables - Subleases

The Company's sublease of its right-of-use of office premises to related companies are classified as finance lease because the subleases are for the entire remaining lease term of the head leases. Right-of use assets relating to the head leases with sublease classified as finance lease are derecognised.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

7. Other receivables (Continued)

Finance lease receivables - Subleases (Continued)

The maturity analysis of lease receivables of the Company is as follows:

	Minimum lease payments 2020 \$'000	Present value of minimum lease payments 2020 \$'000
Amount receivable under lease receivables:		
Within one financial year	420	398
In the second to fifth financial years	958	939
Less: Future finance charges	(41)	–
	<u>1,337</u>	<u>1,337</u>
Less:		
Amount due for settlement within 12 months (shown under current assets)		(398)
Amount due for settlement after 12 months (shown under non-current assets)		<u>939</u>

8. Derivative financial instruments

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Derivative not held for hedging:				
Currency forward contracts at fair value	96	–	58	–

At the end of the reporting period, the total notional amount of the currency forward contracts are as follows:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Derivative not held for hedging:				
Currency forward contracts at fair value	148,776	–	122,413	–

As at the end of reporting period, the settlement dates for the derivative financial instruments range from 15 days to 7 months. The Group and the Company did not apply fair value hedging for the financial year ended 31 December 2020.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

9. Inventories

	Group	
	2020 \$'000	2019 \$'000
Finished goods	9,254	3,270
Work-in-progress	11,594	3,328
Raw materials	32,856	12,455
	53,704	19,053

During the financial year, the cost of inventories recognised as expense and included in “changes in inventories of finished goods and work in progress, and raw materials used” amounted to \$341,221,000 (2019: \$305,655,000).

As of 31 December 2020, write-downs of inventories to net realisable value amounting to \$141,000 (2019: \$2,130,000) have been included in other operating expenses line item in profit or loss.

10. Investment in subsidiaries

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity investments		
– at costs	64,545	64,545
– deemed interest	12,006	12,006
Carrying amount	76,551	76,551

Deemed interest arose from financial guarantees provided by the immediate holding company to banks in respect of financing facilities granted to the Group. In prior financial year, management has assessed that the fair value of the financial guarantees is equivalent to 1% per annum of the amount of financing facilities guaranteed from the dates when the financing facilities were issued. The Group assesses the credit risks attributable to the subsidiaries which had borrowings from the banks, on an annual basis, and would adjust the deemed interest if there is an increase in credit risks attributable to these subsidiaries.

Impairment on investment in subsidiaries

As at the end of the reporting period, the Company carried out a review of the recoverable amount of its investment in AZ E-Lite Pte. Ltd., Aztech Systems (Hong Kong) Limited and IOT Manufacturing Sdn. Bhd., as a result of indicators of impairment based on the existing performance of these subsidiaries during the financial year. The estimates of the recoverable amounts are determined based on value-in-use calculations.

The key assumptions used in measuring value-in-use included revenue growth rates from -25% to 1,069%, gross margin of 5.6% to 15.0% and discount rate of 8.0% to 11.0% per annum. Arising from the assessment, no impairment loss was recognised on the investments in these subsidiaries during the financial year.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

10. Investment in subsidiaries (Continued)

Impairment on investment in subsidiaries (Continued)

The key assumptions for the value-in-use calculations are those regarding the revenue growth rates, gross margin and discount rates at each reporting date as follow:

2020	Revenue growth rates	Gross margins	Discount rates
AZ E-Lite Pte. Ltd.	544%	11.0%	8.0%
Aztech Systems (Hong Kong) Limited	-25%	5.6%	11.0%
IOT Manufacturing Sdn. Bhd.	1,069%	15.0%	11.0%

Revenue growth rates and gross margins – The forecasted revenue growth rates and gross margins are based on management’s expectations for each CGU from historical trends as well as average growth rates of the industry.

The significant revenue growth rate for AZ E-lite Pte. Ltd. (“AZE”) was based on the assumption that AZE fulfils the orders of a new product to an existing customer in the financial year ending 31 December 2021. The new product has completed the testing phase and is ready for production and deliveries in July 2021.

The significant revenue growth rate for IOT Manufacturing Sdn. Bhd. (“IOTM”) was based on the assumption that the IOTM will complete its expansion of production lines and operate at its intended capacity by the first half of financial year ending 31 December 2021. During the financial year ended 31 December 2020, IOTM was operating at minimal capacity.

Discount rates - Management estimates discount rate that reflect current market assessments of the time value of money and the risks specific to the CGUs.

With regards to the assessment of value-in-use for the subsidiaries, management believes that no reasonably possible changes in any key assumptions would cause the carrying amount of the subsidiaries to materially exceed its recoverable amount.

As at end of the reporting period, the recoverable amount of the investments in subsidiaries was determined to be higher than its carrying amount and therefore, no impairment loss recognised.

Sensitivity analysis

As at each reporting date, based on management’s assessment of the CGUs, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

10. Investment in subsidiaries (Continued)

The subsidiaries of the Company are set out below:

Name of company	Principal place of business	Principal activities	Effective equity interest	
			2020 %	2019 %
Held by the Company				
Aztech Systems (Hong Kong) Limited ⁽¹⁾	Hong Kong	International sale /supply / design /manufacture of Data-communication, electronic and electrical products	100	100
Aztech Technologies Pte. Ltd.	Singapore	International sale /supply / design /manufacture of Data-communication, electronic and electrical products	100	100
AZ E-Lite Pte. Ltd.	Singapore	International wholesale supply of LED lighting	100	100
Aztech Innovation Pte. Ltd.	Singapore	International sale /supply / design /manufacture of Data-communication, electronic and electrical products	100	100
IOT Manufacturing Sdn. Bhd. ⁽²⁾	Malaysia	Manufacture of Data- communication products; electronic and electrical products / LED lights	100	100
Held by Aztech Systems (Hong Kong) Limited				
Aztech Communication Device (DG) Ltd ⁽¹⁾	The People's Republic of China	Manufacture of Data-communication products; electronic and electrical products / LED lights and plastic injection parts	100	100
AZ E-Lite (HK) Limited ⁽¹⁾	Hong Kong	International sale and supply of electronic and electrical products and LED lights	100	100
Held by Aztech Communication Device (DG) Ltd				
AZ E-lite JJS Ltd ⁽¹⁾	The People's Republic of China	Manufacture of Data-communication products; electronic and electrical products / LED lights and plastic injection parts	100	–
Shenzhen Aztech Trading Company Ltd ⁽³⁾	The People's Republic of China	Research and development of multi-communication products and general trading	100	100

All the subsidiaries are audited by BDO LLP, Singapore except for the subsidiaries that are indicated as follows:

- (1) Audited by overseas member firm of BDO network, BDO Limited, Hong Kong.
- (2) Audited by overseas member firm of BDO network, BDO PLT, Malaysia.
- (3) On 27 March 2020, the Company's indirect subsidiary, Shenzhen Aztech Trading Company Ltd had applied for voluntary liquidation. As at 31 December 2020, the liquidation process is pending for completion of certain procedures to cease its operation entirely.

Incorporate of a subsidiary

AZ E-lite JJS Ltd

On 17 March 2020, the Company's indirect subsidiary, Aztech Communication Device (DG) Ltd, incorporated a wholly-owned subsidiary, AZ E-Lite JJS Ltd, in the People's Republic of China with a capital contribution of Renminbi 30,000 (equivalent to approximately S\$5,800).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

11. Property, plant and equipment

Group	Factory buildings \$'000	Computer and office equipment \$'000	Factory equipment \$'000	Factory furniture and fittings \$'000	Office furniture and fittings \$'000	Research and development equipment and tools \$'000	Software applications \$'000	Motor vehicles \$'000	Right-of-use assets \$'000	Total \$'000
Cost										
Balance as at 1 January 2020	7,239	963	39,107	3,739	281	422	683	896	10,514	63,844
Additions	-	44	7,737	2,853	40	-	384	34	1,831	12,923
Written off	-	-	(15,212)	(548)	-	-	(82)	(41)	-	(15,883)
Disposals	-	-	-	-	-	-	-	-	(193)	(193)
Lease modification	-	-	-	-	-	-	-	-	123	123
Exchange difference	364	(1)	1,645	224	-	-	18	6	313	2,569
Balance as at 31 December 2020	7,603	1,006	33,277	6,268	321	422	1,003	895	12,588	63,383
Accumulated depreciation										
Balance as at 1 January 2020	(4,119)	(848)	(28,774)	(2,847)	(252)	(422)	(582)	(441)	(3,398)	(41,683)
Charge for the financial year	(290)	(30)	(3,092)	(495)	(20)	-	(196)	(132)	(2,571)	(6,826)
Written off	-	-	14,987	539	-	-	78	41	-	15,645
Disposals	-	-	-	-	-	-	-	-	45	45
Exchange difference	(215)	1	(1,157)	(149)	-	-	(9)	(6)	(124)	(1,659)
Balance as at 31 December 2020	(4,624)	(877)	(18,036)	(2,952)	(272)	(422)	(709)	(538)	(6,048)	(34,478)
Carrying amount										
Balance as at 31 December 2020	2,979	129	15,241	3,316	49	-	294	357	6,540	28,905

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

11. Property, plant and equipment (Continued)

Group	\$'000	Factory buildings	Computer and office equipment	Factory equipment	Factory furniture and fittings	Office furniture and fittings	Research and development equipment and tools	Software applications	Motor vehicles	Right-of-use assets	Total	
												\$'000
Cost												
Balance as at 1 January 2019	7,446	1,243	40,900	3,568	255	450	731	1,869	–	56,462		
Adoption of SFRS(I) 16	–	–	(4,925)	–	–	–	–	(865)	8,676	2,886		
Balance as at 1 January 2019 (restated)	7,446	1,243	35,975	3,568	255	450	731	1,004	8,676	59,348		
Additions	–	28	5,300	277	26	–	61	406	2,627	8,725		
Written off	–	(31)	(651)	–	–	(28)	–	(252)	(109)	(1,071)		
Disposals	–	(268)	(494)	–	–	–	(96)	(248)	(543)	(1,649)		
Exchange difference	(207)	(9)	(1,023)	(106)	–	–	(13)	(14)	(137)	(1,509)		
Balance as at 31 December 2019	7,239	963	39,107	3,739	281	422	683	896	10,514	63,844		
Accumulated depreciation												
Balance as at 1 January 2019	(3,942)	(1,076)	(29,125)	(2,490)	(248)	(430)	(626)	(1,612)	–	(39,549)		
Adoption of SFRS(I) 16	–	–	1,129	–	–	–	–	804	(1,933)	–		
Balance as at 1 January 2019 (restated)	(3,942)	(1,076)	(27,996)	(2,490)	(248)	(430)	(626)	(808)	(1,933)	(39,549)		
Charge for the financial year	(294)	(69)	(2,520)	(442)	(4)	(20)	(58)	(99)	(2,166)	(5,672)		
Written off	–	30	397	–	–	28	–	252	109	816		
Disposals	–	258	480	–	–	–	90	201	530	1,559		
Exchange difference	117	9	865	85	–	–	12	13	62	1,163		
Balance as at 31 December 2019	(4,119)	(848)	(28,774)	(2,847)	(252)	(422)	(582)	(441)	(3,398)	(41,683)		
Carrying amount												
Balance as at 31 December 2019	3,120	115	10,333	892	29	–	101	455	7,116	22,161		

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

11. Property, plant and equipment (Continued)

As at 31 December 2020, the Group's application of the land use right certificate and property ownership certificates in respect of the factory buildings amounting to \$2,979,000 (2019: \$3,120,000) is still pending approval from the relevant China government authorities.

Right-of-use assets of the Group are as follows:

	Leasehold properties \$'000	Factory equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost				
Balance as at 1 January 2020	4,419	4,788	1,307	10,514
Additions	1,632	–	199	1,831
Disposal	–	–	(193)	(193)
Lease modification	123	–	–	123
Exchange difference	72	241	–	313
Balance as at 31 December 2020	6,246	5,029	1,313	12,588
Accumulated depreciation				
Balance as at 1 January 2020	(1,302)	(1,690)	(406)	(3,398)
Charge for the financial year	(1,783)	(603)	(185)	(2,571)
Disposal	–	–	45	45
Exchange difference	(23)	(101)	–	(124)
Balance as at 31 December 2020	(3,108)	(2,394)	(546)	(6,048)
Carrying amount				
Balance as at 31 December 2020	3,138	2,635	767	6,540

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

11. Property, plant and equipment (Continued)

Right-of-use assets of the Group are as follows: (Continued)

	Leasehold properties \$'000	Factory equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost				
Balance as at 1 January 2019	–	–	–	–
- Reclassified from property, plant and equipment	–	4,925	865	5,790
- Adoption of SFRS(I) 16	2,886	–	–	2,886
Balance as at 1 January 2019 (restated)	2,886	4,925	865	8,676
Additions	1,642	–	985	2,627
Written off	(109)	–	–	(109)
Disposals	–	–	(543)	(543)
Exchange difference	–	(137)	–	(137)
Balance as at 31 December 2019	4,419	4,788	1,307	10,514
Accumulated depreciation				
Balance as at 1 January 2019	–	–	–	–
- Reclassified from property, plant and equipment	–	(1,129)	(804)	(1,933)
Balance as at 1 January 2019 (restated)	–	(1,129)	(804)	(1,933)
Charge for the financial year	(1,425)	(609)	(132)	(2,166)
Written off	109	–	–	109
Disposals	–	–	530	530
Exchange difference	14	48	–	62
Balance as at 31 December 2019	(1,302)	(1,690)	(406)	(3,398)
Carrying amount				
Balance as at 31 December 2019	3,117	3,098	901	7,116

As at 31 December 2020, lease liabilities are secured by factory equipment and motor vehicles of the Group with the carrying values of \$3,402,000 (2019: \$3,999,000).

For the purpose of the consolidated statement of cash flows, the Group's additions to plant and equipment were financed as follows:

	Group	
	2020 \$'000	2019 \$'000
Additions of plant and equipment	12,923	8,725
Acquired under leases	(1,733)	(2,193)
Net cash payment made	11,190	6,532

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

12. Intangible assets

	Deferred development cost \$'000
Group	
Costs	
Balance as at 1 January 2020	35,389
Additions	248
Written off	(133)
Exchange differences	(37)
Balance as at 31 December 2020	<u>35,467</u>
Accumulated amortisation	
Balance as at 1 January 2020	32,772
Amortisation	1,810
Written off	(133)
Exchange differences	(47)
Balance as at 31 December 2020	<u>34,402</u>
Carrying amount	
Balance as at 31 December 2020	<u><u>1,065</u></u>
Costs	
Balance as at 1 January 2019	33,994
Additions	1,435
Exchange differences	(40)
Balance as at 31 December 2019	<u>35,389</u>
Accumulated amortisation	
Balance as at 1 January 2019	29,871
Amortisation	2,930
Exchange differences	(29)
Balance as at 31 December 2019	<u>32,772</u>
Carrying amount	
Balance as at 31 December 2019	<u><u>2,617</u></u>

The above deferred development cost has finite useful lives, and is amortised on a straight line basis. The amortisation period for development cost incurred is between one and three years. As at 31 December 2020, the average remaining amortisation period of the intangible assets is 2 years (2019: 2 years).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

13. Borrowings

	Group	
	2020 \$'000	2019 \$'000
<u>Secured</u>		
Trade finance	24,216	7,508
Term loans	4,766	–
<u>Unsecured</u>		
Term loans	4,052	2,893
Total borrowings	<u>33,034</u>	<u>10,401</u>
The borrowings are repayable as follows:		
On demand or within one financial year	29,216	10,401
Within two to five financial year	3,818	–
	<u>33,034</u>	<u>10,401</u>

The fair value above are determined based on cash flow analysis, discounted at market borrowing rates of a similar instrument which management expected to be available to the Group. The fair value are within level 2 of the fair value hierarchy.

13.1 Trade finance

The Group has banking facilities relating to bills discounted with recourse, trade bills payable, revolving credits and export trade loans of \$99,633,000 (2019: \$100,807,000), of which \$24,216,000 (2019: \$7,508,000) have been utilised as at 31 December 2020. Excluding bank overdraft facilities, these banking facilities bear interest rates ranged from 1.71% to 2.03% (2019: 3.1% to 3.2%) per annum.

As at 31 December 2020, the undrawn banking facilities of the Group amount to \$75,417,000 (2019: \$93,299,000).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

13. Borrowings (Continued)

13.2 Term loans

In the financial year ended 31 December 2020, term loans comprise:

- an amount totalling \$5,000,000 was drawn down by subsidiary of the Company for the purpose of funding working capital, repayable in September 2025 by monthly instalment. The loan bears an average effective interest rate of approximately 3% per annum and is denominated in Singapore dollar. As at 31 December 2020, the outstanding balance of the loan was \$4,766,000.
- an amount totalling approximately \$1,013,000 (equivalent to RMB5,000,000) was drawn down by a subsidiary of the Company for the purpose of funding working capital, repayable in April 2021. The loan bears an average effective interest rate of approximately 5.46% per annum and is denominated in Renminbi. As at 31 December 2020, the outstanding balance of the loan was approximately \$1,013,000 and the amount classified as current liabilities as the lender has unconditional right to call for repayment.
- an amount totalling approximately \$2,026,000 (equivalent to RMB10,000,000) was drawn down by a subsidiary of the Company for the purpose of funding working capital, repayable in July 2021. The loan bears an average effective interest rate of approximately 3.8% per annum and is denominated in Renminbi. As at 31 December 2020, the outstanding balance of the loan was \$2,026,000 and the amount classified as current liabilities as the lender has unconditional right to call for repayment.
- an amount totalling approximately \$1,013,000 (equivalent to RMB5,000,000) was drawn down by a subsidiary of the Company for the purpose of funding working capital, repayable in October 2021. The loan bears an average effective interest rate of approximately 3.85% per annum and is denominated in Renminbi. As at 31 December 2020, the outstanding balance of the loan was \$1,013,000 and the amount classified as current liabilities as the lender has unconditional right to call for repayment.

In the financial year ended 31 December 2019, term loans comprise:

- an amount totalling approximately \$964,000 (equivalent RMB 5,000,000) was drawn down by a subsidiary of the Company for the purpose of funding working capital, repayable in April 2020. The loan bears an average effective interest rate of approximately 5.7% per annum and is denominated in Renminbi. As at 31 December 2019, the outstanding balance of the loan was \$964,000 and the amount classified as current liabilities as the lender has unconditional right to call for repayment. The loan has been fully repaid as at 31 December 2020.
- an amount totalling approximately \$1,929,000 (equivalent to RMB10,000,000) was drawn down by a subsidiary of the Company for the purpose of funding working capital, repayable in June 2020. The loan bears an average effective interest rate of approximately 4.4% per annum and is denominated in Renminbi. As at 31 December 2019, the outstanding balance of the loan was \$1,929,000 and the amount classified as current liabilities as the lender has unconditional right to call for repayment. The loan has been fully repaid as at 31 December 2020.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

14. Lease liabilities

	Leasehold properties \$'000	Factory equipment \$'000	Motor vehicles \$'000	Total \$'000
Group				
Balance as at 1 January 2020	3,225	1,454	504	5,183
Additions	1,633	–	100	1,733
Interest expense	128	33	11	172
Lease payments				
- Principal portion	(1,719)	(841)	(191)	(2,751)
- Interest portion	(128)	(33)	(11)	(172)
Lease modification	123	–	–	123
Exchange difference	(2)	51	–	49
Balance as at 31 December 2020	<u>3,260</u>	<u>664</u>	<u>413</u>	<u>4,337</u>
Balance as at 1 January 2019				
- Finance lease liabilities under SFRS(I) 1-17	–	3,300	19	3,319
- Adoption of SFRS(I) 16	2,886	–	–	2,886
	<u>2,886</u>	<u>3,300</u>	<u>19</u>	<u>6,205</u>
Additions	1,642	–	551	2,193
Interest expense	115	77	6	198
Lease payments				
- Principal portion	(1,265)	(1,802)	(66)	(3,133)
- Interest portion	(115)	(77)	(6)	(198)
Exchange difference	(38)	(44)	–	(82)
Balance as at 31 December 2019	<u>3,225</u>	<u>1,454</u>	<u>504</u>	<u>5,183</u>
				Leasehold properties \$'000
Company				
Balance as at 1 January 2020				–
Additions				1,792
Interest expense				8
Lease payments				
- Principal portion				(455)
- Interest portion				(8)
Balance as at 31 December 2020				<u>1,337</u>

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

14. Lease liabilities (Continued)

The maturity analysis of lease liabilities of the Group and the Company at each reporting date are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Group				
Amounts payable under lease liabilities:				
Within one year	2,534	3,127	2,430	2,963
In the second to fifth years inclusive	2,005	2,330	1,907	2,220
Less: Future finance charges	(202)	(274)	–	–
Present value of lease obligations	<u>4,337</u>	<u>5,183</u>	4,337	5,183
Less:				
Amount due for settlement within 12 months (shown under current liabilities)			(2,430)	(2,963)
Amount due for settlement after 12 months (shown under non-current liabilities)			<u>1,907</u>	<u>2,220</u>
Company				
Amounts payable under lease liabilities:				
Within one year	419	–	398	–
In the second to fifth years inclusive	959	–	939	–
Less: Future finance charges	(41)	–	–	–
Present value of lease obligations	<u>1,337</u>	–	1,337	–
Less:				
Amount due for settlement within 12 months (shown under current liabilities)			(398)	–
Amount due for settlement after 12 months (shown under non-current liabilities)			<u>939</u>	–

The Group leases a number of properties (i.e. office building and warehouses) in Singapore, Hong Kong and the People's Republic of China with only fixed lease payments over the lease term.

The Company leases office premises with only fixed payment over the lease term. These office premises have been subleased to related companies under finance leases (Note 7).

The Group also leases certain items of factory equipment and motor vehicles with only fixed payments over the lease terms. There are no externally imposed covenants on these lease arrangements.

Certain equipment of the Group are qualified for low value assets and short term lease and the low-value and short term lease exemption is made on lease-by-lease basis.

Total cash outflow for all the leases (including leases on low-value assets and short term leases) in 2020 was \$3,332,000 (2019: \$3,358,000).

As at 31 December 2020, the incremental borrowing rates applied ranged from 2.0% to 6.2% (2019: 3.5% to 6.2%) per annum, and interest rate explicitly stated in the lease ranged from 1.3% to 3.7% (2019: 1.3% to 3.7%) per annum.

As at 31 December 2020, the Group's lease obligations are secured by the leased assets, recorded within property, plant and equipment (Note 11), with net carrying values of \$3,402,000 (2019: \$3,999,000).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

15. Trade payables

	Group	
	2020 \$'000	2019 \$'000
Third parties	141,052	87,199

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The trade amounts are unsecured, interest free and repayable within the credit term of 60 to 120 days (2019: 60 to 90 days).

16. Other payables

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Other payables				
- Third parties	1,267	886	182	123
- Subsidiaries	–	–	38,814	37,179
- Related corporations	–	2,051	–	–
Accrued expenses	53,724	17,838	823	24
Customer deposits	4,935	4,964	–	–
Profit-sharing scheme	2,933	–	2,933	–
	<u>62,859</u>	<u>25,739</u>	<u>42,752</u>	<u>37,326</u>

Other payables to related corporations and subsidiaries are unsecured, interest free and repayable on demand.

Included in accrued expenses are amounts of \$42,938,000 (2019: \$8,718,000) relating to inventories received from vendors for which suppliers' invoices have not been received at the end of the reporting period.

Movements in customer deposits are as follows:

	Group	
	2020 \$'000	2019 \$'000
Balance as at beginning of the financial year	4,964	3,573
Amount received in advance	4,935	4,964
Credited to profit or loss	(4,964)	(3,573)
Balance as at end of the financial year	<u>4,935</u>	<u>4,964</u>

Customer deposits represent amounts received in advance which will be recognised as revenue in the subsequent financial year.

The amount of revenue that will be recognised in subsequent periods on these customer deposits when those remaining performance obligations will be satisfied amounted to \$6,891,000 (2019: \$8,320,000) at the end of the reporting period.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

17. Provision for retirement benefit

	Group and Company	
	2020	2019
	\$'000	\$'000
Present value of retirement benefit obligation		
- Current	612	594
- Non-current	277	254
	<u>889</u>	<u>848</u>

During the financial year ended 31 December 2019, the Group implemented a Long-Term Retirement Incentive Plan ("LTRP") for the qualified employees within the Group. Under the LTRP, the qualifying employees will be eligible to receive a cash payout when they reach the minimum retirement age. Current portion of the provision for retirement benefit related to the amount which the qualified employees had met the minimum retirement age under the LTRP.

There are no plan assets associated with the provision for retirement benefit.

During the financial year, the additional cost of retirement benefit expense is recognised in the "Employee benefits expense" in profit and loss amounted to \$41,000 (2019: \$848,000).

18. Deferred tax liabilities

	Group	
	2020	2019
	\$'000	\$'000
Deferred tax liabilities	307	268

	Accelerated tax depreciation	Deferred expenditure	Total
	\$'000	\$'000	\$'000
Group			
Balance as at 1 January 2020	58	210	268
Charge to profit or loss	41	-	41
Exchange translation difference	(2)	-	(2)
Balance as at 31 December 2020	<u>97</u>	<u>210</u>	<u>307</u>
Balance as at 1 January 2019 and 31 December 2019	<u>58</u>	<u>210</u>	<u>268</u>

Subject to the agreement by the tax authorities in the relevant foreign tax jurisdictions in which the Group operates and conditions imposed by law, the Group has tax losses carry forwards available for offsetting against future taxable income as detailed below. In addition, the tax loss carry forwards are subjected to the retention of majority shareholders in the respective jurisdiction as defined.

No deferred tax asset has been recognised by the Group in respect of the tax losses amounting to \$2,298,000 (2019: \$558,000) as at 31 December 2020 due to the unpredictability of future profits stream of the relevant subsidiaries.

Subject to the conditions imposed by the relevant taxation laws, the Group's tax loss carry forwards amounting to \$2,298,000 (2019: \$558,000) as at 31 December 2020 are available for an unlimited future period.

No deferred tax liability has been recognised in respect of the temporary difference associated with undistributed earnings of subsidiaries because the Group is in the position to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

19. Share capital

	Group and Company	
	2020	2019
	Number of ordinary shares	
	'000	'000
Issued and paid up:		
Balance as at beginning of the financial year	15,468	68,468
Less: Cancellation of shares arising from reduction of share capital	–	(53,000)
Balance as at end of the financial year	15,468	15,468
	Group and Company	
	2020	2019
	\$'000	\$'000
Issued and paid up:		
Balance as at beginning of the financial year	15,468	68,468
Less: Reduction of share capital	–	(53,000)
Balance as at end of the financial year	15,468	15,468

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

During the financial year ended 31 December 2019, the Company undertook a capital reduction exercise (the "Capital Reduction") pursuant to Section 78A read together with Section 78C of the Companies Act, Chapter 50 in Singapore, to reduce and cancel issued share capital of the Company.

On 28 August 2019, Capital Reduction was approved by the shareholder and the Company's issued and paid-up share capital was reduced from the existing sum of \$68,468,000 to \$15,468,000 and such reduction of the share capital was returned to the shareholder of the Company. The amount was used to offset outstanding balance from immediate holding company.

20. Capital reserve

Group

This comprise primarily the merger reserve which is the difference between the consideration paid and the share capital of the subsidiaries acquired under common control and is non-distributable.

Company

Capital reserve arose from the financial guarantees provided by the immediate holding company, Aztech Group Ltd. to the banks for bank facilities granted to the Company's subsidiaries and is non-distributable.

21. Foreign currency translation reserve

The foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency and is non-distributable.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

22. Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the People's Republic of China ("PRC"), the subsidiary is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

23. Revenue

	Group	
	2020 \$'000	2019 \$'000
<u>Primary geographical markets</u>		
North America	308,258	255,601
China	9,864	15,251
Europe	151,715	125,348
Singapore	4,281	5,924
Others	10,155	26,701
	484,273	428,825
<u>Product types</u>		
IoT devices and Datacom products	428,074	292,526
LED products	55,369	135,979
Others ⁽¹⁾	830	320
	484,273	428,825
<u>Timing of transfer of goods</u>		
Point in time	484,273	428,825

⁽¹⁾ Others refer to other electrical products.

24. Other income

	Group	
	2020 \$'000	2019 \$'000
Scrap sales	19	77
Government grants	855	524
Others	157	158
	1,031	759

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

25. Employee benefits expense

	Group	
	2020	2019
	\$'000	\$'000
<i>Employee benefits expense (including Directors' remuneration):</i>		
Staff costs	38,384	39,168
Defined contributions plans	748	656
Other employee benefits	4,855	2,915
	43,987	42,739

Included in the employee benefits expense were Directors' remuneration as shown in Note 4 to the financial statements.

26. Other gains and losses

	Group	
	2020	2019
	\$'000	\$'000
(Loss)/Gain on disposal of plant and equipment	(6)	78
Net realised foreign exchange (loss)/gain	(1,997)	2,925
Net unrealised foreign exchange loss	(2,146)	(2,567)
Fair value gain on derivative financial instruments	96	–
	(4,053)	436

27. Finance costs

	Group	
	2020	2019
	\$'000	\$'000
Interest expense for:		
Trade financing	447	619
Lease liabilities	172	198
Revolving and term loans	541	97
	1,160	914

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

28. Income tax expense

	Group	
	2020 \$'000	2019 \$'000
Current income tax		
- current financial year	11,346	8,556
- over provision in prior financial years	(597)	(942)
	10,749	7,614
Deferred income tax		
- current financial year	41	–
	10,790	7,614

The income tax expense varied from the amount of income tax expense determined by applying the applicable income tax rate of 17% (2019: 17%) of the estimated assessable profit at the end of the financial year. The total charge for the financial years can be reconciled to the accounting profit as follows:

	Group	
	2020 \$'000	2019 \$'000
Profit before income tax	66,517	54,786
Income tax calculated using applicable tax rate of 17%	11,308	9,314
Effects of different tax rates of overseas subsidiaries	313	21
Effects of tax concession	(1,296)	(1,299)
Non-taxable items	(1,048)	(366)
Non-allowable items	1,900	1,252
Tax rebate	(73)	(50)
Utilisation of deferred tax benefits previously not recognised	–	(529)
Deferred tax benefit arising in current year not recognised	429	362
Effects of group relief	–	(164)
Over provision in prior financial years	(597)	(942)
Others	(146)	15
Total income tax expense	10,790	7,614

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

29. Profit for the financial year

Profit for the financial year has been arrived at after charging/(crediting):

	Group	
	2020	2019
	\$'000	\$'000
<i>Amortisation and depreciation expenses</i>		
Amortisation of intangible assets	1,810	2,930
Depreciation of property, plant and equipment	6,826	5,672
<i>Investment revenue</i>		
Sublease income	(68)	–
Interest income	(599)	(43)
<i>Other operating expenses</i>		
Audit fee paid/payable		
- Statutory audit		
- auditors of the Company	102	41
- other auditors	96	84
- IPO audit		
- auditors of the Company	110	–
Distribution costs	555	378
Lease expenses on		
- short-term leases	400	18
- low value assets	9	9
Other factory costs	9,690	7,936
Plant and equipment written off	238	255
Utilities costs	2,052	2,255
Write-down for inventories obsolescence	141	2,130

30. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2020	2019
Profit attributable to owners of the company (\$'000)	55,727	47,172
Weighted average number of ordinary shares ('000)	618,720	2,012,693
Earnings per share (in cents) – Basic and diluted	9.01	2.34

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

30. Earnings per share (Continued)

Basic earnings per share

The calculation of basic earnings per share for financial year ended 31 December 2020 is based on profit attributable to owners of the Company for the financial year ended 31 December 2020 divided by weighted average of ordinary shares in issue for the financial year ended 31 December 2020 computed based on pre-invitation share capital of 618,720,000 ordinary shares, assuming the share split exercise of sub-dividing each existing ordinary share into 40 shares ("Share Split") occurred at the beginning of financial year ended 31 December 2020.

The calculation of basic earnings per share for financial year ended 31 December 2019 is based on profit attributable to owners of the Company for the financial year ended 31 December 2019 divided by weighted average of ordinary shares in issue for the financial year ended 31 December 2019 computed based on 2,012,692,603 ordinary shares and had been retrospectively adjusted to reflect (i) the capital reduction of 53,000,000 ordinary shares pursuant to the capital reduction exercise; and (ii) the share split exercise, assuming such transactions occurred at the beginning of financial year ended 31 December 2019.

Diluted earnings per share

The diluted earnings per share for the relevant periods are same as the basic earnings per share as there were no dilutive potential ordinary shares for the relevant periods.

31. Dividends

On 1 September 2019, the Company declared an interim dividend at \$1.70 per ordinary share of the Company totalling \$26,295,600 in respect of financial year ended 31 December 2019.

On 15 July 2020, the Company declared a first interim dividend of \$2.00 per ordinary share of the Company totalling \$30,936,000 in respect of financial year ended 31 December 2020.

On 18 November 2020, the Company declared a second interim dividend of \$0.65 per ordinary share of the Company totalling \$10,054,200 in respect of financial year ended 31 December 2020.

The Directors of the Company propose that a final one-tier tax-exempt dividend of S\$0.02 per ordinary share be paid to all shareholders based on 773,720,000 ordinary shares as at 12 March 2021. Subject to the approval by the shareholders at the forthcoming Annual General Meeting, this proposed dividend has not been included as a liability in these financial statements.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

32. Commitments

Land use right

- (i) Pursuant to a land use right agreement dated 15 June 2002, a subsidiary of the Company is committed to pay to the local authority in China the land management fee of approximately \$26,500 (equivalent to RMB130,000) per annum with an increment rate of 10% every five years until 30 September 2052.

The subsidiary is committed to an additional land management fee of \$11,000 (equivalent to RMB54,000) per annum with an increment rate of 10% every five years until 2057, in accordance to an additional land use right agreement dated 6 April 2007.

- (ii) As at 31 December 2020, the Group's production facilities in China are located on plots of land of which land use right certificates and property ownership certificates have not been obtained. Management has continued to follow up with the relevant local authorities and is of the opinion that nothing has come to the attention of the management that the Group is not able to obtain the land use right certificates and property ownership certificates.

Based on the opinion of Chinese Counsel of the subsidiary, until March 2022, subsidiary of the Company will continue to be entitled to the use right of the Land and the buildings. Thereon, there will not be any risk for the Land and such buildings to be demolished by local government authorities or withdrawn from leasing by local government authorities.

33. Segment reporting

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore, Hong Kong, China and Malaysia. All these locations are engaged in the manufacturing, distribution and trading of electronic products.

The Group has two reportable segments being manufacturing segment and distribution and trading segment.

The manufacturing segment manufactures electronic products to its customers including related companies.

The distribution and trading segment sells the electronic products to other segment, whole-sale distributors and retailers.

"Other" segments include the Group's remaining minor trading and investment holding activities which are not included within reportable segments as they are not separately reported to the chief operating decision maker and they contribute minor amounts of revenue to the Group.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

33. Segment reporting (Continued)

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

	Distribution and trading		Manufacturing		Others	Eliminations	Total
	Hong Kong	Singapore	China	Malaysia			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020							
Revenue							
Revenue from external customers	132,724	346,596	4,953	–	–	–	484,273
Inter-segment revenue	371,351	13,896	406,713	9,200	–	(801,160)	–
Total revenue	504,075	360,492	411,666	9,200	–	(801,160)	484,273
Results							
Segment results	36,305	38,246	11,171	(1,479)	31,717	(48,283)	67,677
Finance costs	(251)	(282)	(601)	(24)	(8)	6	(1,160)
Profit before income tax	36,054	37,964	10,570	(1,503)	31,709	(48,277)	66,517
Income tax expense							(10,790)
Profit for the reporting period							55,727
Significant non-cash items							
Amortisation and depreciation expenses	857	2,278	4,696	744	454	(393)	8,636
Other items of income and expense							
Interest income	7	1	362	–	229	–	599

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

33. Segment reporting (Continued)

	Distribution and trading		Manufacturing		Eliminations \$'000	Total \$'000
	Hong Kong \$'000	Singapore \$'000	China \$'000	Others \$'000		
2019						
Revenue						
Revenue from external customers	189,055	232,333	7,437	–	–	428,825
Inter-segment revenue	366,919	46	351,251	–	(718,216)	–
Total revenue	555,974	232,379	358,688	–	(718,216)	428,825
Results						
Segment results	42,741	20,117	3,593	29,507	(40,258)	55,700
Finance costs	(634)	(53)	(214)	(13)	–	(914)
Profit before income tax	42,107	20,064	3,379	29,494	(40,258)	54,786
Income tax expense						(7,614)
Profit for the reporting period						47,172
Significant non-cash items						
Amortisation and depreciation expenses	1,626	2,493	4,270	213	–	8,602
Other items of income and expense						
Interest income	29	2	7	5	–	43

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

33. Segment reporting (Continued)

	Distribution and trading		Manufacturing		Other*	Eliminations	Total
	Hong Kong \$'000	Singapore \$'000	China \$'000	Malaysia \$'000			
Total segment assets							
31 December 2020	173,381	395,755	234,833	17,671	83,700	(605,092)	300,248
Included in the segment assets:							
Addition:							
Property, plant and equipment	6	276	6,760	4,544	1,337	–	12,923
Intangible assets	–	248	–	–	–	–	248
31 December 2019	181,792	108,703	127,643	5,306	83,037	(345,770)	160,711
Included in the segment assets:							
Addition:							
Property, plant and equipment	555	997	3,943	3,230	–	–	8,725
Intangible assets	–	1,435	–	–	–	–	1,435
Total segment liabilities**							
31 December 2020	143,166	336,478	155,890	18,931	45,015	(457,309)	242,171
31 December 2019	152,014	70,837	60,376	5,040	38,175	(197,072)	129,370

* All assets and liabilities are allocated to reportable segments, except for certain assets and liabilities included as "Others" comprised of:

- (1) Assets - Investment in subsidiaries and cash and cash equivalents;
- (2) Liabilities - Other payables from subsidiaries.

** Total segment liabilities exclude current income tax payables and deferred tax liabilities.

Geographical and product information

The breakdown of the Group's revenue by geographical and by products are disclosed in Note 23 to the financial statements. As of 31 December 2020, revenue of approximately \$374,502,000 (2019: \$332,204,000) are derived from two single external customers. These revenues are attributable to Singapore's and Hong Kong's distribution and trading segment.

Location of non-current assets

	Hong Kong \$'000	Singapore \$'000	China \$'000	Malaysia \$'000	Consolidated \$'000
31 December 2020	389	3,679	20,963	4,939	29,970
31 December 2019	1,355	4,045	16,361	3,017	24,778

Non-current assets consist of property, plant and equipment and intangible assets.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

34. Financial instruments, financial risks and capital risks management

34.1 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Financial assets				
Trade receivables	196,962	96,728	–	–
Other receivables	6,829	5,429	1,370	3
Cash and cash equivalents	11,462	14,281	5,142	6,482
	215,253	116,438	6,512	6,485
Less: Value added tax receivables	(5,200)	(4,275)	(22)	–
Less: Deposits for land use right	(716)	(681)	–	–
Amortised cost	209,337	111,482	6,490	6,485
Derivative financial instruments, representing total financial assets measured at fair value through profit or loss	96	–	58	–
Financial liabilities				
Trade payables	141,052	87,199	–	–
Other payables	62,859	25,739	42,752	37,326
Borrowings	33,034	10,401	–	–
Lease liabilities	4,337	5,183	1,337	–
Provision for retirement benefit	889	848	889	848
	242,171	129,370	44,978	38,174
Less: Customer deposits	(4,935)	(4,964)	–	–
Amortised cost	237,236	124,406	44,978	38,174

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

34. Financial instruments, financial risks and capital risks management (Continued)

34.2 Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

In reconciling the 'Net amounts of financial assets and financial liabilities presented in the statements of financial position' to the line item amounts presented in the statements of financial position, the above amounts represent only those which are subject to offsetting, enforceable master netting arrangements and similar agreements. The residual amounts relate to those that are not in scope of the offsetting disclosures.

	Gross amounts of financial assets and financial liabilities \$'000	Gross amounts of recognised financial assets and financial liabilities set off in the statements of financial position \$'000	Net amounts of financial assets and financial liabilities presented in the statements of financial position \$'000
Group			
2020			
Financial assets			
Other receivables	172,349	(171,849)	500
Financial liabilities			
Other payables	171,849	(171,849)	–
2019			
Financial assets			
Other receivables	84,862	(84,862)	–
Financial liabilities			
Other payables	86,913	(84,862)	2,051

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

34. Financial instruments, financial risks and capital risks management (Continued)

34.2 Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements (Continued)

	Gross amounts of recognised financial assets and financial liabilities \$'000	Gross amounts of recognised financial assets and financial liabilities set off in the statements of financial position \$'000	Net amounts of financial assets and financial liabilities presented in the statements of financial position \$'000
Company			
2020			
Financial assets			
Other receivables	66,789	(66,789)	–
Financial liabilities			
Other payables	105,603	(66,789)	38,814
2019			
Financial assets			
Other receivables	71,585	(71,585)	–
Financial liabilities			
Other payables	108,764	(71,585)	37,179

34.3 Financial risk management policies and objectives

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below:

(i) Foreign exchange risk management

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies that give rise to this risk are primarily the United States dollar and the Renminbi.

The Group manages foreign currency risk by matching assets and liabilities in the same currency denomination and supplemented with appropriate financial instruments where necessary. The Group uses derivative financial instruments to mitigate the financial impact associated with foreign currency fluctuation relating to certain forecasted transactions.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

34. Financial instruments, financial risks and capital risks management (Continued)

34.3 Financial risk management policies and objectives (Continued)

(i) Foreign exchange risk management (Continued)

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies at the end of the reporting period are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Renminbi	313	1,688	533	15,974	–	–	–	–
Peso	–	–	2	2	–	–	2	2
Hong Kong dollar	11	17	–	–	11	–	–	–
United States dollar	138,602	61,600	199,619	89,190	–	–	189	5,651

Foreign currency sensitivity

The following analyses detail the sensitivity to a 5% (2019: 5%) increase or decrease in the respective foreign currencies against the respective functional currencies of the entities in the Group. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the relevant foreign currency weakens by 5% against the functional currency of each entity of the Group, the effect on profit or loss will increase by:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Renminbi	11	714	–	–
United States dollar	3,051	1,379	9	283

If the relevant foreign currency strengthens by 5% against the functional currency of each entity of the Group, the above will have an opposite effect.

The management does not expect any material impact on profit or loss arising from the effects of reasonably possible changes to foreign exchange rates of foreign currency balances denominated in Peso and Hong Kong dollar at the end of the reporting period.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

34. Financial instruments, financial risks and capital risks management (Continued)

34.3 Financial risk management policies and objectives (Continued)

(ii) Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The Group monitors the movements in interest rates on an ongoing basis and evaluates the exposure for its debt obligations.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for borrowing from banks and financial institutions in China and Hong Kong at the end of the reporting period.

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2019: 50 basis points) higher or lower with all other variables held constant, the Group's profit for the financial year ended 31 December 2020, would decrease or increase by \$165,000 (2019: \$52,000).

No analysis is prepared at the Company level as the impact is not expected to be material.

(iii) Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial losses from default. Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Cash terms, advance payments and letter of credits are required for customers of lower credit standing.

The carrying amounts of cash and cash equivalents, trade receivables and other receivables, represent the Group's and the Company's maximum exposure credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the consolidated statement of financial position.

Trade receivables

The Group manages concentration of credit risk by performing credit analysis procedures to assess the potential customers' credit quality and defines credit limits by customer before offering credit term to any new customer.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except for outstanding trade receivables from 5 (2019: 5) major customers which represent 99% (2019: 98%) of total trade receivables balance as at 31 December 2020.

The Group applies the simplified approach, using a provision matrix, to measure the expected credit losses for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

34. Financial instruments, financial risks and capital risks management (Continued)

34.3 Financial risk management policies and objectives (Continued)

(iii) Credit risk management (Continued)

Trade receivables (Continued)

The expected loss rates are based on the Group's historical credit losses experienced and then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customer.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. Accordingly, the management believes that there is no further impairment required in excess of the loss allowance for trade receivables.

Further disclosures regarding trade receivables, which are past due but not impaired, are provided in Note 6 to the financial statements.

Other receivables

Management assessed whether there is significant increase in credit risk for amount due from related corporations since initial recognition. Management considers various operating performance ratios as well as liquidity ratios of these related corporations and concluded that these corporations have sufficient net assets to repay their debts and are therefore subject to insignificant expected credit losses.

For other receivables, the management adopts a policy of dealing with high credit quality counterparties. The management monitors and assesses at each reporting date on any indicator of significant increase in credit risk on these other receivables. As at the end of the reporting period, there is no indication that credit risk on these receivables have increased significantly, hence, these receivables are measured at 12-month expected credit loss model and subject to immaterial credit loss.

Cash and cash equivalents

The Group places its cash with creditworthy institutions with average rating of "AA-", based on Standard & Poor's rating. Impairment of cash at banks have been measured at on a 12-month expected credit loss model. At the reporting date, the Group and the Company do not expect any material credit loss from non-performance by the counterparties.

Financial guarantee contracts

In addition, the Group and Company are exposed to credit risk in relation to financial guarantees given to banks on subsidiaries' borrowings. The Group's and Company's maximum exposure are the maximum amount the Group and the Company could have to pay if the guarantee is called on. As at 31 December 2020, subsidiaries' borrowings of \$33,034,000 (2019: \$10,401,000) was guaranteed by the Group and the Company. For the financial guarantee issued, the Group and the Company have assessed that these subsidiaries have sufficient financial capabilities to meet its contractual cash flows obligation in the near future, hence, does not expect any material loss allowance under the 12-month expected credit loss model.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

34. Financial instruments, financial risks and capital risks management (Continued)

34.3 Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surplus and the raising of loans to cover expected cash demand, subject to approval by the Company's Board of Directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liability requirements in the short and longer term. Undrawn facilities are disclosed in Note 13 to the financial statements.

The Company is the holding company for all its subsidiaries and has the ability to control the timing of repayment for the liabilities owing to its subsidiaries, management is satisfied that the Company is able to meet its existing and prospective funding requirements and continue to operate as a going concern.

Liquidity and interest analysis

Financial liabilities at amortised cost

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statements of financial position.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

34. Financial instruments, financial risks and capital risks management (Continued)

34.3 Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Liquidity and interest risk analysis (Continued)

Financial liabilities at amortised cost (Continued)

	Weighted average effective interest rate per annum %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
Group						
2020						
Non-interest bearing	–	199,588	–	277	–	199,865
Lease liabilities (fixed rate)	3.64	2,534	2,005	–	(202)	4,337
Bank loans (variable rate)	2.36	29,516	4,041	–	(523)	33,034
		<u>231,638</u>	<u>6,046</u>	<u>277</u>	<u>(725)</u>	<u>237,236</u>
2019						
Non-interest bearing	–	108,568	–	254	–	108,822
Lease liabilities (fixed rate)	1.3 – 6.2	3,127	2,330	–	(274)	5,183
Bank loans (variable rate)	3.6	10,576	–	–	(175)	10,401
		<u>122,271</u>	<u>2,330</u>	<u>254</u>	<u>(449)</u>	<u>124,406</u>
Company						
2020						
Non-interest bearing	–	43,364	–	277	–	43,641
Lease liabilities (fixed rate)	2	419	959	–	(41)	1,337
Financial corporate guarantee	–	25,164	3,818	–	–	28,982
		<u>68,947</u>	<u>4,777</u>	<u>277</u>	<u>(41)</u>	<u>73,960</u>
2019						
Non-interest bearing	–	37,920	–	254	–	38,174

Based on expectations at each reporting date, the Company considers that it is more likely than not that no amount will be payable under the arrangement. The financial guarantees have not been recognised in the financial statements of the Group as the Directors of the Company do not consider it probable that a claim will be made against the Group under the guarantees.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

34. Financial instruments, financial risks and capital risks management (Continued)

34.3 Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Contractual maturity analysis – derivative financial instruments

The following table details the Group's and Company's maturity analysis for its derivative financial instruments. The table has been drawn up based on undiscounted gross cash inflows/(outflows) on those derivatives that require gross settlement.

	On demand or within one financial year			
	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Gross settled:				
Currency forward contracts:				
Gross inflow	148,776	–	122,413	–
Gross outflow	(148,680)	–	(122,355)	–
	96	–	58	–

(v) Fair value of financial assets and financial liabilities

For financial reporting purposes, the fair value measurement of the Group's and the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1 : Quoted prices in active markets for identical items (unadjusted)
- Level 2 : Observable direct or indirect inputs other than Level 1 inputs
- Level 3 : Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Financial instrument that are not measured at fair value on a recurring basis

The carrying amounts of cash and cash equivalents, trade and other current receivables, payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. In respect of the financial assets and financial liabilities recorded at amortised cost whose maturity is more than a year, management also considers that such financial instruments approximate their fair values.

The fair value of non-current borrowing was based on cash flow analysis, discounted at market borrowing rates of a similar instrument which management expected to be available to the Group. The borrowing is classified as Level 2.

There are no transfers between the levels of the fair value hierarchy during the financial year.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

34. Financial instruments, financial risks and capital risks management (Continued)

34.3 Financial risk management policies and objectives (Continued)

(v) Fair value of financial assets and financial liabilities (Continued)

Fair value of financial instruments carried at fair value

The fair value of currency forward contracts is determined using quoted forward currency rates at the end of the financial year. These investments are classified as Level 2.

34.4 Capital risk management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. The Group's overall strategy remains unchanged as at the end of the reporting period.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital and reserves.

Management monitors capital based on the Group's current ratio and net gearing ratio. As at 31 December 2020, the Group's current ratio and net gearing ratio were 1.07 (2019: 1.00) and 0.62 (2019: 0.06) respectively.

The current ratio is calculated as total current assets divided by total current liabilities.

The net gearing ratio is calculated as net borrowings divided by shareholders' funds. Net borrowings are calculated as total borrowings (Note 13) and lease liabilities (Note 14) less cash and bank balances (Note 5).

As disclosed in the Group's consolidated statement of changes in equity and Note 22 to the financial statements, a subsidiary is required by relevant laws and regulations of the PRC to contribute to and maintain a non-distributable PRC statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. The Group has complied with this externally imposed capital requirement.

The Group and the Company are in compliance with all other externally imposed capital requirements for the financial years ended 31 December 2020 and 31 December 2019.

As at end of each reporting period, management had assessed that the Group's cash and bank balances, together with anticipated cash flow from future operations and borrowings available under the Group's credit facilities, will be sufficient to fund its operations and capital expenditure requirements for the next 12 months.

35. Significant events and transactions

The World Health Organisation announced the Coronavirus Disease 2019 ("Covid-19") as a global health emergency on 11 March 2020. To contain the spread of Covid-19, many countries instituted lockdowns. The Government of Singapore implemented Covid-19 Circuit Breaker and Extended Circuit Breaker measures during the months of April and May 2020 and continue to implement safe management at workplaces from 2 June 2020 onwards. The Central Government of China extended the Lunar New Year public holiday nationwide and instituted lockdowns and the Government of Malaysia implemented a movement control order which resulted in interruptions in the Group's manufacturing operations. As at the date of this report, most countries have eased restrictions and the Group's factories and offices have resumed operations.

The Group has set up a specific task force to handle the situation and implemented several measures to prevent the spread of the Covid-19 at the Group's various offices and facilities. The management continues to monitor the situation closely and carries out necessary measures to minimise interruptions of the Group's operations.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

35. Significant events and transactions (Continued)

Since the outbreak of Covid-19, the Group has experienced significant disruption to its operations in the following respect:

- The temporary closure of its manufacturing plants due to the lockdown measures implemented by the local government authority;
- Disruptions in the supply of inventory from major suppliers;
- Decreased output for the Group's products as the entities within the Group are unable to deliver their products to other countries due to the lockdown measures implemented by various countries in the first half of the financial year; and
- Significant uncertainty concerning when government lockdowns will be lifted, control measures will be eased and the long-term effects of the pandemic on the demand for the Group's products.

Save for the lower revenue in the first half of the financial year arising from the above impacts, the effect from the significant events relate to the effects of the global pandemic on the Group's consolidated financial statements are summarised as follows:

(a) Rent concessions received from lessors

The Group has received rent concessions from lessors in the form of rent forgiveness (e.g. reductions in rent contractually due under the terms of lease agreements).

The Group has not elected to apply the practical expedient introduced by the amendments to SFRS(I) 16 in relation to the rent concessions and has accounted as lease modification as disclosed in Note 14 to the financial statements.

(b) Government grants

The Group received various government support programs introduced in response to the global pandemic. Included in profit or loss is \$644,000 of government grants obtained relating to supporting the payroll of the Group's employees for the financial year ended 31 December 2020. The Group has elected to present these government grants by reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program.

However, as the Covid-19 pandemic is still evolving rapidly, there is no assurance that the spread of Covid-19 will be contained in the near term and the duration of the Covid-19 pandemic and the extent of its adverse effects cannot be determined with certainty at present. As such, in the event that the containment of Covid-19 does not improve in the near term, and results in a prolonged global economic recession, this may have a protracted negative impact on economic and business activities in the countries which we operate in, as well as the countries or regions where our products are sold.

While the Group has not encountered any disease outbreak, save for Covid-19, that has had a material adverse effect on our financial position and results of operations, there is no assurance that such incidents will not occur in the future. The Group is unable to reasonably estimate the potential financial impact on the Group's business, result of the operations and cash flows for the future financial years.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

36. Events after the reporting period

Share capital

On 18 February 2021, in connection with the proposed initial public offering, the shareholder at that time approved, among others, the following:

- (a) the adoption by the Company of a new constitution;
- (b) the sub-division of each ordinary share in the capital of the Company into 40 shares (the “Share Split”);
- (c) The allotment and issue of up to 155,000,000 new shares (“Cornerstone Shares”) to the investors who will be entering into cornerstone subscription agreements with the Company. The Cornerstone Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the existing ordinary shares;
- (d) the adoption of the Aztech Employee Share Option Scheme and the authorisation of the Directors to allot and issue ordinary shares upon the exercise of the share options granted under the Employee Share Option Scheme;
- (e) the adoption of the Aztech Performance Share Plan and the authorisation of the Directors to allot and issue ordinary shares upon the vesting of share awards granted under the Aztech Employee Share Option Scheme;

On 12 March 2021, the Company successfully listed on the mainboard of the Singapore Exchange Securities Trading Limited.

In connection with the listing, the Company raised a total gross proceeds from invitation and issuance and sales of Cornerstone Shares of approximately \$297 million of which approximately \$87.2 million from invitation and approximately \$209.8 million from issuance and sale of Cornerstone Shares.

Out of the gross proceeds raised, the Company received a total consideration of \$198 million as the balance was for vendor share sales.

37. Authorisation of financial statements

The consolidated financial statements of the Group and statement of financial position of the Company as at 31 December 2020 and statement of changes in equity of the Company for the financial year ended 31 December 2020 were authorised for issue by the Directors on 6 April 2021.

Analysis of Shareholdings

As at March 29, 2021

Issued and paid-up capital	:	S\$ 213,868,000
Number of shares issued	:	773,720,000 Ordinary Shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Number of subsidiary holdings held	:	Nil
Treasury Shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	773	26.67	749,380	0.10
1,001 - 10,000	1,829	63.11	6,640,000	0.86
10,001 - 1,000,000	281	9.70	16,022,909	2.07
1,000,001 and above	15	0.52	750,307,711	96.97
Total	2,898	100.00	773,720,000	100.00

TOP TWENTY SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
1	Aztech Group Ltd.	541,720,000	70.01
2	Citibank Nominees Singapore Pte Ltd	50,261,890	6.50
3	DBS Nominees Pte Ltd	49,860,566	6.44
4	HSBC (Singapore) Nominees Pte Ltd	31,719,901	4.10
5	DBSN Services Pte Ltd	15,415,395	1.99
6	DB Nominees (Singapore) Pte Ltd	15,098,959	1.95
7	Raffles Nominees (Pte) Limited	14,246,000	1.84
8	UOB Kay Hian Pte Ltd	13,997,700	1.81
9	CGS-CIMB Securities (Singapore) Pte Ltd	3,675,400	0.48
10	HPL Investors Pte Ltd	3,400,000	0.44
11	Morgan Stanley Asia (S) Securities Pte Ltd	3,001,000	0.39
12	Phillip Securities Pte Ltd	2,429,200	0.31
13	Starich Investments Pte Ltd	2,000,000	0.26
14	BPSS Nominees Singapore (Pte.) Ltd.	1,847,600	0.24
15	Maybank Kim Eng Securities Pte. Ltd	1,634,100	0.21
16	Chua Cheng Ann	1,000,000	0.13
17	OCBC Securities Private Ltd	596,800	0.08
18	Goh Guan Siong (Wu Yuanxiang)	500,000	0.07
19	Seow Kui Lim	500,000	0.07
20	United Overseas Bank Nominees Pte Ltd	452,400	0.05
	Total	753,356,911	97.37

Analysis of Shareholdings

As at March 29, 2021

SUBSTANTIAL SHAREHOLDERS

	NO. OF SHARES	
	DIRECT INTEREST	DEEMED INTEREST
AZTECH GROUP LTD. ⁽¹⁾	541,720,000	0
AVS INVESTMENTS PTE. LTD. ⁽²⁾	0	541,720,000
MUN HONG YEW ⁽³⁾	0	541,720,000

Notes:

- (1) Aztech Group Ltd. ("AGRP") is directly interested in 541,720,000 shares in the Company.
- (2) AVS Investments Pte. Ltd. ("AVSI") holds approximately 84.09% of the issued and paid up share capital of AGRP. Accordingly, AVSI is deemed to have an interest in all of AGRP's shareholding in the Company.
- (3) Mr Mun Hong Yew is the sole shareholder of AVSI, which in turn holds approximately 84.09% of the issued and paid up share capital of AGRP. Accordingly, Mr Mun Hong Yew is deemed to have an interest in all of AGRP's shareholding in the Company. Mr Mun Hong Yew is also a director of both AGRP and AVSI.

SHAREHOLDINGS HELD BY PUBLIC

Based on the information available to the Company as at 29 March 2021, approximately 29.99% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the SGX-ST is complied with.

Notice of Annual General Meeting

This Notice has been made available on SGXNET and the Company's website and may be accessed at the URL <https://www.aztechglobal.com/agm>. A printed copy of this Notice will NOT be despatched to members.

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of **AZTECH GLOBAL LTD.** (the "Company") will be convened and held by way of electronic means on **Friday, 30 April 2021 at 10.00 a.m. (Singapore time)**, for the following businesses:

AS ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Audited Financial Statements for the financial year ended 31 December 2020 together with the Directors' Statement and Auditors' Report thereon. **[Resolution 1]**
2. To declare a final one-tier tax exempt dividend of S\$0.02 per ordinary share for the financial year ended 31 December 2020. **[Resolution 2]**
3. To approve Directors' fees of S\$218,222.21 for the financial year ending 31 December 2021. **[Resolution 3]**
4. To re-elect Mr Mun Weng Hung, retiring pursuant to regulation 97 of the Company's constitution (the "Constitution"), and who, being eligible, will offer himself for re-election. **[Resolution 4]**
5. To re-elect Mr Tan Teik Seng, retiring pursuant to regulation 96 of the Constitution, and who, being eligible, will offer himself for re-election. **[Resolution 5]**
6. To re-elect Mr Tan Jwee Meng, retiring pursuant to regulation 96 of the Constitution, and who, being eligible, will offer himself for re-election. **[Resolution 6]**
7. To re-elect Mr Huang Junli Christopher, retiring pursuant to regulation 96 of the Constitution, and who, being eligible, will offer himself for re-election. **[Resolution 7]**
8. To re-appoint Messrs BDO LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 8]**
9. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:

10. Authority to allot and issue shares

"That pursuant to Section 161 of the Companies Act (Cap. 50 of Singapore) and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors to:

- (a) (i) issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; 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 was in force,

Notice of Annual General Meeting

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) shall not exceed fifty per cent. (50%) of the total number of issued Shares excluding treasury Shares (as calculated in accordance with paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent. (20%) of the total number of issued Shares excluding treasury Shares (as calculated in accordance with 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 paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares excluding treasury Shares 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 were issued and are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue or 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 of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue 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.”

[Resolution 9]

11. **Authority to grant Options and to allot and issue Shares in accordance with the Aztech Employee Share Option Scheme (“Aztech ESOS”)**

“That pursuant to Section 161 of the Companies Act and the Listing Manual of the SGX-ST, approval be and is hereby given to the Directors of the Company to:

- (a) offer and grant Options in accordance with the provisions of the Aztech ESOS; and
- (b) allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the exercise of the Options under the Aztech ESOS,

provided that the aggregate number of Shares to be allotted and issued pursuant to the Aztech ESOS on any date, when aggregated with the number of Shares over which options or awards are granted under any other share option schemes or share schemes of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued Shares (excluding Shares held by the Company as treasury shares) on the day immediately preceding the date on which the Option is granted.”

[Resolution 10]

Notice of Annual General Meeting

12. Authority to grant Awards and to allot and issue Shares under the Aztech Performance Share Plan (“Aztech PSP”)

“That pursuant to Section 161 of the Companies Act and the Listing Manual of the SGX-ST, approval be and is hereby given to the Directors of the Company to:

- (a) grant Awards in accordance with the provisions of Aztech PSP; and
- (b) allot and issue from time to time such number of fully paid-up Shares as may be required to be delivered pursuant to the release of the Awards under the Aztech PSP,

provided that the aggregate number of Shares to be allotted and issued pursuant to the release of the Awards under the Aztech PSP on any date, when aggregated with the number of Shares over which options or awards are granted under any other share option schemes or share schemes of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued Shares of the Company (excluding Shares held by the Company as treasury shares) on the day immediately preceding the date on which the Award is granted.” **[Resolution 11]**

13. Authority to allot and issue Shares pursuant to the Aztech Scrip Dividend Scheme

“That pursuant to Section 161 of the Companies Act and the Listing Manual of the SGX-ST, approval be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares in the Company as may be required to be allotted and issued pursuant to the Aztech Scrip Dividend Scheme.”

[Resolution 12]

By Order of the Board

Ms Pavani Nagarajah
Company Secretary
15 April 2021
Singapore

Explanatory Notes:

a. Ordinary Resolution 3

Ordinary Resolution 3, if passed, will facilitate payment of the Directors’ fees for the financial year ending 31 December 2021. The Directors’ fees for Mr Mun Hong Yew, Mr Mun Weng Hung, Mr Tan Teik Seng, Mr Tan Jwee Meng and Mr Huang Junli Christopher will be paid in four (4) installments on a quarterly basis, within 30 days of the end of each quarter, with the payment for the first quarter of the year to be paid within 30 days of the receipt of approval of the members at the forthcoming Annual General Meeting. The aggregate amount of Directors’ fees for the said Directors is calculated on the assumption that: (a) Mr Mun Hong Yew and Mr Mun Weng Hung will hold office for the whole of the financial year ending 31 December 2021; and (b) Mr Tan Teik Seng, Mr Tan Jwee Meng and Mr Huang Junli Christopher will each hold office for the period from 19 February 2021 to 31 December 2021.

b. Ordinary Resolutions 4, 5, 6 and 7

Mr Mun Weng Hung will, upon re-election, remain as an Executive Director of the Company.

Mr Tan Teik Seng shall, upon re-election as a Director of the Company, remain the Lead Independent Director, the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

Mr Tan Jwee Meng shall, upon re-election as a Director of the Company, remain as an Independent Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

Mr Huang Junli Christopher shall, upon re-election as a Director of the Company, remain as an Independent Director, the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

The profiles of Mr Mun Weng Hung, Mr Tan Teik Seng, Mr Tan Jwee Meng and Mr Huang Junli Christopher can be found in the “Board of Directors” section of the Company’s Annual Report 2020 and the additional information required by Rule 720(6) of the Listing Manual of the SGX-ST is provided in the “Additional Information on Directors Seeking Re-election” section of the Company’s Annual Report 2020.

Notice of Annual General Meeting

c. Ordinary Resolution 9

Ordinary Resolution 9, if passed, will empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding fifty per cent. (50%), of which up to twenty per cent. (20%) may be issued other than on a pro rata basis to shareholders, of the issued shares (excluding treasury shares) in the capital of the Company. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Ordinary Resolution 8 is passed, after adjusting for (a) 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 that Ordinary Resolution 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision or shares. This authority will, unless revoked or varied at a general meeting, expire at the next annual general meeting of the Company, or by the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

d. Ordinary Resolution 10

Ordinary Resolution 10, if passed, will empower the Directors to offer and grant Options under the Aztech ESOS and to allot and issue new ordinary Shares in the capital of the Company upon the exercise of such Options in accordance with the Aztech ESOS as may be modified by the Committee from time to time, provided that the aggregate number of Shares to be allotted and issued pursuant to the Aztech ESOS and any other share option schemes or share schemes of the Company shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding Shares held by the Company as treasury shares) on the day immediately preceding the date on which an offer to grant an Option is made.

e. Ordinary Resolution 11

Ordinary Resolution 11, if passed, will empower the Directors to grant Awards and to issue and allot Shares pursuant to the Aztech PSP. The grant of Awards under the Aztech PSP will be made in accordance with the provisions of the Aztech PSP. The aggregate number of Shares which may be issued pursuant to the Aztech PSP and any other share option schemes or share schemes of the Company shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding Shares held by the Company as treasury shares) on the day immediately preceding the date on which the Award is granted.

f. Ordinary Resolution 12

Ordinary Resolution 12, if passed, will authorise the Directors to allot and issue shares of the Company pursuant to the Aztech Scrip Dividend Scheme ("Scrip Dividend Scheme") to participating shareholders who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount, in whole or in part, of that qualifying dividend.

On 30 March 2021, the Company announced the adoption of the Scrip Dividend Scheme. The terms and conditions of the Scrip Dividend Scheme are set out in the Scrip Dividend Scheme Statement appended to the Company's announcement dated 30 March 2021 entitled "Adoption of Scrip Dividend Scheme and Application of Scrip Dividend Scheme to FY2020 Final Dividend" which is available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

Notes:

- (i) The Annual General Meeting ("AGM") will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM will not be sent to members. Instead, this Notice of AGM will be sent to members by electronic means via publication on the Company's website at <https://www.aztechglobal.com/agm>, and will also be made available on the SGXNet's website at www.sgx.com/securities/company-announcements.
- (ii) **Due to the current COVID-19 situation and the related elevated safe distancing measures in Singapore, a member will not be able to attend the AGM in person.** Details on the alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" webcast or "live" audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to or at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Company's notice dated 15 April 2021 titled "Important Notice to Shareholders in relation to the Company's Annual General Meeting on 30 April 2021" ("**Notice to Shareholders**"). For the avoidance of doubt, the Notice to Shareholders is circulated together with and forms part of this Notice of AGM in respect of the AGM. Shareholders may participate at the AGM by taking note of the steps set out in the Notice to Shareholders.
- (iii) Shareholders who wish to participate at the AGM by watching the AGM proceedings via "live" webcast must pre-register at <https://www.aztechglobal.com/agm> no later than **10.00 a.m. on 27 April 2021** to enable the Company to verify their status as shareholders. The Company may switch to a "live" audio-only stream, in the event that the Company is unable, for any reason, to conduct a "live" webcast.

Notice of Annual General Meeting

- (iv) If shareholders have any questions in relation to any of the resolutions tabled for approval at the AGM, shareholders may send their queries in advance of the AGM, by **10.00 a.m. on 26 April 2021**, via electronic mail to the Company's corporate secretarial team at agm@aztech.com, or by post to 31 Ubi Road 1, #01-05, Singapore 408694. The Company will endeavour to address substantial and relevant queries from shareholders either prior to or at the AGM. Please note that the Company is unable to take on questions at the AGM during the "live" webcast, and therefore it is important for shareholders to submit their queries in advance of the AGM.
- (v) A member (whether individual or corporate) that wishes to exercise his/her/its voting rights at the AGM must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. The Chairman of the AGM, as proxy, need not be a member of the Company. The proxy form is available on the Company's website at <https://www.aztechglobal.com/agm> and on SGXNet's website at www.sgx.com/securities/company-announcements. Printed copies of the proxy form will not be sent to members.
- (vi) The proxy form appointing the Chairman of the AGM as the proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must be:
 - (a) if sent personally or by post, deposited with: Aztech Global Ltd., c/o B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building, Singapore 048544; or
 - (b) if submitted by electronic mail, received by the Company at agm@aztech.com,

in either case, by **10.00 a.m. on 27 April 2021**, being seventy-two (72) hours before the time of the AGM, and in default, the instrument of proxy shall be treated as invalid.

In view of the current COVID-19 situation and the related elevated safe distancing measures in Singapore, it may be difficult for members to submit completed proxy forms by post and for the Company to process completed proxy forms which are submitted by post. There may also be delays in the delivery of completed proxy forms which are submitted by post. **Therefore, members are strongly encouraged to submit duly completed proxy forms electronically via electronic mail.** If a member elects to submit duly completed proxy forms electronically via electronic mail, all subsequent correspondence with the Company in relation to the AGM shall be conducted via electronic mail, and sent to the same electronic mail address from which the proxy forms were submitted.

- (vii) The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointer or of his attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the proxy form is executed by an attorney on behalf of the appointer, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
- (viii) Persons who hold shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act (Cap. 50 of Singapore)), other than Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") investors, and who wish to participate in the AGM by (a) observing and/or listening to the AGM proceedings through the live webcast; (b) submitting questions in advance of the AGM; and/or (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the AGM, should contact the relevant intermediary through which they hold such shares as soon as possible in order to make the necessary arrangements for them to participate in the AGM.
- (ix) In addition, CPF and SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **10.00 a.m. on 21 April 2021**, being seven (7) working days before the date of the AGM.
- (x) The Annual Report 2020, Notice of AGM and proxy form for the AGM will be disseminated to shareholders solely by electronic means via publication on the Company's corporate website at <https://www.aztechglobal.com/agm> and will also be made available on SGXNet's website at www.sgx.com/securities/company-announcements. Printed copies of these documents will not be sent to shareholders.

Personal data privacy:

By submitting an instrument appointing the Chairman of the AGM as the proxy to attend, speak and vote at the AGM and/or any adjournment thereof (whether by hand, post or electronic mail), 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 or service providers) for the purposes of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, 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 or service providers), 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 or service providers) 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.

Notice of Annual General Meeting

IMPORTANT NOTICE TO SHAREHOLDERS IN RELATION TO THE COMPANY'S ANNUAL GENERAL MEETING ON 30 APRIL 2021

- NO ATTENDANCE IN PERSON AT ANNUAL GENERAL MEETING
- ALTERNATIVE ARRANGEMENTS TO PARTICIPATE AT ANNUAL GENERAL MEETING

1. Background

The Board of Directors (the “**Board**” or “**Directors**”) of Aztech Global Ltd. (the “**Company**”) refers to:

- (a) the COVID-19 (Temporary Measures) Act 2020 (the “**Act**”) passed by Parliament on 7 April 2020 which enables the Minister for Law by order to prescribe alternative arrangements for listed companies in Singapore to, *inter alia*, conduct general meetings, either wholly or partly, by electronic communication, video conferencing, tele-conferencing or other electronic means;
- (b) the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the “**Order**”) which was gazetted on 13 April 2020 and is deemed to have come into operation on 27 March 2020, and which sets out the alternative arrangements in respect of, *inter alia*, general meetings of companies;
- (c) the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) (Amendment No. 3) Order 2020 which extended the application of alternative arrangements in respect of, *inter alia*, general meetings of companies in the Order up to 30 June 2021; and
- (d) the Joint Statement by the Accounting and Corporate Regulatory Authority (“**ACRA**”), Monetary Authority of Singapore and Singapore Exchange Regulation, which was issued on 13 April 2020 (and subsequently updated on 27 April 2020, 22 June 2020 and 1 October 2020), which provided additional guidance on the conduct of general meetings during the period when elevated safe distancing measures in Singapore are in place.

2. Date of Annual General Meeting (“**AGM**”)

The Directors wish to inform Shareholders that the Company has today issued the Notice of Annual General Meeting dated 15 April 2021 (“**Notice of AGM**”) in respect of the annual general meeting of the Company in respect of the financial year ended 31 December 2020 (the “**AGM**”). The AGM will be convened and held by way of electronic means on **Friday, 30 April 2021 at 10.00 a.m.** (Singapore time).

3. Annual Report, Notice of AGM and Proxy Form

The Annual Report 2020, Notice of AGM and proxy form for the AGM will be disseminated to Shareholders solely by electronic means via publication on the Company’s corporate website at <https://www.aztechglobal.com/agm> and will also be made available on SGXNet’s website at www.sgx.com/securities/company-announcements. **Printed copies of these documents will not be sent to Shareholders.**

Shareholders are advised to read the Notice of AGM carefully in order to decide whether they should vote in favour of or against the ordinary resolutions, or to abstain from voting on the ordinary resolutions, to be tabled at the AGM.

Notice of Annual General Meeting

4. No Attendance In Person At AGM

Due to the COVID-19 outbreak and elevated safe distancing measures in Singapore, Shareholders will not be allowed to attend the AGM in person. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the AGM by (a) watching the AGM proceedings via “live” webcast; (b) submitting questions in advance of the AGM; and/or (c) voting by proxy at the AGM. Please see paragraph 5 below for these alternative arrangements.

5. Alternative Arrangements

The following are the alternative arrangements which have been put in place for the AGM:

(a) *Registration for “live” Webcast*

Shareholders who wish to participate at the AGM by watching the AGM proceedings via “live” webcast must pre-register at <https://www.aztechglobal.com/agm> **no later than 10.00 a.m. on 27 April 2021** to enable the Company to verify their status as shareholders. The Company may switch to a “live” audio-only stream, in the event that the Company is unable, for any reason, to conduct a “live” webcast.

Following the verification, verified Shareholders will receive an electronic mail by **10.00 a.m. on 29 April 2021**, which will contain user ID and password details, as well as the link to access the “live” webcast (the “**Confirmation Email**”). Shareholders who do not receive the Confirmation Email by **10.00 a.m. on 29 April 2021** but have registered by **10.00 a.m. on 27 April 2021** should contact the Company’s corporate secretarial team at +65 6594 2184.

(b) *Shareholders’ Queries and Answers (Q&A)*

Shareholders are to note that they will not be able to ask questions during the “live” webcast.

Shareholders may submit questions in relation to any of the resolutions tabled for approval at the AGM, in the manner set out below.

If Shareholders have any questions in relation to any of the resolutions tabled for approval at the AGM, Shareholders may send their queries in advance of the AGM, **by 10.00 a.m. on 26 April 2021**, via electronic mail to the Company’s corporate secretarial team at agm@aztech.com, or by post to 31 Ubi Road 1, #01-05, Singapore 408694. When sending questions, Shareholders should provide their full name (as per the Company’s share registrar’s, BACS Private Limited’s, records) and the last 4 alpha-numeric digits of their NRIC/Passport No., or, if the Shareholder is a corporation, its registration number, for verification. Please note that the Company will not be able to answer questions from persons who provide insufficient details to enable the Company to verify his/her/its shareholder status. Shareholders may also provide their contact number and electronic mail address, which will help the Company to reach out more easily if clarification is required.

The Company will endeavour to address substantial and relevant queries from Shareholders either prior to or at the AGM. Please note that the Company is unable to take on questions at the AGM during the “live” webcast, and therefore it is important for Shareholders to submit their queries in advance of the AGM. Answers to substantial and relevant queries will be uploaded on the Company’s website at <https://www.aztechglobal.com/agm> and will also be made available on the SGXNet’s website at www.sgx.com/securities/company-announcements.

Notice of Annual General Meeting

(c) *Proxy Voting*

There will be no live or online voting on the resolutions to be tabled for approval at the AGM. Instead, Shareholders who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the AGM as their proxy by completing the proxy form attached to the Notice of AGM.

A Shareholder (whether individual or corporate) who wishes to appoint the Chairman of the Meeting as his/her/its proxy must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

The completed and signed proxy form, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must be:

- (i) If sent personally or by post, deposited with: Aztech Global Ltd., c/o B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building, Singapore 048544; or
- (ii) If submitted by electronic mail, received by the Company at agm@aztech.com,

in either case, by **10.00 a.m.** on **27 April 2021**, being **seventy-two (72) hours before the time appointed for holding the AGM**, and in default, the proxy form shall be treated as invalid.

In view of the current COVID-19 situation and the related elevated safe distancing measures in Singapore, it may be difficult for members to submit completed proxy forms by post and for the Company to process completed proxy forms which are submitted by post. There may also be delays in the delivery of completed proxy forms which are submitted by post. Therefore, members are strongly encouraged to submit completed proxy forms electronically via electronic mail. If a member elects to submit duly completed proxy forms electronically via electronic mail, all subsequent correspondence with the Company in relation to the AGM shall be conducted via electronic mail, and sent to the same electronic mail address from which the proxy forms were submitted.

Important reminder: The Company would like to remind Shareholders that due to the constantly evolving COVID-19 situation, the Company will be closely monitoring the situation and reserve the right to change its AGM arrangements at short notice. Shareholders should check the Company's website at <https://www.aztechglobal.com/agm> for the latest updates on the AGM.

The Company would like to thank all Shareholders for their patience and co-operation in enabling the Company to hold its AGM with the optimum safe distancing measures amidst the current COVID-19 pandemic.

By Order of the Board

Ms Pavani Nagarajah
Company Secretary
15 April 2021
Singapore

AZTECH GLOBAL LTD.

Company Registration No. 200909384G
(Incorporated in the Republic of Singapore)

PROXY FORM ANNUAL GENERAL MEETING

IMPORTANT

- The AGM (as defined below) is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM dated 15 April 2021 will not be sent to members. Instead, the Notice of AGM will be sent to members by electronic means via publication on the Company's website at <https://www.aztechglobal.com/agm>, and will also be made available on the SGXNet's website at www.sgx.com/securities/company-announcements.
- Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live webcast), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions prior to or at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Notice of AGM and the Company's announcement dated 15 April 2021 titled "Important Notice to Shareholders in relation to the Company's Annual General Meeting on 30 April 2021".
- Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.**
- If a CPF or SRS investor wishes to appoint the Chairman of the Meeting as proxy, he/she should approach his/her respective CPF Agent Banks or SRS Operators to submit his/her votes by **10.00 a.m. on 21 April 2021**, being seven (7) working days before the date of the AGM. This proxy form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM**

Personal Data Privacy

By submitting an instrument appointing the Chairman of the AGM as a proxy, a member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 15 April 2021.

*I/We, _____ (Name) *NRIC/Passport/Co. Reg. No. _____

of _____ (address)

being a *member/members of AZTECH GLOBAL LTD. ("**Company**"), hereby appoint the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our proxy to attend and vote for me/us on my/our behalf at the AGM of the Company to be convened and held by way of electronic means on **Friday, 30 April 2021 at 10.00 a.m.** and at any adjournment thereof.

*I/We direct the Chairman of the AGM as proxy to vote for, or against or to abstain from voting on the Resolutions set out in the Notice of AGM dated 15 April 2021 in accordance with my/our directions specified hereunder. If no specific direction as to voting is given in respect of a resolution, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

Please indicate your vote "For" or "Against" or "Abstain" with an "X" within the box provided if you wish to exercise all your votes. Alternatively, please indicate the number of votes as appropriate.

No.	Resolution	For	Against	Abstain
Ordinary Business				
1.	To adopt the Audited Financial Statements for FY2020 together with the Directors' Statement and Auditors' Report thereon			
2.	To declare a final one-tier tax exempt dividend of S\$0.02 per share for FY2020			
3.	To approve Directors' fees for FY2021			
4.	To re-elect Mr Mun Weng Hung as Director			
5.	To re-elect Mr Tan Teik Seng as Director			
6.	To re-elect Mr Tan Jwee Meng as Director			
7.	To re-elect Mr Huang Junli Christopher as Director			
8.	To re-appoint BDO LLP as auditors of the Company and to authorise the Directors to fix their remuneration			
Special Business				
9.	To authorise Directors to allot and issue Shares			
10.	To authorise Directors to grant options and issue shares under the Aztech Employee Share Option Scheme			
11.	To authorise Directors to grant awards and issue shares under the Aztech Performance Share Plan			
12.	To authorise the Directors to allot and issue shares pursuant to the Aztech Scrip Dividend Scheme			

Dated this _____ day of _____ 2021

Total Number of Shares held: _____

Signature(s) of Member(s) or Common Seal of
Corporate Shareholder

* Please delete accordingly

IMPORTANT: PLEASE READ THE NOTES OVERLEAF



Notes:

1. Due to the current COVID-19 situation and the related elevated safe distancing measures in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. A member (whether individual or corporate) appointing the Chairman of the AGM as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the instrument of proxy, failing which the appointment will be treated as invalid.
2. The Chairman of the AGM, as proxy, need not be a member of the Company.
3. If the member has Shares entered against his/her/its name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he/she/it should insert that number of Shares. If the member has Shares registered in his/her/its name in the Register of Members, he/she/it should insert that number of Shares. If the member has Shares entered against his/her/its name in the Depository Register and Shares registered in his/her/its name in the Register of Members, he/she/it should insert the number of Shares entered against his/her/its name in the Depository Register and registered in his/her/its name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by the member..
4. The instrument appointing the Chairman of the AGM as a proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must be:
 - (a) If sent personally or by post, deposited with: Aztech Global Ltd., c/o B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building, Singapore 048544; or
 - (b) If submitted by electronic mail, received by the Company at agm@aztech.com,

in either case, by **10.00 a.m. on 27 April 2021**, being 72 hours before the time set for the AGM, and in default, the instrument of proxy shall be treated as invalid.

In view of the current COVID-19 situation and the related elevated safe distancing measures in Singapore, it may be difficult for members to submit completed proxy forms by post and for the Company to process completed proxy forms which are submitted by post. There may also be delays in the delivery of completed proxy forms which are submitted by post. Therefore, members are strongly encouraged to submit completed proxy forms electronically via electronic mail. If a member elects to submit duly completed proxy forms electronically via electronic mail, all subsequent correspondence with the Company in relation to the AGM shall be conducted via electronic mail, and sent to the same electronic mail address from which the proxy forms were submitted.

5. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or by his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a shareholder of the Company may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting.
8. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as a proxy, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing the Chairman of the AGM as a proxy. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
9. Shareholders, who would have been appointed as proxies by relevant intermediaries* under Section 181(1C) of the Companies Act, including CPF investors, should approach their respective agents, such as CPF Agent Banks, to submit their questions in relation to any resolution set out in the Notice of AGM prior to the AGM. *A **"relevant intermediary"** has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 of Singapore.

Corporate Information

Directors

Mr. Michael Mun (Executive Chairman and CEO)

Mr. Jeremy Mun (Executive Director and COO)

Mr. Tan Teik Seng (Lead Independent Director)

Mr. Larry Tan (Independent Director)

Mr. Christopher Huang (Independent Director)

Audit Committee

Mr. Tan Teik Seng (Chairman)

Mr. Larry Tan

Mr. Christopher Huang

Nominating Committee

Mr. Christopher Huang (Chairman)

Mr. Tan Teik Seng

Mr. Larry Tan

Remuneration Committee

Mr. Larry Tan (Chairman)

Mr. Tan Teik Seng

Mr. Christopher Huang

Company Secretary

Ms. Pavani Nagarajah

Auditors

BDO LLP
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

Partner-in-charge Mr. Leong Hon Mun Peter
(a practising member of the Institute of Singapore Chartered Accountants)
Date of Appointment: 21 August 2019

Registrar

B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544

Registered Office

31 Ubi Road 1 #01-05
Singapore 408694

Company Registration No.

200909384G

HEAD OFFICE

Aztech Global Ltd.

31 Ubi Road 1 #01-05
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Tel: (65) 6594 2288
Fax: (65) 6749 1198

R&D CENTRES

HQ R&D Centre

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Singapore 408694
Tel: (65) 6594 2288
Fax: (65) 6749 1198

Hong Kong R&D Centre

Room 2-6 3/F Core Building 1
No. 1, Science Park East Ave
Hong Kong Science Park, Shatin
New Territories, Hong Kong
Tel: (852) 2757 1177
Fax: (852) 2481 5919

Dong Guan R&D Centre

Jiu Jiang Shui Village, Chang Ping Town
Dong Guan City, Guang Dong
Province, China
Tel: (86) (769) 8184 9699
Fax: (86) (769) 8393 1138

Shenzhen R&D Centre

Room 1805 -06, Building B of Bojin
International, No.7 Tairan Road
Futian District Shenzhen, China
Tel: (86)(769) 8184 9699

MANUFACTURING FACILITIES

Aztech Communication Device (DG) Ltd

Jiu Jiang Shui Village, Chang Ping Town
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Province, China
Tel: (86) (769) 8184 9699
Fax: (86) (769) 8393 1138

AZ E-Lite JJS Ltd

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IOT Manufacturing Sdn Bhd

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Taman Laman Setia 81550
Gelang Patah Johor, Malaysia
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